SCOTT TECHNOLOGY LIMITED

Annual Report 2024

SCOTT

Scott service team onsite during automated lamb processing room commissioning.

CONTENTS

DIVIDEND

Final dividend: 3.0 cents per share (partially imputed)

Record date: 6 November 2024

Payment date: 20 November 2024

ANNUAL MEETING

Wednesday 20 November 2024, 3:00pm
www.virtualmeeting.co.nz/sct24

Proxies close 3:00pm,
Monday 18 November 2024

Dividend reinvestment plan applies to this payment for shareholders who have elected to receive shares in lieu of a cash dividend.

The Board of Directors (Board) of Scott Technology Limited is pleased to present this Annual Report for the year ended 31 August 2024. It provides a review of our progress in FY24 and our focus for the financial year ahead. Strong gains have been made in the Engineering Scott to High Performance Strategy, it was with confidence we extended this to 2027.

On behalf of the Board, 17 October 2024.

Stuart McLauchlan
Chairman and Independent Director

John Thorman
Director

SCOTT

FINANCIAL PERFORMANCE

Revenue for the year increased 3% on the prior year to $276m as Scott's strategy of generating more revenue from repeatable products and services delivered core revenue growth of 12% for the year. In a challenging market, the strategy has enabled measured growth while key investment across the global operations has positioned the business for market expansion.

The group margin remained in-line with prior year at 27% despite the sales mix reflecting several lower margin, high value MHL and minerals solutions and reduced volumes in protein.

This strategically driven revenue and margin approach has resulted in stable operating EBITDA of $30.2m for the period.

Net profit after tax (NPAT) of $7.7m for the period, down 50% on prior year, due to the one-off costs of $3.8m associated with the strategic review and restructuring costs as part of refining our core business areas, increased leasing costs in relation to expanding operational facilities, increased financing costs in relation to higher effective interest rates on debt and a change in tax legislation around building depreciation.

Operating cash flow of $6.0m, down from prior year, due to timing associated with a number of significant projects currently underway. Cash is due to be received in arrears compared with prior periods where a number of significant projects had received deposits in advance. Cash has also been applied to footprint expansion, targeted pre-build of equipment for FY25, enhancing infrastructure to support long-term growth and increased dividends and tax payments made in the period. This results in the Group's total net debt position of $20.1m, slightly ahead of H1 FY24 results.

In recognition of the progress made by the company, the Directors declared a (partially imputed) dividend of 3.0 cents per share, payable on 20 November 2024, to take the total full year dividend to 8.0 cents.

FOCUS ON CORE BUSINESS DELIVERS STABILITY & RESILIENCE

The Scott 2027 strategy emphasises growing sales through product areas where Scott has established world-leading technology.


Poultry trusser delivers confidence for key US customer.


Automated beef chine striploin trialled at customer site.

BladeStop T300 at Anuga FoodTec in Germany.

Materials Handling has record year and continues strong growth into global markets.

Rocklabs opens new facility, more than doubling footprint of the previous facility.

RESILIENT EBITDA

$30.2m

Strategy of generating revenue from repeatable core products and services delivers sustainable operating earnings in a challenging market.

85%

REVENUE FROM CORE

Core sector revenue grew by 12% and moved from 79% to 85% of total group revenue.

LOST TIME INJURY

ZERO

We achieved a 100% reduction in lost-time injuries (LTIs) compared to FY23, with our Lost Time Injury Frequency Rate (LTIFR) at 0.00 on 31 August 2024.

STRONG FORWARD ORDER BOOK OF

$160m

Comprising of MHL projects, continued strong minerals and protein product orders and securing additional service contracts.

FIVE-YEAR TREND

FINANCIAL	2020 $'000s	2021 $'000s	2022 $'000s	2023 $'000s	2024 $'000s
Revenue	174,582	206,030	221,757	267,526	276,125
Operating EBITDA	211	22,112	23,918	30,374	30,225
Net surplus / (loss) after tax	(16,955)	8,382	12,657	15,436	7,717
Operating cash flow	19,563	13,426	6,308	20,217	5,972
Net cash / (overdraft)	7,745	12,242	3,935	12,396	(7,325)
Bank loans	11,185	10,920	11,970	12,475	12,739
Total assets	193,110	194,504	206,888	253,054	243,980
Shareholders' equity	92,740	98,195	100,406	113,899	111,721

DIVIDENDS (CENTS PER SHARE)	2020	2021	2022	2023	2024
Interim	-	2.0	4.0	4.0	5.0
Final	-	4.0	4.0	4.0	3.0

EMPLOYEES (NUMBER)	2020	2021	2022	2023	2024
New Zealand	188	188	198	231	225
Australia	77	86	95	66	52
China	35	45	40	43	45
Americas	56	73	60	59	58
Europe	257	230	240	257	269
Total	613	622	633	656	649

GLOBAL PRESENCE

Sales and office facilities
Manufacturing facilities

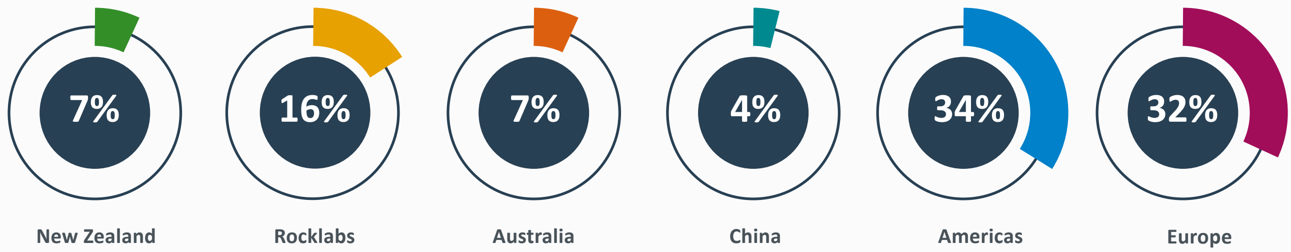
649 SCOTT EMPLOYEES

9 COUNTRIES OF OPERATION

350+ CUSTOMERS SUPPORTED

30+ REPRESENTED COUNTRIES

Revenue contribution by manufacturing sites



Authentic Customer Partnerships

Materials Handling

DANONE | essity | Microsoft
CRANSWICK plc Great British Taste | Pfizer | Clarebout Frozen Potato Products
General Mills | Poco Loco sharing more pleasure | Nestlé | MICHELIN
BRIDGESTONE | PEPSICO | LambWeston Seeing Possibilities in Potatoes

Protein

Silver Fern Farms | JBS | Alliance Farmers' Produce | Hilton Food Group plc
Lincoln Premium Poultry | Foodstuffs NZ | ANZCO Foods
Danish Crown | Alexander & Hornung | Pilgrim's | TEYS
Cargill | Walmart | Costco Wholesale

Minerals

intertek Total Quality. Assured. | Talison Lithium | Mineral Resources
BHP | SGS | Agnico Eagle | CAT
FMG Fortescue The New Force in Iron Ore | ALS | Freeport-McMoRan | Imperial
RioTinto | AngloAmerican | Newmont

Stuart McLauchlan, Chairman

LETTER FROM THE CHAIRMAN

On behalf of the Board of Directors, I am pleased to present Scott Technology's 2024 Annual Report. The success we have achieved throughout the year reflects the dedication and excellence of our employees across the globe, as well as the strength of our world-class products and technology.

In a challenging global economy, Scott has demonstrated its resilience and continued growth, a testament to the commitment of our people. Our diversified product portfolio has provided stability, while our focus on cultivating authentic customer partnerships, leveraging cutting-edge technology and maintaining operational excellence has driven growth across key markets.

> *"In a challenging global economy, Scott has demonstrated its resilience and continued growth, a testament to the commitment of our people."*
> *– Stuart McLauchlan, Chairman*

In line with our strategic focus, the Board is pleased to extend the Scott 2025 strategy through to 2027, building a robust platform for long-term sustainable growth. I also want to recognise the Board's commitment to advancing our Environmental, Social, and Governance (ESG) strategy, with a focus on carbon reduction and sustainable practices, helping Scott lead responsible business operations in an evolving global landscape.

Despite inflationary pressures and rising costs, we reported revenues of $276m, up 3%, which reflects both the strong demand for our products and the effectiveness of our strategic initiatives. These efforts have helped us preserve margins, maintain a competitive edge and deliver a stable operating EBITDA of $30.2m in line with FY23.

The safety of our employees remains our highest priority. We are proud to report significant improvements across all health and safety metrics, most notably achieving a Lost Time Injury Frequency Rate (LTIFR) of zero in FY24. This milestone reflects the high-performance safety culture embedded within Scott, and I congratulate the entire team for their dedication to this achievement.

As part of our focus on future growth, the Board continues to support significant investments in both people and infrastructure. Notable projects include the new Rocklabs facility and our strengthened presence in North America, alongside our continued investment in the professional development of our team.

From apprenticeship pathways to leadership development programmes, we've continued to invest in our people. Our commitment to these initiatives drives positive engagement across the business, which is reflected in our impressive employee engagement score of 85%, up from a strong 83% in FY23.

I am also pleased to welcome Mike Christman to the Scott team, who will assume the role of CEO starting on the 29th of October. Mike brings a wealth of experience and fresh perspective that will undoubtedly contribute to Scott's ongoing success.

DIVIDEND

The Board is committed to providing consistent returns to our shareholders, while ensuring adequate reinvestment into the business to support long-term growth. As such, we are pleased to declare a dividend of 3.0 cents per share taking the full year total to 8.0 cents for FY24, reflecting both our confidence in the company's financial strength and our focus on delivering sustainable value.

GOVERNANCE

Good governance remains at the core of Scott's success. The Board is committed to maintaining high standards of transparency, accountability and ethical practices throughout our operations. Our ESG framework continues to advance, driven by active collaboration with our Directors and key external stakeholders, ensuring our strategy effectively reflects the priorities of our broader ecosystem.

We look forward to providing further details, including our carbon reduction initiatives, in our Climate Disclosure Report on 20 November 2024.

OUTLOOK

Looking ahead, we are confident in Scott's ability to sustain its growth trajectory. The ongoing interest from our global customer base, combined with a strong order book, demonstrates the continued demand for our market-leading products and solutions.

> *"The investments we have made into the business, along with the strategic initiatives embedded in Scott 2027, position us for sustained success in FY25 and beyond."*
> *– Stuart McLauchlan, Chairman*

The investments we have made into the business, along with the strategic initiatives embedded in Scott 2027, position us for sustained success in FY25 and beyond. As global uncertainty persists, Scott will remain agile, adapting to market conditions while remaining focused on our long-term vision of being the first choice for businesses worldwide seeking smart automation and robotics solutions to enhance their operations' safety, productivity and efficiency.

In closing, I would like to extend my gratitude to the Board for its ongoing guidance and support. To our employees, thank you for your hard work and dedication – your commitment is at the heart of our success. With a clear strategy and a talented team, we look forward to another year of growth and achievement.

Stuart McLauchlan
Chairman and Independent Director

THE BOARD WELCOMES NEW CEO, MIKE CHRISTMAN

We're thrilled to announce Mike Christman, CEng MSc as the new CEO of Scott Technology Limited, starting October 2024. Mike has over 20 years of experience in automated logistics and materials handling, and he is coming to us from Vanderlande B.V., where he has been doing amazing work leading large teams and driving growth.

Our Chairman, Stuart McLauchlan, says, "Mike brings a wealth of experience and fresh perspective that will undoubtedly contribute to Scott's ongoing success."

Mike shares our excitement: "I'm honoured to join Scott and can't wait to build on its history of innovation and customer focus. We're going to do great things together!"

> *"I'm honoured to join Scott and can't wait to build on its history of innovation and customer focus. We're going to do great things together!"*
> *– Mike Christman*

Mike is a Chartered Engineer with a Master's from the University of Glasgow and is PMP Certified. Mike commences his new role on 29 October 2024.

Mike Christman, CEng MSc, incoming Chief Executive Officer

John Kippenberger, Chief Executive Officer, and Aaron Vanwalleghem, Interim Chief Executive Officer.

CHIEF EXECUTIVE OFFICERS' COMMENTARY

After a strong FY23, we are pleased to report continued steady growth in FY24, with revenue reaching $276m, up +3%. While we observed more measured growth, we remain focused on our long-term strategy and have made key investments in our global operations. By extending the award-winning Scott Strategy through to 2027, we are positioning the company for sustainable progress in the years ahead.

As we look ahead, we are strategically positioned to grow in priority markets, seize new opportunities through market expansion and fully capitalise on the prospects before us. Our stable financial performance, combined with the extension of our long-term strategy, reflects a consistent trend of growth, product innovation and market leadership.

> *"A longer-term vision will better position us to grow and lead in our markets."*
> *– John Kippenberger, CEO.*

STABILITY THROUGH ECONOMIC UNCERTAINTY

Scott has consistently demonstrated strong financial discipline and resilience in a challenging macroeconomic environment marked by inflation, rising interest rates and evolving market demands. Despite these challenges, the company has maintained a stable operating EBITDA of $30.2m. Scott's ability to balance growth with stability highlights its strength in navigating uncertainty, while continuing to invest strategically in key areas of its core business.

Our core Materials Handling & Logistics (MHL) sector achieved solid growth, with sales revenue increasing by 35%, driven by significant contract wins. Our Minerals sector also performed strongly, delivering 19% year-over-year (YOY) growth, in a market affected by decreasing processing volumes. Although the Protein sector saw a dip of -21% YOY compared to the record-setting FY23, it continues to demonstrate strong long-term growth, bolstered by the implementation of the Scott 2025 strategy. These financial results underscore our resilience and reinforce Scott's ability to remain stable, while successfully navigating shifting economic landscapes.

SERVICE AS A STRATEGIC ADVANTAGE

Our Service & Aftermarket business is a key pillar of Scott's long-term strategy, consistently adding value for both our customers and shareholders. By ensuring the efficiency and reliability of our specialised equipment, we empower customers' enhanced business resilience through top-tier technical support and proactive maintenance. This ensures greater operational continuity and reliability for our customers, while also generating a robust, recurring revenue stream for the company.

This side of the business now makes up 28% of our total revenue, reflecting impressive growth thanks to our expanding installed product base and customers increasingly relying on our expert technicians to support their own maintenance teams. Additionally, our consumables business consistently generates steady, recurring income, making the aftermarket segment a vital part of Scott's overall success. By positioning Scott as a long-term partner, we're helping customers boost performance, enhance safety initiatives and drive further product development.

> *"Our strategic focus on growing the service and aftermarket business has not only diversified our revenue but also strengthened relationships with key customers."*
> *– Aaron Vanwalleghem, Interim CEO.*

UNLOCKING NEW MARKETS THROUGH PRODUCTISATION

Transitioning from bespoke engineering to scalable products has been transformative for Scott, enhancing operational efficiency and unlocking new market opportunities.

The launch of products like BladeStop T300 has allowed Scott to expand its reach, targeting mid-small meat processors in the retail sector. Furthermore, this year's adoption of BladeStop products by two premium German car manufacturers highlights its significant potential in the industrial market.

In the minerals sector, our Automated Modular Solutions (AMS) are poised to drive future growth as global mining companies and commercial laboratories increasingly seek automation to enhance productivity, improve health and safety and address labour challenges in remote locations. Also adding to our product pipeline, the MHL team has been busy finalising the development of our new modular Automated Guided Vehicle (AGV) offering that can be easily tailored to meet customer needs.

LEADING IN INNOVATION

Executives review NexBot modular AGV prototype

> *"Our partnerships with large globally recognised companies are a testament to the strength of our technology and the significant value we bring to their businesses."*
> *– Aaron Vanwalleghem, Interim CEO.*

Automation is a key driver of efficiency which is fundamental to sustainability. Scott is committed to delivering energy-efficient, environmentally friendly solutions that maximise yield, reduce waste and, ultimately, lower carbon footprints across the industries in which we operate.

We have partnered with Caterpillar to integrate our proprietary Robofuel technology into the battery charging process for their large electric mining trucks. This innovative Automated Energy Transfer System (AETS) will be pivotal in facilitating the transition to electric mining vehicles and significantly accelerating carbon emission reductions across mining operations.

Building on this commitment, we've also made significant progress in mapping out our own Greenhouse Gas Emissions for FY23 and FY24. This groundwork has enabled us to set Scope 1 and Scope 2 reduction targets. We look forward to sharing these results, along with our broader carbon reduction strategy, in our Climate Disclosure Report on 20 November 2024.

TRUSTED BY LEADING GLOBAL COMPANIES

Scott is proud to deliver its world-leading technology across all three of our core sectors, as well as in broader business areas, like appliances, to a range of high-profile blue-chip customers.

In the protein sector, US wholesale giant Costco has recently installed its third poultry trusser, showcasing our growing involvement in its operations. MHL secured major contracts with global food leader Danone, Agristo and Cranswick Country Foods, while also expanding our footprint in North America with a leading potato processor. On the minerals side, we continue to see repeat business from top-tier companies like Rio Tinto, SGS and MRL. Additionally, our China team has strengthened its long-standing partnership with Midea by securing two new production lines in the appliance industry.

These industry leaders trust Scott to deliver innovative solutions that enhance efficiency, reliability and performance. Our partnerships with large globally recognised companies are a testament to the strength of our technology and the significant value we bring to their businesses.

INNOVATION, GROWTH AND FUTURE OPPORTUNITIES

As we look to the future, Scott is firmly positioned to continue leading through innovation, agility and a strong commitment to our people. Our achievements in FY24 demonstrate not only our financial strength but also the depth of our strategic foresight as we extend our vision through 2027.

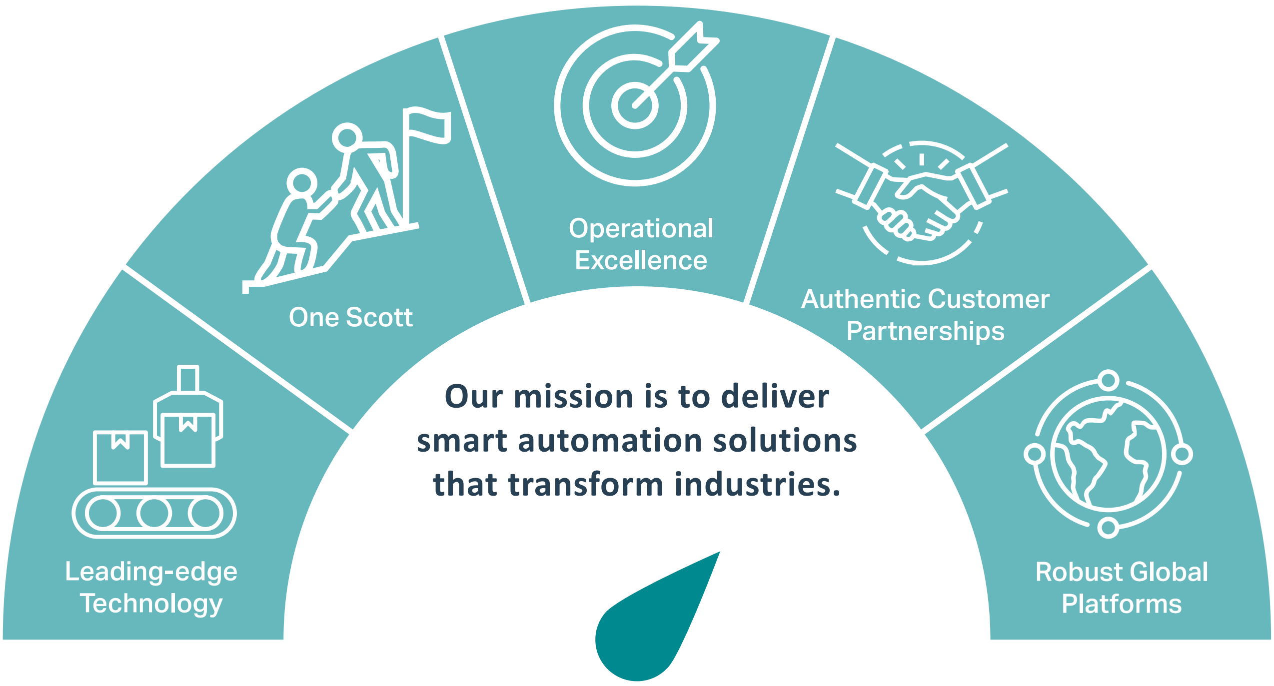
By investing in scalable solutions, sustainability and market expansion, we are laying the groundwork for continued growth. With a focus on empowering our teams and staying ahead of industry trends, Scott is well equipped to seize new opportunities and navigate the evolving global landscape.

The future holds immense potential, and we are confident in our ability to deliver transformative technology that benefits both our customers and the ecosystems we operate within.

John Kippenberger
Chief Executive Officer
(Stepped down 31 August 2024)

Aaron Vanwalleghem
Interim Chief Executive Officer and President of Europe & North America

Rocklabs AMS Prep Line, automated dosing and fluxing (ADF) module.



STRATEGY UPDATE & OUTLOOK

EXTENDING OUR STRATEGIC HORIZON INTO 2027

Scott's commitment to the Engineering Scott to High Performance 2020 - 2025 Strategy, which has driven sustainable growth and leadership across core sectors, has led to the extension of the strategy through 2027.

"We are increasingly engaging with our customers to address their current and future operational needs. Our customers are global leaders within their sectors and being an integral part of their capital and investment planning over the next five to seven years is an absolute privilege," says CEO John Kippenberger.

"The Scott 2025 strategy remains highly relevant to the world we operate in today. The growth opportunities within our target sectors are still attractive and attainable. It made perfect sense for the Board and Executive team to extend the strategic horizon while maintaining our purpose and direction."

> *"It made perfect sense for the Board and Executive team to extend the strategic horizon while maintaining our purpose and direction."*
>
> *– John Kippenberger, CEO*

MILESTONES AND MARKET LEADERSHIP

Since adopting the current strategy, Scott has achieved significant milestones, reinforcing its capabilities and vision. A notable achievement has been the transition from bespoke engineering systems to productisation, which has been fundamental in solidifying its market position. By packaging industry-leading technology into scalable products where there is a large addressable market, Scott has opened new avenues for growth, capturing a broader market and expanding with current customers.

The integration of widespread global divisions under the One Scott strategy has fostered a unified culture, enabling the company to harness the strengths of diverse markets, while respecting the unique identities of its global teams.

"Through One Scott, we embraced regional cultures and histories instead of reshaping them. The strategy emphasised desired behaviours, while allowing teams to maintain their unique identities, reflecting their people, history and values. This approach has empowered us to drive a cohesive mission focused on shared values and collaborative success," says Kippenberger. "Continuing to foster a diverse and inclusive workforce will remain paramount to our future success."

"I also want to highlight the remarkable strides our teams have made in health and safety, improving organisational wellbeing and creating an inclusive environment where, as our eNPS surveys show, our employees feel engaged and valued. This commitment to health and safety has enhanced our organisational culture, serving as a strong motivator for customers and stakeholders," concludes Kippenberger.

> *"This commitment to health and safety has enhanced our organisational culture, serving as a strong motivator for customers and stakeholders,"*
> *– John Kippenberger, CEO*

CHARTING THE COURSE INTO 2027

As Scott extends its strategy to 2027, several strategic initiatives will guide its path forward:

Enhanced Productisation and Modularisation

Scott will refine product development, focusing on high-demand solutions like BladeStop, poultry trussing and the minerals range. By modularising its innovations, such as Rocklabs' AMS, the AGV fleet and its red meat processing portfolio, Scott will improve serviceability, sustainability and customer engagement, while reducing engineering time, project risk and strengthening its reputation as an innovative partner.

Sustainability Leadership

Scott will prioritise innovations that enhance energy efficiency and yield, reducing both its own and its customers' environmental impact. Established partnerships with industry leaders will enable Scott to steer the course towards a sustainable future in various sectors, including mining, logistics and food production.

Data-driven Automation

Scott is continuously integrating data-driven automation into its workflows to boost efficiency and enhance product offerings. This includes solutions such as Machine Learning for accurate lamb processing, Maestro+ for warehouse optimisation and management, BladeStop Connect for real-time system monitoring, and Remote Diagnostics for proactive maintenance through data-driven analysis. Additionally, SLAM (Simultaneous Localisation and Mapping) systems enhance the navigation capabilities for AGVs, enabling reliable and efficient autonomous operations.

BladeStop saws ready for shipment.

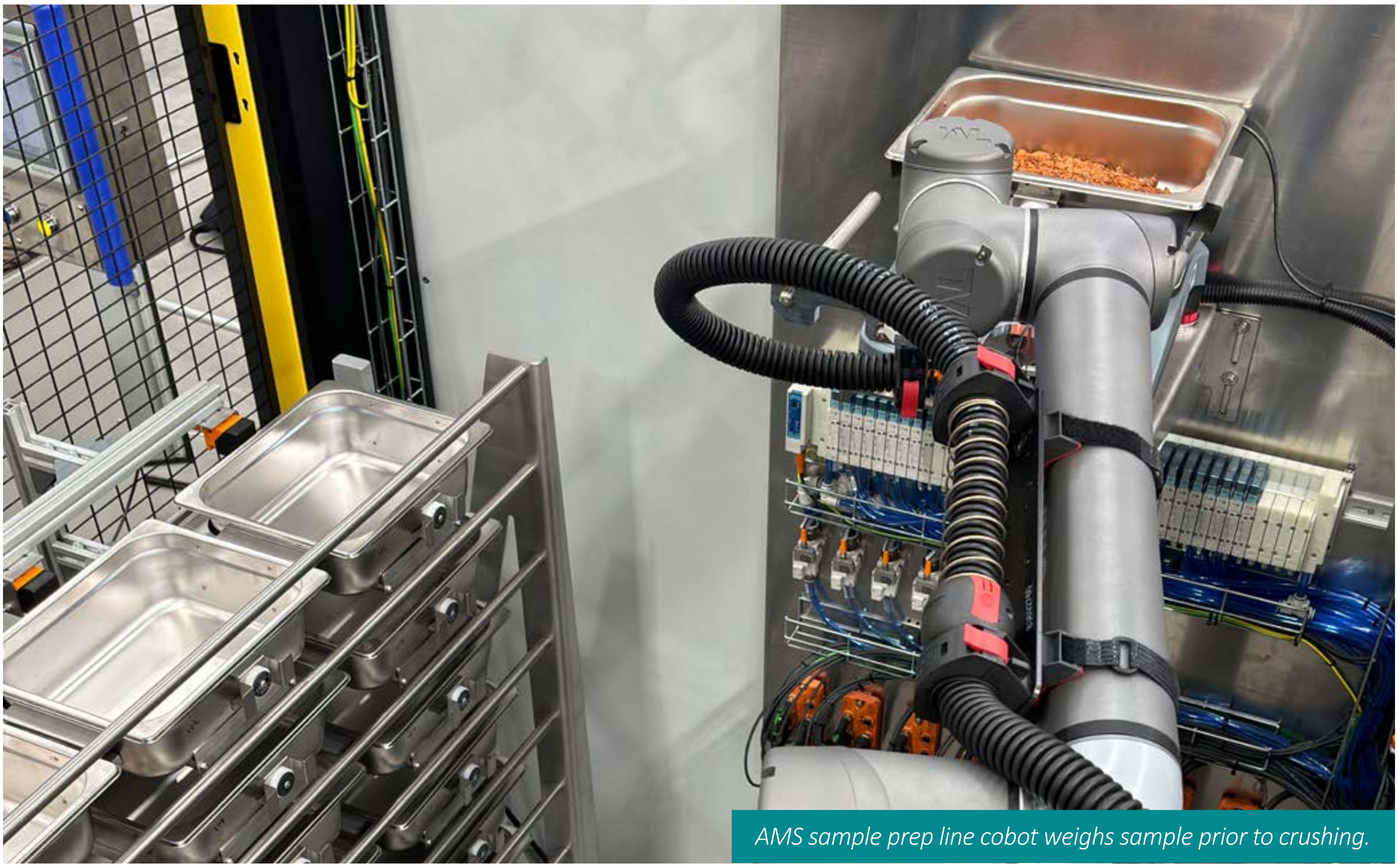
BEYOND THE NEAR TERM

As Scott embraces the extension of its strategic vision, it will remain committed to reinforcing the core tenets of its strategy, while being adaptable and forward thinking.

"Our focus remains resolute on understanding market demands and developing innovative solutions that resonate with our customers. By fostering a culture of engagement and collaboration, we can harness the collective ingenuity of our talented teams to push the boundaries of excellence," says Kippenberger.

"The dedication of our people will continue to be pivotal to our success. Their commitment has been the cornerstone of our achievements, and fostering an engaged workforce will lead to greater innovation, agility and better outcomes for our customers and stakeholders," concludes Kippenberger.

> *"By fostering a culture of engagement and collaboration, we can harness the collective ingenuity of our talented teams to push the boundaries of excellence."*
> *– John Kippenberger, CEO*



AMS sample prep line cobot weighs sample prior to crushing.

MARKET ENVIRONMENT

CHALLENGING MARKET ENVIRONMENT AND CONTINUED REFINEMENT

Scott has navigated external pressures in the past fiscal year, including inflation, rising interest rates and a business decision slow down often linked to election cycles and global political uncertainty. Despite these hurdles, Scott has demonstrated resilience, maintaining stable market performance through strategic refinement and operational agility.

Interim CEO and President of Europe & North America Aaron Vanwalleghem, remarked, “Despite external challenges, Scott has managed to grow its revenue and maintain EBITDA levels, demonstrating the effectiveness of its productisation strategy and the company's ability to face challenges.”

> *"Despite external challenges, Scott has managed to maintain its revenue and EBITDA levels, demonstrating the effectiveness of its productisation strategy and the company's ability to face challenges.”*
>
> *– Aaron Vanwalleghem, Interim CEO*

TECH-DRIVEN GROWTH IN CHANGING MARKETS

The protein industry has historically experienced ongoing transformations, driven by changing consumer demands, environmental factors and changing market dynamics. Commenting on these industry trends, Vanwalleghem explained, "If we take the North American market as an example, it is currently facing a 73-year low herd size due to drought conditions reducing grazeable land. While tight cattle supplies have led to increased red meat prices, inflation-weary consumers have turned to other proteins, such as poultry.”

Recognising the long-term growth potential in poultry, Scott has worked in this protein sub-sector for several years, investing in innovation to help processors meet rising market demand. This commitment forms part of Scott’s broader strategy to diversify its technology offering and build resilience across multiple protein markets. A strong example is the recent third installation of Scott’s Poultry Trussing System at Costco.

This first-of-its-kind automated trusser machine transforms a traditionally labour-intensive process, enhancing consistency, setting new health and safety standards, improving operator conditions and reducing repetitive strain injuries. Capable of trussing up to 96 birds per minute, it ensures high-quality output and optimised efficiency in the chicken rotisserie market.

"We've cultivated a strong partnership with Costco and it's exciting to see it continuing to invest in our technology," says Vanwalleghem. "Our commitment to ongoing innovation is setting the stage for a future where automation drives significant advancements across the global protein sector."

> *"Our commitment to ongoing innovation is setting the stage for a future where automation drives significant advancements across the global protein sector.*
> *– Aaron Vanwalleghem, Interim CEO*

STRENGTH IN THE MINERALS SECTOR

The overall minerals sector has seen an approximately 30% reduction in processing volumes due to market demand shifts and a slow down in exploration investment.

Despite these challenges, Scott's minerals business has continued to perform well, with a 19% growth in revenue, due to its established market-leading position and high product quality. "Our expansive service offerings through our agent network have helped us navigate these conditions," says Vanwalleghem.

One key success has been the launch of the Automated Modular Solutions (AMS), which debuted 18 months ago. Recently, Scott completed factory acceptance testing for the MRL project in Western Australia, demonstrating Scott's commitment to efficiency and safety in the minerals sector.

REFINING CORE BUSINESS AREAS

In recent years, an increasing number of Scott's appliance design and build contracts have come from Chinese companies, including global brands such as Midea and Little Swan. Consequently, Scott has consolidated its Christchurch appliance operations into the Qingdao facility to drive future growth.

Vanwalleghem notes, "While the appliances sector thrived during strong cycles, it struggled in market down turns due to the need to remain price-competitive from New Zealand."

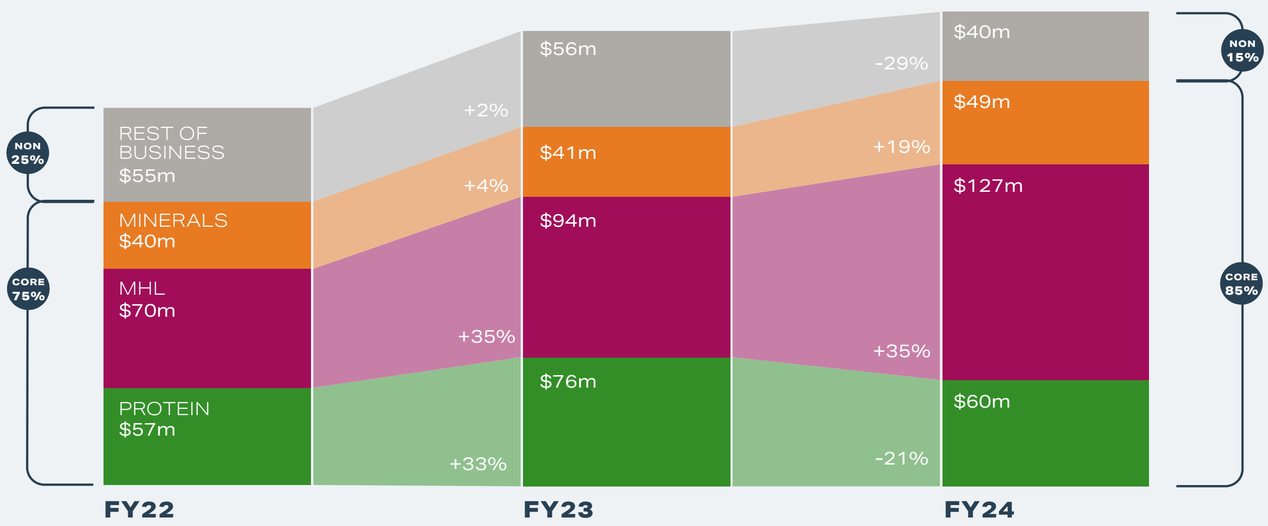
Additionally, Scott has discontinued its general industrial automation (IA) operations in Australia, as this sector no longer aligned with the Scott 2027 plan. Representing less than 2% of group revenue and marked by high competition and low barriers to entry, Scott will now focus on growing the more profitable core sectors in Australia.

POSITIONED FOR SUSTAINED GROWTH

Scott will focus on its refined core offerings that are aligned with the company's strategic vision. By maintaining stability through FY24's external challenges and refining its focus in core sectors, Scott remains well positioned to continue seizing future opportunities.

Vanwalleghem sums up, "Our focus is on aligning our core offerings with Scott Technology's strategic vision. We are well prepared to face challenges and seize opportunities as we move forward into the next phase of growth."

Core business revenue growth year over year



Werner Conradie, Rocklabs GM, presents at the Rocklabs facility opening.

STRATEGIC INVESTMENTS ACROSS THE SCOTT GROUP

As Scott experiences ongoing growth, the company announced significant investments to further strengthen its market position. This commitment to excellence is demonstrated through strategic decisions to upgrade facilities and bolster its sales force – particularly in the high growth market of North America.

UPGRADING THE ROCKLABS FACILITY

One of the cornerstone investments of the growth strategy this year has been the enhancement of the Rocklabs facility located in Auckland, New Zealand.

"This world-class facility reflects the world-leading company that Rocklabs has become," remarked Casey Jenkins, GM – People, ESG & Marketing & President Scott Mining.

The new facility presents additional floor space that will facilitate growth in several critical areas. It will not only support growth of the core Rocklabs product range – such as crushing, pulverising and milling equipment – but also accommodate future growth of the newly established Automated Modular Solutions (AMS) line.

"The expansion aligns with the company's commitment to innovation by providing more room for innovation, which is vital for maintaining a competitive edge," adds Jenkins.

The investment in the Rocklabs facility underscores Scott's long-term vision to deliver quality and safety for its global customer base, ultimately leading to increased operational efficiency. The ability to scale production capabilities enables the company to respond swiftly to market demand, further strengthening its reputation as a leader in the minerals sector.

> *"The expansion aligns with the company's commitment to innovation by providing more room for innovation, which is vital for maintaining a competitive edge."*
> *– Casey Jenkins, GM – People, ESG & Marketing & President Scott Mining*

TARGETED GROWTH IN NORTH AMERICA

In conjunction with facility upgrades, Scott placed a targeted emphasis on expanding its presence in the North American market, identified as one of the most significant opportunities for growth. To facilitate this strategic focus, the company appointed Mark Host as Vice President of Sales – Global Protein, strategically placing him in North America.

Mark brings over 25 years of experience in various food processing categories, where he has proven to be instrumental in helping processors enhance worker safety, improve processing yields and increase overall profitability.

In his new role at Scott, Mark is leading global sales efforts for the protein sector, utilising his extensive experience to drive growth and reinforce Scott Technology's market position. Under his leadership, the company aims to strengthen connections with customers and partners. Additionally, a new distributor has been signed in the US, further enhancing the company's reach and supporting strategic goals in this pivotal market.

COMMITMENT TO PEOPLE DEVELOPMENT

Investing in our people is equally essential to Scott, as the company recognises that a strong, engaged and diverse team is crucial for sustained success. To that end, the company has launched its Leadership Development Programme aimed at identifying and nurturing existing talent within the organisation.

The 16-week programme has successfully engaged 37 individuals from the New Zealand operations and has garnered positive feedback for its impact on professional growth. The programme is designed to empower individuals to take on roles that require greater responsibility and decision-making. In addition to fostering leadership, Scott continues to bolster its talent acquisition strategies through various initiatives, including women in engineering scholarships, graduate programmes and apprenticeship schemes.

Casey Jenkins emphasises, "Following successful initiatives in Australia and New Zealand, we aim to extend this programme globally. With strong internal promotion opportunities and an engagement score of 85%, it is evident that the company's commitment to talent development resonates well with our teams."

MHL GLOBAL FOUNDATION CONTINUED STRENGTH

Scott's Materials Handling & Logistics (MHL) sector has gained tremendous momentum across FY24, with significant deals closed, including Agristo, Danone, Cranswick and a major global potato processing operator in North America.

The division's roots can be traced back to the 1960s, when it was part of a US company before becoming an independent entity in Europe in the 1980s. Frédéric Hermier, Director of MHL explains, "We have a legacy of over 60 years in business, which has allowed us to consistently secure large projects with major operators."

> *"We have a legacy of over 60 years in business, which has allowed us to consistently secure large projects with major operators."*
> *– Frédéric Hermier, Director of Materials Handling*

While the European foundation has remained central to the division's growth strategy, with new technologies in development and Scott's ever-growing global market presence, the business line is increasingly expanding into new territories.

INNOVATION DRIVING MHL'S FUTURE GROWTH

At the core of MHL's success is its continuous drive for innovation, exemplified by the development of its new moderate-speed palletiser and its all-new fleet of modular Automated Guided Vehicles (AGVs) – both of which are expected to launch in early 2025.

As Hermier notes, "The palletising market is divided into moderate-speed, mid-speed and high-speed segments and, while we've excelled in mid-speed and high-speed solutions, entering the moderate-speed market is vital for our competitiveness. The new solution targets industries such as food production, including bakery and dairy sectors, that operate on smaller production lines or require specialised palletising solutions.

Hermier emphasises that, "Moderate speed does not mean low cost or small investments," pointing out that this segment accounts for 20-30% of the total project cost. The new moderate speed palletiser will focus on row and layer preparation, allowing for a smaller machine footprint, making it ideal for facilities with limited space.

In addition to this, MHL is also finalising the development of its AGV project, designed to drastically reduce engineering time and costs. "The AGV is built with a modular approach," explains Hermier, "allowing for a customisable back end that meets diverse customer needs, while the front end remains standardised, improving cost-efficiency." This new approach is expected to reduce engineering costs by up to 80%, making the company more competitive in the global market.

As Hermier puts it, "These innovations not only reinforce our position as a leader in automation but also ensure we are continuously evolving to meet the changing needs of our customers globally."

CUSTOMER COLLABORATIONS POWERING GLOBAL EXPANSION

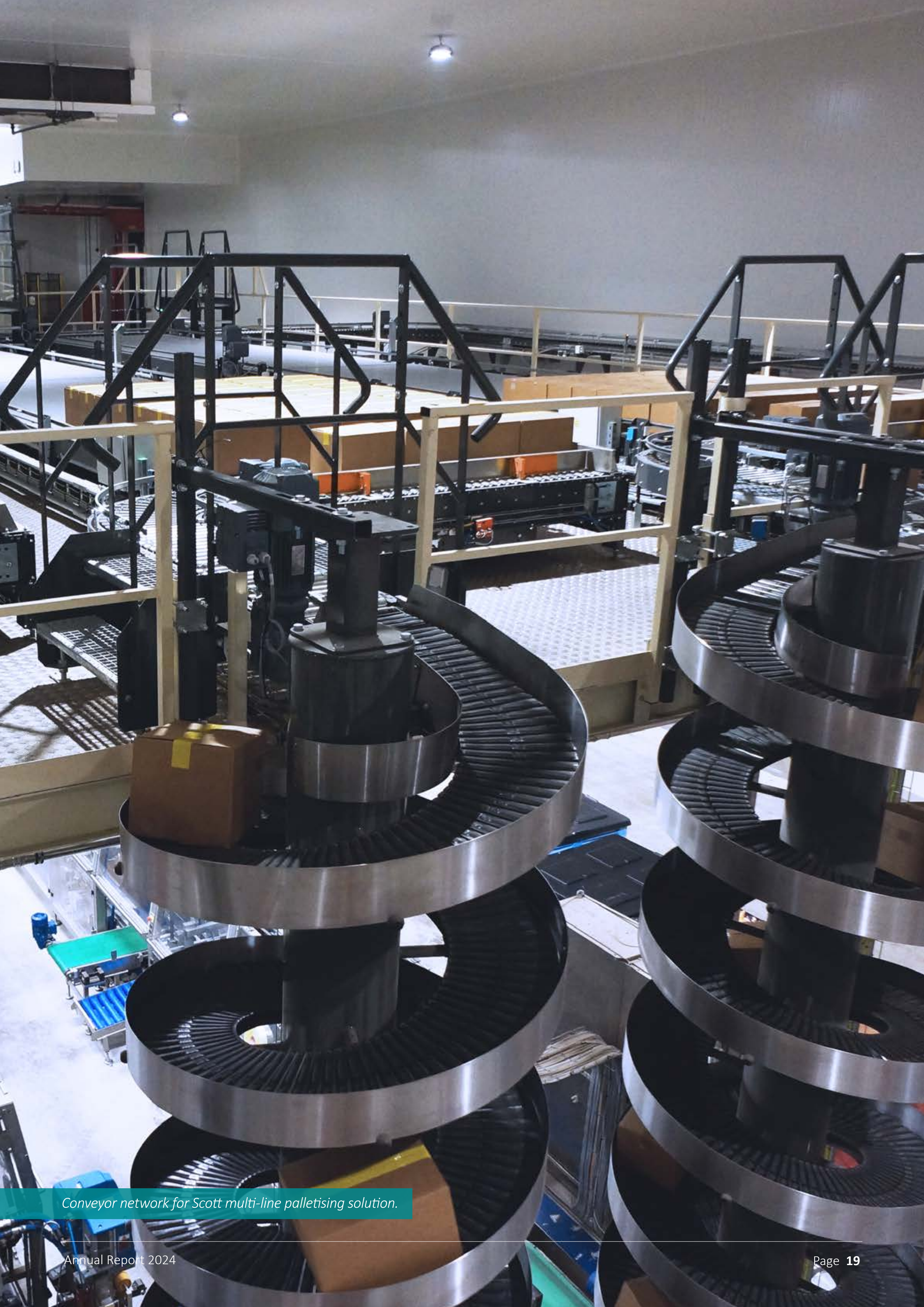
MHL's ability to deliver world-class solutions is underscored by its growing list of high-profile customers, including Danone and Cranswick Country Foods. Danone, a global leader in the food and beverage industry, has engaged MHL for a fifth project in Europe, automating the palletising processes at its Poland plant. This new installation incorporates multiple PAL 4.0 systems.

Cranswick Country Foods, a leading UK-based meat producer, is another example of MHL's impact. The company is extending its Hull facility with advanced freezing and palletising automation, supplied by MHL. According to Aaron Vanwalleghem, interim CEO of Scott Technology, these projects, "Demonstrate Scott's capability to deliver industry-leading automation solutions that enhance production capacities and operational efficiencies."

MHL's success is reflected in its financial performance as well. Recent contracts totalling $30m (€17m) underscore the company's ability to secure significant deals and execute large-scale projects.

Hermier sums up the division's strategic priorities: "Our goal is to continue growing, focusing on both European excellence and North American expansion, ensuring that we remain the market preference for automation solutions globally."

MHL's combination of legacy expertise, cutting-edge technology and strategic market focus, positions the company well for sustained growth and industry leadership in the years ahead.



Conveyor network for Scott multi-line palletising solution.

Scott Automated Poultry Trusser installed at customer site in US.

PRIORITISING TECHNOLOGICAL EXCELLENCE AND MARKET GROWTH

Since pioneering the first Automated Lamb Processing Technology in the 2000s, Scott has consistently pushed the boundaries of innovation in the protein sector, cementing its reputation as an industry leader. The technology continues to deliver cutting-edge solutions, leveraging state-of-the-art x-ray and vision systems, combined with machine learning to drive unprecedented precision and yield.

Scott expanded its technological portfolio with key innovations such as BladeStop, setting new global benchmarks for operator safety and operational efficiency. In 2020, Scott further advanced the sector with the launch of the Automated Poultry Trusser, enhancing productivity in poultry processing. The company's forward-thinking approach is also transforming beef processing through the LEAP4Beef programme, with a focus on developing an automated beef boning system, offering processors improved efficiency, yield and increased value.

“With each breakthrough, Scott continues to lead the charge in automating meat processing, always prioritising technological excellence, safety and operational optimisation across the global protein industry,” says Andrew Arnold, General Manager of New Zealand.

EXPANDING MARKET REACH

Scott’s ability to innovate has enabled the company to secure an impressive list of customers, including large-scale meat processors like JBS, Tyson, Cargill, Costco, Pilgrims and Walmart. The company is now opening up to more growth opportunities through its range of world-leading BladeStop safety bandsaw products.

The recent introduction of the BladeStop T300 represents Scott’s latest innovation, designed to meet the needs of medium-sized processors such as grocery stores, supermarkets and independent butchers.

Mark Host, Vice President of Sales – Global Protein notes that, "Scott received feedback to develop a smaller saw with a more aggressive price point. So, we did that with the T300. This product's introduction has expanded Scott’s reach by addressing new market segments, while continuing to support existing customers.”

> *"The runway for growth in the protein sector is massive, and our products offer a strong value proposition."*
> *– Mark Host, Vice President of Sales – Global Protein*

Host further comments that, "The runway for growth in the protein sector is massive, and our products offer a strong value proposition — and benefits that also span across the industrial market."

FUTURE INNOVATION AND GLOBAL OPPORTUNITIES

Scott continues to innovate with several promising products in development. One notable project is a beef automation solution specifically designed for large-scale processing plants.

According to Andrew Arnold, "While we've been finalising our automated lamb system with several modules that will ultimately integrate into a fully automated processing room, we’ve also been working on beef automation in parallel. Additionally, we are expanding into poultry processing, which led to the creation of our poultry trusser currently adopted by Pilgrims and Costco."

Although much of the current development in the red meats sector focuses on New Zealand and Australia, the primary target market is the US, home to the largest processing plants handling the highest volume of product.

> *"The beef automation solution is being designed with a global perspective, ensuring its relevance across all markets."*
> *– Andrew Arnold, GM of New Zealand*

“The beef automation solution is being designed with a global perspective, ensuring its relevance across all markets, particularly for prime beef. While the project is still in its early phases, it represents a significant global opportunity. The machinery is being carefully designed to meet the demands of diverse markets around the world,” concludes Arnold.

Scott’s growth strategy is anchored in its ability to innovate across industries, allowing the company to remain competitive in an ever-evolving market, while pushing the boundaries of technology.

Beef striploin chine development trials at customer site.

Automated energy transfer solution for Caterpillar (Energize).

SUSTAINABILITY

THE EVOLUTION OF OUR ESG STRATEGY

Scott Technology's Environmental, Social, and Governance (ESG) journey began in 2021 in partnership with sustainability experts Tadpole, initially focusing on measuring greenhouse gas (GHG) emissions. This foundational step marked the start of a comprehensive effort to integrate sustainable practices across Scott's global operations. This year represents a significant milestone, highlighting the company's ongoing commitment to sustainability and meaningful action.

Scott has made significant progress by evolving its sustainability frameworks, expanding carbon footprint measurement across its global operations and setting emissions reduction targets. The company aims to foster transparency, align with stakeholder priorities and make informed decisions that drive long-term positive impact.

> *"We engaged with our stakeholders gathering their perspectives to understand what matters most to them."*
>
> *– Casey Jenkins, GM – People, ESG & Marketing & President Scott Mining*

EMBRACING DOUBLE MATERIALITY ASSESSMENT

To ensure Scott's sustainability efforts align with stakeholder priorities, it worked with Tadpole to conduct an external materiality assessment, building on an assessment completed in 2021. The original internal assessment laid the foundation for Scott's ESG strategy, and this new assessment marked an important milestone in evolving the company's focus areas.

Scott adopted a Double Materiality Assessment to gain insights into both the financial and non-financial impacts of its operations, giving each equal consideration. The term *'Double Materiality'* reflects the dual perspectives employed to achieve a more holistic understanding:

The first perspective, *Impact Materiality (Inside-Out)* analyses insights into the societal and environmental impacts that are directly linked to Scott's operation and value chain by evaluating the scale of its impact (health, environmental and societal factors), the scope (number of individuals affected) and irremediability (the company's ability to address and resolve issues).

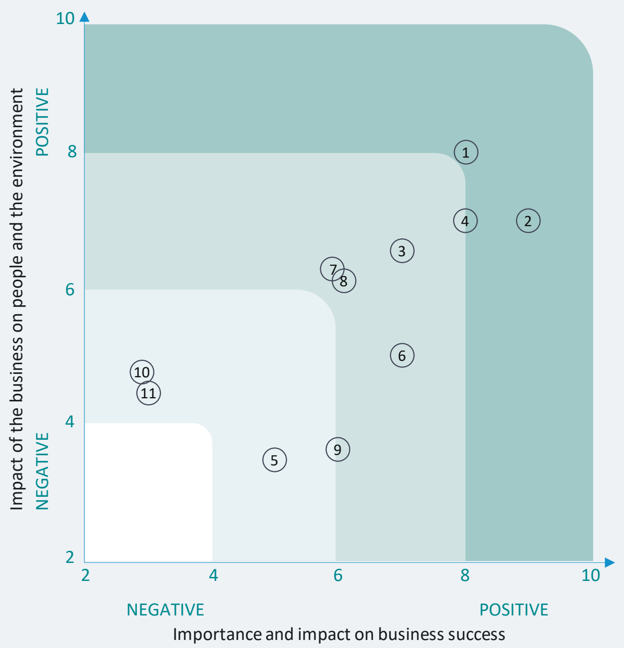
The second perspective, called *Financial Materiality (Outside-In),* focuses on assessing external factors that could affect Scott's financial performance. This involves considering the size of potential financial impacts, such as the magnitude of risks or opportunities posed by external events. It also assesses the likelihood of these impacts occurring.

“By integrating these two perspectives, we can better understand and manage our organisation's overall impact and risks, leading to more informed decision-making and sustainable practices,” adds Jenkins.

As part of this year’s assessment, Scott gathered valuable insights through horizon scans, surveys and interviews with customers, suppliers, employees, Directors and industry bodies. This informed the continuous development of the company’s Materiality Matrix. This more rigorous approach allowed Scott to refine its ESG strategy, focusing on the areas most critical to its broader ecosystem.

“After three years of executing our ESG strategy, we recognised the importance of working closely with our broader ecosystem to ensure alignment with stakeholder priorities,” says Casey Jenkins. “We engaged with our stakeholders, gathering their perspectives and were able to evolve our Materiality Matrix to highlight the key areas of focus for our ESG initiatives.”

2024 Double Materiality Matrix



PEOPLE

1 *Customers*
2 *People*

PURPOSE

3 *Governance*
4 *Product Innovation*
5 *Storytelling & Communication*

PLACE

6 *Sustainable Procurement*
7 *Climate Change*
8 *GHG Emissions*
9 *Nature*
10 *Resource Management*
11 *Community*

EXPANDING OUR CARBON FOOTPRINT MEASUREMENT

Over the past 12 months, Scott has been diligently working on its carbon management plan, collecting and analysing data to measure its emissions for FY23 and FY24. These efforts have laid the foundation for Scott’s emissions reduction strategy, which is currently under development. Scott is pleased to announce that its analysis so far has enabled it to set a Scope 1 and Scope 2 emissions reduction target.

On 20 November, Scott will present the details of this target, along with its latest carbon footprint measurements, in its Climate Disclosure Report. This report will also include key initiatives and additional reduction goals to further progress Scott’s carbon reduction journey.

Scott initially focused on its operations in Europe, Australia and New Zealand, selecting FY22 as its baseline to avoid the operational distortions caused by the COVID-19 pandemic. This baseline has provided a solid foundation for Scott’s long-term strategy of building a low-impact, climate-resilient business.

In FY23, Scott reported its carbon footprint analysis to cover operations across China and the US, marking the first time the company mapped its global emissions entirely. The analysis revealed total emissions of 4,579 tonnes of CO_2e, with the top three key contributors being materials, electricity and transport fuel – with EU business being the largest contributor.

“Over the last three years, our ESG approach has become more sophisticated with better tools, more resources and a clearer path forward. It's exciting to see how far we've come and where we are headed,” says Casey Jenkins, Casey Jenkins, GM – People, ESG & Marketing & President Scott Mining.

“Additionally, we have begun calculating our Scope 3 emissions, with a focus on better understanding and mitigating emissions from our supply chain,” adds Casey Jenkins.

Scott will continue refining its carbon management strategy and modelling emissions reduction opportunities to help set meaningful targets aligned with its sustainability goals. The Climate Disclosure Report will provide further information on these targets, along with updates on the key focus areas identified.

Casey Jenkins concludes: “The journey towards achieving our carbon reduction goals is full of opportunity. We are excited to share more in our 20 November Climate Disclosure Report.”

> *"The journey towards achieving our carbon reduction goals is full of opportunity".*
> *– Casey Jenkins, GM – People & ESG & Marketing & President Scott Mining*

'Be Scott' branding on site, supports high performance safety culture.

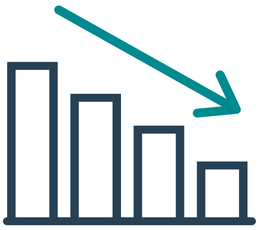
HEALTH & SAFETY

ZERO LOST TIME INJURIES: A MILESTONE IN SAFETY

At Scott, people are at the core of its business and One Scott continues to be a fundamental part of our overall strategy and ESG framework. Central to this is an unwavering commitment to employee health and safety. Given the nature of the manufacturing sector in which Scott operates, it developed a comprehensive health and safety strategy that is continually evolving to safeguard its people.

In FY24, Scott health and safety performance has hit a notable milestone, particularly in reducing injuries and fostering proactive engagement, with a 100% reduction in lost time injuries (LTIs), marking a significant step in the company's drive towards building a work environment free from harm.

"Through evolving preventative measures, Scott is creating a safer and more secure work environment," says Casey Jenkins, GM – People, ESG & Marketing & President Scott Mining. "Scott continues to focus on driving a high-performing safety culture. We are fostering an environment where every team member feels safe, cared for and empowered to look after one another."



100%
REDUCTION IN LOST TIME INJURIES IN FY24

ISO 45001
CERTIFICATION ACHIEVED IN AUCKLAND, CHINA, CZECH REPUBLIC AND BELGIUM.

14%

INCREASE IN NEAR-MISS REPORTING & 8% DECREASE IN HAZARDS REPORTED (FY24: 948, FY23: 1,035)

12%

INCREASE IN SAFETY CONVERSATIONS INITIATED BY SENIOR LEADERS

475

SAFETY DISCUSSIONS LED BY EXECUTIVES AND MANAGEMENT

15%

INCREASE IN SAFE MATE NOMINATIONS ACROSS THE GROUP (FY24: 78, FY23: 68)

INNOVATING SAFETY ENGAGEMENT

This year marked the third Stop for Safety event, a global initiative that pauses operations to recognise outstanding achievements in, and facilitating a wider discussion around, health and safety – with Auckland's Rocklabs site taking out 2023 Outstanding Performance winner, followed closely by the Qingdao, Podivin and Dunedin sites.

In parallel, Scott's use of the BeScott Health & Safety App across the global Group has allowed the company to further digitise its safety efforts. Through the app, 948 hazards were reported in FY24. The app has also played a critical role in improving near-miss reporting, which has improved by 14%, underscoring the proactive safety culture within the organisation.

Leadership engagement has increased, with senior leaders initiating 475 safety conversations this year, a 12% increase on last year, further embedding safety into everyday operations.

The Safe Mate programme, which encourages peer recognition for positive safety behaviours, has also seen increased participation, demonstrating that employees across the organisation are actively contributing to creating safer working environments.

ADVANCING GLOBAL SAFETY STANDARDS

Another key achievement for Scott this year is the continued success of our ISO45001 certification programme. This internationally recognised standard for occupational health and safety management systems was achieved at several of our sites, including Auckland, China and the Czech Republic, with Belgium also gaining certification in March.

"This certification not only validates our internal efforts but also enhances our organisation's credibility and commitment to safety excellence, positioning us strongly with external stakeholders and customers," adds Jenkins.

"These results reflect the strength of our safety initiatives and our unwavering commitment to continuous improvement across all areas of health and safety and building an environment that is free from harm," concludes Jenkins.

CRITICAL RISK FRAMEWORK

Managing critical risks remains a fundamental part of our health and safety strategy. Scott has identified eight critical risks that could potentially cause serious harm to our employees: Mobile plant, falling objects, fixed plant, suspended loads, hazardous substances, potential energy, working at heights and driving.

> *"Effective management of these critical risks is essential to our overall strategy and commitment to the safety and wellbeing of all employees. Each member of the Executive team sponsors a specific critical risk area, reinforcing accountability and leadership in risk management."*
> *– Kaisa Liu, Group Health and Safety Manager*

Scott China leadership team

PEOPLE

FORGING PATHWAYS FOR GREATER DIVERSITY

As a global business, Scott embraces cultural diversity and recognises the backgrounds within its organisation. Scott's core belief is that 'diverse minds create diverse solutions.' Through targeted recruitment initiatives and programmes that encourage more women to enter engineering, Scott is striving to achieve a more gender-diverse workforce, particularly in technical roles and leadership positions.

"When it comes to gender diversity, we are proud of our progress to date, however, our journey is only just beginning," says Casey Jenkins GM – People, ESG & Marketing & President Scott Mining. "New solutions demand new ways of thinking, and a diverse team is essential to reflect our global customer base and drive innovation."

> *"New solutions demand new ways of thinking, and a diverse team is essential to reflect our global customer base and drive innovation."*
> *– Casey Jenkins, GM – People, ESG & Marketing & President Scott Mining*

Scott continues its sponsorship of RoboCup Junior, a school-based competition designed to inspire young students to engage with, and pursue careers in, science, technology, engineering, and mathematics (STEM). The event challenges school-aged students to solve real-world problems through robotics, ranging from football games to rescue missions and performing arts.

"Over the years of sponsoring this event, we've noticed an encouraging trend of increased female participation," says Jenkins. "We believe this involvement will lead to more young women pursuing careers in STEM and contributing to the future of innovation."

In the tertiary education sector, Scott has strengthened its commitment to gender diversity by partnering with the University of Canterbury, renowned for producing top engineering graduates. Together, they launched the Scott Technology Women in Engineering Scholarship, aimed at supporting female engineering students. The scholarship covers up to $5,000 in fees, provides a $1,000 stipend and offers a paid internship at Scott. Now in its second year, the initiative is helping pave the way for more women to enter the engineering profession, fostering a more inclusive future in the industry.

In August, the Scott Technology Women in Engineering Scholarship was awarded to Molly Newman. Studying a Bachelor of Engineering specialising in Mechatronics, Molly is passionate about technology and the impact it has in transforming the world around us.

"Molly was one of several incredible applicants we received, and it is wonderful to see so many young women thriving in

Molly Newman, 2024 scholarship recipient.

engineering. Molly's leadership and passion for women in engineering impressed the panel and we not only look forward to supporting her over the next few years but also seeing the impact she will make," says Jenkins.

"This scholarship's acknowledgement of the role that diversity and inclusion can play in the success of engineering is incredibly motivating." shares Molly Newman, 2024 Scholarship recipient.

In addition to scholarships, Scott offers alternative pathways into technology through our apprenticeship programme, which plays a crucial role in developing technical talent.

"At Scott, we understand that people have different learning styles, and our apprenticeship programme provides a valuable, hands-on pathway for individuals to develop their technical skills. These apprentices not only stay with the company but also grow and thrive, achieving remarkable career milestones. It's important to us to create opportunities for success, recognising the diverse talents and potential that exist outside traditional academic routes," notes Jenkins.

A MILESTONE IN CHINA

The Scott office in China stands out, having achieved a remarkable 50/50 gender leadership balance. This achievement highlights the success of Scott's commitment to gender diversity, particularly in a region where such balance is often rare in leadership roles.

> *"Breaking down barriers to gender diversity in technology is not just about fairness – it's about innovation. By creating inclusive environments and providing opportunities for women to thrive, we can unlock the full potential of our teams and drive the industry forward."*
> *– Cathy Zhang, Regional Director, China*

APPRENTICESHIP PATHWAY: FROM ROBOCUP TO SCOTT

Heather Robertson's career in engineering began with a passion for robotics, sparked by her participation in RoboCup, a school-based robotics competition sponsored by Scott. This early exposure, coupled with a personal connection, led her to pursue an apprenticeship at Scott in 2018.

"I didn't know much about robotics at first but I loved it from the start and never looked back," she says.

Competing in RoboCup throughout high school, Heather excelled in categories like theatre, soccer and rescue, winning multiple events. She first learned about Scott's apprenticeship programme from Donald Liddell, a Scott employee who judged RoboCup. Encouraged by Donald, she applied and was accepted. "I didn't fully understand what an electrical apprenticeship involved but I knew I wanted to work at Scott because of their robotics work," Heather explains.

> *"An apprenticeship teaches you far more practical skills than you can learn in a classroom."*
> *– Heather Robertson, Service Engineer*

Her apprenticeship provided valuable hands-on experience, including building machines like the lamb primal (a machine for processing lamb) and maintaining older equipment. Mentored by electricians Tom and Donald, she gained a solid foundation in practical skills. "An apprenticeship teaches you far more practical skills than you can learn in a classroom," Heather says.

Heather's role expanded as she worked with the service team, which deepened her interest in service work. In 2022, she moved from New Zealand to Brisbane to take on a service engineer role. "Moving to Brisbane was a big adventure. The apprenticeship gave me a head start, while many of my peers were still in university," she shares.

Heather Robertson, Service Engineer

LEADERSHIP & GOVERNANCE

OUR BOARD

Stuart McLauchlan
Chairman & Independent Director

Brent Eastwood
Director

John Berry
Director

Al Byers
Director

John Thorman
Independent Director

Derek Charge
Independent Director

Penny Ford
Emerging Director

Full profiles are available on our website:
scottautomation.com/en/investor-centre/governance
& scottautomation.com/en/about-us/our-people

OUR EXECUTIVE TEAM

John Kippenberger
Chief Executive Officer (Stepped down 31 August 2024)

Aaron Vanwalleghem
Interim Chief Executive Officer, President Europe & North America

Casey Jenkins
GM – People, ESG & Marketing & President Scott Mining

Mark O'Malley
Co-Chief Financial Officer (Interim)

Anthony Wesney
Co-Chief Financial Officer (Interim)

Andrew Arnold
GM – New Zealand

Damian Lucas
GM – Australia

Cathy Zhang
Regional Director – China

Mark Host
Vice President of Sales – Global Protein

FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2024

INDEX TO THE FINANCIAL STATEMENTS

KEY

Key judgements and other judgements made

Accounting policy

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2024 $'000s	2023 $'000s
Revenue	A1	276,125	267,526
Other operating income	A1	2,541	1,391
Share of joint ventures' net surplus	E2	63	127
Raw materials, consumables used and operating expenses	A1	(163,799)	(158,967)
Employee benefits expense		(84,705)	(79,703)
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION, AND NON-RECURRING COSTS (OPERATING EBITDA)		**30,225**	**30,374**
Non-recurring costs	E4	(3,795)	(683)
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		**26,430**	**29,691**
Interest revenue		373	558
Depreciation and amortisation	B4, B6, B8, C5	(11,280)	(8,809)
Finance costs		(4,557)	(2,241)
NET PROFIT BEFORE TAX		**10,966**	**19,199**
Taxation expense	A2	(3,249)	(3,763)
NET PROFIT FOR THE YEAR AFTER TAX		**7,717**	**15,436**
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Translation of foreign operations		(2,803)	623
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**4,914**	**16,059**
Net profit / loss for the year after tax is attributable to:			
Members of the parent entity (used in the calculations of earnings per share)		7,853	15,522
Non-controlling interests		(136)	(86)
		7,717	**15,436**
Total comprehensive income / loss is attributable to:			
Members of the parent entity		5,050	16,145
Non-controlling interests		(136)	(86)
		4,914	**16,059**

	Notes	Cents per share	Cents per share
Earnings per share to shareholders from continuing operations (weighted average shares on issue):			
Basic	C2	9.7	19.3
Diluted	C2	9.7	19.3

The accompanying notes form part of and are to be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Fully paid ordinary shares $'000s	Retained earnings $'000s	Foreign currency translation reserve $'000s	Non-controlling interests $'000s	Total $'000s
Balance at 31 August 2022		**86,315**	**13,316**	**1,061**	**(286)**	**100,406**
Net profit for the year after tax		-	15,522	-	(86)	15,436
Other comprehensive income for the year net of tax		-	-	623	-	623
Dividends paid (8.0 cents per share)		-	(6,413)	-	-	(6,413)
Issue of shares under dividend reinvestment plan	C1	3,847	-	-	-	3,847
Balance at 31 August 2023		**90,162**	**22,425**	**1,684**	**(372)**	**113,899**
Net profit for the year after tax		-	7,853	-	(136)	7,717
Other comprehensive income for the year net of tax		-	-	(2,803)	-	(2,803)
Dividends paid (9.0 cents per share)		-	(7,446)	-	-	(7,446)
Issue of shares under dividend reinvestment plan	C1	354	-	-	-	354
Balance at 31 August 2024		**90,516**	**22,832**	**(1,119)**	**(508)**	**111,721**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

CONSOLIDATED BALANCE SHEET

		Notes	2024 $'000s	2023 $'000s
Current assets	Cash and cash equivalents		11,674	21,432
	Trade debtors	B1	40,201	43,639
	Other financial assets	D1	560	1,277
	Sundry debtors		5,663	10,776
	Inventories	B2	36,869	38,251
	Contract assets	B3	30,634	34,241
	Receivable from joint ventures	E3	-	431
	TOTAL CURRENT ASSETS		**125,601**	**150,047**
Non-current assets	Property, plant and equipment	B4	23,560	18,366
	Investment in joint ventures	E2	867	804
	Other financial assets	D1	5	142
	Sundry debtors		3,237	2,901
	Goodwill	B5	50,832	52,016
	Deferred tax	A2	2,761	2,912
	Intangible assets	B6	3,400	5,586
	Development assets	B8	8,855	7,807
	Right-of-use assets	C5	24,862	12,473
	TOTAL NON-CURRENT ASSETS		**118,379**	**103,007**
	TOTAL ASSETS		**243,980**	**253,054**
Current liabilities	Bank overdraft		18,999	9,036
	Trade creditors and accruals	C4	29,712	39,300
	Lease liabilities	C5	4,660	3,773
	Other financial liabilities	D1	245	1,682
	Contract liabilities	B3	29,762	45,454
	Employee entitlements	C6, C8	10,591	12,943
	Provision for warranty	C7	1,541	1,374
	Taxation payable		1,194	1,646
	Current portion of borrowings	C3	1,200	1,151
	Onerous contracts provision	C9	34	1,061
	TOTAL CURRENT LIABILITIES		**97,938**	**117,420**
Non-current liabilities	Other financial liabilities	D1	5	142
	Employee entitlements	C6, C8	790	667
	Lease liabilities	C5	21,987	9,602
	Borrowings	C3	11,539	11,324
	TOTAL NON-CURRENT LIABILITIES		**34,321**	**21,735**
Equity	Share capital	C1	90,516	90,162
	Retained earnings		22,832	22,425
	Foreign currency translation reserve		(1,119)	1,684
	Equity attributable to equity holders of the parent		**112,229**	**114,271**
	Non-controlling interests		(508)	(372)
	TOTAL EQUITY		**111,721**	**113,899**
	TOTAL LIABILITIES AND EQUITY		**243,980**	**253,054**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Notes	2024 $'000s	2023 $'000s
Cash flows from operating activities	*Cash was provided from / (applied to):*			
	Receipts from operations		270,680	267,110
	Interest received		374	558
	Payments to suppliers and employees		(261,586)	(246,887)
	Taxation paid		(3,496)	(564)
	Net cash inflow from operating activities	F1	**5,972**	**20,217**
Cash flows to investing activities	*Cash was provided from / (applied to):*			
	Purchase of property, plant, equipment and intangible assets		(8,953)	(4,324)
	Sale of property, plant and equipment		440	2,370
	Purchase of development asset	B8	(1,384)	(1,229)
	Net cash (outflow) from investing activities		**(9,897)**	**(3,183)**
Cash flows to financing activities	*Cash was provided from / (applied to):*			
	Repayment of borrowings		(3,710)	(1,904)
	Dividends paid (less amount reinvested the dividend reinvestment scheme)		(7,093)	(2,566)
	Proceeds from borrowings		4,202	2,203
	Lease payments		(4,556)	(4,040)
	Interest paid		(4,639)	(2,266)
	Net cash (outflow) from financing activities		**(15,796)**	**(8,573)**
	Net (decrease) / increase in cash held		(19,721)	8,461
	Add cash and cash equivalents at start of year		12,396	3,935
	Balance at end of year		**(7,325)**	**12,396**
	Comprised of:			
	Cash and cash equivalents		11,674	21,432
	Bank overdraft		(18,999)	(9,036)
			(7,325)	**12,396**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 and robotic production lines and processes for a wide variety of industries in New Zealand and abroad.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and, for the purposes of complying with GAAP, it is a for-profit entity. They comply with New Zealand equivalents to IFRS Accounting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements also comply with IFRS Accounting Standards ("IFRS").

The financial statements were authorised for issue by the Board of Directors on 17 October 2024.

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 2024 and the comparative information presented in these financial statements for the year ended 31 August 2023.

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 circumstances, 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 systems contracts (note A1)
- Provisions for losses relating to contract assets (note B3)
- Goodwill impairment (note B5)
- Capitalisation and useful lives of development assets (note B8).

Summary of accounting policies continued

MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial report are set out within the particular note to which they relate. 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.

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

On acquisition, the assets, 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 Consolidated Statement of Comprehensive Income from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

The Group has adopted all mandatory new and amended standards and interpretations. None had a material impact on these financial statements.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the consolidated financial statements certain new standards and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Of these, the followings are assessed as relevant to the Group:

- NZ IAS 1 (Classification of Liabilities as Current or Non-Current and Non Current Liabilities with Covenants) – clarifies the classification on liabilities as current or non-current based on rights in existence rather than expectations at the end of the reporting period;
- Amendments to FRS-44 (Disclosure of Fees for Audit Firms' Services) – requires the disclosure of fees relating to services provided by the Group's audit or review firm;
- Amendments to NZ IAS 7 and NZ IFRS 7 (Supplier Financing Arrangements and RDR) – requires the disclosure of supplier finance arrangements; and
- NZ IFRS 18 (Presentation and Disclosure in Financial Statements) – introduces new requirements including a change in the structure of the profit and loss, management defined performance measures being included in a note to the financial statements, and enhanced aggregation/disaggregation clarification. The new standard also amends the classification in the statement of cash flows.

The amendments will have no material impact on the Group, other than NZIFRS 18 which has not yet been assessed but may alter the presentation of the financial statements significantly.

CLIMATE-RELATED DISCLOSURE STANDARDS

The New Zealand External Reporting Board (XRB) has published a suite of standards, Aotearoa New Zealand Climate Standards (NZ CS), in line with the recommendations of the Task Force on climate-related reporting. The Climate Standards are effective for annual periods beginning on or after 1 January 2023. The standard provides certain adoption exemptions in the entities' first reporting period. The group has applied the standard from 1 September 2023, using all adoption exemptions.

Application of this standard by the group has not materially affected any of the amounts recognised in these financial statements.

During November 2024 the Group will issue its first Climate Related Disclosure for the period ended 31 August 2024, in accordance with NZ CS.

RECLASSIFICATIONS

Segments and Cash Generating Units (CGUs)

The previously reported segments and CGUs of New Zealand and Australia have been split in the second half the 2024 financial year into the new segments and CGUs of New Zealand, Australia and Rocklabs. As a result of a number of changes in the Executive and Leadership Teams in 2024, the responsibilities of the global team were updated to align with the revised Group structure and associated responsibilities. Regional Directors have oversight and responsibility for the redefined segments and CGUs of New Zealand and Rocklabs, Australia, Europe and China. All internal reporting has been aligned to these revised segments and CGUs. The monitoring of cash inflows has also been aligned due to changes in the grouping of assets resulting in a new Rocklabs asset group that is independent of the other CGUs. As a result of the split of New Zealand and Australia into New Zealand, Australia and Rocklabs, the 2023 reported segment and CGUs of New Zealand and Australia have been split out in notes A1 Revenue, A3 Segment information, B1 Trade Debtors and B5 Goodwill in order to report comparative figures for the new segments and CGUs of New Zealand, Australia and Rocklabs.

GOODS AND SERVICES TAX AND VALUE ADDED TAX ('GST')

All items in the consolidated balance sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the consolidated statement of comprehensive income are stated exclusive of GST.

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

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, which is 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 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.

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.

NON-GAAP FINANCIAL INFORMATION

The Group uses earnings / (loss) before interest, tax, depreciation and amortisation, and non-recurring costs (Operating EBITDA), earnings / (loss) before interest, tax, depreciation and amortisation (EBITDA), and Net Tangible Assets per ordinary shares, to describe financial performance as it considers these line items provide a better measure of underlying business performance.

These non-GAAP measures do not have a standard meaning prescribed by GAAP and therefore may not be compatible to similarly titled amounts reported by other entities.

SECTION A: FINANCIAL PERFORMANCE

A1. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OPERATING EXPENSES

(a) Accounting policies and significant judgements

The Group derives revenue from the following sources:

- Sales
- Services

Revenue recognition – sales

The Group designs, manufactures and sells customised automation and robotic systems for use in a wide range of industries under fixed-price contracts. The contracts are often for periods in excess of twelve months, although shorter periods can also apply. These contracts are specific to each customer and the Group is restricted by these contracts in its ability to redirect the products to another customer. The Group, through these contracts, has an enforceable right to payment when agreed milestones are met for performance completed up to a point in time.

Policy

Revenue on fixed-price contracts is recognised over the term of the contract period using the input method based on percentage of completion. At balance date an assessment is made of the percentage of completion based on the costs associated with the work done to date relative to the total forecast cost to complete. Included in revenue is the value attributed to work completed, which includes direct costs, overhead and profit, where this is allowable under the contract. Scope variations that may potentially lead to additional revenue are only recognised when certain.

The customer is obligated to pay a fixed amount when a contractual milestone is met. At this time, a receivable is recognised as the invoice is raised. If the revenue recognised by the Group exceeds the amounts invoiced, a contract asset is recognised. If the amounts invoiced exceed the revenue recognised, a contract liability is recognised. The transaction price is the fixed-price per the contract.

The incremental costs to obtain a contract where the contract period is less than 12 months is expensed to the profit and loss under the practical expedient provisions of NZ IFRS 15.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision (see note C7).

Judgement

The estimation of percentage of completion relies on the directors estimating costs to complete systems contracts. If the costs incurred to complete the systems 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 revenue and profit to date may also be over or under estimated.

The Group manufactures and sells a range of standalone automation and robotic equipment for use in a wide range of industries, including:

- Rock crushers, pulverisers, ringmills and reference materials under the 'Rocklabs' brand for use by mining companies and laboratories
- Bandsaw safety equipment under the 'BladeStop' brand, primarily for use by protein processors.

Policy

Revenue is recognised in full at a point in time when control of the products has transferred, being either when the products are shipped to, or received by, the customer, or installed at the customer's premises, depending on the terms of the contract.

A receivable is recognised when either a deposit is due on receipt of a customer's order or when the products are shipped to the customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision (see note C7).

Revenue recognition – services

The Group earns revenue from after sales service activities associated with the equipment manufactured and sold by the Group, including spare parts, repairs, routine or scheduled maintenance, upgrades, remote monitoring and the operation of a 24/7 helpline. Most of these activities are on an ad hoc, as required basis, while some of these activities are covered by an agreement for services to be provided over a specified period of time.

Policy

Revenue under service contracts is recognised at a point in time when the service is delivered or performed, depending on the terms of the contract.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision (see note C7).

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time and reports these by industry in the following major manufacturing segments and revenue streams. This is consistent with the revenue information disclosed for each reportable segment under NZ IFRS 8 Operating Segments, (see note A3).

Section A: financial performance continued

Year Ended 31 August 2024		Protein	Minerals	Materials Handling	Rest of Business	Total
		$'000s	$'000s	$'000s	$'000s	$'000s
New Zealand manufacturing	Sales	5,712	-	2,473	1	8,186
	Service	6,428	8	836	2,805	10,077
	Revenue from external customers	**12,140**	**8**	**3,309**	**2,806**	**18,263**
	Timing of revenue recognition					
	- Over time	5,166	-	2,473	1	7,640
	- At a point in time	6,974	8	836	2,805	10,623
		12,140	**8**	**3,309**	**2,806**	**18,263**
Rocklabs manufacturing	Sales	-	30,833	-	-	30,833
	Service	-	12,544	-	-	12,544
	Revenue from external customers	**-**	**43,377**	**-**	**-**	**43,377**
	Timing of revenue recognition					
	- Over time	-	8,409	-	-	8,409
	- At a point in time	-	34,968	-	-	34,968
		-	**43,377**	**-**	**-**	**43,377**
Australia manufacturing	Sales	7,395	-	-	1,652	9,047
	Service	9,493	-	-	2,306	11,799
	Revenue from external customers	**16,888**	**-**	**-**	**3,958**	**20,846**
	Timing of revenue recognition					
	- Over time	2,872	-	-	1,652	4,524
	- At a point in time	14,016	-	-	2,306	16,322
		16,888	**-**	**-**	**3,958**	**20,846**
Americas manufacturing	Sales	10,391	5,221	42,367	16,537	74,516
	Service	10,656	235	7,710	4	18,605
	Revenue from external customers	**21,047**	**5,456**	**50,077**	**16,541**	**93,121**
	Timing of revenue recognition					
	- Over time	4,482	5,221	42,367	16,537	68,607
	- At a point in time	16,565	235	7,710	4	24,514
		21,047	**5,456**	**50,077**	**16,541**	**93,121**
Europe manufacturing	Sales	6,094	-	54,583	3,193	63,870
	Service	3,727	-	19,375	1,258	24,360
	Revenue from external customers	**9,821**	**-**	**73,958**	**4,451**	**88,230**
	Timing of revenue recognition					
	- Over time	-	-	54,583	3,193	57,776
	- At a point in time	9,821	-	19,375	1,258	30,454
		9,821	**-**	**73,958**	**4,451**	**88,230**
China manufacturing	Sales	-	-	-	12,288	12,288
	Service	-	-	-	-	-
	Revenue from external customers	**-**	**-**	**-**	**12,288**	**12,288**
	Timing of revenue recognition					
	- Over time	-	-	-	12,288	12,288
	- At a point in time	-	-	-	-	-
		-	**-**	**-**	**12,288**	**12,288**
Total manufacturing	Sales	29,592	36,054	99,423	33,671	198,740
	Service	30,304	12,787	27,921	6,373	77,385
	Revenue from external customers	**59,896**	**48,841**	**127,344**	**40,044**	**276,125**
	Timing of revenue recognition					
	- Over time	12,520	13,630	99,423	33,671	159,244
	- At a point in time	47,376	35,211	27,921	6,373	116,881
		59,896	**48,841**	**127,344**	**40,044**	**276,125**

Section A: financial performance continued

Year Ended 31 August 2023 *(restated)*		**Protein** $'000s	**Minerals** $'000s	**Materials Handling** $'000s	**Rest of Business** $'000s	**Total** $'000s
New Zealand manufacturing	Sales	10,772	-	3,633	2,256	16,661
	Service	4,065	-	1,192	1,966	7,223
	Revenue from external customers	**14,837**	**-**	**4,825**	**4,222**	**23,884**
	Timing of revenue recognition					
	- Over time	9,955	-	3,633	2,257	15,845
	- At a point in time	4,882	-	1,192	1,965	8,039
		14,837	**-**	**4,825**	**4,222**	**23,884**
Rocklabs manufacturing	Sales	-	24,847	-	-	24,847
	Service	-	14,396	-	-	14,396
	Revenue from external customers	**-**	**39,243**	**-**	**-**	**39,243**
	Timing of revenue recognition					
	- Over time	-	3,329	-	-	3,329
	- At a point in time	-	35,914	-	-	35,914
		-	**39,243**	**-**	**-**	**39,243**
Australia manufacturing	Sales	5,028	-	-	13,088	18,116
	Service	7,627	-	-	2,794	10,421
	Revenue from external customers	**12,655**	**-**	**-**	**15,882**	**28,537**
	Timing of revenue recognition					
	- Over time	7,376	-	-	13,088	20,464
	- At a point in time	5,279	-	-	2,794	8,073
		12,655	**-**	**-**	**15,882**	**28,537**
Americas manufacturing	Sales	25,051	1,159	21,868	16,974	65,052
	Service	9,874	754	6,519	57	17,204
	Revenue from external customers	**34,925**	**1,913**	**28,387**	**17,031**	**82,256**
	Timing of revenue recognition					
	- Over time	7,714	1,157	21,868	16,636	47,375
	- At a point in time	27,211	756	6,519	395	34,881
		34,925	**1,913**	**28,387**	**17,031**	**82,256**
Europe manufacturing	Sales	9,823	-	42,368	13,741	65,932
	Service	3,627	-	18,793	645	23,065
	Revenue from external customers	**13,450**	**-**	**61,161**	**14,386**	**88,997**
	Timing of revenue recognition					
	- Over time	-	-	42,368	13,741	56,109
	- At a point in time	13,450	-	18,793	645	32,888
		13,450	**-**	**61,161**	**14,386**	**88,997**
China manufacturing	Sales	-	-	-	4,526	4,526
	Service	83	-	-	-	83
	Revenue from external customers	**83**	**-**	**-**	**4,526**	**4,609**
	Timing of revenue recognition					
	- Over time	-	-	-	4,526	4,526
	- At a point in time	83	-	-	-	83
		83	**-**	**-**	**4,526**	**4,609**
Total manufacturing	Sales	50,674	26,006	67,869	50,585	195,134
	Service	25,276	15,150	26,504	5,462	72,392
	Revenue from external customers	**75,950**	**41,156**	**94,373**	**56,047**	**267,526**
	Timing of revenue recognition					
	- Over time	25,045	4,486	67,869	50,248	147,648
	- At a point in time	50,905	36,670	26,504	5,799	119,878
		75,950	**41,156**	**94,373**	**56,047**	**267,526**

Section A: financial performance continued

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

Revenue recognised included in the contract liability balance at the beginning of the period.	**2024**	**2023**
	$'000s	*$'000s*
Fixed-price contracts for long-term projects	25,098	14,404

There was no revenue recognised from performance obligations satisfied in previous periods on long-term projects.

Unsatisfied long-term fixed-price project contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term project contracts.

	2024	**2023**
	$'000s	*$'000s*
Aggregate amount of the transaction price allocated to long-term fixed-price project contracts that are partially or fully unsatisfied as at 31 August	79,365	113,153

Management expects that 90% of the transaction price allocated to the unsatisfied contracts as of 31 August 2024 will be recognised as revenue during the next reporting period ($72 million) (2023: 90% of the transaction price allocated to the unsatisfied contracts as of 31 August 2023 will be recognised as revenue during the next reporting period ($102 million)). The remaining 10% ($7 million) (2023: 10% ($11 million)) will be recognised in the following financial year.

(B) Other operating income

Government grants

Policy

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.

	2024	**2023**
	$'000s	*$'000s*
Rental income	280	157
Government grants related to research and development	1,156	631
Other income	130	-
Other Government grants	851	144
Gain on sale of property, plant and equipment	124	459
	2,541	**1,391**

The Group receives grant revenue related to research and development through its Australian subsidiary Scott Automation and Robotics Pty Ltd. Any tax credits claimed are offset against any tax expense.

Section A: financial performance continued

(c) Included in Raw Materials, Consumables and Operating Expenses

		2024 $'000s	2023 $'000s
Audit services:	Group audit	553	537
Deloitte Limited	Other assurance services	3	-
	Total remuneration for audit services	**553**	**537**
Non-audit services:			
Deloitte Limited	Taxation services	10	145
	Total remuneration for non-audit services	**10**	**145**
Other separately	Directors' fees	290	280
disclosed expenses:	Superannuation scheme contributions	8,676	7,352
	Raw materials and consumables used (cost of sales)	142,832	137,249
	Foreign exchange loss	-	1,159
	Unrealised fair value losses on foreign exchange derivatives	1,279	455
	and after crediting:		
	Foreign exchange gains	198	845
	Unrealised fair value gains on foreign exchange derivatives	1,150	362
	Unrealised fair value gains on interest rate swap contracts	-	83

A2. INCOME TAXES

Income tax recognised in net surplus

Policy

Current tax is calculated by reference to the amount of income taxes payable or receivable 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).

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:

	2024 $'000s	2023 $'000s
Net profit before tax	**10,966**	**19,199**
Income tax expense calculated at 28% (2023: 28%)	3,070	5,376
Non-deductible expenses / (non-assessable income)	219	(1,212)
Under / (over) provision of income tax in previous year	(40)	(401)
Taxation expense	**3,249**	**3,763**
Represented by:		
Current tax	3,098	3,310
Deferred tax	151	453
	3,249	**3,763**

Prima facie tax rate

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 2024 income tax year.

Deferred tax balances

Policy

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.

2024		**Opening balance** *$'000s*	**Charged to income** *$'000s*	**Closing balance** *$'000s*
Gross deferred tax assets:	Trade debtors	246	(109)	137
	Other financial assets	5	-	5
	Employee entitlements	1,320	64	1,384
	Provisions	998	(262)	736
	Tax losses	1,371	2,015	3,386
	Leases	459	(323)	136
	Inventories	671	(671)	-
		5,070	**714**	**5,784**
Gross deferred tax liabilities:	Other financial assets	(313)	27	(286)
	Property, plant and equipment	(263)	(940)	(1,203)
	Inventories	-	(14)	(14)
	Intangible assets	(1,582)	62	(1,520)
		(2,158)	**(865)**	**(3,023)**
		2,912	**(151)**	**2,761**

At the reporting date, the Group has unused gross tax losses of $10.4m (2023: $6.79m) available to offset against future profits. A deferred tax asset has been recognised in respect of $3.0m (2023: $1.4m) of such losses.

It is considered probable that there will be future taxable profits available in the relevant jurisdictions to allow the Group to utilise these losses.

Section A: financial performance continued

2023		Opening balance $'000s	Charged to income $'000s	Closing balance $'000s
Gross deferred tax assets:	Trade debtors	204	42	246
	Other financial assets	9	(4)	5
	Employee entitlements	1,711	(391)	1,320
	Provisions	501	497	998
	Tax losses	2,140	(769)	1,371
	Leases	275	184	459
	Inventories	1,151	(480)	671
		5,991	**(921)**	**5,070**
Gross deferred tax liabilities:	Other financial assets	-	(313)	(313)
	Property, plant and equipment	(1,170)	907	(263)
	Intangible assets	(1,456)	(126)	(1,582)
		(2,626)	**468**	**(2,158)**
		3,365	**(453)**	**2,912**

Imputation credit account balances	2024 $'000s	2023 $'000s
Imputation credits available to shareholders	246	-

The above amounts represent the balance of the imputation credit account at the end of the reporting period adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax
- Imputation debits that will arise from the payment of dividends.

Availability of these credits is subject to continuity of ownership requirements.

A3. SEGMENT INFORMATION

Policy

NZ IFRS 8 Operating Segments 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:

- New Zealand manufacturing
- Rocklabs manufacturing
- Australia manufacturing
- Americas manufacturing
- Europe manufacturing
- China manufacturing.

New Zealand, (excluding Rocklabs), is reported as a single segment due to the integrated nature of customers, management, manufacturing and sales activities across New Zealand.

Rocklabs is reported as a single segment due to the integrated nature of customers, management, manufacturing and sales activities associated with the Rocklabs brand and operation in New Zealand and Australia.

Australia, (excluding Rocklabs), is reported as a single segment due to the integrated nature of customers, management, manufacturing and sales activities across Australia.

Americas is reported as a single segment due to the integrated nature of customers, management, manufacturing, sales and financing activities across North and South America.

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

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

Section A: financial performance continued

Segment revenues and 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 as these allocations would not result in a meaningful and comparable measure of profitability by segment.

	Manufacturing								
	New Zealand	Rocklabs	Australia	Americas	Europe	China	Unallocated	Elimination	Total
2024	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
Revenue from contracts with customers									
Total revenue from contracts with customers	18,263	43,377	20,846	93,121	88,230	12,288	-	-	276,125
Inter-segment revenue	12,229	2,480	7,273	783	12,552	2,372	-	(37,689)	-
Segment Revenue	**30,492**	**45,857**	**28,119**	**93,904**	**100,782**	**14,660**	**-**	**(37,689)**	**276,125**
Segment profit	18,197	10,315	65	1,934	13,073	3,216	-	-	46,800
Depreciation and amortisation	(840)	(1,686)	(3,791)	(790)	(3,814)	(145)	(214)	-	(11,280)
Share of net surplus in joint ventures	63	-	-	-	-	-	-	-	63
Interest revenue	-	-	215	156	(91)	156	(63)	-	373
Central administration costs	-	-	-	-	-	-	(20,433)	-	(20,433)
Finance costs	(926)	(834)	(165)	(196)	(516)	-	(1,920)	-	(4,557)
Net profit/(loss) before taxation	**16,494**	**7,795**	**(3,676)**	**1,104**	**8,652**	**3,227**	**(22,630)**	**-**	**10,966**
Taxation (expense)/benefit	(869)	76	535	(752)	(1,949)	(290)	-	-	(3,249)
Net profit / (loss) after taxation	**15,625**	**7,871**	**(3,141)**	**352**	**6,703**	**2,937**	**(22,630)**	**-**	**7,717**
2023 *(restated)*									
Revenue from contracts with customers									
Total revenue from contracts with customers	23,884	39,243	28,537	82,256	88,997	4,609	-	-	267,526
Inter-segment revenue	2,232	4,506	9,276	701	3,643	6,043	-	(26,401)	-
Segment Revenue	**26,116**	**43,749**	**37,813**	**82,957**	**92,640**	**10,652**	**-**	**(26,401)**	**267,526**
Segment profit	11,770	11,880	5,087	4,024	8,514	2,017	-	-	43,292
Depreciation and amortisation	(1,130)	(481)	(2,986)	(599)	(3,221)	(154)	(238)	-	(8,809)
Share of net surplus in joint ventures	127	-	-	-	-	-	-	-	127
Interest revenue	176	-	280	-	42	38	22	-	558
Central administration costs	-	-	-	-	-	-	(13,728)	-	(13,728)
Finance costs	(624)	(84)	(60)	(228)	(354)	-	(891)	-	(2,241)
Net profit/(loss) before taxation	**10,319**	**11,315**	**2,321**	**3,197**	**4,981**	**1,901**	**(14,835)**	**-**	**19,199**
Taxation (expense)/benefit	(856)	(504)	(409)	(856)	(1,116)	(22)	-	-	(3,763)
Net profit/(loss) after taxation	**9,463**	**10,811**	**1,912**	**2,341**	**3,865**	**1,879**	**(14,835)**	**-**	**15,436**

Revenue reported above represents revenue generated from external customers. Inter-segment sales, which are eliminated on consolidation, were $37.1million for the year ended 31 August 2024 (2023: $26.4million).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and investment revenue.

Section A: financial performance continued

Geographical information

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

	2024 $'000s	2023 $'000s
New Zealand (country of domicile)	23,390	17,862
Australia and Pacific Islands	31,576	45,611
North America, including Mexico	75,354	105,814
South America	2,550	1,881
Asia	24,233	22,003
Europe	117,758	70,758
Russia and former states	147	492
Africa and Middle East	1,117	3,105
	276,125	**267,526**

Information about major customers

The Group holds non-current assets in geographical areas outside of New Zealand, the country of domicile. These non-current assets are held in the following locations:

	2024 $'000s	2023 $'000s
Australia	22,350	24,836
US	10,873	10,907
Europe	29,474	32,344
China	1,029	1,077
	63,726	**69,164**

In 2024 there was no single customer accounting for more than 10.0% of total Group sales (2023: none).

SECTION B: ASSETS

B1. TRADE DEBTORS

Policy

Trade debtors are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any provision for expected credit losses. The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure of default.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor's current financial position, adjusted for factors that are specific to the conditions of the industry in which the debtor operates and an assessment of both the current, as well as the forecast direction of conditions at the reporting date.

Provision for expected credit losses is recognised in profit or loss.

	2024	**2023**
	$'000s	*$'000s*
Trade debtors	40,943	44,744
Allowance for expected credit losses	(742)	(1,105)
	40,201	**43,639**

Credit losses in profit and loss

The allowance for expected credit losses recognised in the profit and loss during the year was $(0.4) million (2023: $0.3 million).

Credit period

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 trade debtors.

Impairment of financial assets

In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss model to be used. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Under NZ IFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

The calculation of impairment losses impacts the way the Group calculates the bad debts provision, now termed the allowance for expected credit loss. The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade debtors.

To measure the expected credit losses, trade debtors, other financial assets, sundry debtors and contract assets have been grouped based on their shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same type of contracts.

A provision matrix is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customers' future credit risk. In addition, the company has increased the credit loss allowance for anticipated losses from specific customers. On that basis, the credit loss allowance as at 31 August was determined as follows;

Section B: assets continued

Provision matrix

	New Zealand		Rocklabs		Australia		Americas		China		Europe		Group	
	2024 *$'000s*	**2023** *$'000s (restated)*	**2024** *$'000s*	**2023** *$'000s*	**2024** *$'000s*	**2023** *$'000s*	**2024** *$'000s*	**2023** *$'000s*	**2024** *$'000s*	**2023** *$'000s*	**2024** *$'000s*	**2023** *$'000s*	**2024** *$'000s*	**2023** *$'000s*
Debtors														
Current-30 days	5,351	7,645	6,212	3,261	4,164	6,078	6,174	8,986	2,023	-	7,970	9,366	31,894	35,336
31-60 days	17	22	1,336	1,731	376	935	393	272	42	636	1,025	670	3,189	4,266
61-90 days	58	-	425	441	109	53	974	603	152	96	221	659	1,939	1,852
Over 91 days	73	82	453	1,940	187	232	505	195	1,490*	14	1,213	827	3,921	3,290
Total debtors	**5,499**	**7,749**	**8,426**	**7,373**	**4,836**	**7,298**	**8,046**	**10,056**	**3,707**	**746**	**10,429**	**11,522**	**40,943**	**44,744**
Contract assets	2,258	10,639	2,104	169	28	625	3,963	1,613	10,032	7,278	12,249	13,917	30,634	34,241
Total assets	**7,757**	**18,388**	**10,530**	**7,542**	**4,864**	**7,923**	**12,009**	**11,669**	**13,739**	**8,024**	**22,678**	**25,439**	**71,577**	**78,985**

	New Zealand		Rocklabs		Australia		Americas		China		Europe		Group	
Allowance based on expected credit loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expected credit loss on individually assessed balances	-	-	(79)	(834)	(11)	-	(531)	(128)	-	-	(121)	(143)	(742)	(1,105)
Credit loss allowance	**-**	**-**	**(79)**	**(834)**	**(11)**	**-**	**(531)**	**(128)**	**-**	**-**	**(121)**	**(143)**	**(742)**	**(1,105)**

* *Includes retention payments which will be paid in the next 12 months.*

Trade debtors and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

B2. INVENTORIES

Policy

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.

Provision for slow moving and obsolete inventories is assessed by the Group as part of the ongoing financial reporting. Obsolescence is assessed based on the time the inventory has been held and the likelihood of future sales of the inventory.

Section B: assets continued

	2024 $'000s	2023 $'000s
Raw materials	14,587	18,168
Work in progress	11,743	9,047
Finished goods	11,356	11,737
Provision for obsolete inventory	(817)	(701)
	36,869	**38,251**

Write downs

The cost of inventories recognised as an expense during the year includes $0.2 million (2023: $0.3 million) in respect of write-downs of inventory to net realisable value and write-offs of obsolete inventory.

B3. CONTRACT ASSETS / LIABILITIES

Policy

Contract assets are balances due from customers under fixed-price project contracts that arise when the Group receives payments from customers in line with a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to a trade debtor at the point at which it is invoiced to the customer.

Contract liabilities relating to fixed-price project contracts are balances due to customers under fixed-price project contracts. These arise if a particular milestone payment exceeds the revenue recognised to date.

Deferred revenue arises from short-term projects where the Group receives payments from customers in advance of delivering the asset to the customer.

Judgement

Determining the level of provisions to include against contract assets and liabilities requires an estimation of the costs to complete for the fixed-price contracts. If the costs incurred to complete the contracts differ from the estimates completed by management, the directors could be over or under estimating the contract assets or contract liabilities.

Assets and liabilities related to contracts with customers

The Group becomes entitled to invoice customers for long-term projects when certain milestones are met. These milestones and cash flows are agreed upfront with the customer when the contract is signed. When a particular milestone is reached, the customer is sent an invoice and any revenue previously recognised as a contract asset is reclassified to trade receivables at this time. If the invoice milestone payment exceeds the revenue recognised under the percentage of completion method, the Group will recognise a contract liability for the difference.

The majority of fixed price contracts are not considered to have a significant financing component under the percentage of completion method as the period between the recognition of revenue and the milestone payments is usually less than one year.

	2024 $'000s	2023 $'000s
Contract assets	30,634	34,241
Contract liabilities	(19,925)	(27,498)
Deferred revenue	(9,837)	(17,956)
	872	**(11,213)**

Contract assets and contract liabilities include provisions where the likelihood of cost overruns are expected as a result of factors such as the complexity of the projects and additional costs for commissioning and installation.

Section B: assets continued

B4. PROPERTY, PLANT AND EQUIPMENT

Policy

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 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

Gross carrying amount	**Freehold land at cost** *$'000s*	**Freehold buildings at cost** *$'000s*	**Plant, equipment and vehicles at cost** *$'000s*	**Total** *$'000s*
As at 31 August 2022	**2,432**	**13,130**	**26,115**	**41,677**
Additions	2	469	3,565	4,036
Disposals	-	(15)	(2,080)	(2,095)
Translation of amounts held in foreign currency	3	142	517	662
As at 31 August 2023	**2,437**	**13,726**	**28,117**	**44,280**
Additions	-	1,933	6,452	8,385
Disposals	-	-	(3,352)	(3,352)
Translation of amounts held in foreign currency	(5)	(187)	(404)	(596)
As at 31 August 2024	**2,432**	**15,472**	**30,813**	**48,717**
Accumulated depreciation & impairment				
As at 31 August 2022	**-**	**3,926**	**20,639**	**24,565**
Disposals	-	-	(1,392)	(1,392)
Depreciation expense	-	431	1,793	2,224
Translation of amounts held in foreign currency	-	80	437	517
As at 31 August 2023	**-**	**4,437**	**21,477**	**25,914**
Disposals	-	-	(3,071)	(3,071)
Depreciation expense	-	503	2,130	2,633
Translation of amounts held in foreign currency	-	(35)	(284)	(319)
As at 31 August 2024	**-**	**4,905**	**20,252**	**25,157**
Net book value				
As at 31 August 2023	2,437	9,289	6,640	18,366
As at 31 August 2024	**2,432**	**10,567**	**10,561**	**23,560**

Section B: assets continued

B5. GOODWILL

Policy

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.

Gross Carrying Amount	2024 $'000s	2023 $'000s
Balance at beginning of financial year	52,016	50,117
Translation of goodwill amounts held in foreign currency	(1,184)	1,899
Balance at end of financial year	**50,832**	**52,016**

Judgement

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, particularly in relation to future project wins and market conditions, expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Impairment testing summary

For the purposes of preparing these financial statements, the Board has reviewed the intangible assets and impairment model and determined that there is no impairment of any intangible assets in the current year, or in prior periods based upon the inputs and assumptions made for each cash generating unit (CGU).

Sensitivity analysis has been performed on the impairment model to determine how sensitive the model is to any changes to inputs, specifically around the cash flow forecasts. The sensitivity analysis showed no reasonably possible scenarios resulting in impairment for New Zealand, Rocklabs, Americas, Europe, or China manufacturing.

A heightened degree of focus has been given to the Australian CGU. The impairment model includes assumptions relating to improved performance resulting from strategic changes made within the CGU in the current year. There is an expectation that the Australian CGU will improve its Earnings Before Interest and Tax (EBIT) by NZ$6.1m in 2025 and then adjusting for annualised growth after that date. The Board consider this a conservative estimate of forecast growth given the changes made to the Australia business in the prior year. Sensitivity analysis has showed that if the improvement in the net result from 2025 onwards is NZ$5.9m rather than the NZ$6.1m assumed and no subsequent recovery in earnings is made, the model would result in nil headroom. Sensitivity analysis also showed that if the upper limit of the discount rate, being 16.5%, was used the model would result in nil headroom. The Board is satisfied that the assumptions included in the model are reasonable.

Section B: assets continued

Allocation of goodwill to cash-generating units

The Group's cash-generating units are:

- New Zealand manufacturing
- Rocklabs manufacturing
- Australia manufacturing
- Americas manufacturing
- Europe manufacturing
- China manufacturing.

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

Rocklabs is reported as a single cash-generating unit due to the integrated nature of customers, management, manufacturing, sales and financing activities associated with the Rocklabs brand and operation across New Zealand and Australia.

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

Americas is reported as a single cash-generating unit due to the integrated nature of customers, management, manufacturing, sales and financing activities across North and South America.

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

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

Goodwill has been allocated for impairment testing purposes to the cash-generating units:	**2024** *$'000s*	**2023** *$'000s*
New Zealand manufacturing	6,630	10,530
Rocklabs manufacturing	12,564	-
Australia manufacturing	5,055	13,780
Americas manufacturing	7,904	8,303
Europe manufacturing	18,316	19,031
China manufacturing	363	372
	50,832	**52,016**

Impairment model inputs

The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation, which uses cash flow projections based on financial budgets and forecasts covering a five-year period. The inputs for each of the CGUs have been listed below. Goodwill has been allocated for impairment testing purposes to the cash-generating units:

New Zealand	**2024**	**2023**
Annual growth rate	2.5%	2.5%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	18.2%	16.6%

New Zealand cash flow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2024 of 2.5% (2023: 2.5%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2023: 2.0%) The pre-tax discount rate calculated in 2024 is 18.2% (2023: 16.6%).

The New Zealand CGU has sufficient historical data to support the cash flow assumptions included in the impairment model and 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 New Zealand cash-generating unit.

Section B: assets continued

Rocklabs	2024	2023
Annual growth rate	2.8%	-
Terminal growth rate	2.0%	-
Pre-tax discount rate	16.9%	-

The rate of revenue and materials price inflation during 2024 of 2.8% (2023: n/a) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2023: n/a). The pre-tax discount rate calculated in 2024 is 16.9% (2023: n/a).

The Rocklabs CGU has sufficient historical data to support the cash flow assumptions included in the impairment model and 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 Rocklabs cash-generating unit.

Australia	2024	2023
Annual growth rate	3.0%	3.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	14.5%	15.4%

Australia cash flow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2024 of 3.0% (2023: 3.0%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2023: 2.0%). The pre-tax discount rate calculated in 2024 is 14.5% (2023: 15.4%).

As noted above, the Australian CGU has received a heightened degree of focus for the impairment testing. The key assumptions in the impairment test relate to achieving forecast EBIT and the discount rate used.

Americas	2024	2023
Annual growth rate	2.5%	2.5%
Terminal growth rate	2.0%	2.5%
Pre-tax discount rate	15.4%	14.8%

Americas cash flow projections during the budget and forecast period are based on historical gross margins where available, during the budget and forecast period. Where historical data is not easily comparable for recent acquisitions, recent sales, forward work and sales pipelines have been used to assist with projections. There is sufficient headroom in the model to support the carrying amount of the goodwill.

The rate of revenue and materials price inflation during 2024 of 2.5% (2023: 2.5%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2023: 2.5%). The pre-tax discount rate calculated in 2024 is 15.4% (2023: 14.8%). 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 cash-generating unit.

Europe	2024	2023
Annual growth rate	2.0%	2.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	13.9%	15.5%

Europe cash flow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2024 of 2.0% (2023: 2.0%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2023: 2.0%). The pre-tax discount rate calculated in 2024 is 13.9% (2023: 15.5%).

Section B: assets continued

The European CGU has sufficient historical data to support the cash flow assumptions included in the impairment model and 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 European cash-generating unit.

China	2024	2023
Annual growth rate	2.5%	3.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	13.2%	12.9%

China cash flow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2024 of 2.5% (2023: 3.0%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2023: 2.0%). The pre-tax discount rate calculated in 2024 is 13.2% (2023: 12.9%).

The Chinese CGU has sufficient historical data to support the assumptions included in the impairment model and 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 Chinese cash-generating unit.

B6. INTANGIBLE ASSETS

Policy

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.

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 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 a cash-generating unit (CGU), is estimated to be less than its carrying amount, the carrying amount of the CGU 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.

Section B: assets continued

	Conveyor & palletiser technology at cost $000's	BladeStop technology at cost $'000s	Centrifuge technology at cost $'000s	Automated grading technology at cost $'000s	Patents & other $'000s	Total $'000s
Gross carrying amount						
As at 31 August 2022	**5,621**	**11,191**	**340**	**1,534**	**198**	**18,884**
Additions	245	-	-	-	44	289
Disposals	(1)	-	-	-	(30)	(31)
Foreign translation difference	846	(305)	-	257	(5)	793
As at 31 August 2023	**6,711**	**10,886**	**340**	**1,791**	**207**	**19,935**
Additions	65	-	-	61	18	144
Disposals	-	-	-	(35)	-	(35)
Foreign translation difference	(204)	(48)	-	(75)	(3)	(330)
As at 31 August 2024	**6,572**	**10,838**	**340**	**1,742**	**222**	**19,714**
Accumulated amortisation and impairment						
As at 31 August 2022	**2,666**	**8,277**	**138**	**567**	**78**	**11,726**
Amortisation expense	646	1,360	26	146	42	2,220
Disposals	-	-	-	-	(4)	(4)
Foreign translation difference	523	(224)	-	112	(4)	407
As at 31 August 2023	**3,835**	**9,413**	**164**	**825**	**112**	**14,349**
Amortisation expense	691	1,356	26	150	24	2,247
Disposals	-	-	-	-	-	-
Foreign translation difference	(194)	(44)	-	(42)	(2)	(282)
As at 31 August 2024	**4,332**	**10,725**	**190**	**933**	**134**	**16,314**
Net book value						
As at 31 August 2023	2,876	1,473	176	966	95	5,586
As at 31 August 2024	**2,240**	**113**	**150**	**809**	**88**	**3,400**

Assets

Intangible assets comprise:

- Conveyor and palletiser technology used in the materials handling industry, purchased through the acquisition of the Alvey business in April 2018, which is being amortised on a straight-line basis over an estimated remaining useful life at the time of purchase of 10 years.
- BladeStop bandsaw safety technology purchased in October 2017, which is being amortised on a straight-line basis over an estimated remaining useful life at the time of purchase of eight years.
- Centrifuge technology used in the honey and fish oil industry purchased through the acquisition of the other joint venture partners' interests in Scott Separation Technology Limited in May 2017, which is being amortised on a straight-line basis over an estimated remaining useful life at the time of purchase of 13 years.
- Automated grading technology used in the protein industry purchased through the acquisition of Normaclass in May 2019, which is being amortised on a straight-line basis over an estimated useful life at the time of purchase of 10 years.

Section B: assets continued

B7. RESEARCH AND DEVELOPMENT COSTS

Policy

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 to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during the development.

B8. DEVELOPMENT ASSETS

Policy

Development assets exist where the Group is working on developments with the intention to meet an end customer's needs, but no contract exists with that end customer. Revenue is not recognised on these projects until a contract with a customer is formed and all the costs incurred will sit on the balance sheet until a conclusion is reached. These projects have a large portion of R&D and are undertaken with the view that the Group will be able to realise future sales on these products.

At the end of each reporting period, an assessment is made of these development assets for indicators of impairment using the mix of external and internal indicators included in NZ IAS 36 and the criteria for capitalisation under NZ IAS 38 outlined in B7. Where there are indicators of impairment the asset's recoverable amount is calculated and an impairment recognised. If the criteria for capitalisation are no longer met, the assets are expensed.

Amortisation of the development assets is recorded using the units of production method. Where units are in production at the reporting date, a percentage of completion is estimated.

Judgement

Determining when costs incurred on a project are research, when costs are development, what costs can be capitalised as a development asset, the recoverability of development assets through future sales and the number of future sales to amortise the assets over relies on the directors' judgement.

Section B: assets continued

		Development assets			
		Protein	**Mineral**	**MHL**	**Total**
		$'000s	*$'000s*	*$'000s*	*$'000s*
Gross carrying amount	**As at 31 August 2022**	**3,154**	**5,683**	**-**	**8,837**
	Additions	10	1,219	-	1,229
	Transfer to project	(473)	-	-	(473)
	Disposals	(1,277)	-	-	(1,277)
	Foreign translation difference	(1)	(155)	-	(156)
	As at 31 August 2023	**1,413**	**6,747**	**-**	**8,160**
	Additions	-	535	849	1,384
	Transfer to project	-	-	-	-
	Disposals	-	-	-	-
	Foreign translation difference	-	29	(21)	8
	As at 31 August 2024	**1,413**	**7,311**	**828**	**9,552**
Accumulated amortisation and impairment	**As at 31 August 2022**	-	**-**	**-**	**-**
	Amortisation expense	(353)	-	-	(353)
	Foreign translation difference	-	-	-	-
	As at 31 August 2023	**(353)**	**-**	**-**	**(353)**
	Amortisation expense	(227)	(117)	-	(344)
	Foreign translation difference	-	-	-	-
	As at 31 August 2024	**(580)**	**(117)**	**-**	**(697)**
Net book value	As at 31 August 2023	1,060	6,747	-	7,807
	As at 31 August 2024	**833**	**7,194**	**828**	**8,855**

- The Protein Development Assets relate to work being completed on producing systems to automate processing solutions for chickens. Work has also been completed on updating design drawings for a lamb processing system. All meat development assets relate to the New Zealand and Australia segments.
- Mineral Development assets relate to work completed on large projects to develop products that will be able to be sold as future products. All mining development assets relate to the Rocklabs segment.
- MHL Development Assets relate to work completed on producing material handling systems that will be able to be sold as future products. All MHL development assets relate to the Americas segment.

SECTION C: CAPITAL AND FUNDING

C1. SHARE CAPITAL

Policy

Equity instruments issued by the Group are recorded as the proceeds are received, net of issue costs.

	2024 Number	2023 Number	2024 $'000s	2023 $'000s
Fully paid ordinary shares at beginning of financial year	81,198,794	79,852,190	90,162	86,315
Issue of shares under dividend reinvestment plan	147,809	1,346,604	354	3,847
Balance at end of financial year	**81,346,603**	**81,198,794**	**90,516**	**90,162**

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

C2. EARNINGS AND NET TANGIBLE ASSETS PER SHARE

Earnings per share from continuing operations

	2024 Cents per share	2023 Cents per share
Basic	9.7	19.3
Diluted	9.7	19.3

	2024 $'000s	2023 $'000s
Net profit for the year used in the calculation of basic and diluted earnings per share from continuing operations	7,853	15,522
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	81,214	80,302

Non-GAAP information

Net tangible assets per ordinary share	2024 Cents per share	2023 Cents per share
Basic	56.4	56.1
Diluted	56.4	56.1

	Notes	2024 $'000s	2023 $'000s
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share	C1	81,347	81,199
Net tangible assets (net assets excluding goodwill, intangible assets, development assets and deferred tax)		45,873	45,578

Section C: capital and funding continued

C3. BORROWINGS

Policy

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.

	2024 *NZD$'000s*	2023 *NZD$'000s*
Current	1,200	1,151
Non-current	11,539	11,324
Total term loans	**12,739**	**12,475**
Maturity profile of non-current portion		
1-2 years	180	11,072
2-3 years	10,981	86
3-5 years	378	166
	11,539	**11,324**

Interest rates applicable to 31 August 2024 on the bank term loans ranged from 1.0% to 8.4% p.a. (2023: 1.0% to 8.4% p.a.)

The carrying amounts of the Group's borrowings are denominated in the following currencies:	2024 Facility *NZD$'000s*	2024 Utilised *NZD$'000s*	2023 Facility *NZD$'000s*	2023 Utilised *NZD$'000s*
New Zealand dollar	8,000	8,000	8,000	8,000
United States dollar	3,692	2,826	3,692	2,969
European euros	10,625	1,191	2,179	1,218
Czech koruna	1,030	722	540	288
	23,347	**12,739**	**14,411**	**12,475**

The Group also has access to the following working capital facilities:	Facility *NZD$'000s*	Utilised *NZD$'000s*	Facility *NZD$'000s*	Utilised *NZD$'000s*
New Zealand dollar	35,000	18,999	20,000	9,036
United States dollar	1,595	-	1,676	-
European euros	883	-	2,747	-
Czech koruna	-	-	761	-
	37,478	**18,999**	**25,184**	**9,036**

Borrowing facilities

Borrowings shown above include bank debt and vehicle financing.

Borrowing facilities include bank overdraft, term loans and credit card facilities, which are included in trade creditors and accruals.

The main source of financing for the Group is through ANZ Bank in New Zealand. The total of the ANZ Bank New Zealand Limited current facility agreement for borrowings and working capital is NZ$46.7m (2023: NZ$31.7m), of which NZ$16.9m was unutilised at 31 August 2024 (2023: $11.7m).

The bank facilities of ANZ Bank New Zealand Limited are secured by general security agreements over all the present and subsequently acquired property of Scott Technology Limited and certain subsidiaries, and therefore associated 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 properties at 630 Kaikorai Valley Road Dunedin, 10 Maces Road Christchurch and 1B Quadrant Drive Lower Hutt.

The Group also has borrowing facilities through KBC Bank in Belgium with a total facility for borrowings and working capital of EUR 6.0m (2023: EUR 4.9m) of which EUR 5.3m was unutilised at 31 August 2024 (2023: EUR 3.7m).

The bank facilities from KBC Bank are secured by a registered pledge on the business assets of Scott Automation NV for a total of EUR 8.1m (2023: EUR 4.9m). The registered pledge on the bank guarantees line of credit 50% of any amount exceeding EUR 3.5m from 2023 has been removed.

Other borrowing facilities include a USD$1.0m, (2023 USD$1.0m), line of credit from BB&T Bank not untilised at 31 August 2024 or 31 August 2023, and a EUR 0.5m (2023: CZK 10m), overdraft facility not utilised at 31 August 2024 or 31 August 2023.

The Group has fully complied with and operated within the debt facility financial covenants under arrangements with its bankers.

C4. TRADE CREDITORS AND ACCRUALS

Policy

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

	2024 *$'000s*	2023 *$'000s*
Trade creditors	14,748	20,011
Accruals	14,964	19,289
	29,712	**39,300**

Terms

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

Section C: capital and funding continued

C5. LEASES

Policy

The Group assesses whether a contract is, or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases, defined as leases with a lease term of 12 months or less, and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If the rate cannot be readily determined, the Group uses its incremental borrowing rate (IBR). The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the liability, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at, or before, the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term or useful life of the underlying asset. The Group applies NZ IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the intangible assets policy in note B6.

Judgement

The estimation of the IBR relies on the directors considering the credit risk of the Group. If the credit risk faced by the Group differs from what is estimated, the IBR may differ, and consequently the future net present value of the lease cash flows may be over or under stated.

The determination of lease term relies on the directors' view of the likelihood of any lease renewal options being renewed. If the lease renewal options are included and then not taken up, or are not included and are taken up, the net present value of the lease cash flows may be over or under stated.

The Group leases several assets including buildings, cars and machinery. The average lease term is 4.6 years (2023: 3.4 years).

The Group has options to purchase certain equipment at the conclusion of their current lease terms.
As management is undecided on the outcome of these transactions, the purchase price has not been included in the lease liability calculations.

Section C: capital and funding continued

Right-of-use assets

		Buildings	Plant	Vehicles	Group
		$'000s	*$'000s*	*$'000s*	*$'000s*
Cost	**As at 31 August 2022**	**16,527**	**338**	**1,843**	**18,708**
	Additions	4,360	9	1,762	6,131
	Disposals	(3,710)	-	(397)	(4,107)
	Translation of leases held in foreign currency	974	-	237	1,211
	As at 31 August 2023	**18,151**	**347**	**3,445**	**21,943**
	Additions	17,673	59	2,292	20,024
	Disposals	(4,951)	(113)	(783)	(5,847)
	Translation of leases held in foreign currency	(761)	(4)	(114)	(879)
	As at 31 August 2024	**30,112**	**289**	**4,840**	**35,241**
Depreciation	**As at 31 August 2022**	**8,247**	**114**	**815**	**9,176**
	Depreciation expense	3,283	66	663	4,012
	Disposals	(3,710)	-	(382)	(4,092)
	Translation of leases held in foreign currency	260	1	113	374
	As at 31 August 2023	**8,080**	**181**	**1,209**	**9,470**
	Depreciation expense	4,889	38	1,129	6,056
	Disposals	(3,978)	(89)	(720)	(4,787)
	Translation of leases held in foreign currency	(309)	(3)	(48)	(360)
	As at 31 August 2024	**8,682**	**127**	**1,570**	**10,379**
As at 31 August 2023		10,071	166	2,236	12,473
As at 31 August 2024		**21,430**	**162**	**3,270**	**24,862**

Amounts recognised in profit and loss and cash flows statement

	2024	2023
	$'000s	*$'000s*
Total cash outflow for leases	4,556	4,040
Interest expense on lease liabilities	1,438	528
Expense relating to short-term liabilities	1,022	662

As at 31 August 2024, the Group is committed to $0.6 million (2023: $0.6 million) for short-term leases.

Lease liabilities	2024	2023
	$'000s	*$'000s*
Current liability	4,660	3,773
Non-current liability	21,987	9,602
Total	**26,647**	**13,375**

Maturity analysis	2024	2023
	$'000s	*$'000s*
Not later than 1 year	4,660	3,773
Later than 1 year and not later than 5 years	11,346	6,722
Later than 5 years	10,641	2,880
	26,647	**13,375**

Section C: capital and funding continued

C6. EMPLOYEE BENEFITS

Policy

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

Provisions made in respect of employee benefits expected to be settled within twelve 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 that are not expected to be settled within twelve 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.

C7. PROVISION FOR WARRANTY

Policy

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.

	2024 *$'000s*	2023 *$'000s*
Balance at 1 September	1,374	1,323
Additional provisions (derecognised) / recognised	167	51
Balance at 31 August	**1,541**	**1,374**

Obligation

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 twelve months of balance date, however, this timing is uncertain and dependent upon the actual level of after sales service work required.

C8. PERFORMANCE-BASED COMPENSATION

Policy

For cash-settled performance-based compensation, a liability is recognised for the amount payable based on on-target performance against set performance measures. For long-term incentives (which include the payment of a monetary amount after a period of approximately three years of continuous full-time employment), the payment amount is determined by the differential between the company's share price at the beginning of the scheme and at the end of the reporting period, after adjusting for any events that affect the share price, such as capital reconstruction, bonus issues or dividends. Accordingly, at the end of each reporting period, until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Details of arrangement

The Group has short term and long term incentives in place for certain executives and senior employees of the Group. Short term incentives (STI) are annual performance based compensation linked directly to individual and company performance while long term incentives (LTI) are payable to executives and senior employees who are members of the LTI and remain in employment with the Group at the vesting dates (after 3 years). On the vesting date, those members of the LTI will be granted a cash incentive based on the movement in Scott Technology Limited's share price from the beginning of the scheme to the vesting date.

At balance date there is a liability of $0.1 million (2023: $2.7 million) included in employee entitlements in the balance sheet. The impact of the movement in the liability on profit for the year was a $0.1 million increase (2023: $1.6 million increase) and is included in the employee benefits expenses. Refer to note F3.

No shares, or share options, in Scott Technology Limited are issued under either incentive scheme.

C9. ONEROUS CONTRACT PROVISION

Policy

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The onerous contract provision relates to the expected losses on certain long-term projects in progress as at 31 August. The onerous contract provisions are based on management's best estimate to complete the projects in progress. The completion of work required is typically expected in the next 12 months.

	2024 *$'000s*	2023 *$'000s*
Balance at 1 September	1,061	5,241
Additional provisions expensed to the profit and loss during the year	34	615
Utilisation of provisions	(1,061)	(4,795)
Balance at 31 August	**34**	**1,061**

SECTION D: RISK MANAGEMENT

D1. FINANCIAL INSTRUMENTS

Policy

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

The Group 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). Open firm commitments reflect contractual agreements to provide goods to customers at an agreed price denominated in a foreign currency on specified future dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings, is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other gains / (losses).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

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.

Hedge accounting is discontinued when 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.

Financial risk management objectives

The Group's finance function provides services to the business, coordinates 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 risks (including currency risks and fair value interest rate risks), credit risks, liquidity risks and cash flow interest rate risks.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge 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 are reviewed on a continuous basis. The Group does not enter into, or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 2023.

Section D: risk management continued

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 operations of the business. To the extent that additional working capital funding is required the Group has bank facilities available as disclosed in note C3. 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.

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 risks.

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. There were no open cash flow hedges at balance date. 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	
	2024 $’000s	**2023** $’000s	**2024** $’000s	**2023** $’000s
United States dollar	27,329	16,431	30,976	48,911
Euros	21,628	26,656	13,836	17,022
Australian dollar	13,171	14,224	3,527	7,766
Great Britain pound	253	347	40	193
Chinese yuan	5,046	3,776	932	-
Canadian dollar	-	-	-	19
Czech koruna	468	343	514	817
Polish zloty	2	-	-	-
Swedish krona	-	-	-	-
Singaporean dollar	-	-	321	662
	67,897	**61,777**	**50,146**	**75,390**

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. These are presented in other financial assets or other financial liabilities in the balance sheet.

For hedges of firm commitments, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group’s own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships.

From time to time the Group will enter into collar options to cover forecast sales and purchases. These are not hedge accounted.

Section D: risk management continued

Assets	2024 $'000s	2023 $'000s
At fair value:		
Fair value hedge of open firm commitments	6	1,339
Foreign currency forward contracts held as effective fair value hedges	244	61
Foreign exchange derivatives	315	19
	565	**1,419**
Represented by:		
Current financial assets	560	1,277
Non-current financial assets	5	142
	565	**1,419**
Liabilities		
At fair value:		
Fair value hedge of open firm commitments	244	61
Foreign currency forward contracts held as effective fair value hedges	6	1,339
Foreign exchange derivatives	-	424
Interest rate swap contracts	-	-
	250	**1,824**
Represented by:		
Current financial liabilities	245	1,682
Non-current financial liabilities	5	142
	250	**1,824**

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

Outstanding forward foreign currency contracts

	Average Fx Rate		Nominal value		Fair value	
	2024	2023	2024	2023 $'000s	2024 $'000s	2023 $'000s
Sell US dollars	0.6100	0.6213	22,505	40,613	541	(1,682)
Sell Australian dollars	0.9125	0.9139	1,867	3,970	12	(22)
Buy euro	-	0.5504	-	2,095	-	21
			24,372	**46,678**	**553**	**(1,683)**

Outstanding forward foreign currency contracts maturity profile

	Nominal value		Fair value	
	2024 $'000s	2023 $'000s	2024 $'000s	2023 $'000s
0-3 months	6,764	13,593	155	(624)
3-6 months	9,040	10,901	197	(584)
6-9 months	6,791	12,354	141	(180)
9-12 months	1,656	6,613	55	(153)
Greater than 12 months	121	3,216	5	(142)
	24,372	**46,677**	**553**	**(1,683)**

Section D: risk management continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the United States dollar, the euro, the Australian dollar and the Chinese yuan.

The following table details the Group's sensitivity to a 10% increase and decrease in the New Zealand dollar against the relevant foreign currencies. Ten percent 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.

	10% increase in New Zealand dollar		10% decrease in New Zealand dollar	
	2024	**2023**	**2024**	**2023**
	$'000s	*$'000s*	*$'000s*	*$'000s*
United States dollar	588	3,223	(719)	(3,939)
Euro	(600)	(773)	733	945
Australian dollar	(877)	(587)	1,072	718
Great Britain pound	(19)	(14)	24	17
Chinese yuan	(374)	(343)	457	420
Canadian dollar	-	2	-	(2)
Czech koruna	70	69	(85)	(84)
Singaporean dollar	29	60	(36)	(74)

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

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

Credit risk management

In the normal course of business, the Group incurs 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, and customer credit checks. The Group, as a result of the industries in which it operates, can be exposed to significant concentrations of credit risk from trade receivables and counterparty risk with the bank in relation to the outstanding forward exchange contracts. They do not require any collateral or security to support financial instruments as these represent deposits with, or loans to, banks and other financial institutions with high credit ratings.

At year end the amount receivable from the five largest trade debtors is $10.1 million (2023: $13.3 million).

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.

Section D: risk management continued

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 C3 are details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

Undiscounted cash flows of non-derivative financial liabilities

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.

	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*
2024								
Financial liabilities								
Lease liabilities	4.63%	-	6,038	4,878	3,987	6,155	12,020	33,078
Borrowings	7.51%	-	1,290	193	11,806	240	166	13,695
Trade creditors and accruals		29,712	-	-	-	-	-	29,712
		29,712	**7,328**	**5,071**	**15,793**	**6,395**	**12,186**	**76,485**
2023								
Financial liabilities								
Lease liabilities	3.34%	-	4,228	3,250	2,282	1,958	3,104	14,822
Borrowings	7.41%	-	1,236	11,892	93	98	81	13,400
Trade creditors and accruals		39,300	-	-	-	-	-	39,300
		39,300	**5,464**	**15,142**	**2,375**	**2,056**	**3,185**	**67,522**

The Group has access to financing facilities, of which the total unused amount is $29.1 million at the balance sheet date (2023: $18.1

million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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.

	Level 1	**Level 2**	**Level 3**	**Total**
	$'000s	*$'000s*	*$'000s*	*$'000s*
2024				
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	6	-	6
Foreign currency forward contracts held as effective fair value hedges	-	244	-	244
Foreign exchange derivatives	-	315	-	315
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(244)	-	(244)
Foreign currency forward contracts held as effective fair value hedges	-	(6)	-	(6)
Foreign exchange derivatives	-	-	-	-
	-	**315**	**-**	**315**
2023				
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	1,339	-	1,339
Foreign currency forward contracts held as effective fair value hedges	-	61	-	61
Foreign exchange derivatives	-	19	-	19
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(61)	-	(61)
Foreign currency forward contracts held as effective fair value hedges	-	(1,339)	-	(1,339)
Foreign exchange derivatives	-	(424)	-	(424)
	-	**(405)**	**-**	**(405)**

Fair value

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

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E1. SUBSIDIARIES

			2024 %	2023 %
Parent entity				
Scott Technology Limited	31 August	New Zealand	n/a	n/a
New Zealand trading subsidiaries				
Scott Technology NZ Limited	31 August	New Zealand	100	100
Scott Automation Limited	31 August	New Zealand	100	100
Scott Technology US Limited	31 August	New Zealand	100	100
QMT General Partner Limited	31 August	New Zealand	93	93
QMT New Zealand Limited Partnership	31 August	New Zealand	92	92
Scott Technology Americas Limited	31 August	New Zealand	100	100
Scott Technology Europe Limited	31 August	New Zealand	100	100
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	31 August	Australia	100	100
Scott Automation & Robotics Pty Ltd	31 August	Australia	100	100
Scott Systems International Incorporated	31 August	US	100	100
Scott Systems (Qingdao) Co Limited	31 December*	China	95	95
Scott Technology GmbH	31 August	Germany	100	100
Scott Technology Belgium bvba	31 August	Belgium	100	100
Scott Automation NV	31 August	Belgium	100	100
FLS Systems NV	31 August	Belgium	-	100
Scott Automation a.s.	31 August	Czech Republic	100	100
Scott Automation SAS	31 August	France	100	100
Scott Automation Limited	31 August	United Kingdom	100	100
Normaclass	31 August	France	100	100
Rivercan S.A.	31 December*	Uruguay	100	100

* Determined by local regulatory requirements.

Section E: group structure and subsidiaries continued

E2. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in joint ventures

Policy

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, 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.

Joint ventures	Country of incorporation	Ownership interest 2024 %	Ownership interest 2023 %	Carrying value 2024 $'000s	Carrying value 2023 $'000s
Robotic Technologies Limited*	New Zealand	50	50	867	804
Balance at 31 August				**867**	**804**

* *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 profit was $63,000. (2023: share of net profit $127,000).*

Carrying value of equity accounted investments:	2024 $'000s	2023 $'000s
Balance at 1 September	804	677
Share of net surplus	63	127
Balance at 31 August	**867**	**804**

Section E: group structure and subsidiaries continued

Summarised statement of comprehensive income of joint ventures from continuing operations:	2024 $'000s	2023 $'000s
Income	826	463
Expenses	(700)	(209)
Net surplus and total comprehensive income	126	254
Group share of net surplus	**63**	**127**
Summarised balance sheets of joint ventures:		
Current assets	1,513	2,398
Non-current assets	570	21
Current liabilities	(350)	(812)
Non-current liabilities	-	-
Net assets	1,733	1,607
Group share of net assets	**867**	**804**

RTL does not have any contingent assets, contingent liabilities or commitments for capital expenditure. The Group is not jointly and severally liable for any of the joint venture's liabilities.

E3. RELATED PARTY TRANSACTIONS

Joint ventures	2024 $'000s	2023 $'000s
Project work undertaken by the Group for RTL	671	133
Administration, sales and marketing fees charged by the Group to RTL	239	261
Sales revenue received by RTL from the Group	798	549
Advance from Scott Technology to RTL	-	431

Advances

Advances to / from joint ventures are unsecured, interest free and repayable on demand.

Substantial shareholders

JBS Australia Pty Ltd owns a 52.95% shareholding in Scott Technology Limited (2023: 53.05%). The Group has recognised sales to JBS companies of $24.0 million (2023: $21.9 million) and has made purchases from JBS Companies of $Nil (2023: $Nil). As at balance date the Group had $2.2 million receivable from JBS companies (2023: $2.1 million).

Dividends paid to JBS amounted to $3.9 million (2023: $3.4 million). In 2024 these dividends have been paid in cash.

Terms and conditions

Transactions relating to dividends, calls on shares and subscriptions for new shares are on the same terms and conditions that apply to other shareholders.

Goods sold to related parties during the year are based on price lists in force and terms that would be available to third parties.

Outstanding balances are unsecured and repayable in cash.

Section E: group structure and subsidiaries continued

E4. NON-RECURRING COSTS

On 15 June 2023 Scott advised the share market that after discussions with the majority shareholder JBS, it intended to undertake a strategic review of its ownership structure, exploring options to maximise value for all shareholders. Scott engaged Macquarie Capital as financial advisor to assist with the strategic review. As Scott advised the market on the 13th of November 2023, the strategic review would not continue further at this time. The costs associated with the strategic review have been included on a separate line as they are one off in nature and do not represent the trading position of the Group. In 2024, these costs totalled $2.5m (2023: $0.7m).

Review of Appliance Market

During July 2024, a consultation was undertaken on the future of Scott's Appliance market. The outcome of this consultation was commenced in July, with Scott refocusing appliance manufacturing into its China operations. This resulted in job losses in the Christchurch facility.

This process resulted in redundancy costs of $1.0m in 2024. The process was concluded in August 2024 and all of the costs were included in 2024.

Review of Industrial Automation Market

During July 2024, a consultation was undertaken on the future of Scott supplying the Industrial Automation market in Australia. The outcome of this consultation was completed in July, with Scott withdrawing from this market. This resulted in job losses in the Australian business.

This process resulted costs redundancy in of $0.3m in 2024. The process was concluded in August 2024 and all of the costs were included in 2024.

SECTION F: OTHER DISCLOSURES

F1. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Policy

The statement of cash flows 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 cash flows:

- 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.

	2024 $'000s	2023 $'000s
Net profit after tax for the year	**7,717**	**15,436**
Adjustments for non-cash / non-operating items:		
Depreciation and amortisation	11,280	8,809
Net gain on sale of property, plant and equipment	(124)	(459)
Deferred tax	151	453
Share of net loss / (surplus) of joint ventures and associates	(63)	(127)
Interest expense	4,638	2,266
	15,882	**10,942**
Add / (less) movement in working capital:		
Trade debtors	3,438	(3,636)
Other financial assets – derivatives	854	(382)
Sundry debtors	4,777	(3,818)
Receivable from JV	431	-
Inventories	1,382	(6,923)
Contract assets	3,607	(16,168)
Contract liabilities	(15,692)	19,147
Onerous contract provision	(1,027)	(4,180)
Taxation payable	(452)	2,527
Trade creditors and accruals	(9,588)	4,198
Other financial liabilities – derivatives	(1,574)	351
Employee entitlements	(2,229)	3,522
Provision for warranty	167	51
	(15,906)	**(5,311)**
Movements in working capital disclosed in investing / financing activities:		
Movement in foreign exchange translation reserve relating to working capital	(1,721)	(850)
Net cash inflow from operating activities	**5,972**	**20,217**

Section F: other disclosures continued

Reconciliation of movement in debt facilities

	Balance at 1 September	Additions	Disposals	Drawings	Repayment	Translation of foreign exchange	Balance at 31 August
	$'000s	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
2024							
Borrowings	12,475	-	-	4,202	(3,710)	(228)	12,739
Lease liabilities	13,375	19,341	(1,157)	-	(4,556)	(356)	26,647
	25,850	**19,341**	**(1,157)**	**4,202**	**(8,266)**	**(584)**	**39,386**
2023							
Borrowings	11,970	-	-	2,203	(1,904)	206	12,475
Lease liabilities	10,435	6,120	(15)	-	(4,040)	875	13,375
	22,405	**6,120**	**(15)**	**2,203**	**(5,944)**	**1,081**	**25,850**

F2. CONTINGENT LIABILITIES

	2024	2023
	$'000s	*$'000s*
Payment guarantees and performance bonds	15,165	18,695
Stock Exchange bond	75	75
Maximum contract penalty clause exposure	3,942	7,419

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 (2023: $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.

F3. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the directors of the company, the Chief Executive (Executive Director) and his direct reports. The compensation of the executives, is set out below:

	2024	2023
	$'000s	*$'000s*
Short-term benefits – employees	3,138	3,206
Short-term benefits – Executive Director	1,813	1,897
Long-term benefits – employees	77	1,392
Long-term benefits – Executive Director	25	390
	5,053	**6,885**
Directors' remuneration	**290**	**280**

Detailed remuneration disclosures are provided in the remuneration statement on pages 94 to 102.

F4. SUBSEQUENT EVENTS

On 17 October 2024 the Board of Directors approved a final dividend of three cents per share to be paid for the 2024 year. (2023: four cents per share).

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Scott Technology Limited

Opinion

We have audited the consolidated financial statements of Scott Technology Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 August 2024, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements, on pages 30 to 76, present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2024, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice and other assurance services, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $1,500,000 (2023: $1,100,000).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key audit matter	How our audit addressed the key audit matter
Recognition of Revenue and Profit on Systems Contracts The Group's most significant revenue stream relates to contracts for designing and manufacturing customised automation and robotic systems for customers in various industries ("systems contracts"). Revenue on systems contracts is recognised over the term of the contract period using the input method based on management's estimate of the percentage of completion of the individual contracts as detailed in note A1. An estimate of the percentage of completion is based on costs associated with the work done to date relative to the total forecast costs to complete. There is a significant level of judgement involved in the recognition of revenue and profit on systems contracts driven by factors which arise throughout the life of the project requiring estimation, and contract conditions differing between projects. For these reasons, we have identified this area as a key audit matter.	We assessed the Group's processes and design and implementation of controls around preparation/calculation of the percentage of completion. For a sample of projects in place at the end of the prior year, we compared the current year actual results to prior year forecasts to assess the reliability of management estimates relating to the cost of completion. For a sample of contracts, we performed the following procedures: • Assessed whether the key estimates made by management reflect the terms and conditions of the contract; • Evaluated cost to complete forecasts by challenging management's key assumptions and comparing revenue recognition calculations to project cost forecasts prepared by project managers; • Obtained evidence of scope variations and claims and verified that these have not been included in management's determination of revenue recognition until agreed with the customer; and • Tested the costs incurred on systems contracts during the year to validate the costs and assess whether they have been applied to contracts appropriately.
Goodwill Impairment Assessment - Australian cash generating unit As at 31 August 2024, there is \$50.8 million (2023: \$52.0 million) of goodwill included on the balance sheet of the Group as detailed in note B5. The balance is held across six (2023: five) cash generating units (CGUs). \$5.1 million (2023: \$13.8 million) of the goodwill balance is allocated to the Australian CGU. NZ IAS 36 Impairment of Assets requires the Group to complete an impairment test related to goodwill annually. The Group tests for impairment by determining the recoverable amount of the cash generating units to which the goodwill is allocated and comparing the recoverable amounts of the CGUs to their carrying values. The recoverable amount of each CGU is based on value in use which is determined using a discounted cash flow calculation. This calculation is subjective, and requires the use of judgement, primarily in respect of: • Annualised forecast cash flows for the 5 year forecast period (using the budget for the first year of the forecast period) • Discount rates • Annual growth rates • Terminal growth rates We have included the impairment assessment of goodwill relating to the Australian CGU as key audit matter due to the significance of the balance to the financial statements, the lower level of headroom relative to the other cash generating units and the level of judgements and estimates required in preparing the value in use model.	We considered whether the Group's methodology for assessing impairment of the Australian cash generating unit is compliant with NZ IAS 36. We focused on testing and challenging the suitability of the model and reasonableness of the assumptions used by the Group in conducting their impairment review. Our procedures included, among others: • Agreeing first year forecast cashflows to Board approved budgets; • Challenging the reliability of the Group's revenue and expense growth rates to historical forecasts and actual results; • Assessing reasonableness of key assumptions and changes from the previous years; and • Assessing management's determination of cash generating units and our understanding of the Group's business and operating environment. We used our internal valuation experts to assist with evaluating the models and challenging the Group's key assumptions. The procedures of the specialist included: • Evaluating the appropriateness of the model; • Testing the mathematical integrity of the model; and, • Comparing the Group's annualised and terminal growth rates to market data. We evaluated the sensitivity analysis performed by management to consider the extent to which a change in one or more of the key assumptions could give rise to impairment in the goodwill. We note that this analysis resulted in additional disclosure in the financial statements relating to the Australian CGU. This is consistent with the prior year.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report, and the Climate Statement, which is expected to be made available to us after the date of the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

When we read the Climate Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

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.

Deloitte Limited

Andrew Dick,
Partner for Deloitte Limited
Auckland, New Zealand
17 October 2024

High-speed palletiser Pal 4.0 on display at Scott's Charlotte site.

STATEMENT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Scott Technology Limited (Scott) believes in the benefit of strong corporate governance and the value it provides for our shareholders, customers, employees and other stakeholders. The Board is ultimately responsible for ensuring that the company maintains high ethical standards and corporate governance practices. The company is striving to ensure its corporate governance practices are in line with best practice and the NZX Corporate Governance Code (NZX Code). Any exceptions to this are identified where appropriate under Principles 1 to 8 below.

The key corporate governance documents referred to in this report are available on Scott's website: www.scottautomation.com/en/investor-centre/governance

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

The Board is committed to maintaining the highest standards of behaviour and accountability. Scott's Code of Conduct is the framework of standards by which the directors, senior management and employees are expected to conduct their professional lives. It is intended to support decision-making that is consistent with Scott's values, business goals and legal and policy obligations, rather than to prescribe an exhaustive list of acceptable and non-acceptable behaviour.

As part of the induction process, new employees receive a copy of the Code of Conduct, which is accessible to all employees on the Scott intranet and the company website. The Code was most recently reviewed in 2021.

The company also has an Ethics Line Policy which provides a confidential online reporting system that allows employees to report suspected breaches of law or company policies as well as other serious concerns they may have. The purpose of the Policy is to protect an employee who wishes to raise concerns from reprisals or victimisation for reporting their concerns.

Scott supports the integrity of New Zealand's financial markets and has a Financial Product Trading Policy to mitigate the risk of insider trading by employees and Directors. In addition to this Policy and Guidelines, more specific and stringent rules also apply to trading in Scott Technology Limited's securities by Directors and certain employees who are more likely to be exposed to material information relating to Scott. A Director or senior manager is obliged to advise the NZX promptly if they trade in the company's shares.

The Directors' shareholdings and all trading of shares during the year by the directors are disclosed under Directors' Interests on page 88 to 89 of the Annual Report.

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

The Board of Directors operates under a written charter, which outlines the roles and responsibilities of the Board. The charter complies with the relevant recommendations in the NZX Corporate Governance Code and is available on the company website.

The primary responsibilities of the Board include:

- Ensuring the company's goals are clearly established and that strategies are in place for achieving them.
- Establishing policies for strengthening the performance of the company and ensure that management is proactively seeking to build the business.
- Monitoring the performance of management.
- Appointing the CEO and set the terms of the CEO's employment agreement.
- Ensuring the company's financial statements are true and fair and conform with the law.
- Ensuring the company adheres to high standards of ethics and corporate behaviour.
- Ensuring the company has appropriate risk management / regulatory compliance policies in place.

BOARD COMPOSITION

As at 31 August 2024

The Board composition reflects the majority shareholding of the company, with 53% held by JBS Australia Pty Limited. As at 31 August 2024, the Board comprised three Independent Directors, three Directors representing JBS Australia Pty Limited and one Executive Director. The Chair of the Board is an Independent Director.

Stuart McLauchlan	Independent Chair
Derek Charge	Independent Director
John Thorman	Independent Director
Brent Eastwood	Non-executive Director representing JBS Australia Pty Limited
John Berry	Non-executive Director representing JBS Australia Pty Limited
Alan Byers	Non-executive Director representing JBS Australia Pty Limited
John Kippenberger	Executive Director / CEO*

* *Ceased directorship 30 August 2024*

For a Director to be deemed Independent, the Board has determined that he/she must not be an executive of Scott Technology nor an executive or director of JBS Australia Pty Limited and must have no disqualifying relationships. Independence will be determined by reference to the NZX Listing Rules and the NZX Corporate Governance Code.

Further details on each Director, including their interests, qualifications and shareholdings, is provided in this Annual Report and on the company's website.

DIRECTOR APPOINTMENT

Membership, rotation and retirement of Directors is determined in accordance with the company Constitution and NZX Listing Rules.

Directors will retire and may stand for re-election by shareholders every three years. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting. The Board asks for Director nominations each year prior to the Annual Shareholders Meeting, in accordance with the constitution of the company and the NZX Listing Rules.

The Governance, Remuneration and Nominations Committee undertakes the process for nominating and appointing Directors on behalf of the Board and makes appropriate recommendations to the Board, in line with the Committee's Terms of Reference. New Board members enter into written agreements with the company, setting out the terms of their appointment.

The Board has a skills matrix and Directors are selected on individual skills, qualifications, experience and contribution to the company. The Board believes that all current Directors offer valuable and complementary skill sets.

Skills matrix and Director strength

Number of Directors with strength in this area

The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has a personality that is compatible with the other Directors.

The company encourages all Directors to undertake appropriate training and education to ensure they remain up to date on how to best perform their duties as Directors.

Day-to-day management of Scott is delegated to the CEO and the senior management team, in line with the company's Delegated Authority framework.

Management is responsible for providing information of sufficient content, quality and timeliness as the Board considers necessary to allow the Board to effectively discharge its duties. In addition, all Directors have access to management to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate. With the prior approval of the Chair, each Director also has the right to seek independent legal and other professional advice at the company's expense about any aspect of the company's operations or undertakings to assist in fulfilling their duties and responsibilities as Directors.

The Board regularly evaluates its own collective and individual performance, processes and procedures, including those of sub-committees. Through this process, the Board identifies any training opportunities for the individual Directors to ensure they have relevant and up-to-date skills for performing their role.

DIVERSITY

The Board has a Diversity Policy, which outlines Scott's commitment to providing an inclusive and diverse working environment.

Diversity initiatives are applicable, but not limited to, our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programmes; restructures; and terminations.

The Board believes the principles of the Diversity Policy were upheld in FY24, and is working towards setting measurable objectives to support its focus on diversity and inclusion. The following initiatives are in place to support Scott's diversity plan:

- Anti-bullying & Harassment policy;
- Ethics hotline where employees can anonymously report anything they believe to be unethical or discriminatory;
- Employee surveys.

As at 31 August 2024, Scott had 649 employees of which 16% were female and 84% were male (31 August 2023: 659 Scott employees, 15% female, 85% male).

	2024		2023	
As at 31 August	Female	Male	Female	Male
Directors, including the CEO**	0	7	0	7
Officers*	2	5	2	4

* *Officers include all members of the Executive team who report to the CEO.*

** *The Executive Director / CEO ceased their directorship on 30 August 2024*

PRINCIPLE 3: BOARD COMMITTEES

The Board has delegated a number of responsibilities to committees to assist in the execution of the Board's duties. However, any recommendations made by committees are recommendations to the Board and the Board retains ultimate responsibility for the functions of its Committees. Each Committee operates under specific terms of reference, which are reviewed regularly and approved by the Board.

The Board has four standing committees. A separate Independent Directors' Committee meets if needed. Responsibilities of each Committee are detailed in Committee charters, which are available on the company website. Management attends Committee meetings only at the invitation of the Committee.

Audit and Financial Risk Committee	John Thorman (Chair) Stuart McLauchlan John Kippenberger** John Berry
Health and Safety Committee	Stuart McLauchlan (Chair) Full Board
Governance, Remuneration and Nominations Committee	Stuart McLauchlan (Chair) Derek Charge John Thorman
Treasury Committee	Stuart McLauchlan (Chair) John Kippenberger** John Berry

AUDIT AND FINANCIAL RISK COMMITTEE (AFRC)

The objective of the Audit and Financial Risk Committee (AFRC) is to assist the Board in discharging its responsibilities for financial reporting and risk and financial / secretarial compliance.

The AFRC must consist of at least three Directors and a majority of Independent Directors. The chair of the AFRC is John Thorman, who is an Independent Director and is not the Board Chair. Stuart McLauchlan is a Fellow and John Thorman a Member of Chartered Accountants Australia & New Zealand.

The Committee generally invites the Chief Executive Officer, Chief Financial Officer and the external auditor to attend AFRC meetings as appropriate. The Committee also meets and receives regular reports from the external auditor without management present, concerning any matters which arise in connection with the performance of their role.

HEALTH AND SAFETY COMMITTEE

The Board recognises the critical role health and safety forms as part of Scott's day-to-day operations and its focus is on ensuring a safety-first culture across all business operations. Health and Safety is deemed an 'all of Board' responsibility and all Directors are members of the Health and Safety Committee. The Committee assists the Board in discharging its responsibilities in overseeing and reviewing health and safety matters arising out of Scott's activities and the impact of these activities on employees, contractors and visitors to Scott.

GOVERNANCE, REMUNERATION AND NOMINATIONS COMMITTEE

The Governance, Remuneration and Nominations Committee assists the Board in establishing remuneration policies and practices for the company, and to also assist in discharging the Board's responsibilities relative to remuneration setting and review of the company's Chief Executive Officer and Directors. The Committee also undertakes the process for nominating and appointing Directors on behalf of the Board and makes appropriate recommendations to the Board.

Due to a conflict of interest in being the majority shareholder, JBS Australia Pty Ltd and their Board representatives abstain from voting on the appointment of Independent Directors.

TREASURY COMMITTEE

The role of the Treasury Committee is to oversee the treasury management processes to ensure the integrity, transparency and adequacy of the Group's investments, borrowings, hedging, balance sheet management and treasury risk management in accordance with Group Treasury policies.

INDEPENDENT DIRECTORS' COMMITTEE

The Independent Directors' Committee is convened as needed and consists of Independent Directors who address significant conflicts of interest and any other matters referred by the Board. Scott has protocols that set out the procedures to be followed if there is a takeover offer. These procedures are set out in the Takeover Response Protocols that have been adopted by the Board.

BOARD MEETINGS AND ATTENDANCE

Director attendance at Board and Committee meetings during FY24 was as follows:

	Board	Audit and Financial Risk Committee	Health and Safety Committee	Governance, Remuneration and Nominations Committee
Total number of meetings	**6**	**5**	**6**	**5**
Stuart McLauchlan	6	5	6	5
Brent Eastwood	5	-	5	-
Alan Byers	6	-	6	-
John Berry	6	1	6	-
John Thorman	6	5	6	5
Derek Charge	6	-	6	5
John Kippenberger	4	2	4	-

PRINCIPLE 4: REPORTING AND DISCLOSURE

The Board is committed to providing accurate, adequate and timely information both to existing shareholders and to the market generally. This enables all investors to make informed decisions about the company.

Scott, as a company listed on the NZX Main Board, has an obligation to comply with the disclosure requirements under the NZX Main Board Listing Rules. Scott recognises that these requirements aim to provide equal access for all investors or potential investors to material price-sensitive information concerning issuers or their financial products. This, in turn, promotes confidence in the market.

Scott's Continuous Disclosure Policy outlines the obligations of Scott and relevant Scott personnel in satisfying the disclosure requirements. It also covers other related matters, including external communications by Scott.

Scott publishes its key governance and other relevant documents in the investor centre of the company's website at: www.scottautomation.com/en/investor-centre/governance

All significant announcements made to the NZX and reports issued are also posted on the company's website.

FINANCIAL REPORTING

Scott's management team is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies and internal controls. These are designed to ensure compliance with accounting standards, applicable laws and regulations.

The Audit & Financial Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews the full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed, and for which the Committee has responsibility, were addressed during the reporting period.

For FY24, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The CEO and Co-CFOs have confirmed in writing to the Board that the company's external financial reports present a true and fair view in all material aspects.

Scott's full and half year financial statements are available on the company's website.

NON-FINANCIAL REPORTING

In FY20, Scott introduced a new five-year strategy, which builds on five foundational pillars. Scott believes these pillars enhance the long-term sustainability of the company and support the company's licence to operate. The company discusses its strategy and progress against objectives in the Annual Report and other investor presentations and communications.

The company has policies that support environmental, social and governance concerns and is in the process of formulating a formal ESG framework. Material matters that may impact or influence the long-term sustainability of the company are considered and managed as part of the risk management process.

PRINCIPLE 5: REMUNERATION

Scott's remuneration philosophy promotes the company's shared performance culture with the aim of achieving sustained growth within the business, both in terms of corporate size and the quality of equipment and services provided to our customers. The philosophy also emphasises the fundamental value of all our employees and their role in attaining sustained growth through fair and balanced remuneration practice.

The Governance, Remuneration and Nominations Committee makes recommendations to the Board on remuneration matters, particularly remuneration of Directors and senior executives, including the CEO.

DIRECTOR REMUNERATION

Details of individual Directors' remuneration for the year are on page 101 of the Annual Report.

The total Director remuneration pool of $400,000 was last approved by shareholders at the 2021 annual meeting. The Board is responsible for the setting of individual Director's fees in accordance with the permitted pool. Any proposed increases in Non-executive Director fees and remuneration are put to shareholders for approval.

In FY24, the approved remuneration for each role was as follows:

	Fees per annum (NZ$)
Board Chair	$140,000
Independent Director	$65,000
Audit and Risk Committee Chair	$10,000
Governance, Remuneration and Nominations Committee Chair	$10,000

No fees were paid to Directors representing JBS Australia Pty Ltd.

EXECUTIVE REMUNERATION

The remuneration of the CEO and the Executive team is determined by the significance of their role and industry benchmarking. The total remuneration is made up of fixed remuneration and short-term cash-based incentives, plus long-term incentives.

The short-term incentives are at-risk payments that reward performance. They are designed to motivate and incentivise senior employees in the delivery of performance. The amount payable is determined annually. The payment of the short-term incentive depends on achieving certain results and outcomes. Performance over the financial year is measured against 'stretch' performance targets. The performance metrics differ with each role. The levels and appropriateness of these incentives and weighting are reviewed each year.

The senior management phantom share scheme is a long- term incentive linked to the company's share price, which aligns the long-term interests of both senior management and shareholders, as well as acting as a retention incentive to senior management.

Further details of the CEO and executive remuneration can be viewed on page 98 to 100 of the Annual Report.

PRINCIPLE 6: RISK MANAGEMENT

The Board is responsible for overseeing the company's system of internal controls to manage key risks and have overall responsibility for managing risk.

The company maintains a group risk register to identify and manage risk. Specific health and safety risk registers for each site are separately maintained given the significance of this area to the business. The senior executive team is responsible for maintaining the risk registers.

Through the Audit and Financial Risk Committee, the Board considers the recommendations and advice of external auditors in relation to financial risk, and ensures that those recommendations are investigated and, where considered necessary, appropriate action is taken. Financial statements are prepared monthly and are reviewed by the Board progressively during the year to monitor management's performance against budget goals and objectives.

A structured framework is in place for capital expenditure, including appropriate authorisation and approval levels which place a high emphasis on commercial logic for the investment. The Board has set limits to management's ability to incur expenditure, enter contracts and acquire or dispose of assets.

The Board requires managers to identify and respond to risk exposures and key business risks are formally reviewed by the Board.

Crisis plans are in place along with agreed protocols on actions to be taken in crisis scenarios.

HEALTH AND SAFETY

The Board recognises that effective management of health and safety is essential for the operation of a successful business. Its intent is to prevent harm and promote wellbeing for employees, contractors, customers and suppliers. The Health and Safety Committee charter outlines the Board's responsibilities and approach in regards to health and safety matters.

Specific protocols include:

- Well established Health and Safety management systems and processes in the workplace, fully supported by the Executive Team and Board;
- Processes and documents are reviewed and audited on a regular basis as part of our continuous improvement programme through the HS Strategic programme;
- Dedicated Health and safety coordinators on each site, fully supported and well informed with the legislation and law changes;
- In-house competency-based training program that utilises both in-house expertise and external certified trainers to ensure our employees are safe to operate in our workshop and on customer sites; and
- Health and safety measures that are monitored and regularly reviewed.

Health and safety performance in FY24 has shown positive progress, particularly in reducing injuries and increasing proactive engagement. Across our lag metrics, Scott achieved a 100% reduction in lost-time injuries (LTIs), with the Lost-time injury frequency rate (LTIFR) at 0.00 on 31 August 2024; alongside a total recordable injury rate (TRIFR) of 2.67 down on FY23 (4.54). Hazards reported have decreased by 8% (948 vs. 1,035), while near-miss reporting has improved by 14%, reflecting a stronger proactive safety culture.

CYBER SECURITY

The Board recognises the critical role of Cyber Security and the importance of having appropriate systems and processes in place to protect the company's data, including financial, employee, engineering, supplier and customer data.

PRINCIPLE 7: AUDITOR

The Audit and Financial Risk Committee makes recommendations to the Board on the appointment of the external auditor as set out in the charter. The Committee also monitors the independence and effectiveness of the external auditor and reviews and approves any non-audit services performed by the external auditor.

The Committee regularly meets with the external auditor to approve the terms of engagement, audit partner rotation (at least every 5 years), the audit fee, and to review and provide feedback on the annual audit plan. Every year, a comprehensive review and formal assessment of the independence and effectiveness of the external auditor is undertaken. The assessment uses an external auditors' assessment tool, which is internationally recognised and endorsed by the Independent Directors Council. The Committee routinely has time with Scott's external auditor, Deloitte, without management present.

For the financial year ended 31 August 2024, Deloitte was the external auditor for Scott Technology Limited. Deloitte was re-appointed under the Companies Act 1993 at the 2023 Annual Meeting.

All audit work is separated from non-audit services to ensure that appropriate independence is maintained. Other services provided by Deloitte were non-audit related and involved the provision of advice rather than recommendations. These were deemed to have no effect on the independence or objectivity of the auditor in relation to audit work. The amount of fees paid to Deloitte for audit and non-audit work in FY24 are detailed on page 42 of this Annual Report.

The last audit partner rotation was in 2021. Deloitte attends the company's Annual Meeting.

Scott has a number of internal controls, including controls for computerised information systems, security, business continuity management, insurance, health and safety, conflicts of interest and prevention and identification of fraud. Scott does not have an internal audit function.

PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

The company seeks to ensure that investors understand its activities by communicating effectively with them and providing access to clear and balanced information.

The company website www.scottautomation.com provides an overview of the business and information about Scott. This information includes details of operational sites, latest news, investor information, key corporate governance information and copies of significant NZX announcements. The website also provides profiles of the directors and the senior management team.

All shareholders are given the opportunity to elect to receive electronic communications from the company. Copies of previous annual reports, financial statements and results presentations are available on the website.

Shareholders are encouraged to attend the Annual Meeting and may raise matters for discussion at this event, and vote on major decisions, which affect the company. The company aims to publish notices of Annual Meetings on its website at least 20 business days before the meeting each year. Voting is by poll.

In addition to shareholders, Scott has a wide range of stakeholders and maintains open communication channels for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its employees, suppliers and customers. In particular, Scott's Chief Executive Officer and Chief Financial Officer develop strong relationships with the investor community and ensure shareholders are kept informed. Scott has a number of policies that uphold stakeholder interests.

STATUTORY INFORMATION

DIRECTORS' INTERESTS

The company maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. No interest disclosures for the purposes of section 140(1) were given during the year ended 31 August 2024. The following are general disclosures of interest given by Directors of the company under section 140(2) of the Companies Act 1993.

Stuart McLauchlan

Chairman	New Zealand Sports Hall of Fame
Chairman	Analog Digital Instruments Ltd ("Group Instruments")
Chairman	Otago Community Hospice
Chairman	Woodworks Southern Limited
Chairman	Skyline Healthcare Group Limited
Chairman	NZ Formulary Limited
Partner / Director	GS McLauchlan & Co Limited
Director	Argosy Property Limited
Director	Cargill Hotel 2002 Limited
Director	Dunedin Casinos Limited
Director	EBOS Group Limited
Director	Scenic Hotel Group
Director	Orari Street Properties Limited
Director	Rosebery Holdings Limited
Director	B Pac NZ
Director	South Link Education Trust
Director	Hillcrest Properties Limited

John Kippenberger

Director	The Pure Food Company

Derek Charge

Director	Charge Advisory Pty Limited
Director	Larooma Farm Holdings Pty Limited
Director	Whisky Tasmania Limited
Director	Hellyers Road Distillery Pty Limited
Director	AC DC Bond Store Pty Limited

Brent Eastwood

Chief Executive / Director	JBS Australia Pty Limited and Associated Companies
Director	Andrews Meat Industries Pty Limited
Director	Enunga Enterprises Pty Limited
Director	Premier Beehive NZ
Director	Diamond Valley Pork Pty Limited
Member	Business Council of Australia

Alan Byers

Nothing to declare

John Thorman

Director	Marken New Zealand Limited
Director	Energizer NZ Limited
Director	Corporate Services New Zealand Limited
Director	TNX Limited
Director	Starnow GP LLC
Director	Pro-Invest NZ Property 3 GP Limited
Director	Pro-Invest NZ Hotel Operating 3 Limited
Director	FRV NZ1 Limited
Director	FRV Services New Zealand Limited
Director	Kitaki Nominees Limited
Director	Kitaki Ventures GP Limited
Director	DBGIS Limited
Director	GOT Technologies NZ Limited
Director	RVJK Kiwi GP Limited
Director	E & P Foundation Trustee Limited
Director	Big Wednesday New Zealand Limited
Director	GAP II NZ GP Limited
Director	Fairfield TIR New Zealand Limited
Director	International Paper (New Zealand) Limited
Director	Baby Bunting NZ Limited
Director	CSNZ Trustees (Blue) Limited
Director	CSNZ Trustees Limited
Director	Nextdc New Zealand Holdings Limited
Director	Nextdc New Zealand Limited
Director	The Last Chance Trustee Limited
Director	Lauriston Solar Holdco Limited
Director	Lauriston Solar Projectco Limited
Director	32660381 Holdco Limited
Director	West Coast Forests GP Limited

John Berry

Chairman	Australian Meat Processor Corporation
Director	JBS Australia Pty Limited & Associated Companies
Director	Andrews Meat Industries Pty Limited
Director	Premier Beehive NZ Director
Director	Diamond Valley Pork Pty Limited
Alternate Director	Salmon Tasmania

DIRECTORS' RELEVANT INTERESTS IN SHARES AS AT 31 AUGUST 2024

In accordance with the NZX Listing Rules, as at 31 August 2024, ordinary shares in the company in which each Director has a relevant interest are specified in the table below.

Director		2024	2023
S McLauchlan	Indirect / beneficial interest	428,307	421,266
J Kippenberger	Legal and beneficial interest	110,659	108,840
J Thorman	Indirect / beneficial interest	5,272	5,185
D Charge	Indirect / beneficial interest	5,336	5,235
H Eastwood	Non-beneficial interest*	43,076,698	43,016,698
J Berry	Non-beneficial interest*	43,076,698	43,016,698
A Byers	Non-beneficial interest*	43,076,698	43,016,698

* *The non-beneficially held shares of H Eastwood and J Berry are in their capacity as Directors of JBS Australia Pty Ltd, the majority shareholder of the Group.*

SHARE DEALINGS OF DIRECTORS

The details of disclosures by Directors of acquisitions or disposals by Directors of relevant interests in ordinary shares of the company during the financial year ended 31 August 2024, in accordance with section 148(2) of the Companies Act 1993, are shown below.

Director	Nature of relevant interest	Number of shares acquired / (disposed)	Date	Consideration paid / received ($)
S McLauchlan	*Issue of ordinary shares pursuant to the company's dividend reinvestment plan to Rosebery Holdings Limited, being a person over whom the Director has power and control.*	7,041	15 May 2024	16,855
J Kippenberger	*Issue of ordinary shares pursuant to the company's dividend reinvestment plan.*	1,819	15 May 2024	4,354
J Thorman	*Power to exercise, or control the exercise of, a right to vote attached to ordinary shares issued pursuant to the company's dividend reinvestment plan to the registered holder with whom the Director has a personal relationship.*	87	15 May 2024	208
D Charge	*Power to exercise, or control the exercise of, a right to vote attached to ordinary shares issued pursuant to the company's dividend reinvestment plan to the registered holder with whom the Director has a personal relationship.*	101	15 May 2024	241

USE OF COMPANY INFORMATION

The company received no notices from Directors wishing to use company information received in their capacity as Directors, which would not have ordinarily been available.

DIRECTORS AND OFFICERS INSURANCE

In accordance with the Companies Act 1993 and the Constitution of the company, Scott Technology Limited indemnifies and insures its Directors and Officers, including Directors and Officers of subsidiary companies within the Group, in respect of liability incurred for any act or omission in their capacity as a Director or Officer of the company. This insurance includes defence costs. If an act or omission was to occur that was covered by this insurance, the company would pay the liability of the act or omission and be reimbursed by the insurer.

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors and particulars of entries in the interests registers made during the year ended 31 August 2024.

No subsidiary has Directors who are not Directors of Scott Technology Limited or employees of the Group.

The remuneration and other benefits of such Directors are included in the Directors' remuneration section of this Annual Report and the remuneration and other benefits of employees totalling NZ$100,000 or more during the year ended 31 August 2024 are included in the relevant bandings for remuneration on page 103.

No remuneration is paid to any Director of a subsidiary company for their position as Director of that subsidiary company.

The persons who held office as Directors of subsidiary companies at 31 August 2024 were as follows:

Subsidiary company	Directors
Scott Technology NZ Limited	Stuart McLauchlan, Michael Crombie, John Kippenberger*, Cameron Mathewson*
Scott Automation Limited	Michael Crombie, Laurence O'Malley, Cameron Mathewson*
Scott Technology US Limited	Michael Crombie, Laurence O'Malley, Cameron Mathewson*
QMT General Partner Limited	Michael Crombie, Laurence O'Malley, Cameron Mathewson*
QMT New Zealand Limited Partnership	QMT General Partner Limited
Scott Technology Americas Limited	Michael Crombie, Laurence O'Malley, Cameron Mathewson*
Scott Technology Europe Limited	Michael Crombie, Laurence O'Malley, Cameron Mathewson*
Scott LED Limited	Michael Crombie, Laurence O'Malley, Cameron Mathewson*
Rocklabs Limited	Michael Crombie, Laurence O'Malley, Cameron Mathewson*
Scott Technology Australia Pty Ltd	Keilesh Gounder, Rob Niggl*, Cameron Mathewson*
Scott Automation and Robotics Pty Ltd	Keilesh Gounder, Rob Niggl*, Cameron Mathewson*
Scott Systems International Incorporated	Jerry McDonough, Laurence O'Malley, Cameron Mathewson*
Scott Systems (Qingdao) Co Limited	Laurence O'Malley, Cathy Zhang, Michael Crombie, Cameron Mathewson*
Scott Automation GmbH	Aaron Vanwalleghem BV
Scott Technology Belgium BV	Aaron Vanwalleghem BV, Cameron Mathewson, Jonas Vromant
Scott Automation NV	Aaron Vanwalleghem BV, Cameron Mathewson, Jonas Vromant
Scott Automation a.s.	Aaron Vanwalleghem B V, Michael Crombie Pavel Cevela, Vladimir Stoklas
Scott Automation SAS	Aaron Vanwalleghem BV, Jonas Vromant
Scott Automation Limited	Aaron Vanwalleghem BV
Normaclass s.a.s.	Aaron Vanwalleghem BV
Rivercan S.A.	Eric Luis Zeballos Pérez

** Ceased to hold office during the period.*

Other than as set out in the Directors' Interest table above, no interest disclosures for the purposes of section140(1) were given by any Director of a subsidiary during the year ended 31 August 2024.

TWENTY LARGEST SHAREHOLDERS AS AT 31 AUGUST 2024

Rank	Registered shareholder	Number of shares	% of total shares in the company
1	JBS Australia Pty Limited	43,076,698	52.95
2	Oakwood Securities Limited	5,575,039	6.85
3	Accident Compensation Corporation	3,349,457	4.12
4	Leveraged Equities Finance Limited	2,266,454	2.79
5	Forsyth Barr Custodians Limited	1,893,498	2.33
6	JBWERE (Nz) Nominees Limited	1,189,363	1.46
7	Custodial Services Limited	1,153,304	1.42
8	Jack William Allan	640,000	0.79
9	Citibank Nominees (Nz) Ltd	591,632	0.73
10	Wairahi Investments Limited	570,000	0.7
11	New Zealand Depository Nominee	562,295	0.69
12	Jarden Custodians Limited	479,982	0.59
13	New Zealand Permanent Trustees Limited	466,554	0.57
14	Rosebery Holdings Limited	428,307	0.53
15	Forsyth Barr Custodians Limited	427,683	0.53
16	HSBC Nominees (New Zealand) Limited	414,882	0.51
17	FNZ Custodians Limited	377,281	0.46
18	Turha Limited	350,000	0.43
19	Public Trust Forte Nominees Limited	323,124	0.4
20	Gmh 38 Investments Limited	300,000	0.37

SPREAD OF SHAREHOLDERS AS AT 31 AUGUST 2024

As at 31 August 2024, there were 81,346,603 ordinary shares in the company on issue, which were held as follows:

Range	Number of ordinary security holders	% of issued capital
1-1,000	780	0.44
1,001-5,000	1,093	3.46
5,001-10,000	375	3.37
10,001-50,000	365	8.80
50,001-100,000	29	2.55
Greater than 100,000	27	81.39
Total shareholders	**2,669**	**100%**

SUBSTANTIAL PRODUCT HOLDERS

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. These substantial product holders are shareholders who have a relevant interest of 5% or more of a class of quoted voting products of the company according to the company's records. As at 31 August 2024, details of the substantial product holders of the company and their relevant interests in the company's ordinary shares were as follows. As at the balance date (31 August 2024) there were 81,346,603 ordinary shares in the company on issue.

Name of substantial product holder	Number of ordinary voting securities as at 31 August 2024	% of issued capital
JBS Australia Pty Limited	43,076,698	52.95
Oakwood Securities Limited	5,575,039	6.85

DONATIONS

The Group made no donations during the year (2023: $0).

CREDIT RATING

The company currently does not have a credit rating.

WAIVERS FROM NZX LISTING RULES

No waivers were granted by NZX or relied on by the company during the 12 month period ended 31 August 2024.

Gas cooktop with upsweep for a free standing North American oven line.

REMUNERATION

Dear Shareholders

On behalf of Scott's Board of Directors, I am pleased to present Scott's remuneration overview for the company and its controlled entities (the Group) for the year ended 31 August 2024.

As the Chair of the Board and its Remuneration Committee, I work closely with my fellow directors to ensure that Scott's remuneration policies and frameworks continue to motivate, reward and retain our talented team. As a Board, we are committed to ensuring there is an appropriate level of transparency around Scott's approach to remuneration in order to encourage confidence in Scott's executive and director remuneration processes and reinforce key stakeholder (including shareholder) and executive pay-for-performance alignment.

FY24 PERFORMANCE AND REMUNERATION OUTCOMES

Scott has demonstrated resilient business performance amid a challenging global economy, achieving continued growth driven by its diversified product portfolio and focus on customer partnerships, innovation, and operational excellence. FY24 revenues reached $276m, an increase of 3%, reflecting robust demand and effective strategic execution, while stable operating EBITDA of $30.2m highlights the company's ability to manage inflationary pressures and maintain competitiveness. The executive team is actively working to identify new revenue streams through investments in global operations and extending the Scott 2025 strategy to 2027, ensuring long-term sustainable growth.

The strong FY24 performance has direct implications for short-term incentive (STI) outcomes, as growth in revenue and EBITDA demonstrates successful execution of key financial and operational objectives. The focus on strategic investments and navigating macroeconomic uncertainty positions Scott for sustained success into FY25 and beyond.

EXECUTIVE REMUNERATION FRAMEWORK

To drive sustainable business performance and to execute its strategic plan, Scott must attract and retain people of a high calibre. Accordingly, executive remuneration is set with regard to this and other key business objectives, including encouraging a long-term commitment to Scott.

Scott aligns components of executive remuneration with the performance of Scott (pay-for-performance alignment). As such, executive remuneration comprises fixed and 'at-risk' (or performance-based) elements that are both short and long-term in nature. The purpose of this structure is to ensure that the interests of the executives, Scott and its shareholders are aligned during the period over which the business results are realised (stakeholder alignment).

The Board believes that our focus on profitability via the Short-Term Incentive plan remains appropriate for an organisation of Scott's maturity and complexity, while our Long-Term Incentive plan continues to promote sustainable business growth. The Remuneration Committee is committed to reviewing our incentive plans annually to ensure that they remain fit for purpose in our evolving business.

Thank you to all Scott shareholders for your support this year.

Stuart McLauchlan
Chair of the Board and Remuneration Committee

STRUCTURE OF THIS REPORT

This remuneration overview is structured as follows:

1. Remuneration Philosophy and Principles
2. Remuneration Governance
3. Executive Remuneration Framework
4. CEO Remuneration
5. Non-executive Director Remuneration
6. Employee Payment Bands

SECTION 1: REMUNERATION PHILOSOPHY AND PRINCIPLES

Scott has a Remuneration Policy which relates to the remuneration of the directors and senior executives of Scott. A copy of the policy is available on Scotts' website: www.scottautomation.com/en/investor-centre/governance.

The philosophy of the policy is to emphasise the fundamental value of all our employees and their role in attaining sustained growth through fair and balanced remuneration practice.

Scott adopts an objective, robust and market-competitive system to determine the remuneration levels of roles at Scott based on the job requirements, skills and experience, and knowledge required of a fully competent job incumbent without bias. This approach is also flexible enough to ensure that Scott is able to recruit, develop and retain a highly qualified workforce. The Remuneration Policy is reinforced by Scott's Values which recognises the Group's overarching commitments to People, Excellence, Results and Integrity. Attracting, developing and retaining people of a high caliber is critical to support sustainable business performance and execution of strategy, and the remuneration of directors and executives is set having regard to this.

Executive remuneration is benchmarked having regard to comparably sized companies on the NZX. The benchmarking also has regard to the evolving complexity in the business with Scott operating across a number of geographies and sectors, the requirements of the individual position and relevant internal and external pay relativities.

The remuneration framework is structured to promote the long-term sustainable growth of the Group with the LTI portion of performance-based executive remuneration awarded as cash settled equity to reinforce alignment with the interests of Scott and its shareholders over this period. In this way, executive pay-for-performance is aligned with stakeholder (including shareholder) experience over the longer term.

SECTION 2: REMUNERATION GOVERNANCE

As set out in the terms of reference for the Governance, Remuneration and Nominations Committee (GRNC), the objective of the GRNC is to assist the Board in the establishment of remuneration policies and practices for the Company, and to also assist in discharging the Board's responsibilities relative to remuneration-setting and review of, the Company's Chief Executive Officer, Directors (both Non-executive and Executive). The GRNC will also advise and assist the Chief Executive in remuneration setting for other senior executives. The terms of reference for the GRNC are available Scott's website: www.scottautomation.com/en/investor-centre/governance

The GRNC is responsible for:

- Approving the remuneration of executives; and
- Recommending Non-executive Director remuneration to the Board (within a fee pool approved by shareholders).

The Board is responsible for:

- Approving Non-executive Director remuneration (within a fee pool approved by shareholders); and
- Approval of remuneration policies.

The members of the Remuneration Committee during the year were Independent Directors Stuart McLauchlan (Chair), John Thorman and Derek Charge. The CEO attends each meeting by a standing invitation. From time to time the Chair of the Committee shall be entitled to request that the Committee meet without the CEO. Other employees are involved in these meetings on an as needed basis and only by invitation.

SECTION 3: EXECUTIVE REMUNERATION FRAMEWORK

A. SUMMARY

The Group's Executive Remuneration Framework is a transparent structure comprising three elements.

- Short-Term Incentive (STI) Plan
- Long-Term Incentive (LTI) Plan
- Executive Remuneration Mix

Executive Remuneration Framework Summary

	Fixed	Variable	
	Total Fixed Remuneration (TFR)	**Short-Term Incentive (STI)**	**Long-Term Incentive (LTI)**
How is it delivered?	Cash	Cash	Cash
How does it work?	Fixed remuneration consists of base salary and may include a component of compulsory superannuation contributions for Australian- based executives and KiwiSaver contributions for New Zealand-based executives. Executives' fixed remuneration is set having regard to: • The person's position accountabilities, qualifications, and experience; • Performance and record of achievement at Scott; and • Relevant market data for similar positions at comparable companies, generally on the NZX.	The STI is an annual performance-dependent cash payment based on business performance. Business performance is measured: • For all executives, by Group EBITDA; and • For those executives with business unit responsibilities, business unit EBITDA. Further details are set out in section (b) below.	The LTI comprises a grant of Performance Rights. The LTI aligns Group performance to executive reward through a direct link to the Group share price and Group financial performance. It is tested against: • 3-year Earnings per Share Compound Annual Growth Rate (EPS CAGR); and • Continued employment with the Group. Further details are set out in section (c) below.
What is its purpose?	To attract and retain executives with competitive remuneration in our markets.	Aligns individual performance and behaviours with the Board-approved strategic and financial objectives of the Group for a financial year.	Aligns an individual with the medium to long-term financial performance of the Group, thereby closely aligning with shareholders and long-term executive retention.
What is the time horizon? (See also table below)	Salary and superannuation paid throughout a financial year.	1 financial year. The Board will only approve an STI at the same time as the financial results for that financial year are finalised and the audit is completed.	3 financial years. The Board will approve an LTI paying out once both conditions of the LTI have been satisfied.

B. SHORT-TERM INCENTIVE (STI) PLAN

FY24 STI plan

	Approach
Purpose	Aligns individual performance and behaviours with the Board-approved strategic and financial objectives of Scott for a financial year. Provides individuals with a competitive market position for total cash reward (i.e. variable and fixed pay components).
Instrument	Cash
Performance criteria	The performance measures for the STI are set by reference to the executive's responsibilities and particular projects relevant to that executive and the business or function for which they are responsible. The STI is made up of two portions. These can be paid individually of each other depending on the financial results of Scott for the relevant period. These portions are: • 40% is related to the Group EBITDA, or the relevant business unit EBITDA for those with business unit responsibilities; and • 60% related to individual KPIs related to their position. The Board determines what the targets are for a financial year and if these targets have been achieved. Targets are set having regard to the Board-approved budget for the relevant year, with the overarching objective being that targets are achievable but sufficiently challenging. This ensures targets also have regard to (as and when appropriate) significant transformative acquisitions that are projected to impact upcoming year performance. The FY24 STI for the Executive Leadership team included a stretch incentive to explicitly incentivise and reward outperformance by Scott. In line with the Board's expectation that Management is accountable for a range of activities, including implementation of sustainability and health and safety initiatives, the Board also has the flexibility to consider non-financial STI performance measures and award Short-Term Incentive payments for special, strategically important and/or transformative projects. The Board separately oversees key activities and initiatives of management (including in relation to sustainability and health & safety). The Board is currently of the view that financial metrics remain appropriate for an organisation of Scott's complexity and maturity. Management has discretion as to if an STI will operate for a financial year and who participates in the STI. The payment of an STI to a participant is conditional upon the participant's overall performance and behaviours being satisfactory.

C. LONG-TERM INCENTIVE (LTI) PLAN

FY24 LTI plan

	Approach
Purpose	Align a portion of executives' total remuneration with the medium to long-term performance of the Group's financial performance and share price. Provide individuals with a competitive market position for total reward (i.e. variable and fixed pay components).
Instrument	Cash settled shadow equity programme.
Performance period	Three years from 1 September 2023 to 31 August 2026.
Performance criteria	The performance criteria for executives are: • The participant remaining in full-time employment as an executive team member with the Group for the duration of the term; and • The company share price meeting or exceeding the average growth of the NZX Portfolio index over the term. The performance criteria are assessed at the end of the three-year performance period (with no retesting in future periods). The Board also has the flexibility to consider broader performance criteria, including capital efficiency and / or non-financial objectives, and award Long-term Incentive payments for special, strategically important and / or transformative projects (to drive significant outperformance and retain key executives over the relevant period). The Board is currently of the view that share price growth remains an appropriate measure to assess the medium-to-long-term performance of Scott and its Executive team.
Settlement	At the end of the performance period, if the Board determines that performance criteria has been met, a cash payment based on the following formula is payable to the participants: • Initial shadow equity entitlement x final share price; minus • Initial shadow equity entitlement x initial share price; minus • the amount the Group is required by law to deduct from the payment on account of income tax. KiwiSaver or other superannuation obligations will be subtracted from the payment calculation. If the payment calculated in accordance with the formula above is zero or a negative figure, then no payment will be made to the participant. The Group will pay to the participant any payment within 10 business days of the calculation date.
Dividends & voting rights	Dividends paid during the performance period will be included in the calculation above. As this is a cash-settled equity scheme, there are no voting rights attached to this programme.
Board discretion and clawback	The Board has discretion as to if an LTI will operate for a period and who participates in the LTI. The Board has discretion to adjust downwards (including to zero) LTI awards where, in the opinion of the Board, the participant: • Acts, or has acted, fraudulently or dishonestly or made a material misstatement on behalf the Group; • Is in breach of any of their duties or obligations to the Group (including a breach of their obligations under their employment contract); • Has engaged in negligence or gross misconduct; • Has done an act that could reasonably be regarded to have contributed to material reputation damage to the Group; or • Is convicted of an offence or has a judgment entered against them in connection with the affairs of the Group.
Cessation of employment	If at any time during the performance period the participant shall cease to be employed by the Group for any reason whatsoever, then the participant shall cease to be a participant in the programme. If at any time during the performance period, the participant shall no longer be a member of the Executive team however, remains employed by the Group, the participant shall cease to be a participant in the programme. The Directors do have the discretion to determine that a participant may continue to be a party to this programme upon ceasing executive responsibilities, provided the participant maintains their employment with the Group or on such other terms as the Directors consider fit.

SECTION 4: CEO REMUNERATION

A. FY24 TOTAL REALISED REMUNERATION

The table below summarises the realised remuneration outcomes for John Kippenberger for FY24 and FY23.

Summary of total realised remuneration

John Kippenberger	Fixed			Variable			
	Salary	Superannuation contribution*	Subtotal	STI	LTI	Additional payments**	Total remuneration
FY24	845	105	950	163	-	700	1,813
FY23	755	50	805	1,092	390	-	2,287

** All superannuation contributions and holiday pay have been calculated in accordance with the New Zealand Holidays Act 2003.*

*** Additional payments relate to retention payments made to John Kippenberger throughout FY24.*

Each component of John Kippenberger's remuneration in FY24 is described more fully below.

Remuneration component	Description	Target value
Fixed Remuneration	Annual base salary	779
	KiwiSaver annualised	58
Short-Term Incentive (STI)	Target value of STI	390
Long-Term Incentive (LTI)	Target value of LTI	*Variable based on share price*
Annual Total Package	Annual total package at target	1,227

Short-Term Incentive (STI)

Description	Performance Measures	Percentage Achieved	Resulting Weighted Average	Target or Stretch*	STI Payout %
Set at 50% of base salary for on-target performance. Combination of financial and non-financial performance measures.	Financial Measures: 40% weighting. The financial measures are based on achieving the Group EBITDA budget	0.0%	0.0%	Target	0.0%
A stretch target of 100% of base salary for performance of a certain level above target.	Individual Measures: 60% weighting. Individual goals relating to delivery of strategic priorities, building core business drivers and building capabilities.	58.4%	35.0%	Target	17.5%
Total STI payout					**17.5%**

** Target is up to 50% of base salary with stretch up to 100% of base salary.*

Long Term Incentive (LTI)

Description	Performance Measures	LTI Payout %
Cash-based scheme based on criteria set out on page 99.	Settlement is determined at the end of the three year period as per the table on page 99.	0.0%

B. KEY TERMS OF CEO EMPLOYMENT CONTRACT

The table below sets out the key terms of John Kippenberger's employment contract.

CEO Contract

Contract duration	Notice period	Termination provision (where notice provided)	Post-employment restraint
Ongoing until terminated by either party	3 months	3 months	6 months

C. CEO REMUNERATION OUTCOMES FOR FY24

Fixed Remuneration

In FY24, John Kippenberger received fixed remuneration of $950,000. This included compulsory superannuation contributions calculated in accordance with the New Zealand Holidays Act 2003.

STI Outcomes

FY23 Outcomes

As John Kippenberger's employment contract rolled over in FY23, there were two milestones for STI payment calculations. These were in February 2023 and August 2023.

As at February 2023, John Kippenberger achieved 100% of his stretch KPIs for the period. As such, John Kippenberger was paid an STI of $728,000 for the period.

As at August 2023, John Kippenberger achieved his target KPIs. As such, John Kippenberger was paid an STI of $364,000 for this period. This cash was physically paid in FY24. An amount of $27,000 was included in FY24 in relation to this payment to reflect the uplift on John Kippenberger's salary from 1 March 2023.

FY24 Outcomes

As at August 2024, John Kippenberger achieved a STI payout of 17.5% based on his target KPIs. As such, John Kippenberger was paid $136,000 for this period. This cash was physically paid in FY25.

LTI Outcomes

FY23 LTI (paid in FY24)

During FY24, John Kippenberger received a long-term incentive of $390,000. As the performance criteria was met, the three-year LTI was settled in cash to John Kippenberger in respect of the performance period from 1 September 2020 to 31 August 2023.

Summary of FY21 LTI which was paid in FY24

Award	Performance period	Initial share price	VWAP*	Cash settlement of rights
FY21 LTI	1 September 2020 to 31 August 2023	$1.79	$3.31	$663,917

**The VWAP (volume-weighed average price) used was the 10 trading day VWAP on NZX at the time of payment.*

The cash settlement is as a result of the achievement of the share price growth hurdles for the three year performance period from 1 September 2020 to 31 August 2023, reinforcing alignment with shareholder value creation over this period.

SECTION 5: NON-EXECUTIVE DIRECTOR REMUNERATION

To support the attraction and retention of directors of the highest calibre and requisite expertise from New Zealand, Australia and internationally, the Group aims to set remuneration of non executive directors having regard to:

- The time commitment and responsibilities of the non-executive directors (including any commitment as a member of a standing or ad hoc Board committee and special exertion for significant project work outside of the normal workload for the Board and committees); and
- Market rates for non-executive director remuneration for comparable companies (by size, industry classification and complexity). The Board has regard to this as part of its succession planning and the attraction and retention of directors from, or with experience in, key geographic markets in which the Group operates, including Australia and Southeast Asia.

Non-executive director remuneration is in the form of fees. Non-executive directors do not receive performance-based or equity-based remuneration.

Total remuneration for non-executive directors is subject to an aggregate fee pool limit of $400,000 in any financial year. The fee pool was approved by shareholders at the Annual Meeting held on 26 November 2021. The table below sets out the current fee allocations for director fees by position.

Non-executive director fees by position

Position	Fee (NZ$)
Chair	$140,000
Independent Director	$65,000
Chair of Audit & Risk Committee	$10,000
Chair of Remuneration Committee	$10,000

Directors' remuneration and other benefits required to be disclosed pursuant to section 211(1) of the Companies Act 1993 for the year ended 31 August 2024 were as follows:

Non-executive director fees paid during FY24

Director	Base fee NZ$	Audit and Risk Committee NZ$	Remuneration Committee NZ$	Cash settlement of rights
S McLauchlan (Chair)	$140,000	-	$10,000	$150,000
J Thorman	$65,000	$10,000	-	$75,000
D Charge	$65,000	-	-	$65,000

EMPLOYEE PAYMENT BANDS

Grouped below, in accordance with section 211 of the Companies Act 1993, are the number of employees or former employees of the company and its subsidiaries, including those based outside of New Zealand, who received remuneration and other benefits in their capacity as employees totalling NZ$100,000 or more during the year.

Employee Payment Bands*

Salary range	Number of employees
$100,000 - $110,000	32
$110,001 - $120,000	32
$120,001 - $130,000	33
$130,001 - $140,000	26
$140,001 - $150,000	19
$150,001 - $160,000	22
$160,001 - $170,000	26
$170,001 - $180,000	12
$180,001 - $190,000	17
$190,001 - $200,000	20
$200,001 - $210,000	15
$210,001 - $220,000	8
$220,001 - $230,000	5
$230,001 - $240,000	8
$240,001 - $250,000	8
$250,001 - $260,000	4
$260,001 - $270,000	3

Salary range	Number of employees
$240,001 - $250,000	8
$250,001 - $260,000	4
$260,001 - $270,000	3
$270,001 - $280,000	2
$280,001 - $290,000	5
$290,001 - $300,000	4
$300,001 - $310,000	4
$310,001 - $320,000	1
$320,001 - $330,000	2
$330,001 - $340,000	4
$370,001 - $380,000	2
$390,001 - $400,000	1
$480,001 - $490,000	1
$590,001 - $600,000	1
$650,001 - $660,000	1
$670,001 - $680,000	1
$1,000,000+	1
Total	**320**

** An amount of $2.7 million was paid in FY24 in relation to the vesting of the three-year executive LTI, which had an end date of 31 August 2023. These amounts have been excluded from the table above.*

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 its subsidiaries ("the Group") as at 31 August 2024 and the results of their operations and cash flows for the year ended 31 August 2024.

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

The Directors have responsibility for ensuring that proper accounting records have been kept, which enable them to ensure that the financial statements comply with the Companies Act 1993 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 2024.

These financial statements are dated 17 October 2024 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 on behalf of the directors

Stuart McLauchlan
Chairman and Independent Director

John Thorman
Director

DIRECTORY

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ENGINEERING SCOTT TO HIGH PERFORMANCE