SCOTT TECHNOLOGY LIMITED

2015 ANNUAL REPORT

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HIGHLIGHTS 2015

REVENUE
$72.3m

An increase of 20%
on the prior year

8 cents

per share annual dividend
fully imputed

NET SURPLUS BEFORE TAX
$8.1m

An increase of 91%
on the prior year

STRONG BALANCE SHEET

Total assets of $88.4m
and shareholders' equity
of $50.6m

PRODUCTS EXPORTED TO 75 COUNTRIES

A diversified company supplying
products to all parts of the globe

ACQUISITION OF MACHINERY AUTOMATION & ROBOTICS PTY LTD

With offices in Sydney, Melbourne, Brisbane
and Perth, Australia

DIVIDEND

Final dividend: 5.5 cents per share, fully imputed.
Record date: 20 November 2015.
Payment date: 24 November 2015.
Dividend reinvestment plan <u>does not</u> apply to
this payment.

ANNUAL MEETING

Thursday 26 November 2015 at 2:00pm at Scott
Technology Limited, 630 Kaikorai Valley Road,
Dunedin.
Proxies close Tuesday, 24 November 2015 at
2:00pm.

GRAHAM BATTS

CELEBRATING 60 YEARS OF SERVICE

January 2016 marks sixty years of service for Graham Batts. To celebrate this rare milestone, the Company would like to share some of Graham's many achievements and memories from his years of service.

Graham started with Scott in 1956 and has held a range of different roles, including managing director from 1969 to 1999. Since retirement from his executive role in October 2000, Graham has remained a Consultant to the Company. During Graham's time with Scott he has become an integral part of the management of the business as well as an important part of Scott's history.

Graham left Otago Boys' High School and joined J & A P Scott, as the Company was then known, aged 17, to start an apprenticeship and simultaneously embark on a new qualification known as 'The NZ Certificate in Engineering'. His first five years were spent making, and subsequently designing, equipment for the production of domestic appliances such as washing machines. This experience proved useful in later years as the Company designed and built automation for Fisher and Paykel and eventually the rest of the world. He worked on several memorable projects which ranged from chocolate making machines, to the clock mechanism on the hill in Alexandra that still goes today.

Developments in technology have drastically changed how Scott does business, but Graham believes it was the introduction of fluid power to machine design that made many things possible and more economic than before, and gave Scott its competitive edge.

Graham had many successes during his time at Scott, but when asked what he considered his biggest achievement he recalls winning a British CBI Scholarship. "Thanks to my mentor Ken Brown, who was the technical director of Scott's at the time, I was encouraged to apply for a British CBI scholarship. Having won this, I had 15 months with two major companies in England to learn the new technologies of pneumatics, and hydraulics. The uptake of these new power sources led to the automation systems we still use today."

The future of Scott, according to Graham, lies along the same road it has embarked on, that is excellence in automation. "A company can only be as good as those that lead and work in it. Challenges and opportunities constantly present themselves both from a business, and technical point of view." While both skill sets are necessary, Graham emphasises the importance of maintaining excellence in technical problem solving and engineering design. "It is the identification, development and retention of naturally talented engineers that is of paramount importance and needs to be recognised. The Company must also remain a leader, not a follower."

> "Graham Batts was a wizard at design and was the backbone of the firm when we were moving into new products. He could convince people who didn't even know where New Zealand was that Scott's could do their work."
>
> Eddie Beattie

Right: Mark Turner and Graham Batts of Scott Systems International examine plans for a $24 million Whirlpool system in July 1993.

Below: Graham Batts (front centre) and his staff at the Carroll Street factory in 1973.

MAKING THE CONTACTS

In 1993 the association with Maytag came about through some old fashioned stubbornness on the part of Graham Batts when he decided to visit the head office of the company at Newton, Iowa. He fronted up with no appointment and no name to ask for. Not surprisingly, the receptionist was not helpful and Graham left empty handed. But not to be deterred, he returned the next day and, while hoping for a different receptionist from the day before, noted a number of visiting Maytag executives milling about waiting for the lift. On impulse, he moved into the lift with them, got out on the 6th floor and asked the first person he met if he could see the Chief Engineer, Jim Brown. The puzzled reply was that there was no Jim Brown, the name was Tom Smith. "Oh yes, that's the name, I had his name confused with the engineer from another plant." He was directed up to Tom Smith's office and, after a few minutes with the bewildered Tom, all was sweetness and light. Credentials were exchanged, new projects and proposals discussed and eventually contacts leading to some large orders made.

OUR VALUES

WHO WE ARE AND WHO WE WANT ON OUR TEAM

CUSTOMER FOCUS

Build trust and confidence with our internal and external customers, in the way we listen, engage and respond to their needs.

Add value and understand our customers' perspectives and expectations.

Innovate, be creative and think lean and efficient.

RESULTS MATTER

Persist. Have strength and act with urgency.

Continually evaluate and measure progress and take action.

Take part and share the celebration of change and success.

TEAMS WHO TRUST

Do what you say you will, respect, support others and always give your best.

All actions and communications support ONE Team, ONE Company.

Empower, share information and be accountable.

ATTITUDE AND INTEGRITY

Be accountable for your actions, be positive, flexible and open minded.

Take care of the Company and our customers like they were one's own.

Act with honour in everything you do.

CHAIRMAN & MANAGING DIRECTOR'S COMMENTARY

The year to 31 August 2015 was an exciting one with the integration of two acquisitions from the prior year and a further significant acquisition of Machinery Automation and Robotics Pty Ltd in January 2015. Global markets and foreign exchange rates varied significantly during the year and the demand for our engineering services increased, as did the global interest in automation and robotics. The amount of value we received in New Zealand dollars returned to levels consistent with several years ago.

With these acquisitions, our capability and geographic reach increased, but so too did our term debt. We added skills, capability and technologies that are increasingly sought by major businesses around the world as they face their own challenges to increase productivity and address forecast skill shortages.

Acquisition of
Machinery Automation & Robotics Pty Ltd
growing our Australian capability to 70 staff

$8.1m
surplus before tax, an increase of 91% on the prior year

Total revenue
$72.3m
20% increase on the prior year

Chris C Hopkins
Managing Director

Stuart J McLauchlan
Chairman

FINANCIAL PERFORMANCE

For the year ended 31 August 2015 the Company achieved a surplus before tax of $8.1m, an increase of 91% on the prior year surplus before tax of $4.2m. This was achieved on total revenues of $72.3m, which is a 20% increase on the prior year. This pleasing result produced favourable operating cash flows of $10.0m which strengthened the balance sheet.

The Company's strong result in the second half of the year included trading results boosted by more favourable exchange rates in our key export markets and a number of one-off transactions, including a $0.8m gain on the sale of our Auckland property which housed the Rocklabs manufacturing facility. During the year the Company also settled the insurance claim arising from the impact of the Christchurch earthquakes in 2011. This year's result includes a full twelve months contribution from RobotWorx, our North American business acquired in 2014, and seven months of trading from our expanded Australian operations following the acquisition of Machinery Automation & Robotics in January 2015.

DIVIDEND

The Directors have declared a final dividend of 5.5 cents per share for the year ended 31 August 2015, payable on 24 November 2015. An interim dividend of 2.5 cents per share was paid in May 2015, bringing the total dividend for the year to 8.0 cents per share. The dividend will be fully imputed but, due to the impending vote on the proposed scheme of arrangement from JBS Australia Pty Ltd ("JBS") and the possible resultant rights issue and share placement, the Directors have decided to suspend the Dividend Reinvestment Plan for this dividend payment.

$10m
operating cash flows

8 cents
per share full year dividend, fully imputed

Dividend Reinvestment Plan suspended for 2015 final dividend due to vote on JBS offer

Strong balance sheet with shareholders' equity of
$50.6m

Total R&D spend in excess of **$5m**

Nearly 3 years without a lost time injury

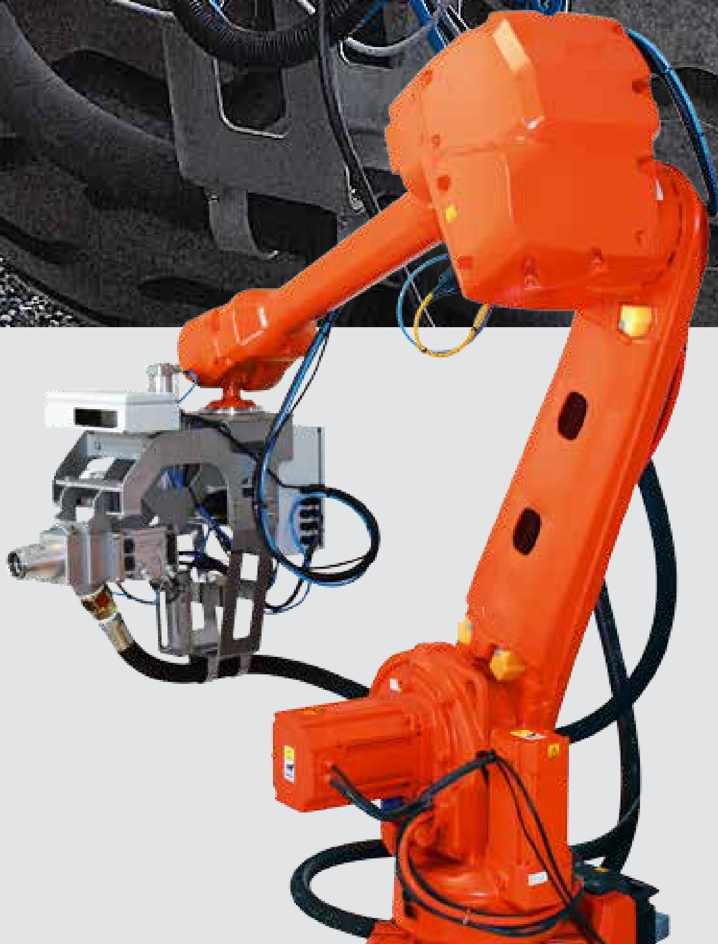
OUR FINANCES

Scott maintains a strong balance sheet with total shareholders' equity of $50.6m, an increase of $3.4m over the prior year. Term debt increased to complete the acquisition of Machinery Automation & Robotics in Australia in early 2015. The Company's term debt peaked at $20.9m, but reduced to $17.4m as at 31 August 2015 due to strong operating cash inflows.

Across the Group we estimate our total gross expenditure on research and development to be in excess of $5.0m. Where possible, the Company continues to seek assistance from customers, industry bodies and the Governments of Australia and New Zealand in support of our research and development activities. This expenditure supports not only the development of new technology, but also research into new markets and new technologies. As noted above, we are starting to see early signs of commercialisation success with greater uptake of our developed technologies.

HEALTH & SAFETY

The Company's commitment to health and safety is evident in our statistics. After achieving Tertiary accreditation by the ACC, its highest level, the Company progressed to a higher level Mining Industry accreditation in Australia. Across the Group we have been nearly three years without a lost time injury and our objective remains to ensure no harm comes to our people as a result of working at Scott. Our health and safety systems operate effectively across all areas of the business and our methods and practices are integral to, and supported by, our Lean Six Sigma initiatives, requiring continuous improvement in all areas.



AUTOMATED REFUELLING – PRODUCTIVITY GAINS IN MINING

Automated Refuelling involves the application of a robotic arm to refuel conventional mining equipment to both increase productive hours and efficiency of trucks and to reduce costs on site.

Offer from JBS for a majority stake in Scott to be put to shareholders' vote in November

Scott Directors unanimously support the JBS offer

Substantial revenue growth from the Mining, Meat Processing and Industrial Automation & Robotics sectors

Well positioned to benefit from increased global demand for automation and robotics

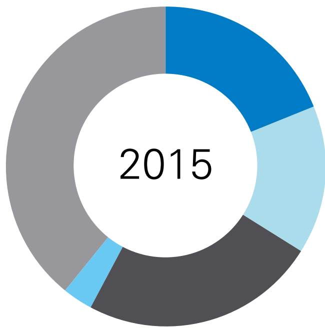
CAPITAL RAISING

In December 2014 the Directors indicated that a capital raising would be considered in early 2015. As part of these capital raising considerations, Scott reached out to affiliated trade businesses that had interests aligned with Scott in search of a cornerstone shareholder who could underpin a prospective rights issue. As a result of those discussions the Company received an offer from JBS for a majority stake in Scott. In return, JBS offered Scott the capital it requires and the opportunity to bring scale to the Scott business. The proposed scheme of arrangement was determined to best meet the objectives of both the Company and JBS. The appropriate regulatory approvals required to take a vote on the scheme of arrangement have been received and a full information package and full details, including voting papers, proxy and offer forms, will soon be sent to every shareholder.

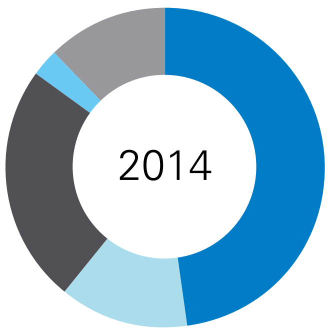
Your Directors are in favour of the scheme of arrangement and encourage all shareholders to vote in the appropriate manner. The Directors unanimously support the JBS offer and the scheme of arrangement for the following reasons:

- The capital introduced by JBS is needed and will enable Scott to further accelerate growth;
- The intention is for JBS to invest alongside existing shareholders, to have Scott remain listed and to continue to deliver on the current strategic direction;
- The issue price is fair and equally encourages shareholders to either hold or to invest further, as well as enabling shareholders to sell into an otherwise illiquid market;
- Scott has been hampered by not having all shareholders aligned and the JBS offer allows these shareholders to exit without impacting other shareholders; and
- JBS offers the potential for Scott to quickly achieve substantial scale.

Revenue by industry



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

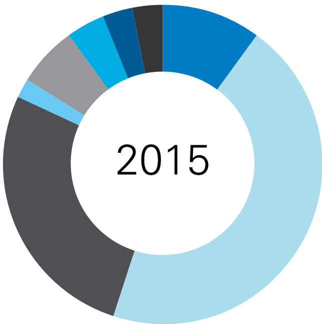


- Appliances 48%
- Meat processing 13%
- Mining 24%
- Superconductors 3%
- Industrial automation & robotics 12%

STANDALONE CHINE MACHINE

The Standalone Chine Machine uses the same technology as the chine station in Scott's Middle system, but without the need for the other automated infrastructure, making it suitable for smaller processors, or those who are not yet ready to make the leap to full automation.

Geographical revenue



- New Zealand 10%
- North America 45%
- Australia 27%
- South America 2%
- Asia 6%
- Russia & former states 4%
- Africa & Middle East 3%
- Other Europe 3%

2014 revenue was a similar geographical spread

OUR MARKETS

Revenue growth over the prior year was achieved in both our Mining and Meat Processing industry sectors, recording increases of 19% and 36% respectively. In addition, our Industrial Automation & Robotics business recorded substantial growth as a result of recent acquisitions. However, project work and revenues from the Appliance sector was below our long term average and well below our historical high achieved in 2014.

Scott has a substantial and growing pool of skills and technologies which can be applied to multiple applications across multiple industry segments. This creates significant opportunity for cross selling and further growth for Scott. The full benefit of recent acquisitions will assist future growth, particularly in our Mining and Meat Processing markets where the acquisition of the Machinery Automation & Robotics business has brought existing products and a range of developments which are close to being ready for commercialisation.

Across all of our industry sectors customers are seeking to increase productivity and to reduce costs. Our customers, like many manufacturers, are looking toward automation and robotics to achieve this. Scott has the capabilities, the people with the skills and the technologies to help our customers achieve productivity gains. The rise of Industry 4.0, the fourth industrial revolution, places Scott in an ideal position to achieve our growth ambition and strategy.

OUR OPERATIONS

During the year Scott expanded its global reach and business activities through both acquisitions and organic growth. Scott continues to combine automation and robotics capability with sophisticated vision and sensing technologies which, when combined with advanced robotics and mobility, provides a compelling business offering to our chosen industries.

The Company has developed, and is now implementing, a strategy to deliver on its growth ambitions. We continue to invest heavily in research and development to bring new products to market and to develop new technologies for new applications. We have seen an increase in the commercial uptake of our technologies with the results appearing in the later part of this financial year and an expectation of this to continue into the year ahead.

The Company's business activities are now focused toward key geographic regions which strengthens our presence in key markets, ensuring we remain focused on our customers and their needs. In line with this our reported manufacturing segments are now considered to be Australasia, the Americas and Asia.

In China, our four year manufacturing agreement with our 25% partner, Teknatool International Ltd, comes to an end in October 2015 and we will look to wind up those activities to concentrate on Scott's own business opportunities within China and the wider Asian region. New larger premises have been readied for the move, but in China a relocation requires the establishment of a new company and for this purpose Scott Systems (Qingdao) Co. Limited was set up.

Equipment sold to 75 countries

187 robots sold by RobotWorx during the year

We push the boundaries of technologies and what is possible today

During the year we sold automation systems, robots and machinery to 75 countries. Sales of standard equipment, spare parts, service and consumables contributed strongly across all markets. Our North American business, RobotWorx, sold 187 robots which was an increase of 58% on the prior year, and also contributed strongly with a full twelve months of trading in this year.

Our milking robot designed for the New Zealand dairy farmer's pasture based, conventional batch milking model continues to progress, although slower than originally envisaged. A second prototype was installed during the year and we expect that it will take another two seasons before we will have a system that is robust enough to meet both Scott standards and the demands of farmers.

OUR PEOPLE

It is our people who create our future. It is their skills and experience that combines with our innovative attitude to set Scott apart from its peers. Our mission is to *"Provide automation and robotics engineering equipment and services to businesses anywhere in the world who make, move, manipulate, monitor and track. We will do this by making processes safer, more productive, with increased yield or better outcomes".* It is this mission that drives our people to perform at the high level we see every day. Our workforce becomes more diverse over time. It is this diverse range of skills, disciplines, locations, geography and background that all come together to create value for our customers and for the Company.

OUR FUTURE

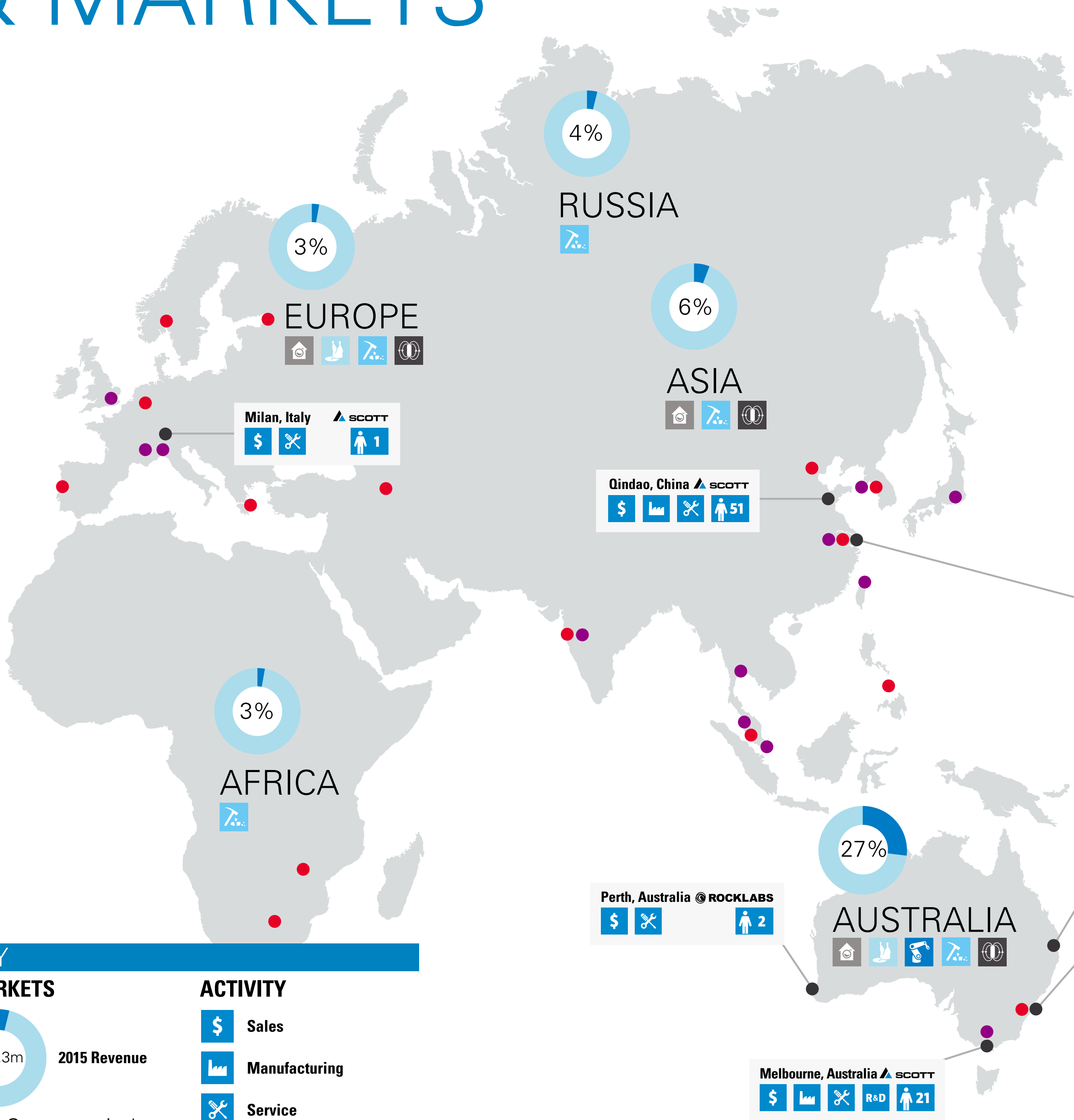
We are where we want to be. We have the desire and ability to deliver on our growth ambitions to succeed in our mission and to deliver returns to our stakeholders. We push the boundaries of technologies and what is possible today to put in place the building blocks of tomorrow. We continue to succeed and grow, but when we do have failures we look at these as learnings. We will continue to develop strong relationships with key customers, working alongside them in partnership, supplying automation and robotics, to deliver better yield, productivity and safety.

On behalf of the Company and our colleagues, we thank the other Board members for their support and encouragement. We also thank the people at Scott for their commitment to, and efforts towards, achieving our mission. We also thank all the stakeholders for their encouragement and support over many years.

Stuart J McLauchlan
Chairman

Chris C Hopkins
Managing Director

GLOBAL PRESENCE & MARKETS



KEY

MARKETS

$72.3m 2015 Revenue

End Customer Industry Concentrations:

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

ACTIVITY

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

Agents:

- SCOTT
- ROCKLABS
- HTS-110

45%
NORTH AMERICA
Vancouver, Canada ROCKLABS
$
1
Marion, Ohio, USA RobotWorx
$
40
Dallas, Texas, USA SCOTT
$
1
Shanghai, China SCOTT
$
1
2%
SOUTH AMERICA
Brisbane, Australia SCOTT
$
4
Sydney, Australia SCOTT
$
R&D
43
Santiago, Chile ROCKLABS
$
3
10%
NEW ZEALAND
Auckland, New Zealand ROCKLABS
$
R&D
39
Wellington, New Zealand HTS-110
$
R&D
11
Christchurch, New Zealand SCOTT
$
R&D
76
Dunedin, New Zealand SCOTT
$
R&D
68

BOARD OF DIRECTORS

(Left to Right)

Chris C Hopkins
Managing Director

BCom, CA, CF Inst D
Dunedin
Appointed Director 2001

Chris Hopkins joined the Donaghys Group, which included Scott Technology Ltd, in 1994 as Corporate Services Manager. In 1996, he assumed responsibility for finance and administration for the Company and oversaw the transition to a public listed company in 1997. He was appointed a Director of Scott Technology Ltd in August 2001 and Managing Director in 2006. Chris Hopkins is also an independent Director of Oakwood Group Limited.

Christopher J Staynes
Independent Director

BSc
Dunedin
Appointed Director 2007

Chris Staynes commenced his career in 1973, gaining experience in product design and production engineering. He advanced his career from senior product design engineer, to product engineering manager and lastly to General Manager for a local appliance manufacturer from 1980 until his retirement in 2006. Chris Staynes is also a Councillor and Deputy Mayor of Dunedin City.

Stuart J Mclauchlan
Chairman and
Independent Director

BCom, FCA(PP), CF Inst D
Dunedin
Appointed Director 2007

Stuart McLauchlan is a Senior Partner of GS McLauchlan & Co, Business Advisors and Accountants, a prominent businessman and company director. Stuart McLauchlan is a Director of Scenic Circle Hotels Ltd, Aurora Energy Ltd, Delta Utility Services Ltd, Dunedin Casinos Ltd, AD Instruments Pty Ltd, Ngai Tahu Tourism Ltd and several other companies. He is also Chairman of the NZ Sports Hall of Fame, Chairman of Dunedin International Airport Ltd, Chairman of Pharmac Ltd, Chairman of UDC Finance Ltd and Pro-Chancellor of the University of Otago.

Mark B Waller
Independent Director

BCom, FACA, FNZIM
Christchurch
Appointed Director 2004

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

Graham W Batts
Independent Director

CEng., FIPENZ, Hon., NZCE
Dunedin
Appointed Director 1969

Graham Batts joined the Company in 1956 and was Managing Director from 1969 to 1999. He spent a further 18 months in an executive role based in London assessing the European market. Since retirement from his executive role in October 2000, Graham Batts has remained a Consultant to the Company.

MOBILE NMR –
THE FUTURE OF HIGH FIELD NMR

HTS-110 brings you the convenience of bench top NMR with the power of high field. Now you can have high field NMR where you need it — at your bench.

CORPORATE GOVERNANCE continued

The corporate governance processes set out in this statement do not materially differ from the principles set out in the NZSX Corporate Governance Best Practice Code. This statement follows the nine principles published by the Securities Commission and reports on how Scott Technology Limited seeks to comply with these principles.

1. ETHICAL STANDARDS

The Board has developed and implemented a code of conduct which contains expectations and policies for Directors and employees carrying out their duties.

The code of conduct covers such matters as:

- Obeying the applicable laws and regulations governing our business conducted worldwide;
- Being honest, fair and trustworthy in all activities and relationships;
- Avoiding all conflicts of interest between work and personal affairs;
- Striving to create a safe workplace and to protect the environment;
- Through leadership at all levels, sustain a culture where ethical conduct is recognised, valued and exemplified by all employees; and
- Details raising integrity concerns and the procedure for dealing with these.

The code of conduct was approved by the Board at its June 2004 meeting and has been made available to all staff. The Board monitors compliance with the code of conduct on a regular basis.

2. BOARD COMPOSITION AND ROLE

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

The Board of Directors maintains effective control over the Company, as well as monitoring executive management. The Directors formally meet a minimum of nine times throughout the year, plus additional meetings as required, and oversee all matters of corporate governance, development of long term strategic plans, financial management, reporting to shareholders and regulatory compliance. Continuing professional development is encouraged for all Directors.

3. BOARD COMMITTEES

The Board has formally constituted committees, being the Audit, Remuneration and Nomination, and Treasury committees. These committees enhance its effectiveness in key areas whilst still retaining Board responsibility.

Audit Committee

The Audit Committee overviews internal controls and financial reporting and reviews the Company's financial accounts, in conjunction with the Company's auditors. It reviews the annual and interim reports prior to approval by the Board and deals with the appointment of external auditors. The Audit Committee comprises the full Board, with Mark Waller as its Chair.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of the non-executive Directors, with Stuart McLachlan as its Chair. The purpose of the committee is to ensure that the Company's Directors and senior executives are fairly rewarded for their individual contributions to the Company's overall performance. Due to the size and level of activity of this committee, it also includes the role of recommending Director appointments to the Board.

Treasury Committee

The Treasury Committee overviews the Company's treasury practices, including foreign exchange cover and short term cash investments. The Treasury Committee comprises Stuart McLauchlan (Chair), Chris Hopkins and Greg Chiles, the Group's Chief Financial Officer.

4. REPORTING AND DISCLOSURE

Numerous safeguards are in place to ensure the integrity and quality of financial statements given to Directors. This includes an effective system of internal controls to ensure reliable financial reporting.

The Board Audit Committee and external auditors have a pivotal role in ensuring the integrity of the publicly released financial documents.

In addition to the annual report and interim results, continuous disclosure to the New Zealand Stock Exchange forms part of the reporting and disclosure of the Group. As part of these continuous disclosure obligations, there are formal procedures, including the Chairman's approval for the public release of Company information.

5. REMUNERATION

The Remuneration and Nomination Committee sets the remuneration of Directors, both Executive and Non- Executive. Remuneration and other benefits paid to Directors are disclosed on page 18.

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

6. RISK MANAGEMENT

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

7. AUDIT

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

8. SHAREHOLDER RELATIONS

The Company maintains an up to date website (scott.co.nz) providing a description of its business and financial statements for previous years. It also distributes or makes available the half yearly and annual reports to all shareholders and interested parties. All shareholders are encouraged to attend the annual meeting. The Company's auditors, along with the Board, attend the annual meeting for formal and informal interaction with shareholders.

9. STAKEHOLDER INTERESTS

Staff are recognised as a key stakeholder in the Group. The Company seeks to create and maintain a positive supporting environment for them to work in. The Directors have established an employee share purchase scheme to encourage staff to participate in the ownership of the Company.

Customers' interests are catered for by sharing customer specific information via a private log-in to the Scott website.

ATTENDANCE

The following table shows attendances at the Board and committee meetings during the year ended 31 August 2015.

	Board		**Audit Committee**		**Remuneration Committee**		**Joint Ventures and Subsidiaries**	
	Eligible to attend	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
S J McLauchlan	11	11	2	2	1	1	8	3
M B Waller	11	10	2	2	1	1	-	-
G W Batts	11	10	2	2	1	1	4	4
C J Staynes	11	11	2	2	1	1	-	-
C C Hopkins	11	11	2	2	-	-	18	18
G W Chiles*	11	11	2	2	-	-	14	14

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

DIRECTORS' INTERESTS

For the Year Ended 31 August 2015

Directors' Shareholding as at 31 August 2015

	Beneficially owned		Held by associated persons		Non-beneficially held * (jointly held)	
	2015	2014	2015	2014	2015	2014
G W Batts	276,657	276,657	-	-	-	-
C C Hopkins	113,566	107,859	5,413,410	5,411,680	22,222	124,273
S J McLauchlan	333,419	316,662	-	-	22,222	124,273
M B Waller	80,500	76,165	-	-	-	-
C J Staynes	203,000	203,000	-	-	-	-
	1,007,142	980,343	5,413,410	5,411,680		

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

Directors' Share Dealings

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

	Number of Shares Acquired	Date	Consideration Paid $'000s
M B Waller *	2,834	9 Dec 2014	4
S J McLauchlan *	10,965	9 Dec 2014	16
C C Hopkins *	4,867	9 Dec 2014	7
M B Waller *	1,501	26 May 2015	2
S J McLauchlan *	5,792	26 May 2015	8
C C Hopkins *	2,570	26 May 2015	3

* Dividend reinvestment plan

Use of Company Information

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

Remuneration of Directors

During the year ended 31 August 2015, the total remuneration and other benefits attributed to the Directors of the Company were as follows:

	Directors' Fees $'000s	Directors' Salary $'000s	Other Remuneration & Benefits (Short Term) $'000s	Other Remuneration & Benefits (Long Term) $'000s
G W Batts	42	-	15	-
C C Hopkins *	-	351	90	5
S J McLauchlan	82	-	-	-
M B Waller	50	-	-	-
C J Staynes	42	-	-	-

* Denotes an Executive Director.

Directors' Indemnity & Insurance

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

DIRECTORS' INTERESTS

For the Year Ended 31 August 2015

Disclosures of Interest by Directors

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

C J Staynes

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

S J McLauchlan

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

C C Hopkins

Chairman	Robotic Technologies Ltd
Chairman	NS Innovations Pty Ltd
Director	Applied Sorting Technologies Pty Ltd
Director	HTS-110 Ltd
Director	Oakwood Group Ltd
Director	QMT General Partner Ltd
Director	QMT Machinery Technology (Qingdao) Co Ltd
Director	Rocklabs Ltd
Director	Rocklabs Automation Canada Ltd
Director	Scott Automation Ltd
Director	Scott Automation & Robotics Pty Ltd
Director	Scott LED Ltd
Director	Scott Milktech Ltd
Director	Scott Separation Technology Ltd
Director	Scott Systems International Inc
Director	Scott Systems (Qingdao) Co Ltd
Director	Scott Technology Australia Pty Ltd
Director	Scott Technology Euro Ltd
Director	Scott Technology NZ Ltd
Director	Scott Technology USA Ltd
Trustee	Scott Technology Employee Share Purchase Scheme
Shareholder	Penfold Transmission Ltd

M B Waller

Director	Ebos Group Ltd and Associated Companies

Gender Composition

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

	2015 Male	2015 Female	2014 Male	2014 Female
Directors	5	-	5	-
Executive Officers	8	2	6	2
Senior Management	9	3	7	3
	22	5	18	5

Donations

The company made donations of $20,000 during the year (2014 less than $1,000).

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which present fairly, in all material respects, the consolidated financial position of Scott Technology Limited and Group ("the Group") as at 31 August 2015 and the results of their operations and cash flows for the year ended 31 August 2015.

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

The Directors have responsibility for ensuring that proper accounting records have been kept which enable them to ensure that the financial statements comply with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

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

The Directors present the financial statements of Scott Technology Limited for the year ended 31 August 2015.

These financial statements are dated 8 October 2015 and are signed in accordance with a resolution of the Directors made pursuant to section 461(1)(b) of the Financial Markets Conduct Act 2013.

For and behalf of the Directors

Stuart J McLauchlan
Chairman

Chris C Hopkins
Managing Director

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 August 2015

	Note	Group 2015 $'000s	Group 2014 $'000s
Revenue		72,298	60,316
Other income	2(a)	2,548	1,622
Share of joint ventures' & associate's net deficit	11	(41)	(38)
Raw materials, consumables used & other expenses		(36,180)	(35,836)
Employee benefits expense		(27,689)	(19,983)
Depreciation & amortisation	10, 13	(1,636)	(1,336)
Finance costs		(1,198)	(514)
NET SURPLUS BEFORE TAXATION	2(b)	8,102	4,231
Taxation expense	3(a)	(1,989)	(1,205)
NET SURPLUS FOR THE YEAR AFTER TAX		6,113	3,026
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Net movement in cash flow hedge reserve		27	72
Translation of foreign operations		(1,376)	(173)
Other Comprehensive Deficit for the Year		(1,349)	(101)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		4,764	2,925
Net surplus for the year after tax is attributable to:			
Members of the parent entity (used in the calculation of earnings per share)		6,169	2,548
Non controlling interests	21	(56)	478
		6,113	3,026
Total comprehensive income is attributable to:			
Members of the parent entity		4,820	2,447
Non controlling interests	21	(56)	478
		4,764	2,925

	Note	Group 2015 Share	Group 2014 Share
Earnings per share:			
Basic	5	13.8	6.2
Diluted	5	13.8	6.2
Net tangible assets per ordinary share:			
Basic	5	37.2	61.6
Diluted	5	37.2	61.6

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2015

Group	**Note**	**Fully Paid Ordinary Shares $'000s**	**Retained Earnings $'000s**	**Cash Flow Hedge Reserve $'000s**	**Foreign Currency Translation Reserve $'000s**	**Non Controlling Interests $'000s**	**Total $'000s**
Balance at 31 August 2013		24,005	18,985	(99)	90	771	43,752
Net surplus for the year after tax		-	2,548	-	-	478	3,026
Other comprehensive income for the year net of tax		-	-	72	(173)	-	(101)
Issue of ordinary shares under dividend reinvestment plan	20	1,092	-	-	-	-	1,092
Dividends paid (10.00 cents per share)		-	(4,121)	-	-	-	(4,121)
Issue of ordinary shares on acquisition of RobotWorx business	20	3,707	-	-	-	-	3,707
Acquisition of non controlling interest in subsidiary		-	1,083	-	-	(1,173)	(90)
Balance at 31 August 2014		28,804	18,495	(27)	(83)	76	47,265
Net surplus/(deficit) for the year after tax		-	6,169	-	-	(56)	6,113
Other comprehensive income for the year net of tax		-	-	27	(1,376)	-	(1,349)
Issue of ordinary shares under dividend reinvestment plan	20	1,078	-	-	-	-	1,078
Dividends paid (8.00 cents per share)		-	(3,550)	-	-	-	(3,550)
Issue of ordinary shares on acquisition of Machinery Automation & Robotics business	23	1,061	-	-	-	-	1,061
Balance at 31 August 2015		30,943	21,114	-	(1,459)	20	50,618

BALANCE SHEET

As at 31 August 2015

	Note	Group 2015 $'000s	Group 2014 $'000s
CURRENT ASSETS			
Cash and cash equivalents		2,106	1,370
Trade debtors	6	15,912	14,640
Other financial assets	7	1,645	1,179
Sundry debtors		1,107	652
Inventories	8	11,416	11,809
Receivable from joint ventures and associates	26	1,978	1,243
Contract work in progress	9	3,048	8,858
		37,212	39,751
NON CURRENT ASSETS			
Property, plant and equipment	10	11,468	14,679
Investment in joint ventures and associates	11	545	759
Other financial assets	7	3	-
Goodwill	12	29,758	16,657
Deferred tax asset	3(b)	2,221	1,751
Intangible assets	13	1,715	1,733
Receivable from joint ventures and associates	26	1,523	1,696
		47,233	37,275
TOTAL ASSETS		84,445	77,026
CURRENT LIABILITIES			
Bank overdraft	14	821	6,258
Trade creditors and accruals	15	8,872	9,230
Finance lease liabilities	16	34	-
Other financial liabilities	18	634	45
Employee entitlements		3,000	3,446
Provision for warranty	19	750	750
Taxation payable		1,162	968
Payable to joint ventures and associates	26	430	329
Current portion of bank term loans	14	9,822	982
		25,525	22,008
NON CURRENT LIABILITIES			
Bank term loans	14	7,547	7,442
Other financial liabilities	18	3	-
Employee entitlements		658	311
Finance lease liability	16	94	-
		8,302	7,753
EQUITY			
Share capital	20	30,943	28,804
Retained earnings		21,114	18,495
Cash flow hedge reserve		-	(27)
Foreign currency translation reserve		(1,459)	(83)
Equity attributable to equity holders of the parent		50,598	47,189
Non controlling interests	21	20	76
TOTAL EQUITY		50,618	47,265
TOTAL LIABILITIES & EQUITY		84,445	77,026

STATEMENT OF CASHFLOWS

For the Year Ended 31 August 2015

	Note	Group 2015 $'000s	Group 2014 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from / (applied to):			
Receipts from operations		77,480	57,019
Interest received		32	98
Net GST received/(paid)		(186)	608
Payments to suppliers and employees		(65,219)	(56,263)
Interest paid		(1,134)	(490)
Taxation paid		(986)	(851)
Net cash inflow from operating activities	28	9,987	121
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from / (applied to):			
Purchase of property, plant and equipment		(1,091)	(4,430)
Sale of property, plant and equipment		4,025	33
Net advances from/(to) joint ventures and associates		(461)	(1,055)
Purchase of business		(13,103)	(6,164)
Purchase of non controlling interest in subsidiary		-	(90)
Repayment of advance to Employee Share Purchase Scheme		42	47
Disposal/(purchase) of joint ventures and associates		173	(72)
Net cash outflow from investing activities		(10,415)	(11,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from / (applied to):			
Repayment of borrowings		(3,779)	(10)
Dividends paid		(3,550)	(4,121)
Issue of share capital, net of issue costs		1,078	1,092
Loan draw down		12,852	8,434
Net cash inflow from financing activities		6,601	5,395
Net increase/(decrease) in cash held		6,173	(6,215)
Add/(less) cash and cash equivalents at start of period		(4,888)	1,327
Balance at end of period		1,285	(4,888)
Comprised of:			
Cash and bank balances		2,106	1,370
Bank overdraft		(821)	(6,258)
		1,285	(4,888)

Cash and cash equivalents include cash on hand and in banks, both in New Zealand and overseas, and investments in money market instruments, net of outstanding overdrafts and short term money market borrowings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 31 August 2015

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

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

The Company is a profit oriented entity, registered in New Zealand under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013 and its annual financial statements comply with these Acts.

The Group's principal activities are the design, manufacture, sales and servicing of automated production lines and processes for a wide variety of industries in New Zealand and overseas.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The Group is a tier 1 for-profit entity in terms of the External Reporting Board Standard A1: Accounting Standard Framework (For-profit Entities Update).

The financial statements were authorised for issue by the Board of Directors on 8 October 2015.

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 2015 and the comparative information presented in these financial statements for the year ended 31 August 2014.

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

The information is presented in thousands of New Zealand dollars.

Critical Judgements, Estimates and Assumptions

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

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

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

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

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

- Provisions - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

- The amount recognised as a provision is the Directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If actual time and costs incurred to complete the obligation differ from the

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

Critical Judgements, Estimates and Assumptions cont.

estimates completed by management, the Directors could be over or under estimating the provision, and consequently expenses and profit to date may be under or over estimated.

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

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

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

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

Consolidation of Subsidiaries

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries as defined by NZ IFRS-10 "Consolidated Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

Accounting policies of subsidiaries are consistent with the policies of the Group.

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

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Group Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

In the Company's financial statements, investments in subsidiaries, joint ventures and associates are recognised at their cost, less any adjustment for impairment.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and identifiable intangible assets, liabilities and contingent liabilities of the subsidiary recognised at the time of acquisition of a business or subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over these policies.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Group Balance Sheet at cost as adjusted for post acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Losses in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

Investment in Associates cont.

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

Interests in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

Revenue Recognition

Profit on long term contracts is accounted for using the percentage of completion method. At balance date an assessment is made of the percentage of completion and costs associated with the work done to date relative to the total forecast cost to complete. Included in sales is the value attributed to work completed, which includes direct costs, overhead and profit. Provision is made for estimated future losses on the entire contract from the date that it is recognised that a contract loss may be incurred.

Government Grants

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

Government grants are recognised as other income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

Group Entity as Lessor

Amounts due from finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Group Entity as Lessee

Assets held under finance lease are initially recorded at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

Leased Assets cont.
Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation
Current Tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred Tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity.

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

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

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

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

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

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

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

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

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

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

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

Financial Instruments cont.

resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition depends on the nature of the hedge relationship.

The Group entity designates certain derivatives as hedges of the fair value of firm commitments (fair value hedge) or as hedges of forecast future sales (cash flow hedge).

Fair Value Hedge

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

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

Cash Flow Hedge

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

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

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

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

Borrowings

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

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

Employee Benefits

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

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

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

Property, Plant and Equipment

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

Depreciation is provided on property, plant and equipment.

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

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

Research and Development Costs

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

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

- The technical feasibility of completing the asset so that it will be available for use or sale
- The intention to complete the asset and use or sell it

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

Research and Development Costs cont.

- The ability to use or sell the asset
- How the asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the asset during the development

Intangible Assets

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

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

Warranty Provision

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

Impairment of Financial and Non Financial Assets

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for doubtful debts. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

At each balance sheet date, the Group reviews the carrying amounts of its non financial tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested for impairment annually. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the

1. SUMMARY OF ACCOUNTING POLICIES (Cont.)

Impairment of Financial and Non Financial Assets cont.

carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment losses in relation to goodwill are not reversed.

Cash Flow Statement

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

Definition of terms used in the cash flow statement:

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

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity.

Segment Information

The group has adopted NZ IFRS-8 "Operating Segments". NZ IFRS-8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Board) in order to allocate resources to the segments and to assess its performance.

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

- Australasia manufacturing
- Americas manufacturing
- Asia manufacturing

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

Standards and Interpretations Effective in the Current Period

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

Standards and Interpretations in Issue not yet Adopted

The Group has reviewed all standards and interpretations to existing standards in issue not yet adopted and, with the exception of NZ IFRS 15 Revenue from Contracts with Customers which is effective for the financial year ending 31 August 2019, does not expect these standards to have a material impact on the Group financial statements. NZ IFRS 15 Revenue from Contracts with Customers was issued on 3 July 2014 and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Group has not yet determined the potential impact of this standard.

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

2. OTHER INCOME AND OPERATING EXPENSES

	Group	
	2015 $'000s	**2014 $'000s**
(a) Other income		
Gross insurance proceeds from property, plant and equipment	1,563	-
Government grants related to research and development	673	1,498
Interest received	32	98
Gain on sale of property, plant and equipment	280	26
	2,548	1,622

2. OTHER INCOME AND OPERATING EXPENSES (Cont.)

		Group	
		2015 $'000s	**2014 $'000s**
(b) Operating expenses			
The surplus is stated after charging:			
Auditor's remuneration	- audit	102	60
	- other assurance services	5	22
	- due diligence	16	36
	- taxation services	14	19
The auditor of the Group is Deloitte.			
Directors' fees		216	234
Defined benefit scheme contributions		746	333
Fair value losses on firm commitments		-	324
Leasing and rental costs		989	487
Foreign exchange losses		-	118
Fair value losses on derivatives held as fair value hedges		449	-
Unrealised fair value losses on foreign exchange derivatives		108	-
and after crediting:			
Fair value gains on derivatives held as fair value hedges		-	324
Unrealised fair value gains on foreign exchange derivatives		-	864
Foreign exchange gains		1,538	-
Fair value gains on firm commitments		449	-

3. INCOME TAXES

(a) Income tax recognised in net surplus

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

	Group	
	2015 $'000s	**2014 $'000s**
Net surplus before tax	8,102	4,231
Income tax expense calculated at 28% (2014: 28%)	2,269	1,185
Non assessable income	(242)	(16)
Under/(over) provision of income tax in previous year	(38)	36
Taxation expense	1,989	1,205
Represented by:		
Current tax	1,180	907
Deferred tax	809	298
	1,989	1,205

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 2015 income tax year.

3. INCOME TAXES (Cont.)

(b) Deferred tax balances

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

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

(c) Imputation credit account balances

	Group	
	2015 $'000s	**2014 $'000s**
Imputation credits available to shareholders	7,913	8,491

4. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Group	
	2015 $'000s	**2014 $'000s**
Short term benefits – employees	1,689	1,776
Short term benefits – executive Director	441	359
Short term benefits – non-executive Directors	231	249
Long term benefits – employees	10	(436)
Long term benefits – executive Director	5	(86)
	2,376	1,862

The 2014 long term benefits reflected a decrease in a bonus scheme relating to specified performance indicators.

5. EARNINGS & NET TANGIBLE ASSETS PER SHARE

	Group	
	2015 Cents Per Share	**2014 Cents Per Share**
Earnings per share from continuing operations		
Basic	13.8	6.2
Diluted	13.8	6.2
Net tangible assets per ordinary share		
Basic	37.2	61.6
Diluted	37.2	61.6

	Group	
	2015 $'000s	**2014 $'000s**
Net surplus for the year used in the calculation of basic and diluted earnings per share from continuing operations	6,169	2,548
Net tangible assets (excluding goodwill, intangible assets and deferred tax)	16,924	27,124

	Group	
	2015 000s	**2014 000s**
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	44,844	41,107
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share (note 20)	45,474	44,009

6. TRADE DEBTORS

	Group 2015 $'000s	Group 2014 $'000s
Trade debtors	16,262	14,916
Allowance for doubtful debts (i)	(350)	(276)
	15,912	14,640

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

(i) Allowance for doubtful debts

	2015	2014
Balance at beginning of financial year	276	76
Impairment loss recognised on trade debtors	74	200
Balance at end of financial year	350	276

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. All doubtful debts are aged beyond 90 days (2014: all aged beyond 90 days).

(ii) Past due but not impaired

Included in the Group's trade debtors are debtors with a carrying amount of $8,225,000 (2014: $4,146,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are considered recoverable.

Ageing of past due but not impaired:	2015	2014
30 – 60 days	4,390	2,966
60 – 90 days	1,906	341
90 days +	1,929	839
	8,225	4,146

7. OTHER FINANCIAL ASSETS

	Group 2015 $'000s	Group 2014 $'000s
Advance to Employee Share Purchase Scheme (i)	-	42
Foreign currency forward contracts held as effective fair value hedges (ii)	3	18
Foreign exchange collar option derivatives	-	146
Foreign exchange derivatives	1,211	973
Fair value hedge of open firm commitments	434	-
	1,648	1,179

7. OTHER FINANCIAL ASSETS (Cont.)

	Group	
	2015 $'000s	2014 $'000s
Represented by:		
Current financial assets		
Advance to Employee Share Purchase Scheme	-	42
Foreign currency forward contracts held as effective fair value hedges	-	18
Foreign exchange collar option derivatives	-	146
Foreign exchange derivatives	1,211	973
Fair value hedge on open firm commitments	434	-
	1,645	1,179
Non current financial assets		
Foreign currency forward contracts held as effective fair value hedges	3	-

(i) Interest free, repayable on demand.

(ii) Designated and effective hedging instrument.

8. INVENTORIES

	Group	
	2015 $'000s	2014 $'000s
Raw materials	3,056	5,220
Work in progress	522	2,228
Finished goods	7,838	4,361
	11,416	11,809

The cost of inventories recognised as an expense during the year includes $105,000 (2014: $80,000) in respect of write downs of inventory to net realisable value.

9. CONTRACT WORK IN PROGRESS

	Group	
	2015 $'000s	2014 $'000s
Costs incurred and estimated earnings on uncompleted contracts	78,226	70,246
Progress claims received or receivable	(75,178)	(61,388)
	3,048	8,858
Represented by:		
Sales recognised to be recovered by invoices	13,793	9,793
Contracts invoiced in advance of sales recognised	(10,745)	(935)
	3,048	8,858

10. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Freehold Land at Cost $'000s	Freehold Buildings at Cost $'000s	Plant, Equipment & Vehicles at Cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2013	2,133	6,389	16,982	25,504
Acquisitions through business combinations	-	-	812	812
Additions	1,942	1,258	1,230	4,430
Disposals	-	-	(81)	(81)
As at 31 August 2014	4,075	7,647	18,943	30,665
Acquisitions through business combinations	-	-	1,062	1,062
Additions	-	-	1,071	1,071
Disposals	(1,942)	(1,258)	(1,051)	(4,251)
As at 31 August 2015	2,133	6,389	20,025	28,547
Accumulated depreciation and impairment				
As at 31 August 2013	-	1,169	13,580	14,749
Disposals	-	-	(74)	(74)
Depreciation expense	-	225	1,086	1,311
As at 31 August 2014	-	1,394	14,592	15,986
Disposals	-	(60)	(445)	(505)
Depreciation expense	-	223	1,375	1,598
As at 31 August 2015	-	1,557	15,522	17,079
Net book value				
As at 31 August 2014	4,075	6,253	4,351	14,679
As at 31 August 2015	2,133	4,832	4,503	11,468

	Group	
	2015 $'000s	2014 $'000s
Aggregate depreciation allocated, whether recognised as an expense or as part of the carrying amount of other assets during the year:		
Freehold buildings	223	225
Plant, equipment and vehicles	1,375	1,086
	1,598	1,311

Assets Pledged as Security

The bank facilities from ANZ Bank New Zealand Limited are secured by General Security Agreements over all the present and after acquired property of Scott Technology Limited and its subsidiaries, and therefore all property, plant and equipment assets are pledged as security for these facilities. The bank facilities from ANZ Bank New Zealand Limited are also secured by mortgages over properties at 630 Kaikorai Valley Road, Dunedin and 10 Maces Road, Christchurch.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Country of Incorporation	Ownership Interest 2015 %	Ownership Interest 2014 %	Carrying Value 2015 $'000s	Carrying Value 2014 $'000s
Joint Ventures					
Robotic Technologies Limited (i)	New Zealand	50	50	543	543
Scott Technology Euro Limited (ii)	Ireland	50	50	69	65
NS Innovations Pty Limited (iii)	Australia	50	50	14	14
Scott Separation Technology Limited (iv)	New Zealand	50	50	26	37
XRock Automation Pty Limited (v)	Australia	-	50	-	158
Scott Technology S.A. (vi)	Chile	50	50	(66)	(48)
Rocklabs Automation Canada Limited (vii)	Canada	50	50	(41)	13
Associates					
Robot Vision Lab Limited (viii)	New Zealand	-	40	-	(23)
Balance at end of financial year				545	759

(i) Scott Technology Limited's joint venture with Silver Fern Farms Limited, Robotic Technologies Limited (RTL), was formed in October 2003 and has a balance date of 31 August. RTL's principal activity is the marketing and development of (primarily) lamb meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of RTL's net surplus was $Nil (2014: $56,000).

(ii) Scott Technology Euro Limited (STEL) is Scott Technology Limited's European sales agency and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. STEL was formed in 2009 and has a balance date of 31 August. Scott Technology Limited's share of STEL's net surplus was $4,000 (2014: share of net surplus $4,000).

(iii) NS Innovations Pty Limited (NSIL) is a joint venture between Scott Technology Limited and Northern Co-Operative Meat Company Limited of Australia. NSIL was formed in August 2009 and has a balance date of 30 June, in line with Australian tax rules. NSIL's principal activity is the marketing and development of (primarily) beef meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of NSIL's net surplus was $Nil (2014: $ Nil).

(iv) Scott Separation Technology Limited (SSTL) is a joint venture between Scott Technology Limited and private individuals. SSTL was formed in December 2011 and has a balance date of 31 August. SSTL's principal activity is the marketing and development of patented centrifuge technology which has particular application to the honey and fish processing industries. Scott Technology Limited's share of SSTL's net deficit was $11,000 (2014: share of net deficit $1,000).

(v) XRock Automation Pty Limited (XRA) was a joint venture between Scott Technology Limited and XRF Scientific Limited, an Australian publicly listed company. XRA commenced trading in July 2012 and was a balance date of 30 June, in line with Australian tax rules. XRA's principal activity was the development and marketing of automated laboratory sampling equipment for the mining industry in Australia. Scott Technology Limited's share of XRA's net deficit was $5,000, (2014: share of net deficit $22,000). The joint venture ceased trading and was wound up during 2015 with share capital and a final dividend totalling $153,000 being repaid.

(vi) Scott Technology S.A. (STSA) is a joint venture between Scott Technology Limited and Canadian private company STG Holdings Limited. STSA commenced trading in June 2014 and has a balance date of 31 August. STSA is a sales agency for mining equipment in the Americas and is based in Chile. Scott Technology Limited's share of STSA's net deficit was $18,000 (2014: share of net surplus $6,000).

(vii) Rocklabs Automation Canada Limited (RAC) is a joint venture between Scott Technology Limited and Canadian private company STG Holdings Limited. RAC commenced trading in 2013 and has a balance date of 31 August. RAC is a sales agency for mining equipment in North America. Scott Technology Limited's share of RAC's net deficit was $54,000 (2014: share of net deficit $50,000).

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

(viii) Robot Vision Lab Limited (RVL) was established in 2011 to provide specialist vision and robotics services to its customers and has a balance date of 31 March, in line with the majority shareholder's tax balance date. Scott Technology Limited's 40% shareholding in RVL provided the Group with preferential access to RVL's services. Scott Technology Limited's share of RVL's net surplus was $43,000 (2014: share of net deficit $31,000). $20,000 share capital was repaid to Scott Technology Limited in 2015 and Scott Technology Limited ceased to be a shareholder in RVL.

Carrying value of equity accounted investments:

	Group	
	2015 $'000s	**2014 $'000s**
Balance at beginning of financial year	759	855
Share of net surplus/(deficit)	(41)	(38)
Translation of foreign investments	-	(3)
Share capital and final dividend repaid	(173)	(55)
Balance at end of financial year	545	759

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

	Joint Ventures		Associates	
	2015 $'000s	**2014 $'000s**	**2015 $'000s**	**2014 $'000s**
Income	1,337	8,658	107	259
Expenses	(1,505)	(8,672)	-	(336)
Net surplus/(deficit) and total comprehensive income	(168)	(14)	107	(77)
Group share of net surplus/(deficit)	(84)	(7)	43	(31)

Summarised balance sheets of joint ventures and associates:

Current assets	4,087	3,969	-	19
Non current assets	2,993	3,066	-	31
Current liabilities	(935)	(1,171)	-	(107)
Non current liabilities	(5,037)	(4,369)	-	-
Net assets	1,108	1,495	-	(57)
Group share of net assets	554	748	-	(23)

RTL, STEL, NSIL, SSTL, STSA and RAC do not have any contingent assets, contingent liabilities or commitments for capital expenditure.

The Group is not jointly and severally liable for any of RTL's, STEL's, NSIL's, SSTL's, STSA's or RAC's liabilities.

12. GOODWILL

	Group	
	2015 $'000s	**2014 $'000s**
Gross carrying amount		
Balance at beginning of financial year	16,657	10,813
Additional amounts recognised from business combinations occurring during the period (refer note 23)	13,101	5,844
Balance at end of financial year	29,758	16,657

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

12. GOODWILL (Cont.)

Allocation of goodwill to cash-generating units

Following the acquisition of the RobotWorx business in 2014 and the Machinery Automation & Robotics business in 2015, the Group's business activities were reorganised on a regional manufacturing basis. As a result, the Group's cash-generating units have changed from:

Mining
High temperature superconductors
China manufacturing
Robotic automation
X-ray technology

to: Australasia manufacturing
Americas manufacturing
Asia manufacturing

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

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

	Group	
	2015 $'000s	**2014 $'000s**
Australasia manufacturing	23,975	10,874
Americas manufacturing	5,422	5,422
Asia Manufacturing	361	361
	29,758	16,657

Australasia Manufacturing
The recoverable amount of the Australasia Manufacturing cash-generating unit is determined based on a value in use calculation which uses cashflow projections based on financial budgets and forecasts covering a five-year period, and using Scott Technology's approximate weighted average cost of capital as the discount rate.

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

Americas Manufacturing
The recoverable amount of the Americas Manufacturing cash-generating unit is determined based on a value in use calculation which uses cashflow projections based on financial budgets and forecasts covering a five-year period, and using Scott Technology's approximate weighted average cost of capital as the discount rate.

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

12. GOODWILL (Cont.)

Asia Manufacturing
The recoverable amount of the Asia Manufacturing cash-generating unit is determined based on a value in use calculation which uses cashflow projections based on financial budgets and forecasts covering a five-year period, and using Scott Technology's approximate weighted average cost of capital as the discount rate.

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

13. INTANGIBLE ASSETS

	Group			
	URLs at Cost $'000s	Non-compete at Cost $'000s	HTS Technology at Cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2013	-	-	251	251
Acquisitions through business combinations	1,492	69	-	1,561
As at 31 August 2014	1,492	69	251	1,812
Additions	-	-	20	20
As at 31 August 2015	1,492	69	271	1,832
Accumulated amortisation and impairment				
As at 31 August 2013	-	-	54	54
Amortisation expense	-	3	22	25
As at 31 August 2014	-	3	76	79
Amortisation expense	-	16	22	38
As at 31 August 2015	-	19	98	117
Net book value				
As at 31 August 2014	1,492	66	175	1,733
As at 31 August 2015	1,492	50	173	1,715

Intangible assets comprise intellectual property associated with current leads and flux pumps which were largely acquired on the purchase of the HTS-110 Limited subsidiary, as well as domain names (URLs) and a non-compete arrangement resulting from the purchase of the RobotWorx business. Intangible assets associated with the HTS-110 technology are being amortised over a remaining useful life of eight years, while intangible assets associated with the RobotWorx non-compete arrangement are being amortised over a five year period. The amortisation expense has been included in the line item "depreciation and amortisation" in the Statement of Comprehensive Income. Intangible assets related to the URL's are indefinite life intangibles as the rights to the URLs are held indefinitely and are assessed for impairment annually.

14. BANK FACILITIES

The Group has a working capital facility from ANZ Bank New Zealand Limited with a total limit of $9,250,000 (2014: $9,250,000). As at 31 August 2015 the amount used was $821,000 (2014: $6,258,000).

The Group has a Stock Exchange Bond facility and payment guarantee facility from ANZ Bank New Zealand Limited with a total limit of $3,075,000 (2014: $3,075,000). As at 31 August 2015 the amount used was $547,000 (2014: $75,000). Refer note 24, Contingent Liabilities.

The Group has a secured credit card facility from ANZ Bank New Zealand Limited with a total limit of $750,000 (2014: $750,000). As at 31 August 2015 the total amount used was $66,000 (2014: $87,000). The total amount used is included in trade creditors and accruals.

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

i) Floating rate term loan facility of $2,990,000 (2014: $3,200,000), with equal interest and principal repayments from 30 September 2014 over a 14 year period. The interest rate on the loan was 5.31% as at 31 August 2015 (2014: 5.94%).

ii) Floating rate term loan facility of US$3,719,000 (2014: US$4,375,000) repayable in equal interest and principal repayments over a 7 year period, with a final repayment in 2021. The interest rate on the loan was 2.6935% as at 31 August 2015 (2014: 2.65%).

iii) Floating rate term loan facility of $8,586,000 (2014: $Nil), on an interest only basis, with a final repayment date of 28 February, 2016. The interest rate on the loan was 5.96% as at 31 August 2015 (2014: $Nil).

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

	Group	
	2015 $'000s	**2014 $'000s**
Current liability	9,822	982
Non current liability	7,547	7,442
	17,369	8,424

The bank facilities from ANZ Bank New Zealand Limited are secured by general security agreements over all the present and after acquired property of Scott Technology Limited and its subsidiaries, and therefore all property, plant and equipment assets are pledged as security for these facilities. The bank facilities from ANZ Bank New Zealand Limited are also secured by mortgages over the 630 Kaikorai Valley Road, Dunedin and 10 Maces Road, Christchurch properties.

15. TRADE CREDITORS AND ACCRUALS

	Group	
	2015 $'000s	**2014 $'000s**
Trade creditors	5,477	4,624
Accruals	3,395	4,606
	8,872	9,230

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

16. FINANCE LEASE LIABILITIES

	Minimum Future Lease Payments		Present Value of Minimum Lease Payments	
	2015 $'000s	**2014 $'000s**	**2015 $'000s**	**2014 $'000s**
Not later than one year	39	-	35	-
Later than one year and not later than five years	91	-	86	-
Later than five years	7	-	7	-
Minimum future lease payments	137	-	128	-
Less future finance charges	(9)	-	-	-
Present value of minimum lease payments	128	-	128	-
Classified as:				
Current borrowings			34	-
Non current borrowings			94	-
			128	-

17. LEASES

Non cancellable operating lease payments

Operating leases relate to manufacturing and warehouse facilities with original lease terms of between three to five years and an option to extend for a further three years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group has an option to purchase the leased property used for the RobotWorx business.

	Group	
	2015 $'000s	**2014 $'000s**
No longer than 1 year	1,291	600
Longer than 1 year and not longer than 2 years	1,212	506
Longer than two years and not longer than 5 years	2,430	1,088
Longer than 5 years	342	63
	5,275	2,257

18. OTHER FINANCIAL LIABILITIES

	Group	
	2015 $'000s	**2014 $'000s**
At fair value:		
Fair value hedge of open firm commitments	3	18
Foreign currency forward contracts held as cashflow hedges	-	27
Foreign currency forward contracts held as effective fair value hedges	434	-
Foreign exchange collar option derivatives	200	-
	637	45

18. OTHER FINANCIAL LIABILITIES cont.

	Group	
	2015 $'000s	2014 $'000s
Represented by:		
Current financial liabilities		
Fair value hedge of open firm commitments	-	18
Foreign currency forward contracts held as cashflow hedges	-	27
Foreign currency forward contracts held as effective fair value hedges	434	-
Foreign exchange collar option derivatives	200	-
	634	45
Non current financial liabilities		
Fair value hedge of open firm commitments	3	-

19. PROVISION FOR WARRANTY

	Group	
	2015 $'000s	2014 $'000s
Balance at beginning of financial year	750	750
Additional provisions recognised	430	594
Reductions arising from payments	(430)	(594)
Balance at end of financial year	750	750

The provision for warranty reflects an obligation for after sales service work in relation to completed contracts and products sold to customers. The provision is expected to be utilised within two years of balance date, however this timing is uncertain and dependent upon the actual level of after sales service work required.

20. SHARE CAPITAL

	Group		Group	
	2015 Number	2014 Number	2015 $'000s	2014 $'000s
Fully paid ordinary shares at beginning of financial year	44,009,178	41,112,446	28,804	24,005
Issue of shares on acquisition of Machinery Automation and Robotics business	704,952	-	1,061	-
Issue of shares on acquisition of RobotWorx business	-	2,294,369	-	3,707
Shares issued under dividend reinvestment plan	759,760	602,363	1,078	1,092
Balance at end of financial year	45,473,890	44,009,178	30,943	28,804

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

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

21. NON CONTROLLING INTERESTS

	Group 2015 $'000s	Group 2014 $'000s
Balance at beginning of financial year	76	771
Share of net surplus/(deficit) for the year	(56)	478
Acquisition of non controlling interest in subsidiary	-	(1,173)
Balance at end of financial year	20	76

22. COMMITMENTS FOR EXPENDITURE

	Group 2015 $'000s	Group 2014 $'000s
Commitments for future capital expenditure for purchase of plant and equipment	-	230

23. ACQUISITION OF SUBSIDIARIES & BUSINESSES

(a) Subsidiaries & Business Acquired

Name	Principal Activity	Date of Acquisition	Proportion of Shares Acquired	Cost of Acquisition $'000s
Machinery Automation & Robotics (MAR)	Automation and robotic engineering	31/1/2015	100%	14,224

(b) Analysis of Assets & Liabilities Acquired

	Book Value $'000s	Fair Value Adjustment $'000s	Fair Value on Acquisition $'000s
Assets & Liabilities			
Cash & bank balances	60	-	60
Trade & other receivables	1,872	-	1,872
Prepayments	86	-	86
Inventories	544	-	544
Contract work in progress	(599)	-	(599)
Plant and equipment	1,062	-	1,062
Deferred tax asset	-	1,279	1,279
Trade & other payables	(3,181)	-	(3,181)
Total assets & liabilities	(156)	1,279	1,123
Goodwill on acquisition			13,101
Cost of acquisition			14,224

(c) Cost of Acquisition

The cost of acquisition of the MAR business was paid in a combination of cash and shares in Scott Technology Limited.

	Total $'000s
Cash	13,163
Issue of shares in Scott Technology Limited	1,061
	14,224

23. ACQUISITION OF SUBSIDIARIES & BUSINESSES (Cont.)

(d) Net Cash Outflow on Acquisition

	Group 2015 $'000s
Total purchase consideration paid in cash	13,163
Less cash and bank balances acquired	(60)
Net cash outflow on acquisition	13,103

(e) Goodwill Arising on Acquisition

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

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

Included in the Group financial statements is revenue of $13 million and a net profit after tax of $161,000 attributable to the additional margin generated by MAR.

Had this acquisition been effected at 1 September 2014, the revenue of the Group from continuing operations would have been approximately $80 million, and the profit for the year after taxation and non controlling interests from continuing operations would have been approximately $6 million. The Directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

24. CONTINGENT LIABILITIES

	Group	
	2015 $'000s	2014 $'000s
Payment guarantees and performance bonds	472	-
Stock Exchange bond	75	75
Maximum contract penalty clause exposure	1,636	2,719

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

Scott Technology Limited has a payment bond to the value of $75,000 in place with ANZ Bank New Zealand Limited in favour of the New Zealand Stock Exchange.

The Group has exposure to penalty clauses on its projects. These clauses relate to delivery criteria and are becoming increasingly common in international contractual agreements. There is a clearly defined sequence of events that needs to occur before penalty clauses are imposed.

25. SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights 2015 %	2014 %
Parent Entity				
Scott Technology Limited (i)	31 August	New Zealand		
New Zealand Trading Subsidiaries				
Scott Technology NZ Limited (ii)	31 August	New Zealand	100	100
HTS-110 Limited (iii)	31 August	New Zealand	100	100
Scott Automation Limited (iv)	31 August	New Zealand	100	100
Scott Technology USA Limited (v)	31 August	New Zealand	100	100
QMT General Partner Limited (vi)	31 August	New Zealand	93	93
QMT New Zealand Limited Partnership (vii)	31 August	New Zealand	92	92
Scott Milktech Limited (viii)	31 March (*)	New Zealand	61	61
New Zealand Non Trading Subsidiaries				
Scott LED Limited	31 August	New Zealand	100	100
Rocklabs Limited	31 August	New Zealand	100	100
Overseas Subsidiaries				
Scott Technology Australia Pty Ltd (ix)	31 August	Australia	100	100
Applied Sorting Technologies Pty Ltd (x)	30 June (**)	Australia	100	100
Scott Automation & Robotics Pty Ltd (xi)	31 August	Australia	100	-
QMT Machinery Technology (Qingdao) Co Limited (xii)	31 December (***)	China	70	70
Scott Systems International Incorporated (xiii)	31 August	USA	100	100
Scott Systems (Qingdao) Co Limited (xiv)	31 December (***)	China	95	-

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

New Zealand Trading Subsidiaries

(i) Scott Technology Limited is the ultimate parent entity within the Group. It is an investment holding company and owns all properties.
(ii) Scott Technology NZ Limited is the main trading company for New Zealand operations, including the design and manufacture of automated systems (under the "Scott" brand), the service and upgrade of Scott equipment worldwide (under the "Scott Service International" brand), the manufacture and sale of automated laboratory sampling equipment for the mining industry (under the "Rocklabs" brand) and development, design and manufacture of high temperature superconductor equipment (under the "HTS-110" brand).
(iii) HTS-110 Limited developed, designed and manufactured high temperature superconductor equipment. During the year these operations were transferred to Scott Technology NZ Limited.
(iv) Scott Automation Limited's principal activity is the design and manufacture of automation systems.
(v) Scott Technology USA Limited is a financing subsidiary for the USA businesses, as well as owning a number of domain names (URLs) associated with the RobotWorx business.
(vi) QMT General Partner Limited is the general partner for the QMT New Zealand Limited Partnership and directly owns 1% of QMT New Zealand Limited Partnership.
(vii) QMT New Zealand Limited Partnership is an investment holding entity and owns 75% of QMT Machinery Technology (Qingdao) Co Limited.
(viii) Scott Milktech Limited's principal activity is the development of automated solutions for the dairy industry.

Overseas Subsidiaries

(ix) Scott Technology Australia Pty Limited's principal activity is sales and service.
(x) Applied Sorting Technologies Pty Limited's principal activity is the manufacture and sale of x-ray technology.

25. SUBSIDIARIES (Cont.)

(xi) Scott Automation & Robotics Pty Limited is the main trading company for Australia operations, including the business of Machinery Automation and Robotics which was acquired on 31 January 2015.
(xii) QMT Machinery Technology (Qingdao) Co Limited is a general engineering business located in Qingdao, China.
(xiii) Scott Systems International Incorporated's principal activity is in North America for the sale of robot systems under the RobotWorx brand and undertaking sales and service for the wider Group's businesses.
(xiv) Scott Systems (Qingdao) Co Limited is a general engineering business located in Qingdao, China.

26. RELATED PARTY TRANSACTIONS

(a) Group Companies
The Group owns 50% of Robotic Technologies Limited (RTL), 50% of NS Innovations Pty Limited (NSI), 50% of Scott Technology Euro Limited (STEL), 61% of Scott Milktech Limited (SML), 50% of Scott Separation Technology Limited (SST), 70% of QMT Machinery Technology (Qingdao) Co Limited (QMT), 50% of Scott Technology S.A. (STSA) and 50% of Rocklabs Automation Canada Limited (RAC). The Group also owned 50% of XRock Automation Pty Limited (XRA) and 40% of Robot Vision Lab Limited (RVL) which were disposed of during the year.

	Group	
	2015 $'000s	**2014 $'000s**
Joint Ventures		
Project work undertaken by the Group for RTL	1,201	2,820
Administration, sales and marketing fees charged by the Group to RTL	210	129
Sales revenue received by RTL from the Group	293	6,348
Advance from Scott Technology to RTL	2,023	1,695
Administration fees charged by the Group to STEL	6	6
Commission received by STEL from the Group	210	189
Advance from STEL to Scott Technology	430	329
Project work undertaken by the Group for XRA	-	236
Project work undertaken by the Group for SSTL	8	460
Administration fees charged by the Group to SSTL	-	12
Advance from Scott Technology to SSTL	382	510
Advance from Scott Technology to NSI	147	147
Project work undertaken by the Group for STSA	258	391
Advance from Scott Technology to STSA	878	537
Advance from Scott Technology to RAC	71	-
Associates		
Project work undertaken by RVL for the Group	125	249
Advance from Scott Technology to RVL	-	50

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

26. RELATED PARTY TRANSACTIONS (Cont.)

(b) Directors
C C Hopkins and S J McLauchlan are trustees of the Scott Technology Employee Share Purchase Scheme. The balance of the interest free advance owing from the scheme at 31 August 2015 was $Nil (2014: $42,000). During the year 95,561 shares vested with employees and 10,264 shares (2014: Nil shares) which had not vested with employees were disposed of at market value. As at 31 August 2015 22,222 shares were being held on trust for employees pending repayment of loans for the shares by the employees over a three year period (2014: 124,273 shares). These shares have been treated as equity under share capital with a corresponding loan advance to the Scheme.

(c) Substantial Shareholders
C C Hopkins is a Director of Oakwood Group Limited, which owns Oakwood Securities Limited, a substantial shareholder of Scott Technology Limited. C C Hopkins has received Directors' fees of $17,000 from Oakwood Group Limited during the year (2014: $17,000).

27. SEGMENT INFORMATION

(a) Products & Services from which Reportable Segments Derive Their Revenues
Following the acquisition of the RobotWorx business in 2014 and the Machinery Automation & Robotics business in 2015, the Group's business activities were reorganised on a regional manufacturing basis. As a result, the Group's reportable segments under NZ IFRS-8 have changed from:

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

to: Australasia manufacturing
Americas manufacturing
Asia manufacturing

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

Information regarding the Group's reportable segments is presented below.

(b) Segment Revenues & Results
The following is an analysis of the Group's revenue and results by reportable segment. For the purposes of NZ IFRS-8 allocations are based on the operating results by segment. The Group does not allocate certain resources (such as senior executive management time) and central administration costs by segment for internal reporting purposes and therefore these allocations may not result in a meaningful and comparable measure of profitability by segment.

2015	Group				
	Australasia Manufacturing $'000s	Americas Manufacturing $'000s	Asia Manufacturing $'000s	Unallocated $'000s	Total $'000s
Revenue	48,606	17,795	5,897	-	72,298
Segment profit	9,020	3,235	74	2,131	14,460
Depreciation and amortisation	(750)	(227)	(99)	(560)	(1,636)
Share of profits/(losses) of joint ventures	-	-	-	(41)	(41)
Interest revenue	20	-	1	11	32
Central administration costs	-	-	-	(3,515)	(3,515)
Finance costs	(881)	(171)	(3)	(143)	(1,198)
Net profit before taxation	7,409	2,837	(27)	(2,117)	8,102
Taxation expense	(1,789)	(1,030)	8	822	(1,989)
Net profit after taxation	5,620	1,807	(19)	(1,295)	6,113

27. SEGMENT INFORMATION (Cont.)

2014	Group Australasia Manufacturing $'000s	Americas Manufacturing $'000s	Asia Manufacturing $'000s	Unallocated $'000s	Total $'000s
Revenue	54,630	2,566	3,120	-	60,316
Segment profit	8,326	619	33	-	8,978
Depreciation and amortisation	(627)	(52)	(71)	(586)	(1,336)
Share of profits/(losses) of joint ventures	-	-	-	(38)	(38)
Interest revenue	9	-	1	88	98
Central administration costs	-	-	-	(2,957)	(2,957)
Finance costs	(297)	(65)	(2)	(150)	(514)
Net profit before taxation	7,411	502	(39)	(3,643)	4,231
Taxation expense	(2,071)	(174)	11	1,029	(1,205)
Net profit after taxation	5,340	328	(28)	(2,614)	3,026

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $424,000 for the year ended 31 August 2015 (2014: $884,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs, share of profits of joint ventures, investment revenue and finance costs.

(c) Industry Information

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

	Group 2015 $'000s	2014 $'000s
Appliances	13,606	28,828
Meat processing	10,924	8,040
Mining	17,023	14,364
High temperature superconductor products	2,059	1,817
Other industrial automation, including robotics	28,686	7,267
	72,298	60,316

27. SEGMENT INFORMATION (Cont.)

(d) Geographical Information

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

	Group	
	2015 $'000s	**2014 $'000s**
New Zealand (country of domicile)	7,236	5,241
North America, including Mexico	32,522	25,946
Australia and Pacific Islands	19,423	12,271
South America	1,483	1,585
Asia	4,656	10,097
Russia and former states	2,972	2,130
Africa and Middle East	1,914	1,456
Other Europe	2,092	1,590
	72,298	60,316

The Group holds $2.4 million of non-current assets in geographical areas outside of New Zealand, the country of domicile (2014: $2.0 million).

(e) Information About Major Customers

Sales to the Group's largest single customer, who is from the Appliance industry, accounted for approximately 8.5% of total Group sales (2014: 27.6%).

28. NOTES TO THE CASHFLOW STATEMENT

	Group	
	2015 $'000s	**2014 $'000s**
Net surplus for the year	6,113	3,026
Adjustments for non-cash items:		
Depreciation and amortisation	1,636	1,336
Net loss/(gain) on sale of property, plant and equipment	(280)	(26)
Deferred tax	809	298
Share of net deficit/(surplus) of joint ventures and associates	41	38
Add / (less) movement in working capital:		
Trade debtors	(1,272)	(2,357)
Other financial assets – derivatives	(511)	(475)
Sundry debtors	(455)	901
Inventories	393	(2,761)
Contract work in progress	5,810	(2,030)
Taxation payable	194	56
Trade creditors and accruals	(358)	1,618
Other financial liabilities – derivatives	619	(389)
Employee entitlements	(99)	(580)
Movements in working capital disclosed in investing/financing activities:		
Working capital relating to business purchases	(1,277)	1,639
Movement in foreign exchange translation reserve relating to working capital	(1,376)	(173)
Net cash inflow/(outflow) from operating activities	9,987	121

29. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge certain of these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital and retained earnings.

The Group has sufficient liquid assets to fund the operational assets. To the extent that additional working capital funding is required the Group has bank facilities available as disclosed in note 14. Where the Group requires funding for a significant capital acquisition, separate funding facilities are established, provided the Directors consider that the Group has adequate equity to support these facilities.

(c) Market risk

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

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

(d) Foreign currency risk management

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

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

	Group			
	Assets		Liabilities	
	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s
United States Dollar	7,550	3,919	5,653	5,834
Euros	390	141	-	-
Australian Dollars	8,323	1,176	3,025	586
Japanese Yen	9	-	-	-
Great Britain Pound	5	16	-	-
Chinese RMB	1,662	608	459	303
	17,939	5,860	9,137	6,723

29. FINANCIAL INSTRUMENTS (Cont.)

(i) Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions.

The following table details the forward foreign currency (FC) contracts outstanding as at reporting date:

Group	**Average Exchange Rate**		**Foreign Currency**		**NZ$ Contract Value**		**Fair Value**	
	2015	**2014**	**2015 FC'000s**	**2014 FC'000s**	**2015 $'000s**	**2014 $'000s**	**2015 $'000s**	**2014 $'000s**
Foreign currency forward contracts held as effective fair value hedges								
Sell United States Dollars								
Less than 3 months	0.7318	0.8095	621	148	849	183	(122)	5
3 to 6 months	0.7260	0.7878	962	548	1,325	696	(187)	31
6 to 12 months	0.6816	0.8481	999	128	1,466	151	(114)	(6)
			2,582	824	3,640	1,030	(423)	30
Sell Euros								
0 to 3 months	0.5998	0.6167	47	200	78	324	(4)	6
3 to 6 months	0.5948	0.5829	148	145	249	249	(14)	16
6 to 12 months	0.5883	-	185	-	314	-	(19)	-
			380	345	641	573	(37)	22
Sell Australian Dollars								
Less than 3 months	0.8870	0.9113	240	1,326	261	1,455	3	(29)
3 to 6 months	0.8859	0.9027	1,200	327	1,355	362	15	(5)
6 to 12 months	0.8841	-	720	-	814	-	8	
1 to 2 years	0.8828	-	240	-	282	-	3	
			2,400	1,653	2,712	1,817	29	(34)
					6,993	3,420	(431)	18
Foreign currency forward contracts held as cash flow hedges								
Sell United States Dollars								
Less than 3 months		0.8388	-	1,000	-	1,192	-	(11)
3 to 6 months		0.8371	-	250	-	299	-	(3)
			-	1,250	-	1,491	-	(14)
Sell Australian Dollars								
Less than 3 months		0.9202	-	400	-	435	-	(13)
					-	1,926	-	(27)

29. FINANCIAL INSTRUMENTS (Cont.)

Group	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2015	2014	2015 FC'000s	2014 FC'000s	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s
Foreign exchange derivatives								
Sell United States Dollars								
Less than 3 months	0.7046	0.7804	2,990	2,642	4,244	3,385	(432)	213
3 to 6 months	-	0.7845	-	300	-	382	-	19
			2,990	2,942	4,244	3,767	(432)	232
Buy United States Dollars								
3 to 6 months	0.7958	0.8220	4,000	4,000	5,026	4,866	1,263	(1)
Sell Euros								
Less than 3 months	0.6166	-	80	-	130	-	(11)	-
6 to 12 months	-	0.5596	-	10	-	17	-	2
			80	10	130	17	(11)	2
Sell Australian Dollars								
Less than 3 months	0.7594	0.9193	1,902	809	2,505	880	386	(25)
6 to 12 months	-	0.7643	-	4,252	-	5,563	-	765
			1,902	5,061	2,505	6,443	386	740
Buy Australian Dollars								
Less than 3 months	0.9075	-	440	-	441	-	5	-
					12,346	15,093	1,211	973
Foreign exchange collar option derivatives								
Group has the right (but not the obligation) above the exchange rate to:								
Sell United States Dollars								
Less than 3 months	0.7035	0.8100	1,000	2,705	1,421	3,340	1	100
3 to 6 months	-	0.8650	-	1,500	-	1,734	-	6
6 to 12 months	-	0.8100	-	3,607	-	4,453	-	144
			1,000	7,812	1,421	9,527	1	250
Sell Australian Dollars								
Less than 3 months	0.9075	-	400	-	441	-	3	-

29. FINANCIAL INSTRUMENTS (Cont.)

Group	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2015	2014	2015 FC'000s	2014 FC'000s	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s
Group has the obligation below the exchange rate to:								
Sell United States Dollars								
Less than 3 months	0.6818	0.7417	2,000	5,410	2,933	7,294	(196)	(1)
3 to 6 months	-	0.8290	-	3,000	-	3,619	-	(76)
6 to 12 months	-	0.6907	-	7,214	-	10,445	-	(27)
			2,000	15,624	2,933	21,358	(196)	(104)
Sell Australian Dollars								
Less than 3 months	0.8923	-	800	-	897	-	(8)	-
					5,692	30,885	(200)	146

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

(ii) Foreign currency sensitivity analysis
The Group is mainly exposed to the United States Dollar, the Australian Dollar, the Chinese Renminbi and the Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the New Zealand Dollar against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the New Zealand Dollar weakens 10% against the relevant currency.

	US Dollar Impact		Euro Impact		Australian Dollar Impact		Chinese RMB Impact	
	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s
Impact on profit or loss and equity:								
10% increase in New Zealand Dollar	(90)	(192)	(26)	(14)	(279)	(59)	(120)	(31)
10% decrease in New Zealand Dollar	90	192	26	14	279	59	120	31

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

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

(e) Credit risk management
In the normal course of business, the Group incur credit risk from trade receivables and transactions with financial institutions. The Group has a credit policy which is used to manage this exposure to credit risk, including requiring payment prior to shipping to high credit risk countries and customers, the use of Export Credit Office financing facilities and customer credit checks. The Group, as a result of the industries in which they operate, can be exposed to significant concentrations of credit risk from trade receivables and counterparty risk with the bank in relation to the outstanding forward exchange contracts. They do not require any collateral or security to support financial instruments as these represent deposits with, or loans to, banks and other financial institutions with high credit ratings.

At year end the amount receivable from the five largest trade debtors is $7,623,000 (2014: $10,449,000).

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

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

29. FINANCIAL INSTRUMENTS (Cont.)

(f) Liquidity and interest rate risk management

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

The following table details the Group's sensitivity to a 50 basis point increase and decrease in variable interest rates on short and long term borrowings as at balance date. 50 basis points represents management's assessment of the reasonably possible change in variable interest rates. A positive number below indicates an increase in profit and other equity where the variable interest rates decrease by 50 basis points.

	Group Impact	
	2015 $'000s	**2014 $'000s**
Impact on profit or loss and equity:		
50 basis points increase in variable interest rates	(67)	(73)
50 basis points decrease in variable interest rates	67	73

The following table details the Group's remaining undiscounted contractual maturity for its non derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows.

Group	**Weighted Average Effective Interest Rate %**	**On Demand $'000s**	**Less than 1 Year $'000s**	**1-2 Years $'000s**	**2-3 Years $'000s**	**3-5 Years $'000s**	**5+ Years $'000s**	**Total $'000s**
2015								
Financial Liabilities								
Bank overdraft & money market borrowings	4.75%	-	821	-	-	-	-	821
Bank loans	4.78%	-	10,374	1,493	1,454	2,791	3,012	19,124
Finance lease liabilities	4.02%	-	39	39	39	22	8	147
Payable to associates	-	-	430	-	-	-	-	430
Trade creditors & accruals	-	8,872	-	-	-	-	-	8,872
		8,872	11,664	1,532	1,493	2,813	3,020	29,394
2014								
Financial Liabilities								
Bank overdraft & money market borrowings	6.49%	-	6,258	-	-	-	-	6,258
Bank loans	5.21%	-	1,295	1,280	1,246	2,390	4,025	10,236
Payable to associates	-	329	-	-	-	-	-	329
Trade creditors & accruals	-	9,230	-	-	-	-	-	9,230
		9,559	7,553	1,280	1,246	2,390	4,025	26,053

The Group has access to financing facilities, the total unused amount which is $11.6 million at the balance sheet date (2014: $6.7 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

29. FINANCIAL INSTRUMENTS (Cont.)

(g) Fair value measurements recognised in the balance sheet
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which fair value is observable:

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and;
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Group

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

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

(h) Fair value
The fair value of financial instruments not already measured at fair value approximates their carrying value.

30. SUBSEQUENT EVENTS

JBS Offer

On 20 August 2015 the Company announced that it had received an offer from JBS Australia Pty Limited ("JBS") to take a cornerstone shareholding in Scott Technology Limited. JBS's investment offer is in the form of a Scheme of Arrangement and consists of:

(a) A placement of 10 million shares at $1.39 to JBS to provide the capital that Scott was looking to raise to repay debt taken on to finance the acquisitions of the RobotWorx and Machinery Automation & Robotics businesses;

(b) An offer to purchase shares at $1.39 from any shareholder who would like to exit or reduce their shareholding;

(c) A 1 for 8 non-renounceable rights issue at $1.39 for shareholders who do not want to sell but would like to increase their shareholding;

(d) If required after (a) through (c) have been completed, a further placement at $1.39 to give JBS a shareholding of 50.1%.

Documentation relating to the offer, including an independent adviser's report, is being prepared and will be sent to shareholders following regulatory approval. The offer will be voted on at a Special Meeting of shareholders which is currently scheduled for Thursday 26 November 2015.

Dividend

On 8 October 2015 the Board of Directors approved a final dividend of five and a half cents per share with full imputation credits attached to be paid for the 2015 year (2014: five and a half cents per share). The Dividend Reinvestment Plan has been suspended for this dividend payment pending completion of the offer from JBS.

ADDITIONAL STOCK EXCHANGE INFORMATION

Substantial Shareholders

Names of substantial security holder	Number of shares in which a relevant interest was held as at 17 September 2015
1. Oakwood Securities Limited	5,379,000
2. Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	3,399,739
3. Fisher Funds Management Limited	3,671,073

The total number of issued voting securities of the company as at 17 September 2015 was 45,473,890 ordinary shares.

Distribution of Shares by Holding Size	Shares	% of Total	Number	% of Total
1 - 1,000	380,908	25.01%	745	0.84%
1,001 - 5,000	3,380,517	43.64%	1,300	7.43%
5,001 - 10,000	3,151,469	14.40%	429	6.93%
10,001 - 50,000	8,658,553	14.33%	427	19.04%
50,001 - 100,000	2,783,855	1.34%	40	6.12%
100,001 and over	27,118,588	1.28%	38	59.64%
Total and percentage	45,473,890	100.00%	2,979	100.00%

Twenty Largest Shareholders as at 17 September 2015	Shares	% of Total
1. New Zealand Central Securities Depository Limited	6,168,683	13.57%
2. Oakwood Securities Limited	5,379,000	11.83%
3. Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	3,399,739	7.48%
4. JB Were (NZ) Nominees Limited	1,449,100	3.19%
5. AL Escrow 2015 Limited	1,292,602	2.84%
6. Investment Custodial Services Limited (R A/C)	1,167,921	2.57%
7. Thebesturls LLC	1,001,767	2.20%
8. Investment Custodial Services Limited (C A/C)	561,281	1.23%
9. Southern Capital Limited	510,000	1.12%
10. Jarden Custodians Limited	479,982	1.06%
11. SIL Long Term Holdings Limited	450,000	0.99%
12. Forsyth Barr Custodians Limited	339,819	0.75%
13. Rosebery Holdings Limited	333,419	0.73%
14. Custodial Services Limited (4 A/C)	311,409	0.68%
15. Jack William Allan & Helen Lynette Allan	300,000	0.66%
16. Custodial Services Limited (3 A/C)	298,893	0.66%
17. Opito Investments Pty Ltd	280,000	0.62%
18. Hamish Heathcote McCrostie	250,000	0.55%
19. Margaret Ann Ring & Richard Arthur Prevett	240,000	0.53%
20. Graham William Batts & Patricia Joy Batts & Roger Norman Macassey	220,492	0.48%
	24,434,107	53.74%

Employee Remuneration

Remuneration and other benefits of $100,000 per annum or more, received or receivable by employees in their capacity as employees were:

Salary Range	Number of Employees	Salary Range	Number of Employees
$100,000 - $110,000	18	$170,001 - $180,000	2
$110,001 - $120,000	21	$180,001 - $190,000	3
$120,001 - $130,000	4	$190,001 - $200,000	2
$130,001 - $140,000	5	$200,001 - $210,000	1
$140,001 - $150,000	1	$210,001 - $220,000	2
$150,001 - $160,000	2	$220,001 - $230,000	1
$160,001 - $170,000	2	$270,001 - $280,000	1

AUDIT REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Scott Technology Limited and its subsidiaries ('the Group') on pages 21 to 58, which comprise the consolidated Balance Sheet as at 31 August 2015, and the consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

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

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

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

Opinion

In our opinion, the consolidated financial statements on pages 21 to 58 present fairly, in all material respects, the financial position of Scott Technology Limited and its subsidiaries as at 31 August 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

Deloitte

Chartered Accountants
8 October 2015
Dunedin, New Zealand

DIRECTORY

PARENT COMPANY

Registered Office
Scott Technology Limited
630 Kaikorai Valley Road
Dunedin 9011
New Zealand
t +64 3 478 8110
f +64 3 488 0657

Mailing Address
Scott Technology Limited
Private Bag 1960
Dunedin 9054
New Zealand

Website
scott.co.nz

Chairman & Independent Director
Stuart McLauchlan

Independent Directors
Christopher Staynes
Mark Waller
Graham Batts

Managing Director/CEO
Chris Hopkins

Chief Financial Officer
& Company Secretary
Greg Chiles

REGIONAL CONTACTS

Australia
Clyde Campbell
t +61 425 259 270
e ccampbell@scottautomation.com

Europe
Luciano Schiavi
t +39 345 393 1722
e l.schiavi@scotteuro.com

Americas
Tony Joyce
t +1 740 692 5086
e t.joyce@scott.co.nz

Asia
Ken Snowling
t +86 185 6268 6588
e k.snowling@scott.co.nz

PROFESSIONAL SERVICES

Share Registry
Link Market Services
PO Box 91976
Auckland 1142
t +64 9 375 5998
f +64 3 375 5990
e enquiries@linkmarketservices.co.nz

Bankers
ANZ Bank New Zealand Ltd

Solicitors
Gallaway Cook Allan

Auditor
Deloitte

SCOTT BRANDS

SCOTT
MAR
ROCKLABS
HTS-110
RobotWorx
AST

TRADE MARKS

BLADESTOP
GLOVECHECK
BOYD
humma HONEY

SCOTT

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