

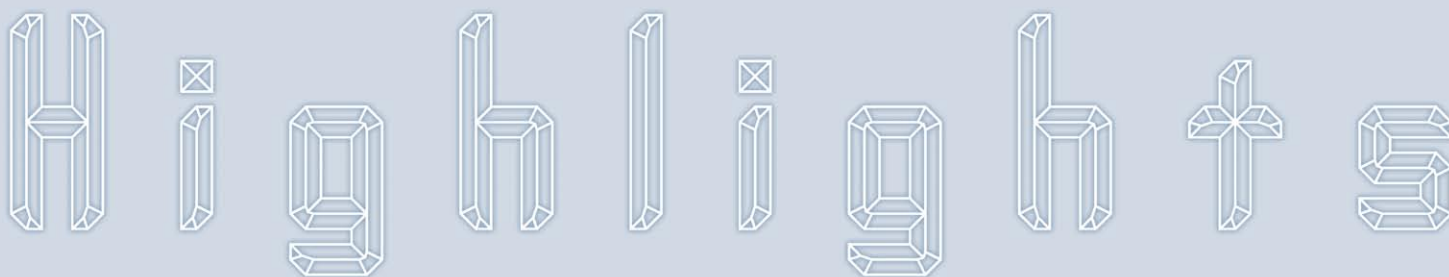


Scott Technology Limited 2007 Annual Report

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Directory	IBC





Fully imputed dividends of 9 cents per share for the year

Development of new Dunedin engineering facility for 2008

Strong balance sheet with no term debt

Enhanced service offering to customers

Additional marketing in the Euro Zone

Working capital of \$9.0 million at balance date

## Financial Calendar

### **ANNUAL MEETING**

Thursday, 6 December 2007 at 3.30pm at the Dunedin Public Art Gallery, The Octagon, Dunedin.

### **PROXIES CLOSE**

Tuesday, 4 December 2007 at 3.30pm

### **FINAL DIVIDEND**

6 cents fully imputed

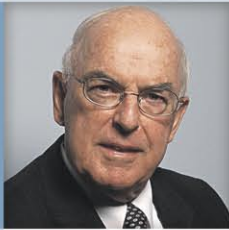
Record Date 23 November 2007

Payable 29 November 2007

# Chairman's

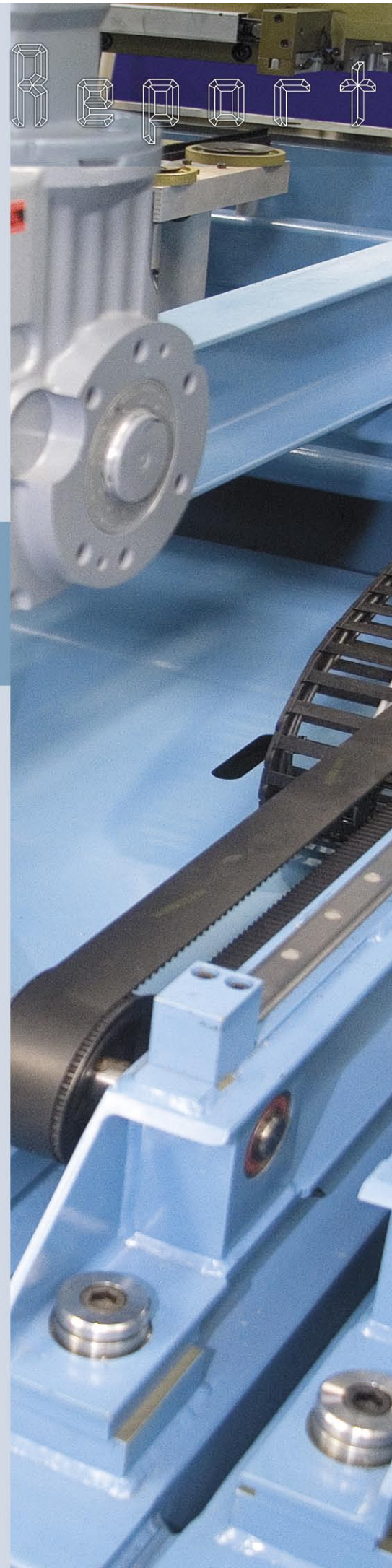
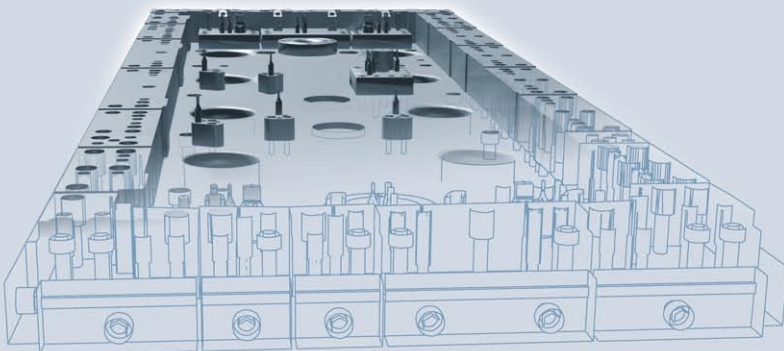
# Report

Your Directors are pleased to report that the company earned an audited operating surplus before tax of \$4,655,000 on operating revenue of \$29.5 million for the year ended 31 August 2007. This compares to the previous year's surplus of \$392,000 achieved on operating revenue of \$27.5 million.



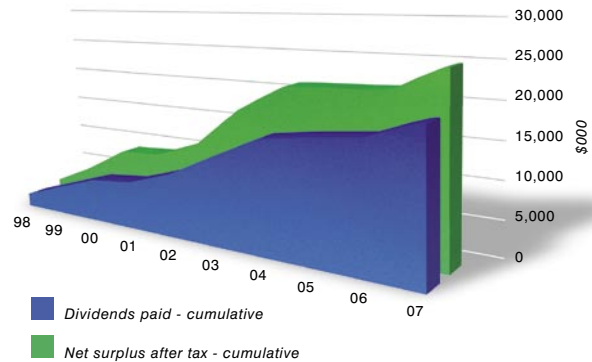
*Graeme J Marsh*

Total shareholders' equity at 31 August 2007 was \$18.0 million, compared to \$16.4 million at 31 August 2006. The net working capital position improved over the year and was \$9.0 million at 31 August 2007, compared to \$7.2 million for the previous year. Operating cashflows remained positive at \$0.5 million, but were affected by significant prepayments received from customers in the previous year. The balance sheet remains strong, with no debt and cash on hand at year end of \$3.5 million.





Net Surplus v Dividends Paid



### Dividend

The Directors have declared a final dividend of 6.0 cents per share, bringing the total dividend for the year to 9.0 cents per share. This dividend compares with a total dividend of 3.0 cents per share in respect of the year to 31 August 2006. The dividend will be fully imputed and a supplementary dividend will apply to overseas shareholders.

The total dividend to be paid in respect of the 2007 year of \$2.2 million represents a payout ratio of 74%. Over the past 10 years the company has earned total after tax profits of \$25 million, with an average dividend payout ratio of 79%. Dividends paid over the 10 years totalled \$20 million.

### Board Composition

The Board continues to look to the future with succession planning well underway. During the year Mr Trevor Scott retired from the Board after ten years of excellent service. Mr Scott was appointed when the company re listed on the New Zealand Stock Exchange in 1997.

Two experienced and capable independent Directors, Mr Christopher Staynes and Mr Stuart McLauchlan, were appointed during the year. Mr Staynes brings appliance and engineering industry experience to the Board and Mr McLauchlan brings financial and corporate skills to the Board.

The revitalised Board, along with a focused management team, is very well placed to take the company forward as a leading New Zealand exporter of world class, value added engineering and robotic solutions.

At the Annual Meeting held in Dunedin in 2005, I announced my intention to retire as a Director before the completion of my new term. I have been a Director of Scott Technology Limited for 38 years and Chairman for 32 years and during this period I have greatly enjoyed my association with the company, which was originally J & AP Scott Ltd, operating as general engineers and motor part importers.

With experienced new Directors appointed to the Board, I have decided to retire at the conclusion of this year's Annual Meeting of shareholders, which is scheduled to be held in Dunedin where I started my association with the company many years ago.

Given the financial acumen and business knowledge of Mr Stuart McLauchlan, the Board has indicated that Mr McLauchlan will be appointed Chairman from the conclusion of the 2007 Annual Meeting in December.

### Directors' Fees

At the Annual Meeting the Board is seeking shareholder approval to increase the total quantum of Directors' fees from \$125,000 to \$150,000. The Directors' fees of \$125,000 were approved at the December 2003 Annual Meeting. This increase reflects the ongoing commitment and work load of the Directors and is timely given the ongoing evolution of the company.

The Directors take this opportunity to acknowledge our dedicated management and staff for their continuing commitment and effort. There is a desire to grow the company and this will need the skills, expertise and drive from all the people at Scott.

I would also like to thank my fellow Directors for their support, wise counsel and enthusiasm over the years and I wish the incoming Chairman and fellow Directors all the best in the future. I intend to continue my interest in the company as it develops over the years ahead.

*Graeme J. Marsh*

Graeme J Marsh

*Chairman*



# Director's Report

I always say that the year ahead is going to be interesting, and the past year certainly has been. The year ahead will be even more so as we position ourselves for growth by ongoing development of the business and acquisitions. We see the challenges that we face in business every day as opportunities.

The key for Scott is to embrace the changes and challenges that face us and realise the opportunities that these present.

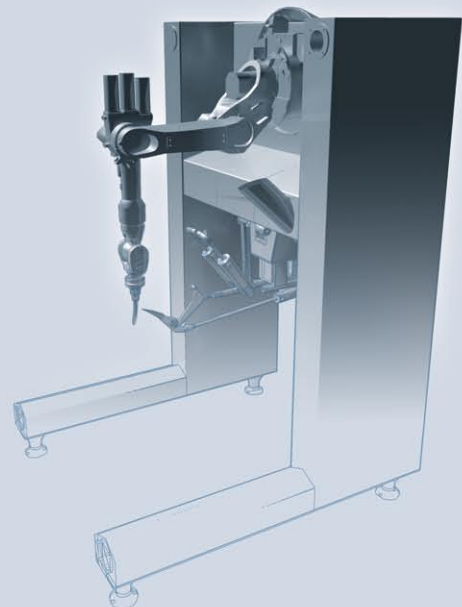
During the year management concentrated on achieving set goals and objectives. A strong flow of appliance system work secured at various stages of the currency cycle, provided a solid platform to build relationships with customers, both existing and new. Expansion of our target market into Europe, in particular, is producing good prospects and will assist in meeting the challenge of a volatile exchange rate in our US dollar denominated markets.

It is often said in business that without a customer you do not have a business, and we have taken the opportunity with some recent structural changes, to ensure continuing focus on our customers. This will see an integrated approach to sales, marketing, research, development and project management. Our experience and skills in process automation are world class and we will continue to ensure that this experience and skill base is channelled into meeting customers' demands, both

*Chris C Hopkins*



now and in the future. Kevin Kilpatrick retires as Engineering Director in August 2008, at which time he will have completed 40 years of outstanding service with the company. It is our intention to engage Kevin Kilpatrick in a consulting capacity following his retirement. Similarly we have many staff who have devoted much of their working life to the company and have vast experience. For example, the continuing management team of ten executives will have completed nearly 200 years of service between them – it is this depth of experience that sets the company in good stead for the future.



## Managing

The Board and management have agreed that we will actively pursue growth opportunities, through both organic growth and acquisitions, where appropriate. The establishment of Scott Service International during the year is a good example of where organic growth can be achieved. Starting from the small base in April 2007, this business unit has filled a previous gap in our service offering to customers and has contributed positively in 2007, and continues to grow as we move into the 2007 - 2008 year.

The Automation and Robotics Division is focused on the development of our high-tech, industry changing, automated meat processing systems. These systems, developed for Robotic Technologies Ltd, our Joint Venture with PPCS Ltd, are now operating in meat processing facilities in New Zealand and Australia with more commercial projects underway and planned. This work was in addition to the completion of several additional straw filling machines for the very successful innovative Unistraw company in Australia and the United States.

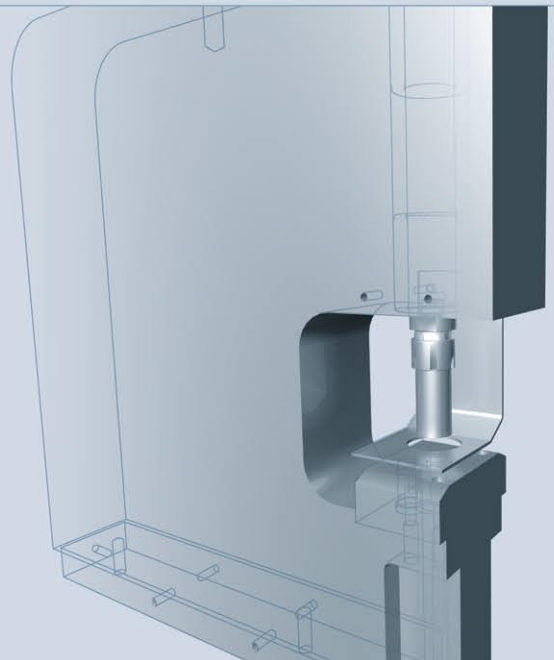
Research and development work for Robotic Technologies Ltd (RTL) will be ongoing and we are particularly pleased that RTL's unique world leading developments have been acknowledged and recognised by the New Zealand Government with funding support of up to \$3.5m over the next three years. The technology has also attracted widespread interest and support from the New Zealand and International meat processing sector. Australian support and assistance has been received from the industry body, "Meat and Livestock Australia", along with several visionary meat processing companies. An industry open day to showcase the first commercial application of our meat processing technology took place in June at a customer's facility

## Directors

in Colac, Victoria, Australia. This important event marked the progression from the R&D phase into the early commercialisation of our developing technology.

As part of an ongoing strategy for the development and growth of Scott Technology's automation and robotic business, the company has acquired a large industrial site in Kaikorai Valley, Dunedin. A new purpose-built facility will be established to allow further development and expansion of our robotics, automation, and meat processing technologies and for the company's Head Office. The company has outgrown its current facility in Dunedin and this new facility will provide an ideal base and working environment for growth.

The high value of the NZ dollar in relation to the US dollar remains a concern but the company is in a position to offset some of this effect by additional marketing in the Euro zone, improved cost control, and by utilising global markets to improve manufacturing efficiencies. Scotts have positioned an additional executive in China to increase the effectiveness of their offshore purchasing.





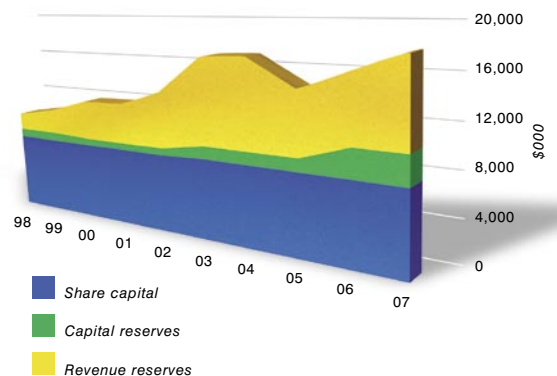
The current level of enquiry for appliance and meat industry projects continues to be strong, and it is expected that many of these enquiries will be progressively converted to orders in 2008 and beyond. Whilst it is too early to predict results for the 2008 year, management are confident that the momentum achieved in 2007 and the current level of discussions with existing and new clients will provide a solid trading platform for the 2008 year.

Finally, I would like to express my gratitude to our retiring Chairman, Graeme Marsh, who has been a great personal mentor and guide over my many years at Scotts, and in particular, over the last year, being my first as Managing Director. Graeme has been a superb Chairman and advisor and never failed to surprise me with his simple and reassuring advice when a problem arose and his words of encouragement and support at all times.

Chris C Hopkins

*Managing Director*

Shareholders' Equity



The corporate governance processes set out in this statement do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code. This statement follows the nine principles published by the Securities Commission in February 2004 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 conduct 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
- 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 six monthly basis.

## 2. Board composition and performance

The Board comprises non-executive Directors and two executive Directors. Each of the directors brings a broad range of skills, knowledge and experience to the Board. The independent directors on the Board are Mr Batts, Mr Waller, Mr Staynes and Mr McLauchlan. The Board of Directors maintains effective control over the company, as well as monitoring executive management. The Directors formally meet ten times throughout the year, plus additional meetings as required, and oversee all matters of corporate governance, development of long term strategic plans, financial management and reporting to shareholders. The appointment of directors is detailed in the company's constitution. 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 oversees 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.

### *Remuneration and Nomination Committee*

The Remuneration and Nomination Committee is composed of the non-executive Directors. 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 oversees the company's treasury practices, including foreign exchange cover and short term cash investments. The Treasury Committee comprises Mr McLauchlan, Mr Hopkins and Mr Kilpatrick.

## 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 NZ stock exchange form 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

As mentioned above, 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 23.

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, has ensured 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, performed by Deloitte are disclosed on page 15 of the financial statements.

## 8. Shareholder relations

The company maintains an up to date website ([www.scott.co.nz](http://www.scott.co.nz)) providing a description of its business and financial statements for previous years. It also distributes the half yearly and annual reports to all shareholders and interested parties. All shareholders are encouraged to attend the annual meeting. Our 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 group has established an employee share purchase scheme to encourage staff to participate in the ownership of the company.

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

**GRAEME J. MARSH** *C.B.E.**BCom, FCA, Life FNZIM, Dist. FInst.D*

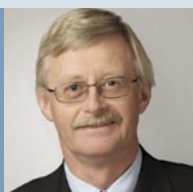
Chairman of Directors. Appointed Director 1969. Mr Marsh is Chairman of Oakwood Securities Limited, Cooke Howlison Ltd, Blackwell Motors Ltd and Oakwood Properties Ltd.

**GRAHAM W. BATTS***CEng, FIPENZ, NZCE*

Appointed Director 1969. Mr 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, Mr Batts has remained a Consultant to the Company.

**MARK B. WALLER***BCom, ACA, FNZIM*

Appointed Director 2004. Mr Waller is Chief Executive and Managing Director of EBOS Group Ltd, a Director of Health Support Ltd, EBOS Group Pty Ltd, EBOS Health & Science Pty Ltd and Global Science & Technology Ltd.

**CHRISTOPHER J. STAYNES***BSc*

Appointed Director 2007. Mr 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 then to General Manager for a local appliance manufacturer from 1980 until his retirement in 2006.

**STUART J. McLAUHLAN***BCom, CA(PP), A.F.Inst.D*

Appointed Director 2007. Mr McLauchlan is the Managing Partner of GS McLauchlan & Co Business Advisors and Accountants, a prominent businessman and company director. Mr McLauchlan is a Director of Scenic Circle Hotels Ltd, Dunedin International Airport Ltd, Dunedin City Holdings Ltd, Dunedin Casinos Ltd, Aurora Energy Ltd and AD Instruments Pty Ltd. He is also Chairman of the Highlanders Rugby Trust, Chairman of the NZ Sports Hall of Fame, a Councillor of the University of Otago and a member of the National Executive of the Institute of Directors.

**CHRIS C. HOPKINS***BCom, CA*

Managing Director. Appointed Director 2001. Mr Hopkins joined the Donaghys Group, which included Scott Technology Ltd, in 1994 as Corporate Services Manager. In 1996 he assumed responsibility for the 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.

**KEVIN J. KILPATRICK***FNZIM, NZCE*

Engineering Director. Appointed Director 2001. Mr Kilpatrick joined the company in 1968 and was the Manager of the Christchurch Engineering Division from 1983 to 1995 and an executive board member. He was appointed Chief Executive Officer and a Director in March 2001. Mr Kilpatrick relinquished the Chief Executive Officer position in May 2006 to be appointed Engineering Director for the Scott Group.

# Statement of Financial Performance

for the year ended 31 August 2007

	Note	Consolidated		Parent Company	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Operating revenue</b>	1 (a)	<b>29,536</b>	27,479	<b>29,178</b>	27,415
<b>Operating surplus before tax</b>	1 (b)	<b>4,655</b>	392	<b>4,666</b>	323
Income tax charge	2	<b>(1,613)</b>	(150)	<b>(1,613)</b>	(143)
<b>Net surplus for the year</b>		<b>3,042</b>	242	<b>3,053</b>	180
Earnings per share		<b>cents</b> <b>12.2</b>	cents 1.0		

# Statement of Movements in Equity

for the year ended 31 August 2007

	Note	Consolidated		Parent Company	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Equity at beginning of year</b>		<b>16,416</b>	14,722	<b>15,731</b>	12,195
<b>Recognised revenue and expenses</b>					
Net surplus for the year		<b>3,042</b>	242	<b>3,053</b>	180
Revaluation of land and buildings		-	1,452	-	1,452
Amalgamation gain	8(c)	-	-	-	1,904
<b>Total recognised revenue and expenses</b>		<b>3,042</b>	1,694	<b>3,053</b>	3,536
<b>Other movements</b>					
Dividends paid to owners - prior year final		<b>(749)</b>	-	<b>(749)</b>	-
- current year interim		<b>(749)</b>	-	<b>(749)</b>	-
		<b>(1,498)</b>	-	<b>(1,498)</b>	-
<b>Equity at end of year</b>		<b>17,960</b>	16,416	<b>17,286</b>	15,731

The statement of accounting policies and notes form part of, and are to be read in conjunction with this statement.

# Statement of Financial Position

as at 31 August 2007

	Note	Consolidated 2007 \$000	2006 \$000	Parent Company 2007 \$000	2006 \$000
<b>Equity</b>					
Share capital	3	7,629	7,629	7,629	7,629
Capital reserves	4(a)	2,655	2,655	2,655	2,655
Revenue reserves	4(b)	7,676	6,132	7,002	5,447
<b>Total shareholders' equity</b>		<b>17,960</b>	16,416	<b>17,286</b>	15,731
<b>Current liabilities</b>					
Trade creditors		995	1,249	968	1,249
Sundry creditors and accruals		653	702	643	701
Finance lease payable	5	115	-	115	-
Employee entitlements		1,249	919	1,202	906
Provision for warranty	6	200	200	200	200
Taxation payable		124	-	131	-
Payable to subsidiary company	8(a)	-	-	339	543
		<b>3,336</b>	3,070	<b>3,598</b>	3,599
		<b>21,296</b>	19,486	<b>20,884</b>	19,330
<b>Non current assets</b>					
Property, plant and equipment	7	8,279	7,387	8,008	7,373
Investment in subsidiary companies	8(a)	-	-	5	5
Investments in associates	9	10	10	10	10
Other investments		43	43	43	43
Property settlement receivable	16	-	1,200	-	1,200
Deferred tax benefit	10	605	583	605	583
		<b>8,937</b>	9,223	<b>8,671</b>	9,214
<b>Current assets</b>					
Cash and bank	11	3,476	6,216	3,379	6,078
Trade debtors		2,458	2,855	2,342	2,854
Finance lease receivable	12	248	469	248	469
Sundry debtors and prepayments		114	304	107	304
Inventories	13	20	187	16	187
Contract work in progress (net)	14	4,843	215	4,921	215
Tax refund due		-	17	-	9
Property settlement receivable	16	1,200	-	1,200	-
		<b>12,359</b>	10,263	<b>12,213</b>	10,116
		<b>21,296</b>	19,486	<b>20,884</b>	19,330

For and on behalf of the Board of Directors, which authorised the issue of the financial report on 18 October 2007.



**G. J. Marsh**  
Director



**C. C. Hopkins**  
Director

The statement of accounting policies and notes form part of, and are to be read in conjunction with this statement.

# Statement of Cash Flows

for the year ended 31 August 2007

	Note	Consolidated 2007 \$000	2006 \$000	Parent Company 2007 \$000	2006 \$000
<b>Cash flows from operating activities</b>					
Cash was provided from:					
Receipts from operations		25,337	34,589	24,987	34,061
Interest received		350	169	350	169
Company taxes refunded		-	431	-	441
		25,687	35,189	25,337	34,671
Cash was applied to:					
Payments to suppliers and employees		23,723	27,047	23,624	26,664
Interest paid		11	258	11	258
Company taxes paid		1,494	-	1,495	-
		25,228	27,305	25,130	26,922
<b>Net cash from operating activities</b>	15	<b>459</b>	7,884	<b>207</b>	7,749
<b>Cash flows from investing activities</b>					
Cash was provided from:					
Sale of property, plant and equipment		54	1,493	53	1,493
Sale of investments		-	5	-	5
		54	1,498	53	1,498
Cash was applied to:					
Purchase of property, plant and equipment		1,860	73	1,576	70
		1,860	73	1,576	70
<b>Net cash (used in)/from investing activities</b>		<b>(1,806)</b>	1,425	<b>(1,523)</b>	1,428
<b>Cash flows from financing activities</b>					
Cash was provided from:					
Vehicle finance lease drawdown		135	-	135	-
		135	-	135	-
Cash was applied to:					
Vehicle finance lease repayments		20	-	20	-
Dividends paid		1,498	-	1,498	-
		1,518	-	1,518	-
<b>Net cash used in financing activities</b>		<b>(1,383)</b>	-	<b>(1,383)</b>	-
<b>Net movement in bank position</b>		<b>(2,730)</b>	9,309	<b>(2,699)</b>	9,177
Less effect of exchange rate change on foreign currency balance		(10)	-	-	-
Cash acquired on amalgamation		-	-	-	141
Opening bank position		6,216	(3,093)	6,078	(3,240)
<b>Closing bank position</b>		<b>3,476</b>	6,216	<b>3,379</b>	6,078
Represented by:					
Cash and bank		3,476	6,216	3,379	6,078

The statement of accounting policies and notes form part of, and are to be read in conjunction with this statement.

# Statement of accounting policies

## Reporting entity

Scott Technology Limited is a listed company registered under the Companies Act 1993. Scott Technology Limited is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements of the company have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

## Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the group, with the exception that certain property, plant and equipment have been revalued.

## Specific accounting policies

The specific accounting policies which materially affect the measurement of profit, financial position and cash flows are as follows:

### 1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiary companies using the purchase method. Subsidiaries are those entities that are controlled by the company. All significant intercompany transactions have been eliminated on consolidation.

An associate is an investee, not being a subsidiary or joint venture arrangement, over which the group has the capacity to exercise significant influence through participation in the financial and operating policy decisions of the investee. The group financial statements incorporate the group's interest in associates, using the equity method. The group recognises its share of the associates' net surplus or deficit for the year as operating revenue in its statement of financial performance.

### 2. Valuation of assets

#### 2.1 Land and buildings

Land and buildings are revalued every three years, based on independent valuations.

#### 2.2 Plant, equipment and vehicles

Plant was revalued in 1993 by an independent valuer pursuant to a fair value adjustment following the purchase of the minority shareholding in Scott Technology Ltd by the then parent company, Donaghys Limited. Revalued plant is recorded at this independent valuation less depreciation and subsequent additions are recorded at cost less depreciation. Equipment and vehicles are valued at cost less depreciation.

#### 2.3 Impairment

All items of property, plant and equipment are assessed for impairment at each reporting date. Where the carrying amount is assessed to be greater than its recoverable amount, the item is written down. The write down is recognised in the statement of financial performance.

#### 2.4 Investments

Investments in subsidiaries are valued at cost. Investments in associates are valued at cost adjusted by the cumulative share of the associates' net surplus or deficits. Other investments are included at cost. Where the carrying amount of an investment exceeds its recoverable amount it is written down to its recoverable amount.

#### 2.5 Debtors

Debtors are stated at estimated realisable value after providing for doubtful debts.

#### 2.6 Inventories

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is principally determined on a "first-in first-out" basis, and in the case of manufactured goods includes direct materials, labour and production overheads.

#### 2.7 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.

### 3. Income recognition - long-term contracts

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.

# Statement of accounting policies

Included in sales is the value attributed to work completed, which includes direct costs, overheads 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.

## 4. Depreciation

Depreciation has been charged on a straight line basis so as to write off the cost or valuation of the property, plant and equipment to their residual value over their estimated useful lives. The estimated useful lives in the major categories are as follows:

Buildings	40 - 50 years
Plant, equipment and vehicles	3 - 12 years

## 5. Taxation

The income tax expense recognised for the year is based on the operating surplus before taxation adjusted for permanent differences between accounting and taxable income. Deferred tax, which is calculated on the partial basis using the liability method, arises from amounts of income or expense recognised for tax purposes in years different from those in which they are dealt with in the financial statements.

The company does not recognise any deferred tax in relation to tax depreciation recoverable on buildings as the buildings are expected to be held long term and the tax liability will not crystallise in the future.

A debit balance in the deferred taxation account is only carried forward to the extent that there is virtual certainty of its recovery.

## 6. Financial instruments

The company enters into off balance sheet financial instruments to reduce exposure to fluctuations in foreign currency exchange rates and interest rates. These financial instruments are subject to market risk that market rates may change but any changes would generally be offset by opposite changes in the items being hedged.

## 7. Research and development

All costs incurred on research development and patenting are written off as incurred, except when a project reaches a stage where it is reasonably certain that expenditure can be recovered through the process or products produced. Such costs are capitalised as a development asset to the extent such costs are expected to be recoverable. Capitalised costs are then amortised (once the product is available for sale or use) on a straight line basis, over the period of expected benefit.

## 8. Foreign currencies

Foreign currency transactions are translated to New Zealand dollars at exchange rates ruling on the transaction date, or the rate included in applicable forward exchange contracts. Variances are dealt with in the statement of financial performance. Assets and Liabilities in foreign currencies are translated into New Zealand dollars at the exchange rates current on balance date or at the rate included in applicable forward exchange contracts. Variances are dealt with in the statement of financial performance.

## 9. Cash flows

For the purpose of the statement of cash flows, cash and cash equivalents are considered to be cash on hand and in banks, net of bank overdrafts.

## 10. Warranty provision

The group recognises a provision for warranty based on an analysis of warranty costs incurred and consideration of projects under warranty in relation to the complexity of the projects.

## 11. Finance leases

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

## 12. Changes in accounting policies

There have been no material changes to accounting policies during the year.

# Notes to the Financial Statements

for the year ended 31 August 2007

	<b>Consolidated</b>	2006	<b>Parent Company</b>	2006
	<b>2007</b>	\$000	<b>2007</b>	\$000
	<b>\$000</b>		<b>\$000</b>	
<b>1. Operating revenue and Operating surplus</b>				
<b>(a) Operating revenue</b>				
Sales revenue	29,186	27,310	28,828	27,246
Interest received	350	169	350	169
	<b>29,536</b>	<b>27,479</b>	<b>29,178</b>	<b>27,415</b>
<b>(b) Operating surplus</b>				
<i>The operating surplus is stated after charging:</i>				
Auditor's remuneration - audit services	42	42	42	42
- other services/ taxation services	34	15	34	15
Depreciation - freehold buildings	101	134	101	134
- leasehold buildings	-	14	-	14
- plant, equipment and vehicles	793	769	767	766
Directors' fees	190	169	190	169
Foreign exchange translation	48	-	-	-
Interest - bank overdraft	11	258	11	258
Loss on sale of property, plant and equipment	26	5	26	5
Leasing and rental costs	218	218	183	186
Movement in doubtful debt provision/bad debts	20	179	20	179
<i>and after crediting:</i>				
Foreign exchange translation	-	37	-	-
Foreign exchange gains	130	111	130	111
Gain on sale of property, plant and equipment	6	55	6	55

#### Discontinued Activities

On 31 May 2006, the Group sold its interest in the Auckland Package Handling Division including the land and buildings. The consolidated and parent results for the year ended 31 August 2006 include 9 months trading of this former division. The net gain on the disposal of this division was \$46,058 and forms part of the \$55,000 gain disclosed above in the 2006 comparatives.

The contribution from discontinued activities was:

Operating revenue	-	4,337	-	4,337
Operating (deficit) before tax	-	(299)	-	(299)

#### 2. Income tax charge

Operating surplus before tax	4,655	392	4,666	323
Prima facie tax at 33%	1,536	129	1,540	107
Tax effect of permanent differences	77	21	73	36
	<b>1,613</b>	<b>150</b>	<b>1,613</b>	<b>143</b>
Represented by:				
Current tax	1,657	249	1,657	242
Deferred tax	(39)	(99)	(39)	(99)
	<b>1,618</b>	<b>150</b>	<b>1,618</b>	<b>143</b>
Under/(Over) provision prior years - current tax	(22)	(2)	(22)	(2)
- deferred tax	17	2	17	2
	<b>1,613</b>	<b>150</b>	<b>1,613</b>	<b>143</b>

The unrecognised deferred tax liability at 31 August 2007, in accordance with accounting policy note 5 is \$529,305 (2006: \$509,993).

#### 3. Share capital

	No:				
Fully paid ordinary shares at start and end of year	24,964,193	7,629	7,629	7,629	7,629

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

# Notes to the Financial Statements

for the year ended 31 August 2007

	Consolidated		Parent Company	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>4. Movements in reserves</b>				
<b>(a) Capital reserves</b>				
Balance at beginning of year	2,655	1,203	2,655	1,203
Revaluation of land and buildings	-	1,452	-	1,452
Balance at end of year	2,655	2,655	2,655	2,655
<b>(b) Revenue reserves</b>				
Balance at beginning of year	6,132	5,890	5,447	3,363
Net surplus for the year	3,042	242	3,053	180
Dividend paid from revenue reserves	(1,498)	-	(1,498)	-
Amalgamation gain	-	-	-	1,904
Balance at end of year	7,676	6,132	7,002	5,447
<b>5. Finance lease payable</b>				
Payable from leases	128	-	128	-
Interest not yet due	(13)	-	(13)	-
	115	-	115	-
The finance leases payable carry an interest rate of 12.25%. The final repayment is due April 2009.				
<b>6. Provision for warranty</b>				
Balance at beginning of year	200	200	200	200
Expensed during the year	(129)	(67)	(129)	(47)
Increase in provision	129	67	129	47
Balance at end of year	200	200	200	200
The provision for warranty reflects an obligation for after sales service work in relation to completed contracts. 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.				
<b>7. Property, plant and equipment</b>				
<b>Freehold land</b>				
At cost	1,103	-	1,103	-
At valuation	1,030	1,030	1,030	1,030
	2,133	1,030	2,133	1,030
<b>Freehold buildings</b>				
At cost	21	-	21	-
At valuation	3,720	3,720	3,720	3,720
Accumulated depreciation	(101)	-	(101)	-
	3,640	3,720	3,640	3,720
<b>Leasehold buildings</b>				
At cost	429	429	429	429
Accumulated depreciation	(429)	(429)	(429)	(429)
	-	-	-	-
<b>Plant, equipment and vehicles</b>				
At cost	9,298	8,757	8,891	8,624
At valuation	3,486	3,516	3,486	3,516
Accumulated depreciation	(10,278)	(9,636)	(10,142)	(9,517)
	2,506	2,637	2,235	2,623
	8,279	7,387	8,008	7,373

The Christchurch freehold property is valued in accordance with valuation reports of independent registered valuers dated August 2006. The valuers were Ford Baker Valuation who are members of the New Zealand Institute of Valuers. The freehold property was valued at fair value with reference to market conditions.

The freehold land at cost of \$1,103,000 shown above is the land at Kaikorai Valley, Dunedin purchased in May 2007. This will be the location of the new engineering facility.

# Notes to the Financial Statements

for the year ended 31 August 2007

	Consolidated 2007 \$000	2006 \$000	Parent Company 2007 \$000	2006 \$000
<b>8. Investments in subsidiary companies</b>				
(a) The parent company's investment in subsidiary companies comprised:				
Shares at cost			5	5
Amounts owing (to)/ from subsidiary companies			(339)	(543)
			(334)	(538)

(b) Scott Systems International Inc, Scott Automation Ltd (formerly Scott Systems International Ltd) and Scott Service International Limited are the principal trading subsidiaries, and are 100% owned. All subsidiary companies have 31 August as their balance date. Scott Systems International Inc principal activity is sales and service, Scott Automation Ltd principal activity is the design and manufacture of automation systems and Scott Service International Ltd principal activity is the service and upgrade of Scott equipment worldwide.

(c) Amalgamation

In order to simplify the Group structure, Scott Automation Limited was amalgamated with the parent company, Scott Technology Limited, on 21 September 2005. Under the amalgamation the parent company took control of all assets and assumed responsibility for all the liabilities of Scott Automation Limited. The assets and liabilities amalgamated are summarised as follows:

Fixed assets	1,646
Investment in associate	10
Cash	141
Net working capital	1,107
Net assets of subsidiary amalgamated	2,904
Investment in subsidiary	1,000
Gain on amalgamation	1,904

**9. Investments in Associates**

Scott Technology's joint venture with PPCS, Robotic Technologies Ltd (RTL), was formed in October 2003 and has a balance date of 31 August. RTL's principal activity is marketing and development of meat processing equipment and the management of the intellectual property associated with these developments. There are several development assets held within RTL and the company's 50% interest in these development assets at 31 August 2007 is \$788,460 (2006 \$nil). The development's assets comprise automated boning room equipment located at various sites. Scott Technology's ownership and voting interest in RTL is 50% and has been equity accounted as an associate.

*Carrying value of Associate*

Balance at beginning of year	10	10	10	-
Balance acquired on amalgamation	-	-	-	10
Share of net surplus/(deficit)	-	-	-	-
Balance at end of year	10	10	10	10

The associates' share of net surplus/(deficit) was nil, (2006: nil).

The associate does not have any contingent assets, contingent liabilities or commitments for capital expenditure.

The group is not jointly and severally liable for any of the associates' liabilities.

**10. Deferred tax benefit**

Balance at beginning of year	583	486	583	486
Current year timing differences	39	99	39	99
Adjustment to prior year estimate	(17)	(2)	(17)	(2)
Balance at end of year	605	583	605	583

**11. Bank facilities**

The Group's banking arrangements are fully secured by a debenture charge given over the assets of Scott Technology Limited. The interest rate on the money market deposit at year end is 8.20%.

# Notes to the Financial Statements

for the year ended 31 August 2007

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>12. Finance lease receivables</b>				
Receivable from leases	284	540	284	540
Unearned interest	(36)	(71)	(36)	(71)
	<b>248</b>	469	<b>248</b>	469
The final lease payment will be received in March 2009. Interest is charged at rates between 8.50% and 10.10%.				
<b>13. Inventories</b>				
The major categories are:				
Raw materials	72	73	68	73
Other work in progress	(52)	114	(52)	114
	<b>20</b>	187	<b>16</b>	187
<b>14. Contract work in progress (net)</b>				
Costs incurred and estimated earnings on uncompleted contracts	35,653	37,724	35,472	37,724
Progress claims receivable	(30,810)	(37,509)	(30,551)	(37,509)
	<b>4,843</b>	215	<b>4,921</b>	215
<b>15. Reconciliation of net surplus for the year to net cash from operating activities</b>				
Net surplus for the year	3,042	242	3,053	180
Add/(less) non cash items				
Depreciation	894	917	868	914
Deferred tax benefit	(22)	(97)	(22)	(97)
Net loss on foreign currency balance	10	-	-	-
	<b>882</b>	820	<b>846</b>	817
Add/(less) movements in working capital items				
Debtors, prepayments and finance lease receivables	808	1,211	930	(2,426)
Inventories	167	(19)	171	(108)
Contract work in progress	(4,628)	5,705	(4,706)	5,106
Creditors, accruals and provisions	27	(703)	(43)	553
Taxation payable	141	678	140	681
Inter-company advances	-	-	(204)	1,889
	<b>(3,485)</b>	6,872	<b>(3,712)</b>	5,695
Less items classified as investing				
Loss/(gain) on sale of property, plant and equipment	20	(50)	20	(50)
Net working capital of subsidiary amalgamated	-	-	-	1,107
	<b>459</b>	7,884	<b>207</b>	7,749
<b>16. Property settlement receivable</b>				
The sale of the Auckland land and buildings on 31 May 2006 (refer note 1(b)) had a deferred settlement component of \$1,200,000. Principle repayments are planned as follows; \$600,000 on 31 October 2007, \$300,000 on 31 March 2008 and \$300,000 on 31 August 2008. Interest is charged at the rate of 5% in arrears until 31 October 2007 and then at 10.5% monthly from 1 November 2007 to 31 August 2008.				
Scott Technology have a registered second mortgage over the land and buildings and a first registered general security agreement over the business and assets of Scott Package Handling Systems Ltd.				
<b>17. Imputation credits</b>				
Balance at beginning of year	2,253	2,694	2,253	2,694
Taxation (receipts)/payments - net	1,495	(441)	1,495	(441)
Imputation credits attached to dividends paid	(738)	-	(738)	-
	<b>3,010</b>	2,253	<b>3,010</b>	2,253

# Notes to the Financial Statements

for the year ended 31 August 2007

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>18. Contingent liabilities</b>				
Payment guarantees	1,504	12,522	1,504	12,522
Stock exchange bond	75	75	75	75
Non guaranteed portion of financing arrangement	792	983	792	983
Maximum contract penalty clause exposure	511	432	511	432

Payment guarantees have been provided to customers in respect of advance payments received by the company for contract work in progress.

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

Scott's have provided long term financing to a customer whereby the customer makes repayments for equipment purchased over 6 years. The discounted future payments have been sold to the ANZ bank using a bill of exchange facility. An arrangement with the NZ Government's Export Credit Office (ECO) guarantees between 90% and 95% of the customer's future payments. Utilising the guarantee Scott's have discounted the future payments due from the customer and applied the receipt from the ANZ Bank to the outstanding debtor. If the customer defaults on its payments, Scott's maximum liability is between 5% and 10% of the outstanding balance at that time. The maximum exposure calculated at 10% of the outstanding balance at 31 August 2007 is \$792,000 (2006: \$983,000) and will reduce over the next 5 years as payments are made by the customer.

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 need to occur before penalty clauses are imposed. The maximum exposure on projects under construction at 31 August 2007 is \$511,000 (2006: \$432,000).

The parent company guarantees the banking obligations of the subsidiary companies.

## 19. Lease commitments

Lease liabilities at balance date are classified as due:

Within 1 year	224	183	224	183
Within 1 - 2 years	224	183	224	183
Within 2 - 5 years	-	183	-	183
	<b>448</b>	<b>549</b>	<b>448</b>	<b>549</b>

The head lessor has agreed to release Scott Technology of the sub-lease at a mutually agreed date upon the completion of the construction of the Dunedin engineering facility.

## 20. Capital commitments

Commitments for future capital expenditure resulting from contracts entered into for:

Construction of Dunedin engineering facility	2,270	-	2,270	-
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## 21. Related party transactions

The Group rents premises and has purchased vehicles from interests associated with Mr. G.J. Marsh, the Chairman of the company.

Purchase of vehicles	152	-	152	-
Rental of premises	183	183	183	183

The Group owns 50% of Robotic Technologies Limited (RTL). RTL has paid the Group for administration service fees and for project work undertaken.

Project work undertaken by the Group for RTL	2,148	1,495	2,148	1,495
Administration fees charged by the Group to RTL	6	6	6	6
Sales and marketing fees charged by the Group to RTL	74	55	74	55

Included in trade debtors as at 31 August 2007 is an amount of \$1,663,506 (2006: \$425,507) for work undertaken on behalf of RTL.

Mr G.J. Marsh and Mr C.C. Hopkins are trustees of the Scott Technology Employee Share Purchase Scheme (2002).

The balance of the loans owing to the scheme at 31 August 2007 was \$42,964 (2006: \$42,964). The Company's shares included in this scheme fully vested with employees, except for 41,778 shares pursuant to the terms of the scheme, which did not vest.

## 22. Segment information

The Group operates in the engineering industry within New Zealand. Sales centres operate in Dallas USA and Shanghai China but these are not deemed to be individual segments.

# Notes to the Financial Statements

## for the year ended 31 August 2007

### 23. Financial instruments

The carrying value of cash and short term deposits, Trade debtors, Finance lease receivables, Sundry debtors, Tax refund due, Trade creditors, Sundry creditors and accruals, Taxation payable, and Payable to subsidiary company (Parent only) is equivalent to their fair value.

The property settlement receivable has a carrying amount of \$1,200,000 at 31 August 2007 (2006: \$1,200,000) and has a fair value of \$1,200,000 at 31 August 2007 (2006: \$1,160,000).

	2007		2006
	Face Value	Fair Value	Face Value
	\$000	\$000	\$000
<b>Off balance sheet financial instruments</b>			
Foreign currency forward exchange contracts			
with external banks	12,329	11,756	16,217
			15,847

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

#### On balance sheet financial instruments

The carrying amount is equivalent to the fair value, with the exception of the property settlement receivable whose fair value represents the present value of the future cash flows receivable.

#### Off balance sheet financial instruments

The fair value is based on the quoted market prices or foreign exchange spot prices for the applicable financial instruments.

#### Currency and interest rate risk

The group and company have exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. It is the group's policy to hedge, wholly or partially, these exposures as they arise by using forward foreign exchange contracts and currency options to manage these exposures.

The group is exposed to movements in interest rates in relation to cash which is invested on a short term basis and in relation to bank facilities, which when utilised, incur interest at their floating interest rate. The group is also exposed to movements in interest rates in relation to the finance lease receivables and the deferred settlement receivable.

#### Concentration of credit risk

In the normal course of business, the group and company incur credit risk from trade receivables and transactions with financial institutions. The group has a credit policy, which is used to manage this exposure to credit risk. The group and company, as a result of the industry 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 \$2,428,536 (2006: \$2,111,000).

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

### 24. Adoption of NZ Equivalents to International Financial Reporting Standards

In December 2002, the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities will be required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for periods beginning on or after 1 January 2007, with the option to adopt early for periods beginning on or after 1 January 2005. The Group's first annual financial statements prepared under NZ IFRS will be for the year ended 31 August 2008.

The company is managing the transition to NZ IFRS by undertaking an analysis of the key impacts. This transition plan has been implemented during the 2007 financial year and further analysis and work is being completed to calculate the company's opening balance sheet effective 1 September 2006. Further work will be carried out on determining the detailed disclosure requirements for the interim and annual reports for the 2008 year.

Key differences in accounting policies that are expected from adopting NZ IFRS include the calculation of deferred taxation, provisions and financial instruments. The impact of these differences, and the verification of any other differences is currently being assessed as part of the company's NZ IFRS transition plan. At this stage the company is not in a position to reliably quantify the impact on the financial statements.

The actual impact of adopting NZ IFRS may vary from the information presented and this variation may be material.

In the first year of compliance, entities are required to restate their comparative financial statements to reflect the new standards. The majority of adjustments required on transition to NZ IFRS will be to reserves.

### 25. Subsequent events

The Board of Directors declared a dividend of \$1,497,852 (2006: \$748,926), on 18 October 2007. In accordance with FRS-5: Events after balance date, this dividend has not been provided for in the statement of financial position as at 31 August 2007.

# Trend Statement

for the year ended 31 August 2007

	2007 \$000	2006 \$000	2005 \$000	2004 \$000	2003 \$000
Export sales	28,272	21,650	33,403	25,776	40,271
New Zealand domestic sales	914	5,660	6,860	10,013	7,219
<b>Total group sales</b>	<b>29,186</b>	27,310	40,263	35,789	47,490
<b>Earnings</b>					
Operating surplus before tax	4,655	392	459	5,526	8,443
Income tax	1,613	150	144	1,810	2,809
Net surplus attributable to Scott Technology					
Limited shareholders	3,042	242	315	3,716	5,634
Dividends paid or payable	1,498	-	2,746	3,495	2,898
<b>Funds employed</b>					
Share capital	7,629	7,629	7,629	7,629	7,629
Reserves and retained earnings	10,331	8,787	7,093	9,524	9,303
Shareholders' equity	17,960	16,416	14,722	17,153	16,932
Total liabilities	3,336	3,070	6,866	4,814	4,473
Total assets	21,296	19,486	21,588	21,967	21,405
<b>Statistics</b>					
Restated net asset backing per share (note 1)	cents 72	66	59	69	68
Restated earnings per share (note 1)	cents 12	1	1	15	23
Earning rate on average shareholders' equity	% 18	2	2	22	37
Earning rate on average total assets	% 15	1	1	17	26
Capital ratio (equity as % of total assets)	% 84	84	68	78	79

## Notes

- For 2003 and prior years the net asset backing and earnings per share have been restated based on the shares on issue as at 31 August 2007. No adjustments have been made to the earnings, equity or total assets as a result of the increase in share capital which occurred in 2003 in conjunction with the increase in the number of shares issued.

# Shareholder Information

## Substantial shareholders

The following information is given in accordance with section 26 of the Securities Amendment Act 1988.

Names of substantial security holder	Number of shares in which a relevant interest was held as at 24 September 2007	
1. Silveracres Nominees Limited	4,440,000	17.79%
2. James Ian Urquhart	3,000,000	12.02%
3. Walker Capital Management Limited	2,308,998	9.25%

The total number of issued voting securities of the company as at 24 September 2007 was 24,964,193 ordinary shares.

*Under the provisions of the Securities Amendment Act 1988, more than one person can have a relevant interest in the same shares. Messrs. G.J. Marsh, W. J. Marsh, and Mrs. E. Marsh all have a relevant interest in the shares detailed in (1) above.*

Distribution of shares by holding size	Number	% of Total	Shares	% of Total
1 - 1,000	1,103	33.1	538,930	2.2
1,001 - 5,000	1,499	44.9	3,622,322	14.5
5,001 - 10,000	416	12.5	2,924,456	11.7
10,001 - 100,000	299	9.0	6,116,042	24.5
100,001 and over	18	0.5	11,762,443	47.1
Total and percentage	3,335	100.0	24,964,193	100.0

## Top 20 shareholders as at 24 September 2007

	Shares	%
1 Silveracres Nominees Limited	4,440,000	17.79
2 James Ian Urquhart	3,000,000	12.02
3 Cogent Nominees Ltd	1,003,001	4.02
4 Custody & Investment Nominees Ltd	986,953	3.95
5 Joseph Scanlen Underdown	375,819	1.51
6 Citibank Nominees (New Zealand) Limited	319,044	1.28
7 National Nominees New Zealand Ltd	199,044	0.80
8 Graham William Batts, Patricia Joy Batts & Roger Norman Macassey	190,109	0.76
9 Kevin James Kilpatrick & Shireen Kilpatrick	170,006	0.68
10 FNZ Custodians Limited	141,522	0.57
11 Harry McMillan H Salmon	130,000	0.52
12 Graeme James Marsh	125,000	0.50
13 Jack William & Helen Lynne Allan	125,000	0.50
14 Lloyd James Christie	120,375	0.48
15 Custodial Services Ltd #4 A/c	114,817	0.46
16 Custodial Services Ltd #3 A/c	114,323	0.46
17 Forsyth Barr Custodians Limited	105,720	0.42
18 Kenneth William Wigley	101,710	0.41
19 Eunice Marsh	100,000	0.40
20 McMillan Nominees Limited	93,228	0.37
	11,955,671	47.89

## 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
\$110,001 - \$120,000	1
\$120,001 - \$130,000	1
\$130,001 - \$140,000	1
\$140,001 - \$150,000	2

The remuneration and other benefits of executive directors is included in the directors' interests.

# Directors' Interests

## Directors' shareholding as at 31 August 2007

	Beneficially owned		Held by associated persons		Non-beneficially held	
	2007	2006	2007	2006	2007	2006
G.W. Batts	190,109	190,109	-	-	-	-
C.C. Hopkins	45,885	5,885	8,037	8,037	41,778	41,778
K.J. Kilpatrick	170,006	170,006	5,443	5,443	-	-
G.J. Marsh	125,000	125,000	4,549,179	4,549,179	41,778	41,778
T.D. Scott *	30,000	30,000	-	-	-	-
M.B. Waller	20,000	20,000	-	-	-	-
C.J. Staynes	-	-	30,000	-	-	-
	<b>581,000</b>	<b>541,000</b>	<b>4,592,659</b>	<b>4,562,659</b>		

\* Retired 30 May 2007

## 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 Director acquired	Date	Consideration paid
C.C. Hopkins	13,503	31 Oct 06	\$32,407
C.C. Hopkins	15,000	8 Nov 06	\$36,600
C.C. Hopkins	11,497	10 Nov 06	\$28,168
C.A. & C.J. Staynes Family Trust (associated with C.J. Staynes)	30,000	23 May 07	\$65,192

## Use of company information

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

## Disclosures of interests by directors

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

### G.J. Marsh

Chairman	Oakwood Securities Ltd.
Chairman	Oakwood Properties Ltd.
Chairman	Cooke Howlison Ltd.
Chairman	Blackwell Motors Ltd.
Director	Metropolitan Development Ltd.
Trustee	Scott Technology Employee Share Purchase Scheme (2002)

### S.J. McLauchlan

Director	AD Instruments Pty Ltd.
Director	Aurora Energy Ltd.
Director	Cargill Hotel 2002 Ltd.
Director	Citibus Ltd.
Director	City Forests Ltd.
Director	Delta Utility Services Ltd.
Director	Dunedin Casino's Ltd.
Director	Dunedin City Holdings Ltd.
Director	Dunedin International Airport Ltd.
Director	Otago University Foundation Studies Ltd.
Director	Scenic Circle Hotels Group Ltd.
Director	GSM Ltd.
Director	GSM Trustees Ltd.
Chairman	Highlanders Trust Ltd.
Director	Reliance Trading Co. Ltd.
Director	Rosebery Holding Ltd.

### K.J. Kilpatrick

Director	Kilmoreland Vineyards Ltd.
Managing Director	Kilbrook Vineyards Ltd.
Director	Robotic Technologies Ltd.
Director	Scott Automation Ltd.

### M.B. Waller

Chief Executive Officer	Ebos Group Ltd.
Director	Global Science & Technology Ltd.
Director	Health Support Ltd.
Director	Health Support Properties Ltd.
Director	Ebos Health & Science Pty Ltd.
Director	Ebos Group Pty Ltd.

### C.J. Staynes

Director	George Street Wines Limited
Chairman	Otago Chamber of Commerce & Industry
Trustee	4Trades Trust
Trustee	OSMA Trust

### C.C. Hopkins

Chairman	Robotic Technologies Ltd.
Trustee	Scott Technology Employee Share Purchase Scheme (2002)
Director	Scott Automation Ltd.
Shareholder	Penfold Transmission Ltd.

### G.W. Batts

Director	Premid�e Ltd.
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## Remuneration of directors

During the year to 31 August 2007, the total remuneration and other benefits attributed to the directors of the company were as follows:

	Directors' Fees	Other	Remuneration Total
G.W. Batts	22,500	10,563	33,063
C.C. Hopkins	-	257,655	257,655
K.J. Kilpatrick	-	230,124	230,124
G.J. Marsh	45,000	-	45,000
T.D. Scott *	81,875	-	81,875
M.B. Waller	27,500	-	27,500
C.J. Staynes	13,500	-	13,500

The executive directors are provided with a motor vehicle.

\* includes a retirement allowance paid in accordance with NZX listing rule 3.5.2.

## Directors' indemnity and insurance

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

## Deloitte.

We have audited the financial statements on pages 10 to 20. The financial statements provide information about the past financial performance and financial position of Scott Technology Limited and group as at 31 August 2007. This information is stated in accordance with the accounting policies set out on pages 13 to 14.

### Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Scott Technology Limited and group as at 31 August 2007 and of the results of operations and cash flows for the year ended on that date.

### Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of financial reporting and taxation advice we have no relationship with or interests in Scott Technology Limited or any of its subsidiaries.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Scott Technology Limited as far as appears from our examination of those records; and
- the financial statements on pages 10 to 20:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the financial position of Scott Technology Limited and group as at 31 August 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 18 October 2007 and our unqualified opinion is expressed as at that date.



**Deloitte, Chartered Accountants**  
Dunedin, New Zealand

# Directory

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Manager: P.J. Johnston

Sales & Marketing: K.J. Snowling

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**SCOTT**