



» LABORATORY AUTOMATION



» APPLIANCE SYSTEMS

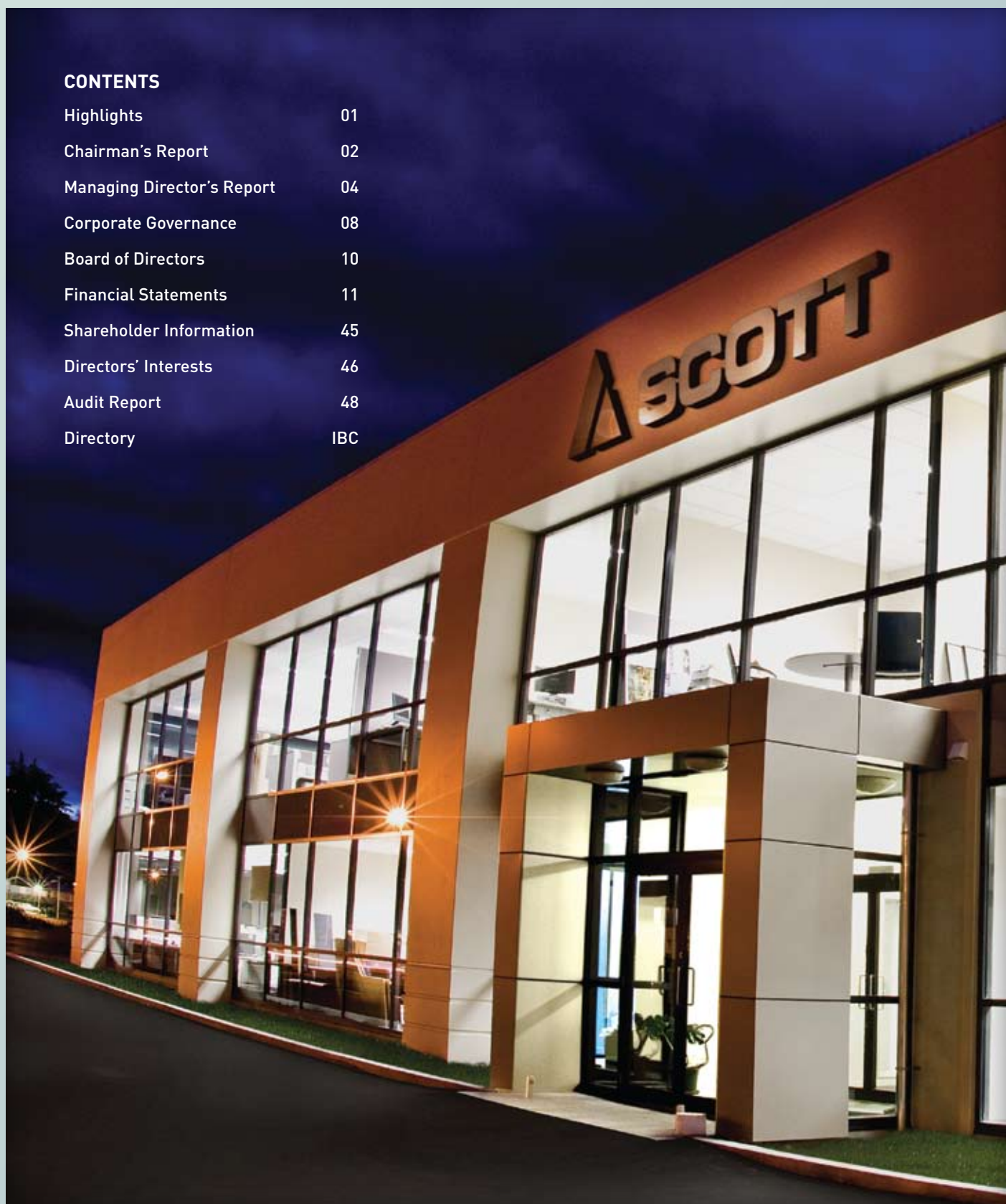


» MEAT PROCESSING AUTOMATION

Scott Technology Limited
2008 Annual Report

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HIGHLIGHTS

- » Acquisition of the Rocklabs business
- » First commercial orders for automated boning room systems
- » Completion of new Dunedin engineering facility
- » Strong balance sheet and good cash flows
- » Establishment of European branch

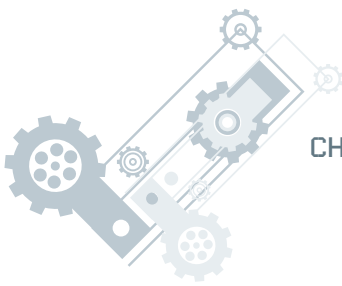
FINANCIAL CALENDAR

Annual Meeting

Thursday 11 December 2008 at 4.00pm at Mangan House Conference Centre, Cnr Manchester Street and Cambridge Terrace, 253 Cambridge Terrace, Christchurch.

Proxies Close

Tuesday, 9 December 2008 at 4.00pm.



CHAIRMAN'S REPORT



Your Directors report that the Company made a loss after tax of \$818,000 on operating revenues of \$25.0 million for the year ended 31 August 2008. The second half of the year produced a Group profit after tax of \$18,000, compared to a loss after tax of \$836,000 in the first half of the year. This year's result compares to the previous year's after tax surplus of \$3.09 million, achieved on operating revenues of \$29.2 million.

Total shareholders' equity at 31 August 2008 was \$18.8 million, compared to \$17.1 million at 31 August 2007. The balance sheet remains strong with total assets of \$30.2 million, an increase of \$8 million from 2007, funded by \$5 million of debt, an increase in working capital and equity issued as a component of the Rocklabs acquisition. Operating cash flows were positive \$1.2 million and the Company had cash on hand of \$1.2 million at year end.

DIVIDEND

After paying a six cent final dividend during the year for the year ended 31 August 2007, the Directors have declared that no dividend will be paid in respect of the year ended 31 August 2008.

Working capital, including cash, will be required to fund the Company's expected growth and the return to more normal trading levels in the short to medium term.

BOARD COMPOSITION

Mr Graeme Marsh, the Company's long serving Chairman and substantial shareholder, retired at the Company's last annual meeting in December 2007. This was well signalled in advance, as was the retirement of Mr Kevin Kilpatrick who served as CEO until May 2006 and who retired from the Board in August 2008. The Company now has a small but experienced Board who are focussed firmly on the future.

The Directors take this opportunity to acknowledge the dedicated service and commitment of Mr Marsh and Mr Kilpatrick to the Company. Mr Marsh was a Director for 38 years and Chairman for 32 years, while Mr Kilpatrick had been with the Company for 40 years at the time of his retirement. Both Mr Marsh and Mr Kilpatrick have made a substantial contribution to growing your Company to where it is today from its J & AP Scott Limited origins.

The Directors also acknowledge the efforts and commitment of your Managing Director, Mr Chris Hopkins, and his dedicated team of management and staff. 2008 has been a challenging year for Scott Technology Limited given the way the global economic conditions have affected the business. Management and staff have responded to this challenge by continuing to maintain strong customer relationships and seeking new and innovative ways to grow the business.

Stuart J McLauchlan
Chairman



APPLIANCE SYSTEMS



The Appliance Systems team is focussed on providing innovation in our equipment designs to ensure that we are not just simply an equipment commodity supplier. If we combine this innovation with our drive to develop the exciting new market prospects in Eastern Europe / Russia, South America and Asia, the group will be well positioned to take advantage of the opportunities which will be available for the year ahead in the Appliance Industry sector.

Ken Snowling
Head of Appliance Systems





MANAGING DIRECTOR'S REPORT



After surviving one of the most difficult periods in the recent history of the Company, we are now well placed for future growth. For Scott Technology Limited, the year to 31 August 2008 has been one of positioning for the future. We faced major challenges over the past year. The turmoil in the US housing market decimated our key US appliance market, and the global liquidity crisis has created uncertainty over the future shape of world economies. Droughts in Australia and New Zealand, combined with reducing sheep numbers and low returns, also negatively impacted on our ability to establish a market for our meat processing solutions.

We are now positioned well for the future. In the six months since our half year report to 29 February 2008 we have achieved much, including:

- » A small profit for the second half of the year, after a significant loss for the first half of the year. This second half profit was achieved after absorbing the cost of a number of non-recurring items, such as redundancies, which were forced on the Company by the global market conditions
- » Survived the highest New Zealand dollar/United States dollar exchange rate in over 25 years
- » Acquisition of the Rocklabs business, with the addition of a very manageable \$5 million debt on the balance sheet
- » The first commercial orders for automated boning room systems for the meat industry through associate company, Robotic Technologies Limited
- » Continued expenditure on research and development in several key aspects of the business – an investment in the future
- » Completed the new Kaikorai Valley Road, Dunedin manufacturing facility, with design and administration staff having moved in shortly after balance date and the workshop operations to follow in late October
- » Maintained a strong balance sheet and good cash flows
- » A good forward work position
- » Prospects in all markets improving
- » Establishment of a European branch, Scott Euro Limited; and
- » A strong management team, with a clear vision and way forward

Last year we talked about the level of enquiries and work prospects and the challenges facing the Company in converting these to orders to rebuild momentum into 2008. These fears were realised as global economies turned for the worst. This forced us to look to the more buoyant domestic markets in an effort to keep our skilled workforce together. Recent significant orders have enabled the Company to see past the global gloom and to position ourselves for future development and growth.

In addition, we are also in final negotiations with several key customers in relation to potential new projects.

Scott Technology's vision is to be "The Global Innovator in Automation". To expand on this and to provide shareholders with a deeper understanding of our business, I will outline activities in our key areas of focus.

APPLIANCE MANUFACTURING SYSTEMS

During the year we completed several systems for North America, China and Mexico, including our first laundry system for Bosch Siemens. This area of the business is headed by Ken Snowling, who is well supported by an amazing team of skilled and experienced engineers.

Although we had a large number of prospects, we indicated last year that our biggest challenge was to secure sufficient orders from customers that were constrained by market conditions. After completing several large successful projects in 2007 there were insufficient orders to maintain our momentum. However, this situation has changed in recent months and we now have secured a number of forward orders. At present, our markets in China, South America and, to a lesser extent, Eastern Europe, continue to forecast growth in the short to medium term. We also see opportunities to work with customers on automation projects that target efficiency and production processes, including reduced raw material usage and energy consumption.

As technology expands and solutions become more complex, our customers expect service and support to be fast and seamless with their production environment. In order to meet this expectation we are developing plans to increase our "in market" presence in conjunction with our subsidiary company, Scott Service International.

Scott Service International is responsible for developing our service and support offering to customers, and for expanding our global service network. Scott Service International completed its first full year of trading in 2008 and achieved excellent results with a positive contribution to the Group, both financially and operationally.

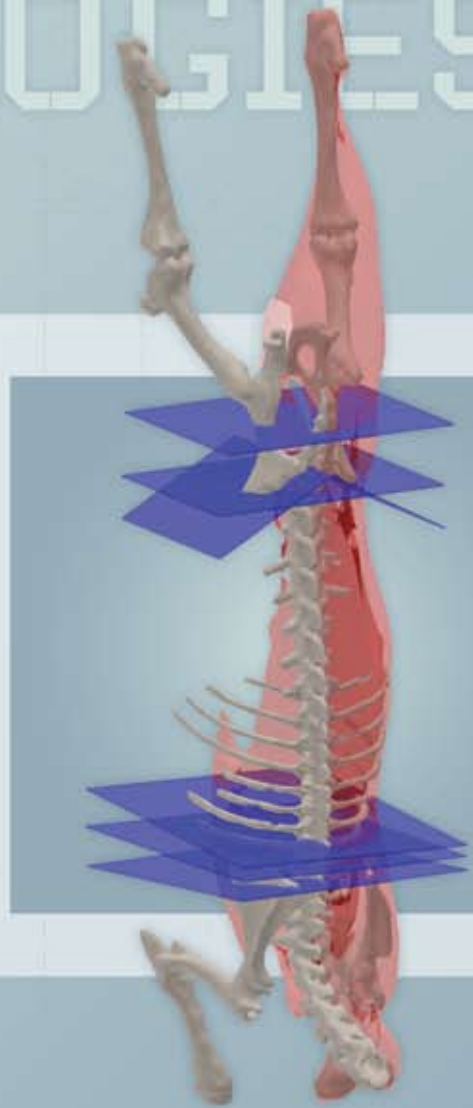
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ROBOTIC TECHNOLOGIES



Our meat industry developments are entering an exciting period as commercial sales are expected to grow to a sustainable level in the near future.

Andrew Arnold
Head of Automation and Robotics





We expect Appliance production systems, our main driver within the business, to return to more normal levels of activity and profit in 2009.

MEAT PROCESSING AUTOMATION

For our meat processing automation business, the year to 31 August 2008 was significant in several ways. Firstly, we commenced commercialisation of our developments that were initiated in 2002. Secondly, with assistance from the New Zealand Government, through the Foundation for Research, Science & Technology, and from Meat and Livestock Australia, a large commitment was made by the Company to allocate resources to accelerate key development areas that will see us closer to our vision of a fully automated lamb boning room. Activities in this area are undertaken through Robotic Technologies Limited, our joint venture with Silver Fern Farms Limited, and we are seeing increasing widespread interest in our technology. Provided market conditions do not deteriorate we expect current enquiries to convert to a steady flow of work through 2009 and beyond.

We have established a local presence to support the Australian meat processing industry, an important market for us, and we plan to expand our Australian presence to complement our global service and support offering.

Andrew Arnold, who heads this area of the business, has been heavily involved in our meat processing automation from the start and the company is well positioned to take this technology to market. We expect growth in sales and contribution during 2009 driven by successful commercialisation. However, the total contribution will be suppressed, due to the commitment to research and development expenditure outlined above. This research and development will add to the scope of our product offerings, as well as expand our expertise and skill set. Our intellectual property held in Robotic Technologies Limited will be protected by patents as considered appropriate.

Opportunities in the meat processing sector in both Australia and New Zealand are expanding and we expect further growth in this area of the business in the near future. Our pioneering and patented x-ray and robotic technology is clearly leading edge and with industry leaders now adopting the technology, we believe it will quickly become an industry standard for lamb processors in New Zealand, Australia and worldwide.

ROCKLABS

The Rocklabs business was acquired during the year from its founder, Dr. Ian Devereux. As part of the transaction, Ian has become a substantial shareholder in Scott Technology Limited and remains responsible for the day to day management of Rocklabs Limited.

This will enable a smooth transition through 2009 and beyond. Ian is a welcome addition to Scott and brings a wealth of experience and wisdom to the executive team.

Rocklabs provides equipment for sample preparation in laboratories, predominantly serving the mining industry worldwide. Rocklabs is an ideal addition to the Scott Group. There are engineering, design and build synergies between the Scott and Rocklabs' businesses in both current activities and, more importantly, in the largely underdeveloped market for automated robotic laboratory systems. We see this as a significant area of future growth for the Rocklabs business.

While current equipment sales will underpin Rocklabs' performance, growth will come from automation and robotic applications. Ahead of expectation, we have already achieved success with the commencement of a major automation project which combines the best skills of Rocklabs and Scott.

OTHER AUTOMATION ACTIVITIES

We continue to work with a few selected manufacturers and innovators where we can bring automation expertise to create a successful partnership. To provide this aspect of the business with focus, senior executives have taken up the challenge to convert promising automation opportunities into commercial business activities for Scott. It is expected that these activities will contribute positively in 2009.

OUTLOOK

As an exporter, the global markets will continue to have a major impact on our performance. We not only have to contend with market uncertainty, but also the volatility that this brings to the New Zealand dollar. As a company that started over 95 years ago we have seen these conditions come and go during these years and, although the world economies are facing a level of uncertainty not seen for many decades, Scott is now well positioned to not only survive, but to grow.

With patience, dedication and hard work, our endeavours will provide the returns that all our stakeholders seek. I personally thank all our dedicated and talented staff and my fellow Directors, in particular, Graeme Marsh our previous Chairman, and Stuart McLauchlan, our current Chairman. I also thank all our patient shareholders for their support during 2008 and I, along with the executive team, look forward to 2009.

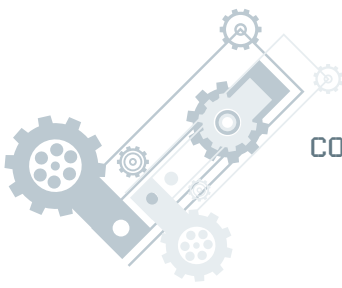
Chris Hopkins
Managing Director

SAMPLE PREPARATION

Rocklabs will continue to grow from an increase in demand for automated solutions in mining laboratories. As well as providing our traditional automated front end (crushing and pulverizing) solutions, we are now more able to offer a complete solution by including Scott know how in the “backend” solutions that may include robotics. Automation in laboratories is a growing global trend to meet cost efficiency, health and safety, and quality.

Ian Devereux
General Manager, Rocklabs Limited





CORPORATE GOVERNANCE

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 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; 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 six monthly basis.

2. BOARD COMPOSITION AND PERFORMANCE

The Board comprises four non-executive Directors and one Executive Director. 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 a minimum of 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 comprised 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 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 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 47.



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, performed by Deloitte are disclosed on page 23 of the financial statements.

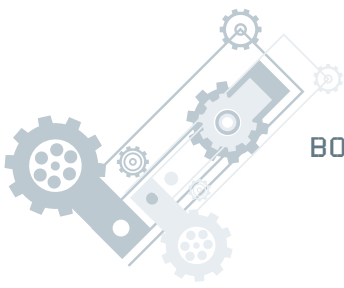
8. SHAREHOLDER RELATIONS

The company maintains an up to date website (www.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. 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 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 of customer specific information via a private log-in to the Scott website.



BOARD OF DIRECTORS



STUART J. McLAUHLAN (Chairman and Independent Director)

BCom, CA(PP), A.F.Inst.D

Dunedin

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, AD Instruments Pty Ltd, City Forests Ltd, Delta Utility Services Ltd and several other companies.

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.



GRAHAM W. BATTS (Independent Director)

CEng., FIPENZ, NZCE

Dunedin

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 (Independent Director)

BCom, ACA, FNZIM

Christchurch

Appointed Director 2004

Mr Waller is Chief Executive and Managing Director of EBOS Group Ltd; and a Director of Health Support Ltd, EBOS Group Pty Ltd, EBOS Health & Science Pty Ltd, Global Science & Technology Ltd, PRNZ Limited and its associated companies, Quantum Scientific Ltd and Vital Medical Supplies (Australia) Pty Ltd.



CHRISTOPHER J. STAYNES (Independent Director)

BSc

Dunedin

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 lastly to General Manager for a local appliance manufacturer from 1980 until his retirement in 2006.



CHRIS C. HOPKINS (Managing Director)

BCom, CA

Dunedin

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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Scott Technology Limited and Group as at 31 August 2008 and the results of their operations and cash flows for the year ended 31 August 2008.

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

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

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

The Directors present the financial statements of Scott Technology Limited for the year ended 31 August 2008.

This annual report is dated 7 October 2008 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

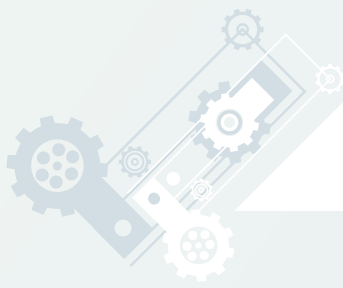
For and behalf of the Directors



S J McLauchlan
Chairman



C C Hopkins
Managing Director



INCOME STATEMENT FOR THE YEAR ENDED 31 AUGUST 2008

	Note	Group		Parent	
		2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Revenue		25,017	29,186	14,693	28,828
Other income	2	166	350	152	350
Raw materials & consumables used		(9,453)	(9,713)	(4,395)	(9,564)
Employee benefits expense		(11,477)	(11,043)	(9,722)	(10,781)
Depreciation	11	(797)	(894)	(698)	(868)
Finance costs		(275)	(11)	(54)	(11)
Other expenses		(4,358)	(3,120)	(2,484)	(3,188)
Net surplus / (deficit) before taxation	2	(1,177)	4,755	(2,508)	4,766
Taxation benefit/(expense)	3	359	(1,665)	157	(1,665)
Net surplus / (deficit) for the year		(818)	3,090	(2,351)	3,101
Net surplus/(deficit) attributable to:					
Members of the parent entity		(763)	3,090	(2,351)	3,101
Minority interest	21	(55)	-	-	-
		(818)	3,090	(2,351)	3,101
Earnings / (deficit) per share from continuing operations:					
Basic (cents per share)	5	(3.0)	12.4		
Diluted (cents per share)	5	(3.0)	12.4		
Net tangible assets per ordinary share:					
Basic (cents per share)		43.2	68.6		
Diluted (cents per share)		43.2	68.6		



STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 AUGUST 2008

	Note	Group		Parent	
		2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Net surplus / (deficit) for the period attributable to:					
Members of the parent entity	20	(763)	3,090	(2,351)	3,101
Minority interest	21	(55)	-	-	-
Total recognised income and expense		(818)	3,090	(2,351)	3,101



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2008

	Note	Group		Parent	
		2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Equity at beginning of the period		17,131	15,539	16,457	14,854
Total recognised income and expense		(818)	3,090	(2,351)	3,101
Dividends	20	(1,496)	(1,498)	(1,496)	(1,498)
Minority interest share of net assets on formation	21	4	-	-	-
Issue of shares in part settlement of acquisition of the Rocklabs business	19	4,000	-	4,000	-
Equity at end of the period		18,821	17,131	16,610	16,457



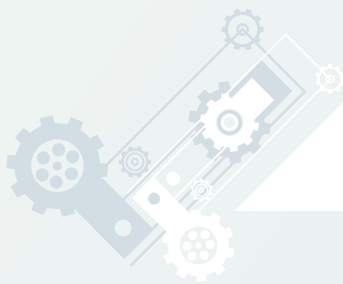
BALANCE SHEET
AS AT 31 AUGUST 2008

	Note	Group		Parent	
		2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Current assets					
Cash and cash equivalents		1,160	3,476	12	3,379
Trade debtors	6	6,686	2,458	4,551	2,342
Finance lease receivables	16	72	248	72	248
Other financial assets	7	257	771	257	771
Sundry debtors and prepayments		427	114	103	107
Inventories	8	4,160	20	339	16
Net contract work in progress	9	-	4,843	-	4,921
Taxation receivable		17	-	7	-
Property settlement receivable	10	-	1,200	-	1,200
		12,779	13,130	5,341	12,984
Non current assets					
Property, plant and equipment	11	9,832	8,279	9,303	8,008
Investment in associates	12	16	10	10	10
Other financial assets	7	414	602	414	602
Goodwill	13	6,607	-	-	-
Deferred tax asset	3	535	224	333	224
Investment in subsidiaries	24	-	-	10	5
Payable by subsidiary companies	24	-	-	4,791	-
		17,404	9,115	14,861	8,849
Total assets		30,183	22,245	20,202	21,833
Current liabilities					
Trade creditors and accruals	15	3,610	1,648	1,522	1,611
Finance lease payable	16	49	66	49	66
Other financial liabilities	17	475	771	257	771
Employee entitlements		1,109	1,477	849	1,430
Provision for warranty	18	350	200	200	200
Taxation payable		-	124	-	131
Bank loans	14	494	-	-	-
Net contract progress claims	9	206	-	123	-
		6,293	4,286	3,000	4,209
Non current liabilities					
Finance lease payable	16	-	49	-	49
Other financial liabilities	17	371	559	371	559
Employee entitlements		228	220	221	220
Bank loans	14	4,470	-	-	-
Payable to subsidiary companies	24	-	-	-	339
		5,069	828	592	1,167
Owners equity					
Share capital	19	11,629	7,629	11,629	7,629
Retained earnings	20	7,243	9,502	4,981	8,828
Minority interest	21	(51)	-	-	-
		18,821	17,131	16,610	16,457
Total liabilities & owners equity		30,183	22,245	20,202	21,833

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 AUGUST 2008

	Note	Group		Parent	
		2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Cash flows from operating activities					
<i>Cash was provided from (applied to):</i>					
Receipts from operations		27,851	25,373	17,777	25,021
Interest received		139	350	125	350
Net GST received/(paid)		(183)	78	(35)	83
Payments to suppliers and employees		(26,261)	(23,837)	(17,600)	(23,741)
Interest paid		(229)	(11)	(54)	(11)
Taxation paid		(93)	(1,494)	(90)	(1,495)
Net cash inflow (outflow) from operating activities	28	1,224	459	123	207
Cash flows from investing activities					
<i>Cash was provided from (applied to):</i>					
Purchase of property, plant and equipment		(2,121)	(1,860)	(2,008)	(1,576)
Sale of property, plant and equipment		1,218	54	1,215	53
Purchase of business		(6,042)	-	-	-
Advances to subsidiaries		-	-	(1,135)	-
Net cash inflow (outflow) from investing activities		(6,945)	(1,806)	(1,928)	(1,523)
Cash flows from financing activities					
<i>Cash was provided from (applied to):</i>					
Vehicle finance lease		(66)	115	(66)	115
Proceeds from borrowings		5,000	-	-	-
Repayment of borrowings		(37)	-	-	-
Issue of share capital to minority interests		4	-	-	-
Dividends paid		(1,496)	(1,498)	(1,496)	(1,498)
Net cash inflow (outflow) from financing activities		3,405	(1,383)	(1,562)	(1,383)
Net increase / (decrease) in cash held		(2,316)	(2,730)	(3,367)	(2,699)
Add cash and cash equivalents at start of period		3,476	6,216	3,379	6,078
Effect of exchange rate changes on the balance of cash held in foreign currencies		-	(10)	-	-
Balance at end of period		1,160	3,476	12	3,379
Comprised of:					
Cash and bank balances		1,847	3,476	699	3,379
Bank overdraft		(87)	-	(87)	-
Short term money market borrowings		(600)	-	(600)	-
Cash and cash equivalents		1,160	3,476	12	3,379

Cash and cash equivalents includes 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 2008

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

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

The Group is a profit oriented entity, registered in New Zealand under the Companies Act 1993. The Group is an issuer for the purposes of the Financial Reporting Act 1993 and its annual financial statements comply with that Act.

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

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

The financial statements were authorised for issue by the Board of Directors on 7 October 2008.

Adoption of NZ IFRS

The Group changed its accounting policies on 1 September 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 '*First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*', with 1 September 2006 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the Group's financial position, financial performance and cash flows is discussed in note 31.

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 2008 and the comparative information presented in these financial statements for the year ended 31 August 2007, the Group's NZ IFRS comparative financial statements.

The information is presented in thousands of New Zealand dollars.

Critical Judgements, Estimates and Assumptions

In the application of NZ IFRS management is 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 management 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 management estimating future time and costs to complete long term contracts. If the actual time and costs incurred to complete the long term contract 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.

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.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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 IAS-27 "Group and Separate 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 the Income Statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Group Income Statement 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 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.

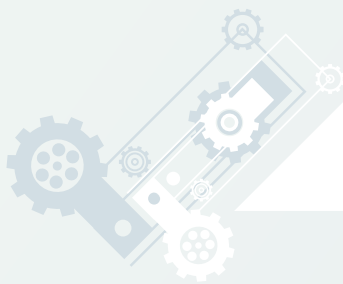
Revenue Recognition

Profit on long term contracts is accounted for using a percentage of completion method. At balance date an assessment is made of the percentage of completion and costs associated with the work done. 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.

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 Income Statement over the period of the borrowings using the effective interest rate method.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Borrowing Costs

All borrowing costs are recognised in the Income Statement in the period in which they are incurred.

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 lessee. All other leases are classified as operating leases.

Group Entity as Lessor

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

Group Entity as Lessee

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

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

Finance leased assets are amortised 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 substantially enacted at reporting date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with 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 Income Statement 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.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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.

a. Cash & cash equivalents

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

b. Trade debtors

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

c. Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received.

d. Trade creditors

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

e. 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.

Derivative Financial Instruments

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

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement 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).

Fair Value Hedges

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement 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 is amortised to the Income Statement from that date.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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: 2 - 13 years

Research and Development Costs

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

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

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

Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its 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). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment 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.

Cash Flow Statement

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

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.

1.SUMMARY OF ACCOUNTING POLICIES *(continued)*

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

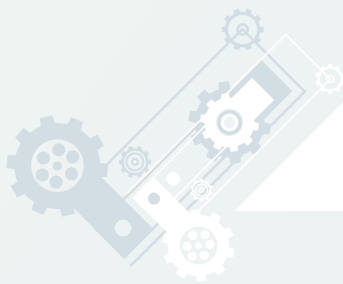
Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

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.

New Standards and Interpretations

Standards and interpretations have been issued or amended but are not yet effective that have not been adopted by the Group and Company for the annual reporting period ended 31 August 2008 and which are relevant are as follows:

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
NZ IFRS 8	Operating Segments	Specifies how an entity should report information about its operating segments in annual financial reports	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. However, the amendments may result in changes to the operating segments disclosure included in the Group's financial report.	31 August 2010
NZ IAS-1	Presentation of Financial Statements Revised Standard	The revised NZ IAS 1 requires the presentation of all recognised income and expenses in one statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity	1 January 2009	The revised NZ IAS 1 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to presentation of the Income Statement and Statement of Changes in Equity included in the Group's financial report.	31 August 2010



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2008

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the Group:

Standard/Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
Amendments to NZ IFRS-4 'Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions'	1 January 2009	31 August 2010
NZ IFRIC-12 'Service Concession Arrangements'	1 January 2008	31 August 2009
NZ IFRIC-13 'Customer Loyalty Programmes'	1 July 2008	31 August 2009
NZ IFRIC-14 'NZ IAS-19 – The Limit on the Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	31 August 2009
IFRIC-15 'Agreements for the Construction of Real Estate'	1 January 2009	31 August 2010
IFRIC-16 'Hedges of a Net Investment in Foreign Operation'	1 October 2008	31 August 2010
NZ IAS-23 'Borrowing Costs' – revised 2007	1 January 2009	31 August 2010
Amendments to NZ IFRS-2 'Share Based payment' – Vesting Conditions and Cancellations	1 January 2009	31 August 2010
NZ IFRS-3 'Business Combinations' – revised 2008	1 July 2009	31 August 2010
NZ IAS-27 'Consolidated and Separate Financial Statements' – revised 2008	1 July 2009	31 August 2010
Revised Amendments to NZ IAS 32 'Financial Instruments: Presentation' and NZ IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	31 August 2010
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	31 August 2010
Amendments to NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' and NZ IAS 27 'Consolidated and Separate Financial Statements' – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009	31 August 2010
Omnibus Amendments	1 January 2008	31 August 2009

* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

2. OTHER INCOME AND OPERATING EXPENSES

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
(a) Other income				
Government grants	27	-	27	-
Interest received	139	350	125	350
	166	350	152	350
(b) Operating expenses				
<i>The surplus/(deficit) is stated after charging:</i>				
Auditors remuneration				
- audit services	53	42	39	42
- taxation services	11	22	10	22
- IFRS advisory	7	12	7	12
- due diligence	21	-	-	-
The auditor of the Group is Deloitte.				
Directors' fees	143	190	143	190
Fair value losses on firm commitments	69	573	69	573
Fair value losses on derivatives held for trading	404	-	-	-
Loss on sale of property, plant and equipment	-	14	-	14
Leasing and rental costs	414	218	231	183
Movement in doubtful debt provision	-	20	-	20
Bad debts	3	-	-	-
<i>and after crediting:</i>				
Fair value gains on derivatives held as fair value hedges	69	573	69	573
Foreign exchange gains	9	82	(10)	130
Gain on sale of property, plant and equipment	1	-	2	-
Share of associates' net surplus	6	-	-	-

3. INCOME TAXES

(a) Income tax recognised in surplus or deficit

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		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Net surplus/(deficit) before tax for the period	(1,177)	4,755	(2,508)	4,766
Income tax expense calculated at 33%	(388)	1,569	(828)	1,573
Effect of changes in tax rate	54	-	33	-
Non deductible expenses	3	101	2	97
(Over)/under provision of income tax in previous year	(28)	(5)	(22)	(5)
Effect of losses utilised by Group companies	-	-	658	-
Tax expense/(benefit)	(359)	1,665	(157)	1,665
Represented by:				
Current tax	(48)	1,695	(48)	1,695
Deferred tax	(311)	(30)	(109)	(30)
	(359)	1,665	(157)	1,665

The prima facie tax rate used in the above reconciliation is the corporate tax rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand tax law for the 2008 income tax year. In the 2008 year, deferred tax has been recalculated at the corporate tax rate of 30% applying from the 2009 income tax year onwards.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

3. INCOME TAXES (continued)

(b) Deferred tax balances

2008	Group				
	Opening Balance \$'000	Charged to Income \$'000	Prior Period Adjustment \$'000	Changes in Tax Rate \$'000	Closing Balance \$'000
Gross deferred tax assets:					
Trade debtors	13	-	-	(1)	12
Inventories	-	27	-	(2)	25
Other financial assets	51	(28)	-	(2)	21
Employee entitlements	472	(58)	(48)	(35)	331
Provision for warranty	172	31	-	(18)	185
Tax losses	-	386	-	(35)	351
	708	358	(48)	(93)	925
Gross deferred tax liabilities:					
Property, plant and equipment	474	(34)	(26)	(38)	376
Prepayments	10	5	-	(1)	14
	484	(29)	(26)	(39)	390
	224	387	(22)	(54)	535
2007					
	Opening Balance \$'000	Charged to Income \$'000	Prior Period Adjustment \$'000	Changes in Tax Rate \$'000	Closing Balance \$'000
Gross deferred tax assets:					
Trade debtors	72	(59)	-	-	13
Other financial assets	152	(101)	-	-	51
Employee entitlements	457	15	-	-	472
Provision for warranty	91	81	-	-	172
	772	(64)	-	-	708
Gross deferred tax liabilities:					
Property, plant and equipment	504	(30)	-	-	474
Prepayments	14	(4)	-	-	10
	518	(34)	-	-	484
	254	(30)	-	-	224

3. INCOME TAXES *(continued)*

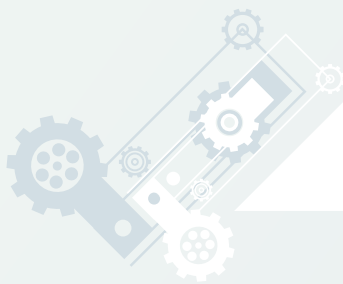
(b) Deferred tax balances *(continued)*

2008	Opening Balance \$'000	Charged to Income \$'000	Parent Company		Closing Balance \$'000
			Prior Period Adjustment \$'000	Changes in Tax Rate \$'000	
Gross deferred tax assets:					
Trade debtors	13	-	-	(1)	12
Other financial assets	51	(28)	-	(2)	21
Employee entitlements	472	(118)	(48)	(28)	278
Provision for warranty	172	(19)	-	(14)	139
Tax losses	-	300	-	(27)	273
	708	135	(48)	(72)	723
Gross deferred tax liabilities:					
Property, plant and equipment	474	(34)	(26)	(38)	376
Prepayments	10	5	-	(1)	14
	484	(29)	(26)	(39)	390
	224	164	(22)	(33)	333

2007	Opening Balance \$'000	Charged to Income \$'000	Parent Company		Closing Balance \$'000
			Prior Period Adjustment \$'000	Changes in Tax Rate \$'000	
Gross deferred tax assets:					
Trade debtors	72	(59)	-	-	13
Other financial assets	152	(101)	-	-	51
Employee entitlements	457	15	-	-	472
Provision for warranty	91	81	-	-	172
	772	(64)	-	-	708
Gross deferred tax liabilities:					
Property, plant and equipment	504	(30)	-	-	474
Prepayments	14	(4)	-	-	10
	518	(34)	-	-	484
	254	(30)	-	-	224

(c) Imputation credit account balances

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Balance at beginning of financial year	3,010	2,253	3,010	2,253
Tax paid	90	1,495	90	1,495
Attached to dividends paid	(738)	(738)	(738)	(738)
Balance at end of financial year	2,362	3,010	2,362	3,010
Imputation credits available directly and indirectly to shareholders of the parent company, through:				
Parent company	2,362	3,010		
Subsidiaries	-	-		
	2,362	3,010		



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

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		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Short term employee benefits	1,545	1,411	1,338	1,306
Long term employee benefits	4	12	4	12
Post-employment benefits	135	65	135	65
Termination benefits	162	-	162	-
	1,846	1,488	1,639	1,383

5. EARNINGS PER SHARE

	Group	
	2008	2007
Basic earnings per share		
From continuing operations (cents per share)	(3.0)	12.4

Diluted earnings per share		
From continuing operations (cents per share)	(3.0)	12.4

	Group	
	2008 \$'000s	2007 \$'000s
Net surplus/(deficit) for the year used in the calculation of basic and diluted earnings per share from continuing operations	(763)	3,090

	Group	
	2008 000s	2007 000s
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	25,453	24,964

6. TRADE DEBTORS

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Trade debtors	6,726	2,498	4,591	2,382
Allowance for doubtful debts (i), (ii)	(40)	(40)	(40)	(40)
	6,686	2,458	4,551	2,342

The average credit period on sales of goods is 30 days. No interest is charged on the trade debtors.

(i) Allowance for doubtful debts

Balance at beginning of financial year	40	20	40	20
Impairment loss recognised on trade debtors	-	20	-	20
	40	40	40	40

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.

6. TRADE DEBTORS *(continued)*

(ii) Ageing of doubtful debts

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
90 days +	40	40	40	40

(iii) Past due but not impaired

Included in the Group's trade debtors are debtors with a carrying amount of \$4,081,000 (2007: \$824,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are considered recoverable.

Ageing of past due but not impaired:

30 – 60 days	1,378	129	212	117
60 – 90 days	698	52	257	52
90 days +	2,005	643	1,616	643
	4,081	824	2,085	812

Included in past due but not impaired debtors as at 31 August 2008 is \$1,624,000 (2007: \$492,000) for work undertaken on behalf of a related party, Robotic Technologies Ltd, which is considered to be recoverable from future customer receipts (see notes 12 and 26).

7. OTHER FINANCIAL ASSETS

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Advance to employee share purchase scheme (i)	43	43	43	43
Foreign currency forward contracts held as effective hedging instruments (ii)	69	573	69	573
Export Credit Office funding (iii)	559	757	559	757
	671	1,373	671	1,373

Represented by:

Current financial assets

Foreign currency forward contracts held as effective hedging instruments	69	573	69	573
Export Credit Office funding	188	198	188	198
	257	771	257	771

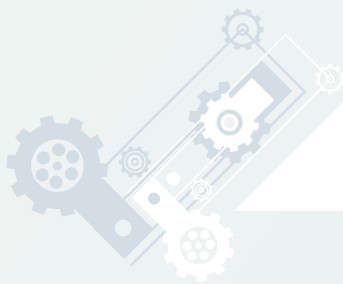
Non current financial assets

Advance to employee share purchase scheme	43	43	43	43
Export Credit Office funding	371	559	371	559
	414	602	414	602

(i) Interest free, repayable on demand

(ii) Designated and effective hedging instrument

(iii) The Group has provided long term financing to a customer whereby the customer makes payment for equipment purchased over six years. The discounted future payments have been sold to the ANZ National Bank Limited using a bill of exchange facility. An arrangement with the New Zealand Export Credit Office guarantees between 90% and 95% of the customer's future payments. Utilising the guarantee the Group has discounted the future payments due from the customer and applied the receipt from the ANZ National Bank Limited to the outstanding debtor. If the customer defaults on its payments, the Group's maximum liability is between 5% and 10% of the outstanding balance at that time. The total outstanding balance is \$5,590,000 (2007: \$7,570,000). The maximum exposure calculated at 10% of the outstanding balance at 31 August 2008 is \$559,000 (2007: \$757,000) and will reduce over the next four years as payments are made by the customer.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

8. INVENTORIES

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Raw materials	3,576	72	196	68
Work in progress	228	(52)	143	(52)
Finished goods	356	-	-	-
	4,160	20	339	16

9. CONTRACT WORK IN PROGRESS

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Costs incurred and estimated earnings on uncompleted contracts	34,758	35,653	33,162	35,472
Progress claims received or receivable	(34,964)	(30,810)	(33,285)	(30,551)
	(206)	4,843	(123)	4,921

10. PROPERTY SETTLEMENT RECEIVABLE

The sale of the Auckland land and buildings on 31 May 2006 had a deferred settlement component of \$1,200,000. Principal repayments were: \$600,000 on 31 October 2007; \$300,000 on 31 March 2008; and \$300,000 on 8 August 2008. Interest was charged at the rate of 5% in arrears until 31 October 2007 and then at 10.5% monthly from 1 November 2007 to 8 August 2008.

Scott Technology Limited had 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 Limited.

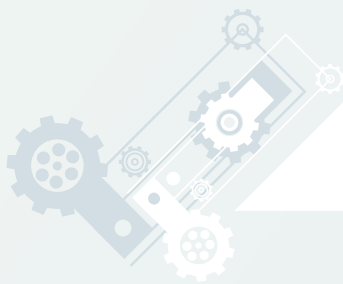
11. PROPERTY, PLANT AND EQUIPMENT

	Group						Total \$'000
	Freehold Land at Cost \$'000	Freehold Buildings at Cost \$'000	Leasehold Buildings at Cost \$'000	Plant & Vehicles at Cost \$'000	Vehicles Under Finance Lease at Cost \$'000	Assets Under Construction at Cost \$'000	
Gross carrying amount							
As at 31 August 2006	1,030	3,720	429	12,264	-	-	17,443
Additions	-	21	-	614	122	1,103	1,860
Disposals	-	-	-	(216)	-	-	(216)
As at 31 August 2007	1,030	3,741	429	12,662	122	1,103	19,087
Additions	-	-	-	247	-	1,874	2,121
Disposals	-	-	-	(207)	-	-	(207)
Acquisitions through business combinations	-	-	-	247	-	-	247
As at 31 August 2008	1,030	3,741	429	12,949	122	2,977	21,248
Accumulated depreciation/ amortisation and impairment							
As at 31 August 2006	-	-	429	9,628	-	-	10,057
Disposals	-	-	-	(143)	-	-	(143)
Depreciation expense	-	101	-	780	13	-	894
As at 31 August 2007	-	101	429	10,265	13	-	10,808
Disposals	-	-	-	(189)	-	-	(189)
Depreciation expense	-	101	-	666	30	-	797
As at 31 August 2008	-	202	429	10,742	43	-	11,416
Net book value							
As at 31 August 2007	1,030	3,640	-	2,397	109	1,103	8,279
As at 31 August 2008	1,030	3,539	-	2,207	79	2,977	9,832

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

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

	Freehold Land at Cost \$'000	Freehold Buildings at Cost \$'000	Leasehold Buildings at Cost \$'000	Parent		Assets Under Construction at Cost \$'000	Total \$'000
				Plant & Vehicles at Cost \$'000	Vehicles Under Finance Lease at Cost \$'000		
Gross carrying amount							
As at 31 August 2006	1,030	3,720	429	12,141	-	-	17,320
Additions	-	21	-	330	122	1,103	1,576
Disposals	-	-	-	(216)	-	-	(216)
As at 31 August 2007	1,030	3,741	429	12,255	122	1,103	18,680
Additions	-	-	-	134	-	1,874	2,008
Disposals	-	-	-	(204)	-	-	(204)
As at 31 August 2008	1,030	3,741	429	12,185	122	2,977	20,484
Accumulated depreciation/ amortisation and impairment							
As at 31 August 2006	-	-	429	9,518	-	-	9,947
Disposals	-	-	-	(143)	-	-	(143)
Depreciation expense	-	101	-	754	13	-	868
As at 31 August 2007	-	101	429	10,129	13	-	10,672
Disposals	-	-	-	(189)	-	-	(189)
Depreciation expense	-	101	-	567	30	-	698
As at 31 August 2008	-	202	429	10,507	43	-	11,181
Net book value							
As at 31 August 2007	1,030	3,640	-	2,126	109	1,103	8,008
As at 31 August 2008	1,030	3,539	-	1,678	79	2,977	9,303
				Group		Parent	
				2008	2007	2008	2007
				\$'000s	\$'000s	\$'000s	\$'000s
Aggregate depreciation allocated, whether recognised as an expense or as part of the carrying amount of other assets during the year:							
Freehold buildings				101	101	101	101
Plant, equipment and vehicles				666	780	567	754
Equipment and vehicles under finance lease				30	13	30	13
				797	894	698	868



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

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

Assets Under Construction - Dunedin Property

Expenditure relating to the construction of the Kaikorai Valley Road, Dunedin property was \$1,103,000 for land and \$1,874,000 for buildings as at 31 August 2008 (2007: \$1,103,000 for land and \$Nil for buildings). Future commitments for the completion of the property are disclosed in note 22.

Assets Pledged as Security

The plant and equipment of Rocklabs Limited are used as partial security for the bank facilities from Bank of New Zealand Limited.

The remainder of the Group's property, plant and equipment are used as partial security for the bank facilities from ANZ National Bank Limited.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Country of Incorporation	Ownership Interest		Fair Value	
		2008	2007	2008	2007
		%	%	\$'000	\$'000
Associates					
Robotic Technologies Limited (i)	New Zealand	50	50	16	10
Scott Euro Limited (ii)	Ireland	50	-	-	-

(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 meat processing equipment and the management of the intellectual property associated with these developments. There are several development assets held within RTL and the Group's 50% interest in these development assets at 31 August 2008 is \$788,000 (2007 \$788,000). The development's assets comprise automated boning room equipment located at various sites. Scott Technology Limited's share of RTL's net surplus was \$6,000, (2007: \$Nil).

(ii) Scott Euro Limited is Scott Technology Limited's European sales agency and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. Scott Euro Limited was formed in 2008 and has a balance date of 31 August. Scott Technology Limited's share of Scott Euro Limited's net surplus/(deficit) was \$Nil, (2007: \$Nil).

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Balance at beginning of financial year	10	10	10	10
Share of net surplus/(deficit)	6	-	-	-
Balance at end of financial year	16	10	10	10

Summarised balance sheets of associates:

Total assets	2,783	2,656
Total liabilities	2,751	2,636
Net assets	32	20
Group share of net assets	16	10

RTL and Scott Euro Limited 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 or Scott Euro Limited's liabilities with the exception that Scott Technology Limited has provided a standby letter of credit for \$800,000 (2007: \$Nil) to a customer of RTL in respect of advance payments received by RTL for contract work in progress.

13. GOODWILL

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Gross carrying amount				
Balance at beginning of financial year	-	-	-	-
Additional amounts recognised from business combinations occurring during the period	6,607	-	-	-
Balance at end of financial year	6,607	-	-	-
Accumulated impairment losses				
Balance at beginning of financial year	-	-	-	-
Impairment losses for the year	-	-	-	-
Balance at end of financial year	-	-	-	-
Net book value				
At the beginning of the financial year	-	-	-	-
At the end of the financial year	6,607	-	-	-

Allocation of goodwill to cash-generating units

Goodwill has been fully allocated for impairment testing purposes to the Rocklabs cash-generating unit.

The recoverable amount of the Rocklabs 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 a discount rate of 13.5% p.a.

Cashflow projections during the budget and forecast period for the Rocklabs 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 Rocklabs cash-generating unit.

14. BANK FACILITIES

The Group has an overdraft facility from ANZ National Bank Limited with a total limit of \$5,000,000 (2007: \$5,000,000). As at 31 August 2008 the amount used was \$687,000 (2007: \$Nil).

The Group has a Stock Exchange Bond facility, a facility in respect of the Export Credit Office Financing and a secured bill acceptance and performance bond facility from ANZ National Bank Limited with a total limit of \$14,575,000 (2007: \$15,207,000). As at 31 August 2008 the amount used was \$1,434,000 (2007: \$2,336,000). Refer note 17, Other Financial Liabilities, and note 23, Contingent Liabilities.

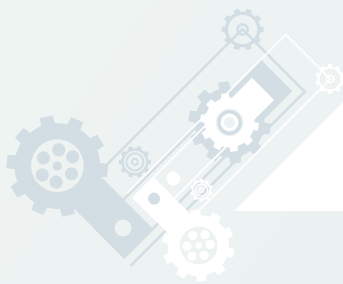
The Group has a secured credit card facility from ANZ National Bank Limited with a total limit of \$600,000 (2007: \$600,000) and Rocklabs Limited has a secured credit card facility from Bank of New Zealand Limited of \$50,000 (2007: \$Nil). As at 31 August 2008 the total amount used was \$84,000 (2007: \$43,000). The total amount used is included in trade creditors and accruals.

Rocklabs Limited has the following secured bank loan facilities from Bank of New Zealand Limited:

- (i) Fixed rate term loan facility with a limit of \$2,000,000 (2007: \$Nil), maturing on 9 July 2013 and repayable in full on maturity.
- (ii) Fixed rate term loan facility with a limit of \$3,000,000 (2007: \$Nil), maturing on 9 July 2013 and repayable by monthly principal and interest instalments based on an amortisation period of five years.

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

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Current liability	494	-	-	-
Non current liability	4,470	-	-	-
	4,964	-	-	-



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

14. BANK FACILITIES *(continued)*

The ANZ National Bank Limited facilities are secured by a first registered mortgage debenture over the assets and undertakings of Scott Technology Limited.

The Bank of New Zealand Limited facilities are secured by a security interest in all present and after acquired property of Rocklabs Limited and a guarantee of \$5,000,000 plus interest and costs from Scott Technology Limited.

Refer note 29 for the maturity profile of the bank facilities.

15. TRADE CREDITORS AND ACCRUALS

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Trade creditors	2,301	995	970	968
Accruals	1,309	653	552	643
	3,610	1,648	1,522	1,611

16 LEASES

(a) Finance lease receivables

Finance lease receivables relate to package handling systems sold by a former subsidiary of Scott Technology Limited with lease terms of three years. As at 31 August 2008 there was only one lease outstanding.

	Minimum Future Lease Receivables		Present Value of Minimum Future Lease Receivables	
	Group and Parent		Group and Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
No later than 1 year	80	203	72	176
Later than 1 year and not later than 2 years	-	80	-	72
Minimum future lease receivables	80	283	72	248
Less unearned finance income	(8)	(35)	-	-
Present value of minimum lease payments	72	248	72	248

The finance lease assets have no material residual value.

(b) Finance lease liabilities

Finance leases relate to vehicles with lease terms of 2 years.

	Minimum Future Lease Payments		Present Value of Minimum Future Lease Payments	
	Group and Parent		Group and Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
No later than 1 year	52	76	49	66
Later than 1 year and not later than 2 years	-	52	-	49
Minimum future lease payment*	52	128	49	115
Less future finance charges	(3)	(13)	-	-
Present value of minimum lease payments	49	115	49	115

16 LEASES *(continued)*

(b) Finance lease liabilities *(continued)*

	Present Value of Minimum Future Lease Payments	
	Group and Parent	
	2008 \$'000s	2007 \$'000s
Included in the financial statements as		
Current liabilities	49	66
Non current liabilities	-	49
	49	115

The fair value of the finance lease liabilities is approximately equal to their carrying value.

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

(c) Non cancellable operating lease payments

Operating leases relate to 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 does not have an option to purchase the leased asset at the expiry of the lease period.

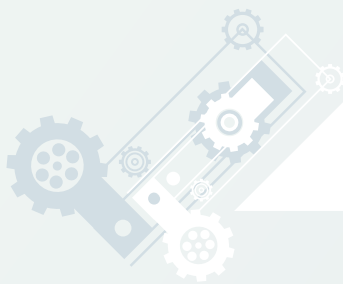
	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
No longer than 1 year	400	224	224	224
Longer than 1 year and not longer than 2 years	381	224	-	224
Longer than 2 years and not longer than 5 years	1,144	-	-	-
Longer than 5 years	2,502	-	-	-
	4,427	448	224	448

The head lessor of the 123 Crawford Street, Dunedin property has agreed to release Scott Technology Limited from the sub-lease at a mutually agreed date upon the completion of the construction of the Dunedin engineering facility.

17. OTHER FINANCIAL LIABILITIES

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
At fair value:				
Fair value hedge of firm commitments	69	573	69	573
Export Credit Office financing (i)	559	757	559	757
Foreign currency forward contracts held for trading	218	-	-	-
	846	1,330	628	1,330
Represented by:				
Current financial liabilities				
Fair value hedge of firm commitments	69	573	69	573
Export Credit Office financing	188	198	188	198
Foreign currency forward contracts held for trading	218	-	-	-
	475	771	257	771
Non current financial liabilities				
Export Credit Office financing	371	559	371	559

(i) Refer note 7



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

18. PROVISION FOR WARRANTY

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Balance at beginning of financial year	200	200	200	200
Additional provisions recognised	208	129	53	129
Reductions arising from payments/other sacrifices of future economic benefits	(58)	(129)	(53)	(129)
Balance at end of financial year	350	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.

19. SHARE CAPITAL

	Number	Group		Parent	
		2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Fully paid ordinary shares at beginning of financial year	24,964,193	7,629	7,629	7,629	7,629
Issue of shares in part settlement of acquisition of the Rocklabs business (note 25)	3,313,452	4,000	-	4,000	-
Balance at end of financial year	28,277,645	11,629	7,629	11,629	7,629

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

20. RETAINED EARNINGS

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Balance at beginning of financial year	9,502	7,910	8,828	7,225
Net surplus/(deficit) attributable to members of the parent entity	(763)	3,090	(2,351)	3,101
Dividends paid	(1,496)	(1,498)	(1,496)	(1,498)
Balance at end of financial year	7,243	9,502	4,981	8,828
Dividend – cents per share	6.0	6.0	6.0	6.0

21. MINORITY INTEREST

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Balance at beginning of financial year	-	-	-	-
Share of net assets on formation	4	-	-	-
Share of net deficit for the year	(55)	-	-	-
Balance at end of financial year	(51)	-	-	-

22. COMMITMENTS FOR EXPENDITURE

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

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Construction of Dunedin engineering facility	925	2,270	925	2,270

23. CONTINGENT LIABILITIES

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Standby letter of credit	800	-	800	-
Payment guarantees	-	1,504	-	1,504
Stock Exchange bond	75	75	75	75
Maximum contract penalty clause exposure	1,064	511	1,064	511

Payment guarantees and the standby letter of credit have been provided to customers in respect of advance payments received by the Group for contract work in progress.

Scott Technology Limited has a payment bond to the value of \$75,000 in place with the ANZ National Bank 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 need to occur before penalty clauses are imposed.

24. SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights	
			2008 %	2007 %
Parent Entity				
Scott Technology Limited (i)	31 August	New Zealand		
Subsidiaries				
Scott Systems International Incorporated (ii)	31 August	USA	100	100
Scott Service International Limited (iii)	31 August	New Zealand	100	100
Scott Automation Limited (iv)	31 August	New Zealand	100	100
Betts Engineering Limited (v)	31 August	New Zealand	100	100
Rocklabs Limited (vi)	31 August	New Zealand	100	100
Scott Rocklabs Limited (v)	31 March	New Zealand	100	-
Scott Milktech Limited (vii)	31 March	New Zealand	61	-

(i) Scott Technology Limited is the ultimate parent entity within the Group.

(ii) Scott Systems International Incorporated's principal activity is sales and service.

(iii) Scott Service International Limited's principal activity is the service and upgrade of Scott equipment worldwide.

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

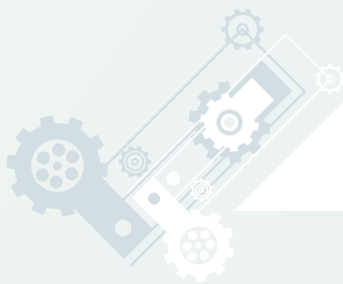
(v) Non trading subsidiaries.

(vi) Rocklabs Limited's principal activity is the manufacture and sale of automated laboratory sampling equipment for the mining industry. CBS Engineering Limited, formerly a non trading subsidiary, changed its name to Rocklabs Limited during the year (see note 25).

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

	Parent	
	2008 \$'000s	2007 \$'000s
The parent company's investment in subsidiary companies comprises:		
Shares at cost	10	5
Amounts owing from/(to) subsidiary companies	4,791	(339)
	4,801	(334)

The amounts owing from/(to) subsidiary companies are at call and interest free.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

25. ACQUISITION OF BUSINESS

Names of Businesses Acquired	Principal Activity	Date of Acquisition	Cost of Acquisition \$'000s
Rocklabs	Engineering – laboratory sampling equipment	1 April 2008	10,000

During the year the Group acquired the business of Rocklabs through former non-trading subsidiary CBS Engineering Limited, whose name was changed to Rocklabs Limited. The cost of acquisition comprises cash and shares in Scott Technology Limited. The Group entity has paid a premium for the acquiree as it believes the acquisition will introduce additional synergies to its existing operations. The fair value of the shares issued as consideration was determined by reference to the volume weighted average share price as reported by the New Zealand Stock Exchange.

Included in the net deficit for the year is \$780,000 surplus attributable to the purchase of the business of Rocklabs Limited. Had these business combinations been effected at 1 September 2007, the revenue of the Group entity would have been approximately \$33,470,000 and the net surplus before tax \$609,000.

Net Assets Acquired	Book Value \$'000s	Fair Value Adjustment \$'000s	Fair Value on Acquisition \$'000s
Current assets:			
Trade debtors	2,399	-	2,399
Other financial assets	-	537	537
Sundry debtors and prepayments	98	17	115
Inventories	2,610	-	2,610
Non current assets:			
Property, plant and equipment	229	18	247
Current liabilities:			
Trade creditors and accruals	(1,362)	-	(1,362)
Employee entitlements	(103)	-	(103)
Customer deposits	(1,008)	-	(1,008)
	2,863	572	
Goodwill on acquisition			6,607
			10,042
The cost of acquisition was settled as follows:			
Cash			6,000
Issue of shares in Scott Technology Limited			4,000
Acquisition costs			42
			10,042

1,656,726 shares in Scott Technology Limited issued to the vendor (Inchinnam Limited) in part settlement of the acquisition price are being held in trust pending the Rocklabs business achieving an agreed earnings target for the year ended 31 March 2009.

26. RELATED PARTY TRANSACTIONS

The Group owns 50% of Robotic Technologies Limited (RTL) and 61% of Scott Milktech Limited (SML). RTL and SML have paid the Group for administration service fees and for project work undertaken.

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Project work undertaken by the Group for RTL	2,125	2,148	2,125	2,148
Administration fees charged by the Group to RTL	6	6	6	6
Sales and marketing fees charged by the Group to RTL	106	74	106	74
Project work undertaken by the Group for SML	185	-	185	-
Administration fees charged by the Group to SML	6	-	6	-
Intellectual property licensing charged by the Group to SML	15	-	15	-

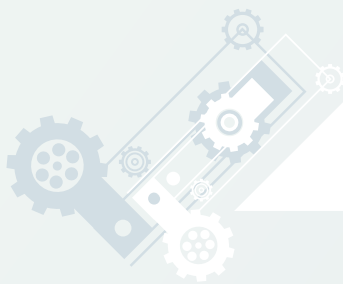
Included in trade debtors as at 31 August 2008 is \$1,702,000 (2007: \$1,664,000) for work undertaken on behalf of RTL and \$60,000 (2007: \$Nil) for work undertaken on behalf of SML.

C C Hopkins and S J McLauchlan are trustees of the Scott Technology Employee Share Purchase Scheme (2002). The balance of the loans owing to the scheme at 31 August 2008 was \$43,000 (2007: \$43,000). 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.

27. SEGMENT INFORMATION

The Group operates in two segments: the manufacture of automated sample preparation equipment for the mining industry and the manufacture of other industrial automation equipment. All manufacturing is undertaken in New Zealand. Sales centres operate in Europe; Sydney, Australia; Dallas, USA; Qingdao, China; and Shanghai, China, but these are not deemed to be individual segments. The Group operated solely in the automation industry in 2007. The mining industry segment information is for five months.

	Mining Industry	Other Automation	Total
	2008 \$'000s	2008 \$'000s	2008 \$'000s
Revenue	9,174	15,843	25,017
Depreciation	23	774	797
Net surplus/(deficit) before taxation	1,183	(2,360)	(1,177)
Tax benefit/(expense)	(403)	762	359
Net surplus/(deficit) for the period	780	(1,598)	(818)
Total assets	9,245	20,938	30,183
Total liabilities	7,943	3,419	11,362



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

28. NOTES TO THE CASHFLOW STATEMENT

	Group		Parent	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
Net surplus (deficit) for the year	(818)	3,090	(2,351)	3,101
Adjustments for non-cash items:				
Depreciation	797	894	698	868
Net gain on sale of property, plant and equipment	-	20	-	20
Net loss on foreign currency balance	-	10	-	-
Deferred tax	(311)	30	(109)	30
Share of net surplus of associate	(6)	-	-	-
Add (less) movement in working capital:				
Trade debtors	(4,228)	397	(2,209)	512
Finance lease receivables	176	221	176	221
Other financial assets	702	(413)	702	(413)
Sundry debtors and prepayments	(313)	190	4	197
Inventories	(4,140)	167	(323)	171
Contract work in progress	5,049	(4,628)	5,044	(4,706)
Taxation receivable	(141)	-	(138)	-
Trade creditors and accruals	1,962	(303)	(89)	(339)
Other financial liabilities	(484)	413	(702)	413
Employee entitlements	(360)	230	(580)	196
Warranty provision	150	-	-	-
Taxation payable	-	141	-	140
Payable to subsidiary company	-	-	-	(204)
Add items classified as investing activities:				
Movement in working capital relating to business purchase	3,189	-	-	-
Net cash inflow (outflow) from operating activities	1,224	459	123	207

Under certain debtor financing arrangements entered into by the Group, cashflows are received directly by the third party financier to the arrangement. Consequently the Balance Sheet movement related to financial assets and financial liabilities excludes the movements as a result of these non cash transactions.

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 2007.

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

29. FINANCIAL INSTRUMENTS *(continued)*

(b) Capital risk management *(continued)*

acquisition, separate funding facilities are established, provided the Directors consider that the Group has adequate equity to support these facilities.

Part of the Group's credit risk policy is to ensure that all bank covenants, together with internally set margins, are met on an on-going basis. Rocklabs Limited's banking facilities require earnings before interest and tax to exceed interest expense by 1.5 times and require Rocklabs' equity (including shareholder advances) to not fall below 40% of its total assets.

(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 of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
United States dollar	5,096	550	311	57
Euros	137	52	29	-
Australian dollars	818	250	81	9
	6,051	852	421	66

(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:

	Average Exchange Rate		Foreign Currency		NZ\$ Contract Value		Fair Value	
	2008	2007	2008 FC'000	2007 FC'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Foreign currency forward contracts held as effective hedging instruments								
<i>Sell United States dollars</i>								
Less than 3 months	0.6857	0.6346	1,650	4,650	2,406	7,328	53	704
3 to 6 months	0.6862	0.6808	2,055	600	2,995	881	8	22
6 to 12 months	0.6892	-	450	-	653	-	(6)	-
			4,155	5,250	6,054	8,209	55	726
<i>Sell Euros</i>								
Less than 3 months	0.4682	-	470	-	1,004	-	14	-
3 to 6 months	0.4735	0.5245	100	1,205	211	2,297	-	(76)
6 to 12 months	-	0.5226	-	740	-	1,416	-	(59)
			570	1,945	1,215	3,713	14	(135)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

29. FINANCIAL INSTRUMENTS (continued)

(i) Forward foreign exchange contracts (continued)

	Average Exchange Rate		Foreign Currency		NZ\$ Contract Value		Fair Value	
	2008	2007	2008 FC'000	2007 FC'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Sell Australian dollars</i>								
Less than 3 months	-	0.8963	-	365	-	407	-	(18)
					7,269	12,329	69	573
Foreign currency forward contracts held for trading								
<i>Sell United States dollars</i>								
Less than 3 months	0.7195	-	2,550	-	3,544	-	(111)	-
3 to 6 months	0.7385	-	1,200	-	1,625	-	(107)	-
			3,750	-	5,169	-	(218)	-

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

(ii) Foreign currency sensitivity analysis

The Group is mainly exposed to the United States dollar 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		Australia Impact	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Impact on profit or loss and equity:						
10% increase in New Zealand dollar	(272)	(12)	(10)	(5)	(67)	(22)
10% decrease in New Zealand dollar	332	14	12	6	82	27

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

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

(e) Credit risk management

In the normal course of business, the Group and company incur credit risk from trade receivables and transactions with financial institutions. The Group has a credit policy which is used to manage this exposure to credit risk, including requiring payment prior to shipping to high credit risk countries and customers, the use of Export Credit Office financing facilities and customer credit checks. The Group and Company, as a result of the 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 \$3,904,000 (2007: \$2,429,000).

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

Except as detailed in the following table, 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 (continued)

(e) Credit risk management (continued)

	Maximum Credit Risk	
	2008 \$'000s	2007 \$'000s
Guarantee provided to ANZ National Bank Limited on an associate's performance bond facility	2,000	2,000
Guarantee provided to Bank of New Zealand Limited on Rocklabs Limited's bank facility	5,000	-
	7,000	2,000

(f) Liquidity 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.

(i) Liquidity and interest risk tables

The following table details the Group's expected maturity for its non-derivative financial assets and the Group's remaining undiscounted contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets (except where the Group anticipates that the cash flow will occur in a different period) and on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows.

	Weighted Average Effective Interest Rate %	Group						Total \$'000
		On demand \$'000	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	5+ years \$'000	
2008								
Financial Assets								
Cash and cash equivalents	-	1,160	-	-	-	-	-	1,160
Trade debtors	-	6,686	-	-	-	-	-	6,686
Finance lease receivables	8.77%	-	80	-	-	-	-	80
Other financial assets	-	43	188	178	164	29	-	602
		7,889	268	178	164	29	-	8,528
Financial Liabilities								
Trade creditors and accruals	-	3,610	-	-	-	-	-	3,610
Finance lease payable	12.25%	-	52	-	-	-	-	52
Other financial liabilities	-	-	188	178	164	29	-	559
Employee entitlements	-	1,337	-	-	-	-	-	1,337
Bank loans	9.81%	-	957	957	957	3,914	-	6,785
		4,947	1,197	1,135	1,121	3,943	-	12,343

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

29. FINANCIAL INSTRUMENTS (continued)

(i) Liquidity and interest risk tables (continued)

	Weighted Average Effective Interest Rate %	Group						Total \$'000
		On demand \$'000	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	5+ years \$'000	
2007								
Financial Assets								
Cash and cash equivalents	-	3,476	-	-	-	-	-	3,476
Trade debtors	-	2,458	-	-	-	-	-	2,458
Finance lease receivables	8.77%	-	203	80	-	-	-	283
Other financial assets	-	43	198	188	178	193	-	800
Property settlement receivable	8.15%	-	1,263	-	-	-	-	1,263
		5,977	1,664	268	178	193	-	8,280
Financial Liabilities								
Trade creditors and accruals	-	1,648	-	-	-	-	-	1,648
Finance lease payable	12.25%	-	76	52	-	-	-	128
Other financial liabilities	-	-	198	188	178	193	-	757
Employee entitlements	-	1,697	-	-	-	-	-	1,697
		3,345	274	240	178	193	-	4,230
Parent								
	Weighted Average Effective Interest Rate %	On demand \$'000	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	5+ years \$'000	Total \$'000
2008								
Financial Assets								
Cash and cash equivalents	-	12	-	-	-	-	-	12
Trade debtors	-	4,551	-	-	-	-	-	4,551
Finance lease receivables	8.77%	-	80	-	-	-	-	80
Other financial assets	-	43	188	178	164	29	-	602
Payable by subsidiary companies	-	-	-	4,791	-	-	-	4,791
		4,606	268	4,969	164	29	-	10,036
Financial Liabilities								
Trade creditors and accruals	-	1,522	-	-	-	-	-	1,522
Finance lease payable	12.25%	-	52	-	-	-	-	52
Other financial liabilities	-	-	188	178	164	29	-	559
Employee entitlements	-	1,069	-	-	-	-	-	1,069
		2,591	240	178	164	29	-	3,202

29. FINANCIAL INSTRUMENTS *(continued)*

(i) Liquidity and interest risk tables *(continued)*

	Weighted Average Effective Interest Rate %	Parent						Total \$'000
		On demand \$'000	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	5+ years \$'000	
2007								
Financial Assets								
Cash and cash equivalents	-	3,379	-	-	-	-	-	3,379
Trade debtors	-	2,342	-	-	-	-	-	2,342
Finance lease receivables	8.77%	-	203	80	-	-	-	283
Other financial assets	-	43	198	188	178	193	-	800
Property settlement receivable	8.15%	-	1,263	-	-	-	-	1,263
		5,764	1,664	268	178	193	-	8,067
Financial Liabilities								
Trade creditors and accruals	-	1,611	-	-	-	-	-	1,611
Finance lease payable	12.25%	-	76	52	-	-	-	128
Other financial liabilities	-	-	198	188	178	193	-	757
Employee entitlements	-	1,650	-	-	-	-	-	1,650
Payable to subsidiary companies	-	-	-	339	-	-	-	339
		3,261	274	579	178	193	-	4,485

The Group has access to financing facilities, the total unused amount which is \$18.06 million at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

(g) Fair value of financial instruments

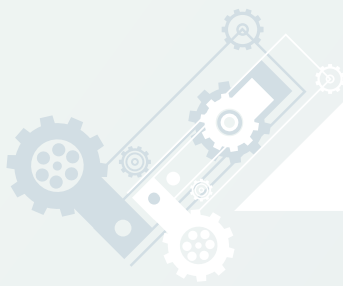
The fair values of financial assets and financial liabilities are determined as follows:

- » The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- » The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- » The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statement approximate their fair values.

30. SUBSEQUENT EVENTS

The Board of Directors announced on 7 October 2008 that no final dividend would be paid for the 2008 year (2007: \$1,498,000).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

31. IMPACTS OF THE ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group changed its accounting policies on 1 September 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 "First time adoption of New Zealand equivalents to International Financial Reporting Standards", with 1 September 2006 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected the Group's financial position and financial performance is set out below:

Reconciliation of Equity Under NZ IFRS

	Group		Parent	
	31 Aug 07 \$'000s	1 Sep 06 \$'000s	31 Aug 07 \$'000s	1 Sep 06 \$'000s
Total reported equity under superseded NZ GAAP	17,960	16,416	17,286	15,731
NZ IFRS Adjustments:				
Fair value of derivative financial instruments (i)	-	-	-	-
Employee entitlements (ii)	(448)	(548)	(448)	(548)
Debtor financing (iii)	-	-	-	-
Deferred tax (iv)	(381)	(329)	(381)	(329)
Total NZ IFRS reported equity	17,131	15,539	16,457	14,854

Reconciliation of Surplus Under NZ IFRS

	Group	Parent
	31 Aug 07 \$'000s	31 Aug 07 \$'000s
Total reported surplus under NZ GAAP	3,042	3,053
NZ IFRS Adjustments:		
Fair value of derivative financial instruments (i)	-	-
Employee entitlements (ii)	100	100
Debtor financing (iii)	-	-
Deferred tax (iv)	(52)	(52)
Total reported surplus under NZ IFRS	3,090	3,101

(i) Derivative financial instruments

Under previous NZ GAAP the foreign currency forward contracts were considered effective hedges and consequently recognised off balance sheet.

Under NZ IFRS all derivative financial instruments, including foreign exchange forward contracts, are measured at fair value and recognised in the Balance Sheet.

To the extent the foreign exchange forward contracts are effective hedges for NZ IFRS the fair value of the corresponding firm commitment is also recognised with changes in fair value being recorded in the Income Statement.

(ii) Employee entitlements

Under previous NZ GAAP certain employee entitlements such as long service leave were recognised when the entitlement became payable. Under NZ IFRS the Group is required to actuarially assess the likelihood of benefits such as long service leave and recognise these over the period of employment.

(iii) Debtor financing

Under superseded NZ GAAP certain debtor financing arrangements were de-recognised.

Under NZ IFRS the debtor financing arrangement does not meet the criteria for de-recognition under NZ IAS-39. Therefore, the debtor, and corresponding obligation under the recourse arrangement, are recognised on the Balance Sheet to the extent of Scott Technology Limited's continuing involvement.

(iv) Deferred tax

Under superseded NZ GAAP, the Group adopted the partial method of accounting for deferred tax.

Under NZ IFRS, deferred tax is determined using the 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 their corresponding tax values.

(v) Land and buildings

The Group has elected to take advantage of the deemed cost option available at the date of transition for land and buildings that were previously recognised at fair value under superseded NZ GAAP.

Effect of NZ IFRS on the Cash Flow Statement

There were no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under superseded NZ GAAP.

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 12 September 2008
1. Silveracres Nominees Limited	4,440,000
2. James Ian Urquhart	4,235,000
3. Inchinnam Limited	3,313,452

The total number of issued voting securities of the company as at 12 September 2008 was 28,277,645 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 and 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	1,072	33.3	526,930	1.9
1,001 - 5,000	1,407	43.7	3,392,560	12.0
5,001 - 10,000	422	13.1	3,032,773	10.7
10,001 - 100,000	300	9.3	6,510,540	23.0
100,001 and over	17	0.6	14,814,842	52.4
Total and percentage	3,218	100.0	28,277,645	100.0

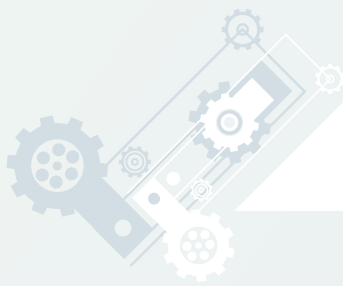
Twenty Largest Shareholders as at 12 September 2008	Shares	% of Total
1 Silveracres Nominees Limited	4,440,000	15.70
2 James Ian Urquhart	4,235,000	14.98
3 Inchinnam Limited	1,656,726	5.86
4 Gregory William Chiles & Roger Norman Macassey (Inchinnam Limited A/C)	1,656,726	5.86
5 ING (NZ) Nominees Limited	975,201	3.45
6 National Nominees New Zealand Limited	299,044	1.06
7 Custodial Services Limited (3 A/C)	202,751	0.72
8 Graham William Batts, Patricia Joy Batts & Roger Norman Macassey	190,109	0.67
9 Jack William Allan & Helen Lynnette Allan	153,797	0.54
10 Harry McMillan Hearsey Salmon	150,000	0.53
11 University of Otago (Common Fund A/C)	140,000	0.50
12 FNZ Custodians Limited	135,806	0.48
13 Graeme James Marsh	125,000	0.44
14 Lloyd James Christie	120,375	0.43
15 Investment Custodial Services Limited (C A/C)	115,721	0.41
16 Kenneth William Wigley	110,310	0.39
17 Forsyth Barr Custodians Limited (1 M A/C)	108,276	0.38
18 Eunice Marsh	100,000	0.35
19 Custodial Services Limited (5 A/C)	93,955	0.33
20 Hayden Vivian Underdown & Janice Margaret Underdown	93,955	0.33
	15,102,752	53.41

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
\$100,000 - \$110,000	2
\$110,001 - \$120,000	1
\$130,001 - \$140,000	2
\$140,001 - \$150,000	1

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



DIRECTORS' INTERESTS

Directors' shareholding as at 31 August 2008

	Beneficially Owned		Held by associated persons		Non-beneficially held	
	2008	2007	2008	2007	2008	2007
G W Batts	190,109	190,109	-	-	-	-
C C Hopkins	45,885	45,885	13,037	8,037	41,790	41,790
K J Kilpatrick*	-	170,006	5,443	5,443	-	-
S J McLauchlan**	770	n/a	25,232	n/a	41,790	n/a
M B Waller	20,000	20,000	-	-	-	-
C J Staynes	-	-	30,000	30,000	-	-
G J Marsh***	n/a	125,000	n/a	4,549,179	n/a	41,790
T D Scott****	n/a	30,000	n/a	-	n/a	-
	256,764	581,000	73,712	4,592,659		

* Retired 31 August 2008
 ** Appointed 9 October 2007
 *** Retired 6 December 2007
 **** Retired 30 May 2007

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 2002.

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 (Disposed)	Date	Consideration Paid (Received)
K J Kilpatrick	(170,006)	29 Nov 2007	(340,012)
S J McLauchlan	5,000	9 April 2008	6,500
S J McLauchlan	14,236	11 April 2008	17,583
C C Hopkins	2,769	14 July 2008	2,935
C C Hopkins	2,231	15 July 2008	2,454
S J McLauchlan	1,769	15 July 2008	1,946

Use of company information

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

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:

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 Casinos Ltd
Director	Dunedin City Holdings Ltd
Director	Dunedin International Airport Ltd
Director	Otago University Foundation Studies Ltd
Director	Scenic Circle Hotels Group Ltd
Director	Lund South Ltd
Chairman	Highlanders Trust Ltd
Trustee	Scott Technology Employee Share Purchase Scheme (2002)

K J Kilpatrick

Director	Kilmoreland Vineyards Ltd
Managing Director	Kilbrook Vineyards 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
Director	Mansa Investments Ltd
Director	Propharma Ltd
Director	PRNZ Ltd
Director	Pharmacy Retailing (NZ) Ltd
Director	Quantum Scientific Ltd
Director	Vital Medical Supplies (Australia) Pty Ltd

C J Staynes

Director	George Street Wines Limited
Director	Otago Chamber of Commerce & Industry
Trustee	4Trades Trust
Trustee	OSMA Trust
Councillor	Dunedin City Council

C C Hopkins

Chairman	Robotic Technologies Ltd
Trustee	Scott Technology Employee Share Purchase Scheme (2002)
Director	Scott Automation Ltd
Shareholder	Penfold Transmission Ltd
Director	Rocklabs Ltd
Director	Scott Systems International Inc
Director	Scott Euro Ltd
Director	Scott Milktech Ltd

G W Batts

Director	Premidee Ltd
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Remuneration of Directors

During the year ended 31 August 2008, the total remuneration and other benefits attributed to the Directors of the company were as follows:

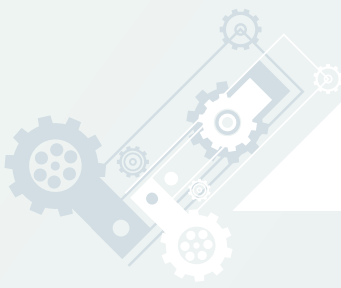
	Directors' Fees \$'000s	Other Remuneration \$'000s	Total \$'000s
G W Batts	24	22	46
C C Hopkins *	-	266	266
K J Kilpatrick*	-	217	217
G J Marsh	146**	-	146
S J McLauchlan	50	-	50
M B Waller	29	-	29
C J Staynes	29	-	29

* Denotes an Executive Director. 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 11 to 44. The financial statements provide information about the past financial performance and financial position of Scott Technology Limited and group as at 31 August 2008. This information is stated in accordance with the accounting policies set out on pages 16 to 22.

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 2008 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, due diligence 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 11 to 44:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the financial position of Scott Technology Limited and group as at 31 August 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 7 October 2008 and our unqualified opinion is expressed as at that date.

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