SCOTT

SCOTT TECHNOLOGY LIMITED ANNUAL REPORT 2005

CONTENTS

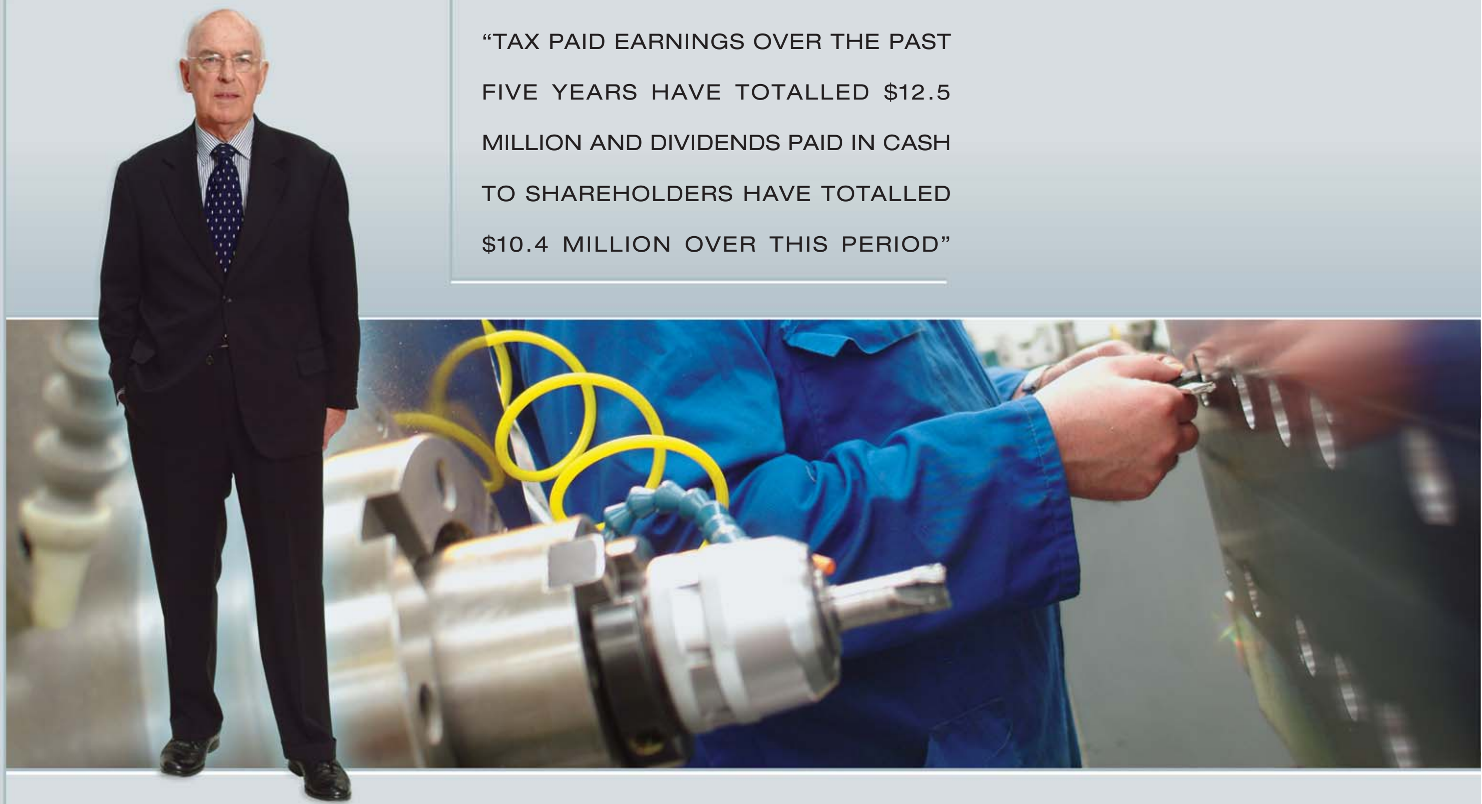
FINANCIAL CALENDAR

Annual Meeting

Thursday 8th December 2005 at 4.00pm
at the Dunedin Public Art Gallery,
The Octagon, Dunedin

Proxies Close

Tuesday 6th December 2005 at 4:00pm



"TAX PAID EARNINGS OVER THE PAST FIVE YEARS HAVE TOTALLED $12.5 MILLION AND DIVIDENDS PAID IN CASH TO SHAREHOLDERS HAVE TOTALLED $10.4 MILLION OVER THIS PERIOD"

The Directors of Scott Technology Ltd report that the company earned an audited operating surplus before tax of $459,000 on sales of $40.3m for the year ended 31 August 2005. This year's sales were the company's second highest ever and the pre-tax surplus compares with the previous year's second highest ever annual pre-tax profit of $5,526,000 achieved on sales of $35.8m. The year's result reflects the difficult trading conditions recently experienced by the company and reported to the market in our profit warnings announced to the Stock Exchange on 2nd June 2005, 17th June 2005 and 28th July 2005.

The company designed and built a record amount of equipment during the year, however a high New Zealand dollar, combined with an increasingly competitive global market, resulted in a much reduced sales value in New Zealand dollars. Our operating margins had additional pressure during the year as a result of the global demand for steel and the buoyant domestic economy which increased our material, labour and local support costs with resulting cost overruns.

Research and development costs in the meat and robotics projects were fully expensed again this year and the depreciation charge for the year was $1.1m.

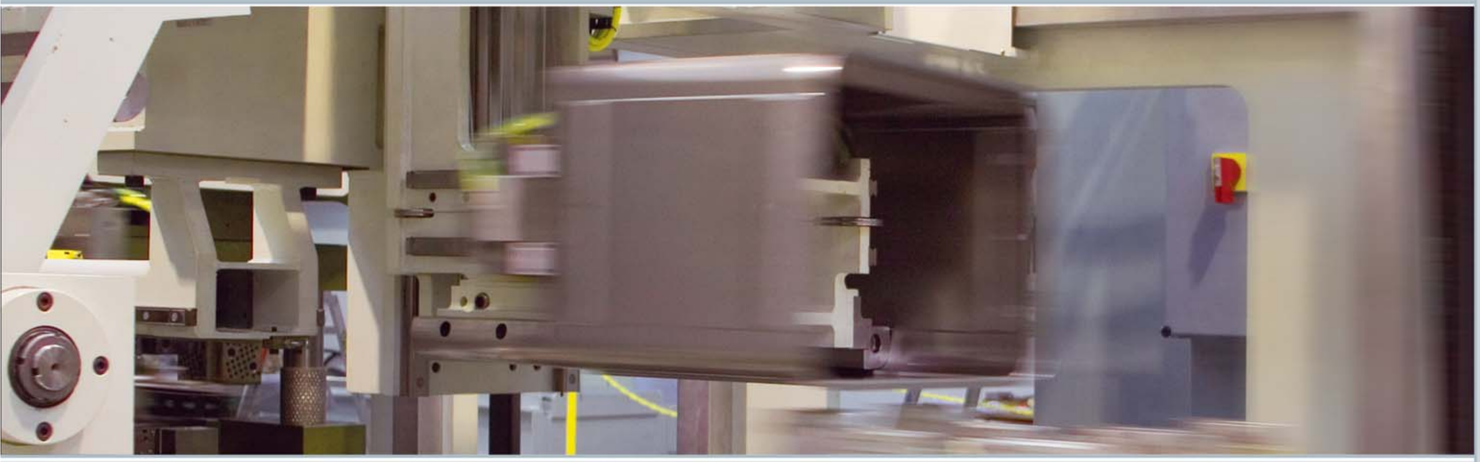
Total shareholders equity at 31 August 2005 of $14.7m remains satisfactory after payment of $2.7m in dividends to shareholders during the year.

The high level of work being undertaken and changing payment terms resulted in an increase in work in progress and a net operating cash outflow of $1.7m. The major contracts being underwritten by the NZ Export Credit Office require Scotts to largely fund the work in progress with substantial payments on completion of the contracts, resulting in some bank funding during the construction period.

The balance sheet remains strong with good liquidity indicated by current assets of $11.6m exceeding current liabilities by $4.7m. At balance date the company maintained its position of having no long term debt.

Dividend

The Directors commitment to maintaining a relatively high dividend pay out resulted in a 4 cent interim dividend being declared and paid based on our half year result. Given the difficult trading conditions in the second half of the year, the interim dividend exceeds our surplus for the year and accordingly the



Directors have decided not to pay a final dividend. Scott Technology has consistently paid a high proportion of its annual tax paid earnings as cash dividends to its shareholders. Tax paid earnings over the past five years have totalled $12.5m and dividends paid in cash to shareholders have totalled $10.4m over this period.

Outlook

As previously reported, the company is continuing to take steps to improve productivity and manufacturing efficiencies. This includes an ongoing review of our offshore purchasing of materials and components, to assist the company offset the impact of the high New Zealand dollar. The Board and management have undertaken a major review of the company's operating structure and this continues to be an ongoing process as we seek to raise the company's performance and competitiveness through refined design engineering, cost reduction and efficiency improvement. Mr Chris Hopkins, formerly Financial Controller, has been appointed General Manager and will focus on the operational aspects of the business. This will enable Mr Kevin Kilpatrick, Chief Executive, to focus on international marketing and product design.

Mr Mark Jackson was appointed Financial Controller when Mr Chris Hopkins became General Manager.

Scott Technology is a world leader in the design and manufacture of sophisticated automated production lines and as current major contracts are completed our appliance work load will reduce, but the company has a good level of order enquiry globally, including a resurgence of interest from the North American market.

In many industries worldwide there is an increasing trend towards factory automation to produce more sophisticated products at economical prices and Scott Technology is well placed to benefit from this global trend.

Over recent years Scott has diversified its technology skills into automation in the meat and food industries and other related areas which has enabled Scott's to achieve a more diverse business base.

Scott Automation has a strong current work load for clients in New Zealand and Australia, somewhat lessening our dependency on sales in Euros and US dollars.

Scott Technology, like most exporters, has faced several operating challenges, including an artificially high New Zealand exchange rate substantially influenced by non trade related investment and speculation. Only a small proportion of New Zealand's foreign currency transactions are backed by exports or imports. The balance is investment and speculative activity. As New Zealand's external deficit continues to deteriorate as a result of cheap imports and increasing fiscal challenges to exporters, we can, in due course, expect a realistic realignment in our currency. Additionally, New Zealand is experiencing a very competitive labour market exacerbated by a high level of net migration of people leaving New Zealand, many of them highly skilled. The record global oil prices have also impacted shipping costs which disproportionally affect New Zealand exporters because of our distance from the Northern hemisphere markets.

The Directors and executives of Scott Technology are absolutely committed to directing the company's considerable resources to areas where Scotts can apply its unique skills and in the medium term achieve the financial results evident over recent years.

Mr Eion Edgar has been a Director of Scott Technology Limited since the company was listed on the NZ Stock Exchange in 1997. Because of his increasing time commitment as President of the NZ Olympic Committee Mr Edgar has advised that he will not be offering himself for re-election. Mr Edgar has made a valuable contribution to the governance of the company during his eight years on the Scott Technology Limited Board. Following the appointment of Mr Mark Waller as a Director prior to the last Annual Meeting, it is proposed that the Board continue with six members.

Finally, I would like to thank our employees who have once again contributed so much in a difficult year and also my fellow Directors for their continued support and counsel during the year.

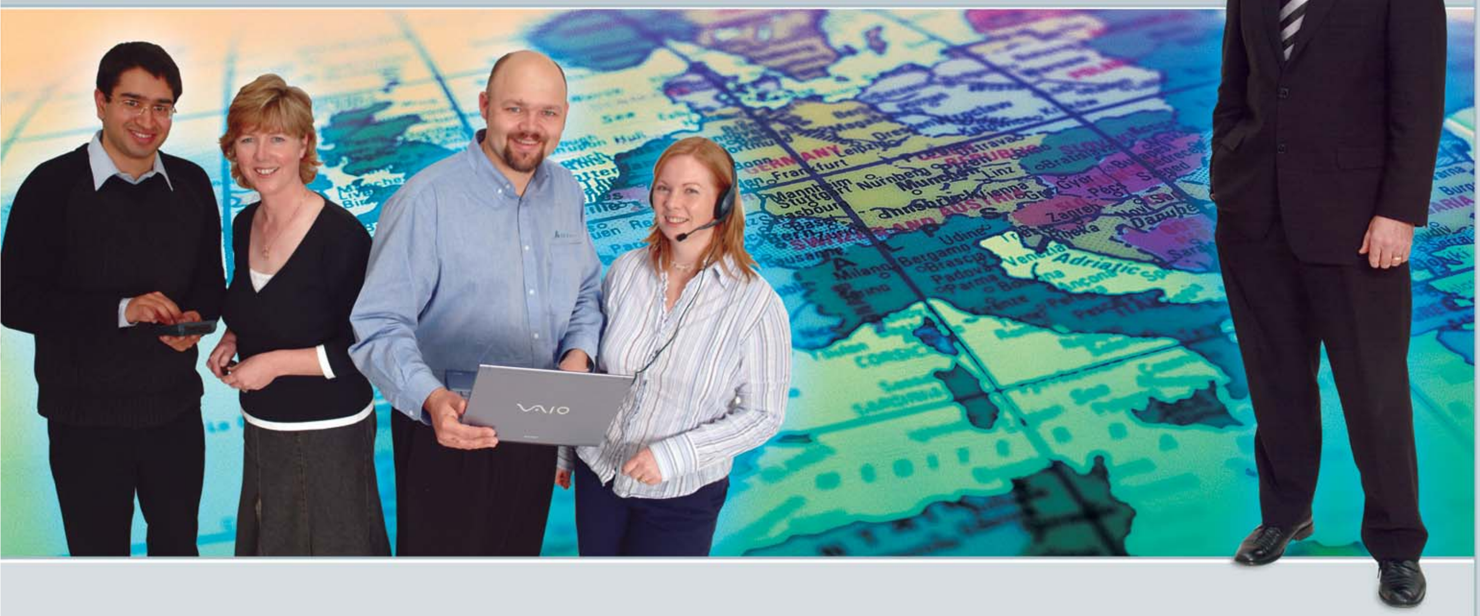
Graeme J. Marsh.

Graeme J. Marsh

Chairman

CHIEF EXECUTIVE'S REPORT

"THE COMPANY IS COMMITTED TO THE IMPROVEMENT OF PROFITABILITY THROUGH THE CONTINUAL DEVELOPMENT AND IMPLEMENTATION OF MEASURES TO BOLSTER COMPETITIVE ADVANTAGE"



The year ended 31 August 2005 was a very challenging year for the Company, particularly for our appliance system business, with a record throughput but at a greatly reduced margin due primarily to a high NZ to US Dollar exchange rate.

The Company is committed to the improvement of profitability through the continual development and implementation of measures to bolster competitive advantage. A key target for management is the control of costs including smarter purchasing to further reduce operating costs within the company's global business environment. To mitigate the impact of high foreign currency exchange upon our predominantly export driven manufacturing business, offshore outsourcing and component supply opportunities, especially those from within lower cost countries, are being actively pursued and developed.

During the year the Scott group delivered equipment to clients in the USA, Mexico, Turkey, Poland, China, Australia and locally within New Zealand. This required a considerable number of Scott Technology staff to travel to install and commission Scott equipment around the world. Carried forward into the 2006 year, the company has contracts to ship and install appliance equipment in Russia, China and the USA and our meat and package handling divisions have contracts to ship and install equipment in Australia and New Zealand highlighting our continuing global market.

A key business driver for Scott, is the timing of the completion of projects and the commencement of new contracts. At times an overlap means that the company has an excess work load, thus putting pressure on resources to manage delivery expectations.

Several CNC machine tools were purchased for the three divisions during the year to complement the existing machine shop facilities. These machine tools will positively contribute to efficiency gains within the machining aspect of our business and in particular they will enable the company to increase training of our young apprentices who will become our next generation of skilled trades people.

The company's sales and marketing activities continued on a global front throughout the year with a market study of India as a potential appliance systems market for the medium to long term.

Appliance Systems - Christchurch

Scott Technology's Christchurch based "Appliance Systems" throughput for the year was at a record level in terms of the amount and sophistication of equipment measured in US Dollars. Currency exchange rates however, combined with intense market pressures and rising costs, impacted the Company's ability to maintain margins.

During the year, a technically sophisticated manufacturing plant consisting of three major production lines was designed, constructed, shipped and installed for an appliance manufacturer in Turkey. This was a very ambitious project having a very tight deadline and it incurred additional costs in part due to a significant amount of subcontracting work and increased developmental costs. The commissioning of this equipment, however, is now well advanced and the system will soon be a strong marketing point for future sales with this customer and within the eastern European region.

Several other major systems were shipped and installed in China, Mexico, the USA and Australia during the year.

Automation Systems - Dunedin

Scott Technology's Dunedin based "Automation Systems" made considerable progress during the year with the development of its meat industry robotics programme. Several machines are now operating at a PPCS plant with others at various stages of development. The Company continues to work closely with PPCS and with Meat and Livestock Australia 'MLA' in Australia, where the Company expects to develop a substantial market.

Automation Systems enters the 2006 year with a high level of meat processing automation work ahead of it. A significant portion of this workload will be carried out in conjunction with MLA, along with several Australian meat processors. The Company's investment in research and development within the meat industry is expected to lead to the progressive and significant commercialisation of this equipment in the future.

Automation Systems also carries forward into the 2006 year a very significant project to design and build multiple production systems for an Australian company which will globally market their innovative product and those machines which manufacture the product.

Package Handling Systems - Auckland

Scott Technology's Auckland based "Package Handling Systems" achieved further market share in the industry during the year with significant orders being secured in both New Zealand and Australia. The division enters the 2006 year with a good forward order book including a substantial contract to provide an automated conveying and robotic palletising system to a large New Zealand dairy products company.

Outlook

The outlook for the company is strong but there will be a period of recovery following on from the present economic condition. The Company's major priority for the year ahead is to improve profitability through efficiency and cost reduction programmes.

The Company's focus will be to maintain a high level of forward work for both the Dunedin and Auckland divisions from their Australasian markets and to secure significant orders for the Christchurch division from the strong enquiries for appliance systems globally.

Every member of our staff has made a valuable contribution and many have put in an exceptional effort, in what has been one of our more challenging years because of the high work load. The past year has placed significant pressure on staff and we look forward to improving the work environment and returns to all stakeholders in the year ahead.

I take this opportunity to acknowledge and thank all the staff for their effort and contribution during the year.

K. Kilpatrick

Kevin Kilpatrick
Chief Executive Officer

BOARD OF DIRECTORS

EION S. EDGAR

DCNZM, BCom, FCA, ACCM

Queenstown
Appointed Director 1997

Mr Edgar is Chairman of Forsyth Barr Group Ltd, Queenstown Resort College, Sinclair Investments Ltd, and a Director of Accident Compensation Corporation, Martinborough Vineyards Estates Ltd, Mobile Surgical Services Ltd, Mr Chips Holdings Ltd and Structureflex Group Ltd. He is Trustee of Arts Foundation of New Zealand, Central Lakes Trust, The Halberg Trust, The Skeggs Foundation, Patron Wakatipu Trails Trust, President of N.Z. Olympic Committee and Chairman Dunedin Indoor Sports Venue Trust.

GRAEME J. MARSH

CBE, BCom, FCA, Life FNZIM, Dist. FInstD

Dunedin
Chairman of Directors
Appointed Director 1969

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

CHRIS C. HOPKINS

BCom, CA

Dunedin
Executive Director
Appointed Director 2001

Mr Hopkins joined the Donaghys Group, which included Scott Technology Ltd, in 1994 as Corporate Services Manager. In 1996, he assumed responsibility for the finance and administration for the company and oversaw the transition to a public listed company in 1997. He was appointed a Director of Scott Technology Ltd in August 2001.

GRAHAM W. BATTS

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.

TREVOR D. SCOTT

BCom, FCA (PP), FNZIM

Dunedin
Appointed Director 1997

Mr Scott is a Chartered Accountant in public practice and Chairman of Arthur Barnett Limited, Pacific Edge Biotechnology Ltd, Mercy Hospital Dunedin Limited, a Director of NZ Light Leathers Ltd, New Zealand Seed Fund, Hirequip New Zealand Ltd, ING Properties Ltd, Neuren Ltd and several other private companies. He is a Councillor of the University of Otago.

MARK B. WALLER

BCom, ACA, FNZIM

Christchurch
Appointed Director 2004

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

KEVIN J. KILPATRICK

FNZIM, NZCE

Christchurch
Chief Executive Officer
Appointed Director 2001

Mr Kilpatrick joined the company in 1968 as an Engineering Design apprentice. From 1983 to 1995 Mr Kilpatrick was the Manager of the Christchurch Engineering Division and an executive board member. In 1995, Mr Kilpatrick was appointed to the position of Director of Engineering for the Scott Group. He was appointed Chief Executive Officer and a Director of Scott Technology Limited in March 2001.

The corporate governance processes set out in this statement do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code. This statement follows the nine principles published by the Securities Commission in February 2004 and reports on how Scott Technology Limited seeks to comply with these principles.

1. Ethical standards

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

The code of conduct covers such matters as;

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

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

2. Board composition and performance

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

3. Board Committees

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

Audit Committee

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of the five 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 overviews the company's treasury practices, including foreign exchange cover and short term cash investments. The Treasury Committee comprises Trevor Scott and Chris Hopkins.

4. Reporting and disclosure

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

The board audit committee and external auditors have a pivotal role in ensuring the integrity of the publicly released financial documents.

In addition to the annual report and interim results, continuous disclosure to the NZ stock exchange form part of the reporting and disclosure of the group.

As part of these continuous disclosure obligations, there are formal procedures, including the chairman's approval for the public release of company information.

The Financial Controller certifies that the published financial reports comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the group.

5. Remuneration

As mentioned above, the Remuneration and Nomination Committee sets the remuneration of Directors, both Executive and Non Executive. Remuneration and other benefits paid to Directors are disclosed on page 23.

The company recognises the need to provide competitive remuneration to attract and retain high calibre executives and directors.

6. Risk Management

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

7. Audit

The Board, through the Audit Committee, has ensured the quality and independence of the external audit process is maintained. To maintain auditor independence, the audit partner will be rotated at intervals not exceeding 5 years. Audit fees and other services, primarily tax advice, performed by Deloitte are disclosed on page 15 of the financial statements.

8. Shareholder relations

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

9. Stakeholder interests

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

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

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Operating revenue	1 (a)	**40,324**	35,893	**26,310**	22,314
Operating surplus/(deficit) before tax	1 (b)	**459**	5,526	**(444)**	4,909
Income tax charge	2	**(144)**	(1,810)	**-**	(1,611)
Net surplus/(deficit) for the year		**315**	3,716	**(444)**	3,298

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2005

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Equity at beginning of year	**17,153**	16,932	**15,385**	15,582
Total recognised revenue and expenses				
Net surplus/(deficit) for the year	**315**	3,716	**(444)**	3,298
Other movements				
Dividends paid to owners - prior year final	**(1,747)**	(1,997)	**(1,747)**	(1,997)
- current year interim	**(999)**	(1,498)	**(999)**	(1,498)
	(2,746)	(3,495)	**(2,746)**	(3,495)
Equity at end of year	**14,722**	17,153	**12,195**	15,385

The notes appearing on pages 13 to 20 form part of, and are to be read in conjunction with, this statement.

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2005

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Equity					
Share capital	3	**7,629**	7,629	**7,629**	7,629
Capital reserves	4	**1,203**	1,203	**1,203**	1,203
Revenue reserves	4	**5,890**	8,321	**3,363**	6,553
Total shareholders' equity		**14,722**	17,153	**12,195**	15,385
Current liabilities					
Bank overdraft (secured)	10	**3,093**	-	**3,240**	-
Trade creditors		**1,878**	2,984	**1,040**	2,167
Sundry creditors and accruals		**632**	424	**368**	242
Employee entitlements		**1,063**	1,206	**895**	1,006
Provision for warranty	5	**200**	200	**200**	200
		6,866	4,814	**5,743**	3,615
		21,588	21,967	**17,938**	19,000
Non current assets					
Property, plant and equipment	6	**9,422**	9,932	**7,762**	8,129
Investment in subsidiary companies	7	**-**	-	**1,002**	1,002
Investments in associates	8	**10**	7	**-**	-
Other investments		**48**	88	**48**	88
Deferred tax benefit	9	**486**	383	**486**	383
		9,966	10,410	**9,298**	9,602
Current assets					
Cash and bank	10	**-**	1,869	**-**	1,570
Trade debtors		**4,361**	6,015	**1,052**	3,045
Finance lease receivable	11	**397**	243	**-**	-
Sundry debtors and prepayments		**81**	61	**149**	134
Inventories	12	**168**	354	**79**	147
Contract work in progress (net)	13	**5,920**	2,904	**5,321**	1,562
Tax refund due		**695**	111	**690**	116
Receivable from subsidiary company	7	**-**	-	**1,349**	2,824
		11,622	11,557	**8,640**	9,398
		21,588	21,967	**17,938**	19,000

For and on behalf of the Board of Directors, which authorised the issue of the financial report on 13 October 2005.

G. J. Marsh
Director

K. J. Kilpatrick
Director

The notes appearing on pages 13 to 20 form part of, and are to be read in conjunction with, this statement.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from operations		**38,846**	37,149	**24,596**	24,178
Interest received		**61**	104	**29**	85
		38,907	37,253	**24,625**	24,263
Cash was applied to:					
Payments to suppliers and employees		**39,428**	29,044	**25,269**	16,481
Interest paid		**300**	49	**293**	44
Company taxes paid		**832**	2,042	**811**	2,015
		40,560	31,135	**26,373**	18,540
Net cash (used in)/from operating activities	14	**(1,653)**	6,118	**(1,748)**	5,723
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		**69**	238	**19**	3
Sale of investments		**40**	45	**40**	84
		109	283	**59**	87
Cash was applied to:					
Purchase of associate		**-**	10	**-**	-
Purchase of property, plant and equipment		**672**	2,580	**375**	1,953
		672	2,590	**375**	1,953
Net cash used in investing activities		**(563)**	(2,307)	**(316)**	(1,866)
Cash flows from financing activities					
Cash was applied to:					
Dividends paid		**2,746**	3,495	**2,746**	3,495
Net cash used in financing activities		**(2,746)**	(3,495)	**(2,746)**	(3,495)
Net movement in bank position		**(4,962)**	316	**(4,810)**	362
Less effect of exchange rate change on foreign currency balance		**-**	(8)	**-**	-
Opening bank position		**1,869**	1,561	**1,570**	1,208
Closing bank position (overdraft)		**(3,093)**	1,869	**(3,240)**	1,570
Represented by:					
Cash and bank (overdraft)		**(3,093)**	1,869	**(3,240)**	1,570

The notes appearing on pages 13 to 20 form part of, and are to be read in conjunction with, this statement.

Reporting Entity

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

Measurement base

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

Specific accounting policies

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

1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiary companies using the purchase method. The consolidated financial statements incorporate the group's interest in associates, using the equity method. The group recognises its share of associate's net surplus or deficit for the year as operating revenue in its statement of financial performance. All significant intercompany transactions have been eliminated on consolidation.

2. Valuation of assets

2.1 Land and buildings

Land and buildings are revalued at appropriate intervals, not exceeding three years, based on independent valuations.

2.2 Plant, equipment and vehicles

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

2.3 Impairment

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

2.4 Investments

Investments in subsidiaries are valued at cost. Investment in associates are valued at cost adjusted by the cumulative share of the associates net surplus or deficits. Other investments are included at cost.

2.5 Debtors

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

2.6 Inventories

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

2.7 Contract work in progress

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

3. Income recognition - long-term contracts

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

4. Depreciation

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

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

5. Taxation

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

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

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

6. Financial instruments

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

7. Research and development

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

8. Foreign currencies

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

9. Cash flows

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

10. Warranty Provision

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

11. Finance Leases

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

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

12. Changes in accounting policies

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

	Consolidated		Parent Company	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
1. Operating revenue and Operating surplus/(deficit)				
(a) Operating revenue				
Sales revenue	**40,263**	35,789	**26,281**	22,229
Interest received	**61**	104	**29**	85
	40,324	35,893	**26,310**	22,314
(b) Operating surplus/(deficit)				
The operating surplus/(deficit) is stated after charging:				
Auditor's remuneration - audit services	**36**	30	**36**	30
- other services/ taxation services	**7**	11	**7**	11
Depreciation - freehold buildings	**73**	107	**73**	107
- leasehold buildings	**33**	33	**-**	-
- plant, equipment and vehicles	**997**	979	**642**	613
Directors' fees	**131**	100	**131**	100
Foreign exchange translation	**38**	59	**-**	-
Interest - bank overdraft	**300**	49	**294**	44
Loss on sale of property, plant and equipment	**10**	-	**8**	-
Leasing and rental costs	**244**	248	**183**	183
Share of associates' net deficit	**-**	3	**-**	-
and after crediting:				
Foreign exchange gains	**116**	632	**101**	685
Gain on sale of property, plant and equipment	**-**	54	**-**	2
Share of associates' net surplus	**3**	-	**-**	-

Discontinued Activities

On 28 October 2004, the Group sold its interest in the Wine and Indent division with effect from 1 September 2004. The consolidated results for 2004 include a full years trading of this former activity. The associated assets were sold at book value, accordingly there was no profit or loss arising on sale.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
The contribution from discontinued activities was:				
Operating revenue	**-**	2,388	**-**	-
Operating (deficit) before tax	**-**	(20)	**-**	-

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
2. Income tax charge				
Operating surplus/(deficit) before tax	**459**	5,526	**(444)**	4,909
Prima facie tax at 33%	**151**	1,824	**(147)**	1,620
Tax effect of permanent differences	**(7)**	(14)	**147**	(9)
	144	1,810	**-**	1,611
Represented by:				
Current tax	**234**	1,691	**90**	1,492
Deferred tax	**(90)**	119	**(90)**	119
	144	1,810	**-**	1,611
Under/(Over) provision prior years - current tax	**13**	1	**13**	1
- deferred tax	**(13)**	(1)	**(13)**	(1)
	144	1,810	**-**	1,611

The unrecognised deferred tax liability at 31 August 2005, in accordance with accounting policy note 5 is $219,246 (2004: $214,748).

	No:	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
3. Share capital					
Fully paid ordinary shares at end of year	24,964,193	**7,629**	7,629	**7,629**	7,629

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

	Consolidated		Parent Company	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
4. Movements in reserves				
(a) Capital reserves				
Balance at end of year	**1,203**	1,203	**1,203**	1,203
(b) Revenue reserves				
Balance at beginning of year	**8,321**	8,100	**6,553**	6,750
Net surplus/(deficit) for the year	**315**	3,716	**(444)**	3,298
Dividend paid from revenue reserves	**(2,746)**	(3,495)	**(2,746)**	(3,495)
Balance at end of year	**5,890**	8,321	**3,363**	6,553

5. Provision for warranty

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Balance at beginning of year	**200**	500	**200**	200
Expensed during the year	**(15)**	(403)	**(10)**	(76)
Increase in provision	**15**	103	**10**	76
Balance at end of year	**200**	200	**200**	200

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

6. Property, plant and equipment

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Freehold land				
At cost	**144**	144	**144**	144
At valuation	**515**	515	**515**	515
	659	659	**659**	659
Freehold buildings				
At cost	**2,343**	2,250	**2,343**	2,250
At valuation	**3,035**	3,035	**3,035**	3,035
Accumulated depreciation	**(271)**	(124)	**(271)**	(124)
	5,107	5,161	**5,107**	5,161
Leasehold buildings				
At cost	**429**	429	**-**	-
Accumulated depreciation	**(415)**	(381)	**-**	-
	14	48	**-**	-
Plant, equipment and vehicles				
At cost	**7,796**	7,463	**3,934**	3,697
At valuation	**5,349**	5,349	**4,466**	4,466
Accumulated depreciation	**(9,503)**	(8,748)	**(6,404)**	(5,854)
	3,642	4,064	**1,996**	2,309
	9,422	9,932	**7,762**	8,129

The Christchurch freehold property is valued in accordance with valuation reports of independent registered valuers dated August 2003. The valuers were Ford Baker Valuation who are members of the New Zealand Institute of Valuers.

The Auckland freehold property was acquired in 2002 and renovated in 2004. This property is recorded at cost and will be revalued in 2006 in accordance with accounting policy 2.1.

		Consolidated		Parent Company	
		2005	2004	**2005**	2004
		$000	$000	**$000**	$000
7.	**Investments in subsidiary companies**				
	(a) The parent company's investment in subsidiary companies comprised:				
	Shares at cost			**1,002**	1,002
	Amounts owing from subsidiary companies			**1,349**	2,824
				2,351	3,826

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

8. Investments in associates

Scott Automation's joint venture with PPCS, Robotic Technologies Ltd (RTL), was formed in October 2003 and has a balance date of 31 August. RTL's principal activity is marketing and development of meat processing equipment. Scott Automation's ownership and voting interest in RTL is 50% and has been consolidated on an equity basis.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Carrying value of Associate				
Balance at beginning of year	**7**	-	**-**	-
Investment	**-**	10	**-**	-
Share of net surplus/(deficit)	**3**	(3)	**-**	-
Balance at end of year	**10**	7	**-**	-
Associates share of net surplus/(deficit)				
Share of surplus/(deficit) before tax	**3**	(3)	**-**	-
Share of tax	**-**	-	**-**	-
Share of net surplus/(deficit)	**3**	(3)	**-**	-

The associate does not have any contingent assets, contingent liabilities or commitments for capital expenditure. The group is not jointly and severally liable for any of the associates liabilities.

9. Deferred tax benefit

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Balance at beginning of year	**383**	501	**383**	501
Current year timing differences	**90**	(119)	**90**	(119)
Adjustment to prior year estimate	**13**	1	**13**	1
Balance at end of year	**486**	383	**486**	383

10. Bank facilities

The Group's banking arrangements are fully secured by a debenture charge given over the assets of Scott Technology Limited.

11. Finance lease receivables

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Receivable from leases	**463**	279	**-**	-
Unearned interest	**(66)**	(36)	**-**	-
	397	243	**-**	-

12. Inventories

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
The major categories are:				
Raw materials	**131**	225	**27**	32
Other work in progress	**37**	129	**52**	115
	168	354	**79**	147

13. Contract work in progress (net)

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Costs incurred and estimated earnings on uncompleted contracts	**53,217**	43,023	**34,247**	30,144
Progress claims receivable	**(47,297)**	(40,119)	**(28,926)**	(28,582)
	5,920	2,904	**5,321**	1,562

	Consolidated		Parent Company	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
14. Reconciliation of net surplus/(deficit) for the year to net cash used in operating activities				
Net surplus/(deficit) for the year	**315**	3,716	**(444)**	3,298
Add/(less) non cash items				
Depreciation	**1,103**	1,119	**715**	719
Deferred tax benefit	**(103)**	118	**(103)**	118
Share of associates' (surplus)/deficit	**(3)**	3	**-**	-
Net loss on foreign currency balance	**-**	8	**-**	-
	997	1,248	**612**	837
Add/(less) movements in working capital items				
Debtors, prepayments and finance lease receivables	**1,480**	53	**1,978**	1,738
Inventories	**186**	(137)	**68**	(12)
Contract work in progress	**(3,016)**	1,062	**(3,759)**	(314)
Creditors, accruals and provisions	**(1,041)**	580	**(1,112)**	479
Tax refund due	**(584)**	(350)	**(574)**	(342)
Inter-company advances	**-**	-	**1,475**	41
	(2,975)	1,208	**(1,924)**	1,590
Less items classified as investing				
Loss/(gain) on sale of property, plant and equipment	**10**	(54)	**8**	(2)
Net cash (used in)/from operating activities	**(1,653)**	6,118	**(1,748)**	5,723
15. Imputation credits				
Balance at beginning of year	**3,236**	2,943	**3,236**	2,943
Taxation payments (net)	**811**	2,014	**811**	2,014
Imputation credits attached to dividends paid	**(1,353)**	(1,721)	**(1,353)**	(1,721)
Balance at end of year	**2,694**	3,236	**2,694**	3,236
16. Contingent liabilities				
Payment guarantees	**669**	1,576	**669**	1,576
Stock exchange bond	**75**	75	**75**	75
Non guaranteed portion of financing arrangement	**601**	-	**601**	-
	1,345	1,651	**1,345**	1,651

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

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

Scott's have provided long term financing to a customer whereby the customer makes repayments for equipment purchased over 6 years. The discounted future payments have been sold to the ANZ Bank using a bill of exchange facility. An arrangement with the NZ Governments' Export Credit Office (ECO) guarantees between 90% and 95% of the customer's future payments. Utilising the guarantee Scott's have discounted the future payments due from the customer and applied the receipt from the ANZ Bank to the outstanding debtor. If the customer defaults on its payments, Scott's maximum liability is between 5% and 10% of the outstanding balance at that time. The maximum exposure calculated at 10% of the outstanding balance at 31 August 2005 is $601,000 and will reduce over the next 6 years as payments are made by the customer.

The Group has exposure to penalty clauses on its projects. These clauses relate to delivery criteria and are becoming increasingly common in our international contractual agreements. There is a clearly defined sequence of events that need to occur before these are imposed. The maximum exposure on projects under construction at 31 August 2005 is $436,000.

The parent company guarantees the obligations of subsidiary companies.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
17. Lease commitments				
Lease liabilities at balance date are classified as due:				
Within 1 year	**183**	183	**183**	183
Within 1 - 2 years	**183**	183	**183**	183
Within 2 - 5 years	**366**	550	**366**	550
	732	916	**732**	916

	Consolidated		Parent Company	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000

18. Capital commitments

No commitments or contracts have been entered into for future capital expenditure.

19. Related party transactions

The Group rents premises and has purchased vehicles from interests associated with Mr. G.J. Marsh. Such transactions have been conducted on an arms length basis as follows:

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Purchase of vehicles	**35**	25	**35**	25
Rental of premises	**183**	183	**183**	183

The Group owns 50% of Robotic Technologies Limited (RTL). RTL has paid the Group for administration service fees and for project work undertaken. These transactions have been conducted on an arms length basis as follows:

	Consolidated 2005 $000	Consolidated 2004 $000	Parent Company 2005 $000	Parent Company 2004 $000
Project work undertaken by the Group for RTL	**1,921**	657	**-**	-
Administration fees charged by the Group to RTL	**6**	4	**-**	-
Sales and marketing fees charged by the Group to RTL	**17**	-	**-**	-

Included in trade debtors as at 31 August 2005 is an amount of $1,830,547 (2004: Nil) for work undertaken on behalf of RTL.

20. Segment information

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

21. Financial instruments

The estimated fair values of financial instruments for the Group at 31 August 2005 were :

	2005		2004	
	Carrying amount $000	**Fair value $000**	Carrying amount $000	Fair value $000
On balance sheet financial instruments				
Cash and short term deposits	**-**	**-**	1,869	1,869
Trade debtors	**4,361**	**4,361**	6,015	6,015
Bank overdraft	**3,093**	**3,093**	-	-
Trade creditors	**1,878**	**1,878**	2,984	2,984

	2005		2004	
	Face value $000	**Fair value $000**	Face value $000	Fair value $000
Off balance sheet financial instruments				
Foreign currency forward exchange contracts with external banks	**17,432**	**17,070**	24,882	23,186

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

On balance sheet financial instruments
The carrying amount is equivalent to the fair value.

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

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

The group is exposed to movements in interest rates in relation to cash which is invested on a short term basis and in relation to bank facilities, which when utilised, incur interest at their floating interest rate.

21. Financial instruments (continued)

Concentration of credit risk

In the normal course of business, the group and company incur credit risk from trade receivables and transactions with financial institutions. The group has a credit policy, which is used to manage this exposure to credit risk. The group and company do not have any significant concentrations of credit risk other than the 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.

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

22. Employee share purchase plan

On 9 August 2002 the company entered into a deed of trust creating the "Scott Technology Employee Share Purchase Scheme (2002)". Under the deed Scott Technology advanced the scheme, by way of an interest free loan, $188,890 and on 5 December 2002 the scheme acquired 145,300 shares at a price of $1.30 per share. The scheme was available to all full-time permanent employees who had completed at least 24 months of continuous service with the company. Directors were not eligible to participate in the scheme. Eligible employees were able to purchase shares to a total value of $1,950 per employee on an interest-free basis for a period of three years. The shares allocated to eligible employees will not be vested until the expiry or the full repayment of the loan by the employees. The trustees, pursuant to a trust deed, administer the shares in the scheme until ownership of the shares is vested with the employee.

The trustees of the scheme are G.J. Marsh and C.C. Hopkins. The Board of Scott Technology Limited has the power to appoint and remove trustees.

	2005	2004
Shares held by trustees at beginning of year	**176,354**	156,758
Bonus Issue 1:8 - November 2003	**-**	19,596
Distribution to beneficiaries	**(5,697)**	-
Shares held by trustees at end of year	**170,657**	176,354

At 31 August 2005 all shares have been allocated to staff.

The balance of loans owing by the scheme at 31 August 2005 was $47,781 (2004: $83,828).

23. Subsequent events

Amalgamation

In order to simplify the Group structure, Scott Automation Limited was amalgamated with the parent company, Scott Technology Limited, on 21 September 2005. Under the amalgamation the parent company will take control of all the assets and assume responsibility for all the liabilities of Scott Automation Limited.

24. Adoption of International Financial Reporting Standards

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

The company will manage the transition to NZ IFRS by undertaking an analysis of the key impacts. This transition plan will be implemented during the 2006 financial year so that the company is in a position to calculate its opening balance sheet effective 1 September 2006.

Key differences in accounting policies that are expected from adopting NZ IFRS include the calculation of deferred taxation, provisions and financial instruments. The impact of these differences, and the verification of any other differences will be assessed as part of the company's NZ IFRS transition plan. At this stage the company is unable to quantify the impact on the financial statements.

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

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

		2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
Export sales		**33,403**	25,776	40,271	24,671	16,301
New Zealand domestic sales		**6,860**	10,013	7,219	4,521	328
Total group sales		**40,263**	35,789	47,490	29,192	16,629
Earnings						
Operating surplus before tax		**459**	5,526	8,443	3,671	646
Income tax		**144**	1,810	2,809	1,238	231
Net surplus attributable to Scott Technology Limited shareholders		**315**	3,716	5,634	2,433	415
Dividends paid or payable		**2,746**	3,495	2,898	979	294
Funds employed						
Share capital		**7,629**	7,629	7,629	7,440	7,440
Reserves and retained earnings		**7,093**	9,524	9,303	6,040	4,586
Shareholders' equity		**14,722**	17,153	16,932	13,480	12,026
Total liabilities		**6,866**	4,814	4,473	7,797	1,905
Total assets		**21,588**	21,967	21,405	21,277	13,931
Statistics						
Restated net asset backing per share (note 1)	cents	**59**	69	68	54	48
Restated earnings per share (note 1)	cents	**1**	15	23	11	2
Earning rate on average shareholders' equity	%	**2**	22	37	19	3
Earning rate on average total assets	%	**1**	17	26	14	3
Capital ratio (equity as % of total assets)	%	**68**	78	79	63	86

Notes

1. For 2003 and prior years the net asset backing and earnings per share have been restated based on the shares on issue as at 31 August 2005. No adjustments have been made to the earnings, equity or total assets as a result of the increase in share capital which occurred in 2003 in conjunction with the increase in the number of shares issued.

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 7 October 2005	
1. Silveracres Nominees Limited	4,431,645	17.75%
2. James Ian Urquhart	2,230,000	8.93%

The total number of issued voting securities of the company as at 7 October 2005 was 24,964,193 ordinary shares.

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

Distribution of shares by holding size	*Number*	*% of Total*	*Shares*	*% of Total*
1 - 1,000	1,229	31.9	607,285	2.4
1,001 - 5,000	1,774	46.0	4,219,302	16.9
5,001 - 10,000	508	13.2	3,521,297	14.1
10,001 - 100,000	327	8.5	7,060,582	28.3
100,001 and over	16	0.4	9,555,727	38.3
Total and percentage	3,854	100.0	24,964,193	100.0

Top 20 shareholders as at 7 October 2005		**Shares**	**%**
1	Silveracres Nominees Limited	4,431,645	17.75
2	James Ian Urquhart	2,230,000	8.93
3	AMP Life Ltd	410,633	1.64
4	Joseph Scanlen Underdown	375,819	1.51
5	Custody & Investment Nominees Ltd	324,162	1.30
6	Cogent Nominees Ltd	275,808	1.10
7	NZGT Nominees Ltd - AIF Equity Fund	233,890	0.94
8	Graham William Batts	190,109	0.76
9	Kevin James Kilpatrick & Shireen Kilpatrick	170,006	0.68
10	AMP Superannuation Investment Trust	152,212	0.61
11	National Nominees New Zealand Ltd	149,044	0.60
12	Custodial Services Ltd	143,452	0.57
13	PCS Investment Nominees Ltd	124,946	0.50
14	Harry McMillan H Salmon	120,000	0.48
15	Graeme James Marsh	113,626	0.46
16	Lloyd James Christie	110,375	0.44
17	Hamish Heathcote McCrostie	100,000	0.40
18	Woodhams Properties Limited	100,000	0.40
19	Jack William & Helen Lynne Allan	100,000	0.40
20	McMillan Nominees Limited	93,228	0.37
		9,948,955	39.84

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
$100,001 - $110,000	3
$110,001 - $120,000	1

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

DIRECTORS' INTERESTS

Directors' shareholding as at 31 August 2005

	Beneficially owned		Held by associated persons		Non-beneficially held	
	2005	2004	**2005**	2004	**2005**	2004
G.W. Batts	**190,109**	190,109	**-**	-	**-**	-
E.S. Edgar	**15,821**	15,821	**11,250**	22,500	**-**	-
C.C. Hopkins	**5,885**	5,885	**8,037**	8,037	**170,657**	176,354
K.J. Kilpatrick	**170,006**	170,006	**5,443**	5,443	**-**	-
G.J. Marsh	**113,626**	113,626	**4,532,977**	4,532,977	**170,657**	176,354
T.D. Scott	**17,403**	17,403	**-**	-	**-**	-
	512,850	512,850	**4,557,707**	4,568,957		

Directors' share dealings
There were no disclosures by directors of acquisitions or disposals of shares directors held a relevant interest in.

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

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

E.S. Edgar
Chairman Forsyth Barr Group Ltd.
Chairman Queenstown Resort College Ltd.
Chairman Sinclair Investments Ltd.
Director Accident Compensation Corporation
Director Martinborough Vineyards Estates Ltd.
Director Mobile Surgical Services Ltd.
Director Mr Chips Holdings Ltd.
Director Structureflex Group Ltd.
President NZ Olympic Committee
Trustee Arts Foundation of New Zealand
Trustee Central Lakes Trust
Trustee The Halberg Trust
Trustee The Skeggs Foundation
Patron Wakatipu Trails Trust

G.J. Marsh
Chairman Oakwood Securities Ltd.
Chairman Oakwood Properties Ltd.
Chairman Cooke Howlison Ltd.
Chairman Blackwell Motors Ltd.

G.W. Batts
Director Premidée Ltd.

M.B. Waller
Director Ebos Group Ltd.
Director Global Science & Technology Ltd.
Director Health Support Ltd.
Director Health Support Properties Ltd.
Director Ebos Heath & Science Pty Ltd.
Director Ebos Group Pty Ltd.
Director Summerset Ltd.

K.J. Kilpatrick
Director Kilmoreland Vineyards Ltd.
Director Robotic Technologies Ltd.

T.D. Scott
Chairman Harraway & Sons Ltd.
Chairman Mercy Hospital Dunedin Ltd.
Chairman Tamahine Holdings Ltd.
Chairman Arthur Barnett Ltd.
Chairman Pacific Edge Biotechnology Ltd.
Chairman Otago Innovation Ltd.
Chairman Blis Technology Ltd.
Consultant T D Scott Chartered Accountants
Director New Zealand Light Leathers Ltd.
Director Oakwood Securities Ltd.
Director Scenic Circle Group of Companies
Director New Zealand Seed Fund
Director Hirequip New Zealand Ltd.
Director ING Properties Ltd.
Director Neuren Ltd.
Director Whitestone Cheese Ltd.
Director Marsh Ltd Advisory Board
Director Tasman Farms Ltd.
Director Van Diemens Land Ltd.
Councillor University of Otago
Financial Advisor New Zealand Press Association Ltd.
Financial Advisor Allied Press Ltd.
Financial Advisor Ashburton Guardian

C.C. Hopkins
Director United Tooling Solutions Ltd.
Director Robotic Technologies Ltd.
Trustee Scott Technology Employee Share Purchase scheme (2002)

Remuneration of directors
During the year to 31 August 2005, the total remuneration and other benefits attributed to the directors of the company were as follows:

	Directors Fees	Other Remuneration	Total
G.W. Batts	22,500	3,976	26,476
E.S. Edgar	22,500	-	22,500
C.C. Hopkins	-	148,200	148,200
K.J. Kilpatrick	-	202,300	202,300
G.J. Marsh	45,000	-	45,000
T.D. Scott	22,500	-	22,500
M.B. Waller	18,750	-	18,750

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

Deloitte.

We have audited the financial statements on pages 10 to 20. The financial statements provide information about the past financial performance and financial position of the Company and of the Group as at 31 August, 2005. This information is stated in accordance with the accounting policies set out on pages 13 to 14.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Company and of the Group as at 31 August, 2005 and of the results of operations and cash flows for the year ended 31 August, 2005.

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 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 auditors and the provision of taxation and other assurance services, we have no relationship with or interests in the Company 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 the Company as far as appears from our examination of those records; and
- the financial statements on pages 10 to 20:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the financial position of the Company and the Group as at 31 August, 2005 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 13 October 2005 and our unqualified opinion is expressed as at that date.

Deloitte

Deloitte
Dunedin

DIRECTORY

Scott Technology Ltd – Head Office

Scott House
123 Crawford Street
Private Bag 1960
Dunedin
New Zealand

Telephone	+64 (3) 477 0975
Facsimile	+64 (3) 474 0934
Group General Manager:	C.C. Hopkins c.hopkins@scott.co.nz
Financial Controller:	M.A. Jackson

Scott Appliance Systems

10 Maces Road
P O Box 19667
Christchurch
New Zealand

Telephone	+64 (3) 384 2029
Facsimile	+64 (3) 384 3686
Chief Executive Officer:	K.J. Kilpatrick k.kilpatrick@scott.co.nz
Manager:	P.J. Johnston
Marketing:	K.J. Snowling

Scott Technology – Dallas

Suite 214
1611 North IH35E
Carrollton, TX 75006
United States of America

Telephone	+1 (972) 466 2543
Facsimile	+1 (972) 446 1157
Sales:	I.A. Ure i.ure@scott.co.nz

Scott Technology – Shanghai

Shanghai Representative Office
Suite 3006, Shanghai Information Tower
211 Century Avenue, Pudong
Shanghai
China

Telephone	+86 (21) 5877 2675
Facsimile	+86 (21) 5877 2695
Sales:	H. Pan h.pan@scott.co.nz

Scott Automation Systems

123 Crawford Street
Private Bag 1960
Dunedin
New Zealand

Telephone	+64 (3) 477 0974
Facsimile	+64 (3) 474 0934
Manager:	A.R. Arnold a.arnold@scott.co.nz
Operations:	B.W. Rekittke

Scott Package Handling Systems

48 Wharf Road
Te Atatu
Auckland
New Zealand

Telephone	+64 (9) 834 2700
Facsimile	+64 (9) 834 3863
Manager:	P. Denton p.denton@scott.co.nz

Solicitors

Gallaway Cook Allan
P O Box 143
Dunedin

Auditors

Deloitte
P O Box 1245
Dunedin

Bankers

ANZ National Bank Limited
Moray Place
Dunedin

Share Registry

BK Registries
138 Tancred Street
P O Box 384
Ashburton

Telephone	+64 (3) 308 8887
Facsimile	+64 (3) 308 1311
Email	info@bkregistries.co.nz

SCOTT