110 YEARS *of* ENGINEERING EXCELLENCE

ANNUAL REPORT

2023

SCOTT

Management commentary
(no financial statements)

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110 YEARS *of* ENGINEERING EXCELLENCE

DIVIDEND

Final dividend: 4.0 cents per share (unimputed)

Record date: 7 November 2023

Payment date: 21 November 2023

ANNUAL MEETING

Wednesday 22 November 2023, 3:00pm
www.virtualmeeting.co.nz/sct23

Proxies close 3:00pm,
Monday 20 November 2023

Dividend reinvestment plan does not apply to this payment for shareholders who have elected to receive shares in lieu of a cash dividend. Instead, those shareholders will receive a cash dividend.

The Board of Directors (Board) of Scott Technology Limited is pleased to present the Annual Report for the year ended 31 August 2023. This provides a review of our progress in FY23 and our focus for the financial year ahead. Strong progress has been made in the third year of the Scott 2025 strategy, including the second full year of our Environmental, Social and Governance (ESG) strategy.

On behalf of the Board, 18 October 2023.

Stuart McLauchlan
Chairman and Independent Director

John Kippenberger
Chief Executive Officer

SCOTT

LETTER FROM THE CHAIRMAN

On behalf of the Board of Directors, I am pleased to present Scott Technology's 2023 Annual Report.

The success we have achieved as a business across the 2023 financial year is thanks to the combined efforts of our 656 employees across our worldwide facilities.

The diversified nature of our portfolio of businesses has provided us stability in the current dynamic macro economic environment. Demand for our products and services continues to demonstrate resilience to economic conditions. However, with the current inflationary environment, we have experienced increases in key cost items, including labour, material costs and freight to varying degrees across our businesses. Importantly, each business has had an increased focus on various strategies to mitigate these increases and preserve margins.

"The FY23 result was underpinned by sales growth with revenues of $267.5m, along with strong EBITDA growth of 27%."

The FY23 result was underpinned by sales growth with revenues of $267.5m, along with strong earnings before interest, taxes, depreciation and amortization (EBITDA) growth of 27%. This continues to reflect the focus on driving customer outcomes and the further delivery of the Scott 2025 strategy. The focus on the next phase of the strategy is for accelerated growth in our key markets due to the successful development of new products, which brings scale to our offerings.

The Board has recently signed off on a number of important capex investments that will assist our talented staff to continue their market-leading developments.

DIVIDEND

The directors are recommending a final dividend of 4.0 cents to be paid, on top of the interim 4.0 cents dividend paid earlier this year. The dividend reinvestment plan does not apply to this payment, see page 3 for more details.

GOVERNANCE

In mid-June 2023 Scott announced its intention to undertake a strategic review and that the review would take several months. The strategic review is ongoing. Scott will update shareholders on any developments when the strategic review is completed or otherwise as needed. There is no certainty that any transaction will result, and no decisions will be made regarding any potential outcome until the completion of the process.

Our Annual Shareholder Meeting is planned to be in Dunedin and online on Wednesday 22nd November 2023 at 3pm. In accordance with the company's Constitution and the NZX Listing Rules, Stuart McLauchlan, John Kippenberger and Alan Byers will retire and are eligible for re-election.

I would like to acknowledge the guidance, support and wisdom of the Board.

The Board is committed to, and continues to invest in, the development of our Environmental, Social and Governance (ESG) programme. Some of the key projects include safety and wellbeing, carbon scoping and sustainable procurement.

OUTLOOK

The Board is pleased with the strong earnings growth in FY23 driven by organic growth. Our team is still receiving a high level of enquiry, with our order book showing a high level of forward work, which bodes well for the coming year.

On behalf of the Board, I would like to thank shareholders for your continued interest in, and support of, our company, the Board and Management.

Stuart McLauchlan
Chairman and Independent Director

Management commentary
(no financial statements)

FY23 AT A GLANCE

RECORD EBITDA
$30.4M
+27% ON FY22

Strategic focus on protein, minerals and materials handling delivering 79% of total revenue and achieving sales growth of 27% on FY22.

POULTRY TRUSSER WINS BEST IN SHOW

Winner of the Best New Processing Product at the International Production & Processing Expo in Atlanta, United States (US).

ACCELERATING GROWTH CONTINUED FOCUS ON PRODUCTISATION & MARKET EXPANSION

Capitalising on addressable market opportunities for key products.

28%
GROWTH FOR SERVICE & AFTERMARKET

Bolstered service business delivers margin improvement (43%).

100%
GREENHOUSE GAS EMISSIONS MEASURED & VERIFIED

Understanding the scale of our carbon footprint proves a strong start to our emissions-management strategy.

STRONG FORWARD ORDER BOOK OF
$195M

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

83%
ENPS

Employee net promoter score (ENPS) up 1.2% on FY22, with a 78% response rate reveals positive team culture.

WINNER OF BEST BUSINESS GROWTH STRATEGY AWARD

Winner of the 2022 Deloitte Top 200 Best Growth Strategy Award recognising outstanding growth performance.

FIRST WOMEN IN ENGINEERING SCHOLARSHIP AWARDED

Partnership with the University of Canterbury supports greater investment in the talent pipeline.

FINANCIAL PERFORMANCE

FY23 revenue increased 21% on the prior year to $267.5m, as Scott's strategy of generating more revenue from repeatable core products and services continued to deliver sales growth.

Group margin grew from 24% to 27% due to the improved mix of repeatable core products and services, despite the still present inflation, supply chain pressures and talent availability challenges.

This strategically driven revenue and margin approach has resulted in EBITDA growth of 27% and $30.4m of EBITDA for the period.

Net profit after tax (NPAT) for the period was $15.4m, +22% on a like-for-like basis versus the prior year.

Operating cash flow of $20.2m was higher than the prior year due to the strong underlying performance of the business, along with the timing of significant cash deposits relating to large projects won, which in turn boosted the Group's net cash position to $12.4m.

In recognition of the ongoing progress made by the company, the directors declared an (unimputed) dividend of 4.0 cents per share, payable on 21 November 2023, to take the full year dividend to 8.0 cents. The directors determined that, in light of the ongoing strategic review process, the Dividend Reinvestment Plan will be suspended for this dividend.

Revenue up 21% to $267m, group margin of 27%, EBITDA of $30.4m and NPAT of $15.4m, up 22% on FY22.

FIVE-YEAR TREND

FINANCIAL*	2019 *$'000s*	2020 *$'000s*	2021 *$'000s*	2022 *$'000s*	2023 *$'000s*
Revenue	211,585	174,582	206,030	221,757	267,526
Net surplus / (loss) after tax	7,533	(16,955)	8,382	12,657	15,436
Operating cash flow	726	19,563	13,426	6,308	20,217
Net cash / (overdraft)	(4,737)	7,745	12,242	3,935	12,396
Bank loans	11,667	11,185	10,920	11,970	12,475
Total assets	217,786	193,110	194,504	206,888	253,054
Shareholders' equity	112,732	92,740	98,195	100,406	113,899

DIVIDENDS (CENTS PER SHARE)	2019	2020	2021	2022	2023
Interim	4.0	-	2.0	4.0	4.0
Final	4.0	-	4.0	4.0	4.0

EMPLOYEES (NUMBER)	2019	2020	2021	2022	2023
New Zealand	248	188	188	198	231
Australia	101	77	86	95	66
China	36	35	45	40	43
Americas	83	56	73	60	59
Europe	316	257	230	240	257
Total	784	613	622	633	656

* *Financial information is from continuing operations and has been made consistent across previous periods.*

CHIEF EXECUTIVE OFFICER'S COMMENTARY

In a year defined by transformation and progress, we stand at the threshold of exciting opportunities, driven by our unwavering commitment to our Scott 2025 Strategy, focusing on accelerated growth and productisation.

ACCELERATING GROWTH DELIVERS RECORD REVENUE AND EBITDA

The past year has been a testament to the growth of Scott's three core sectors of protein, minerals and materials handling, delivering record revenue and EBITDA of $267m (+ 21%) and $30.4m (+27%) respectively.

The business' sales pipeline remains ahead of expectation, with $195m in forward work comprising several materials handling and logistics (MHL) projects, continued strong minerals and protein product orders, as well as continued progress in secured service contracts.

These results reflect the collective efforts of our talented people and the strong relationships we have built with our valued customers.

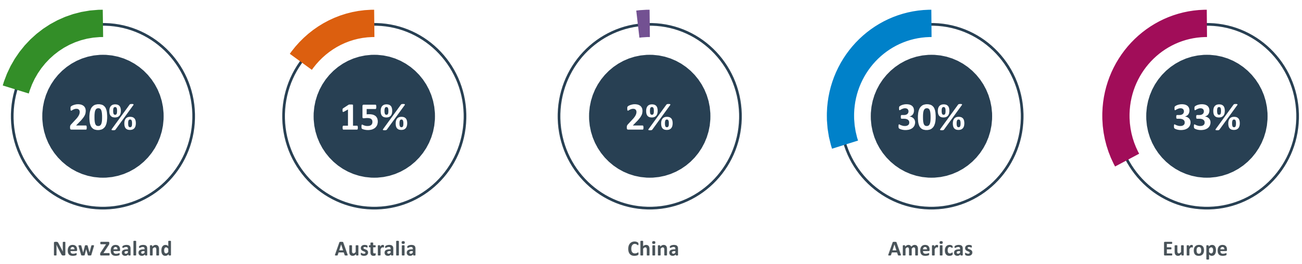
PRODUCTISATION: THE HEART OF INNOVATION

At Scott, innovation is at the core of our DNA, and productisation is the vehicle through which we bring transformative solutions to the market. We have intensified our focus on converting innovation into market-ready products that deliver tangible value to our customers. Our commitment to productisation is evident in the successful launch of our poultry trussing technology into the North American market earlier in the year.

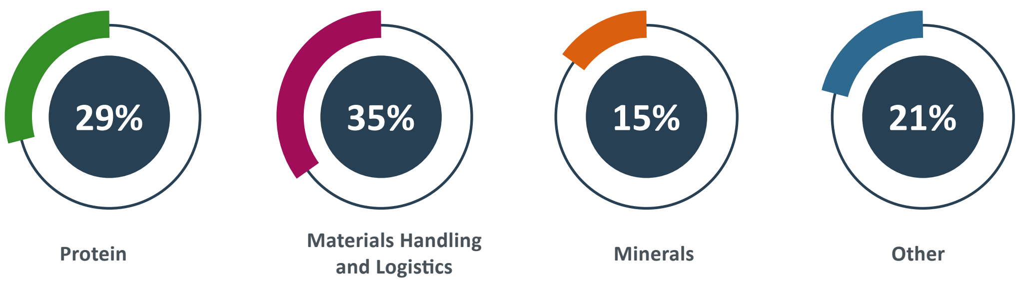
This product has already begun to transform the poultry processing industry and has resulted in repeat sales to global retail giant Costco.

"These results reflect the collective efforts of our talented people and the strong relationships we have built with our valued customers."

REVENUE BY GEOGRAPHY



REVENUE BY SECTOR



(Above) John Kippenberger, CEO, with some of the global team at our facility in Podivín, Czech Republic.

PROTEIN

Protein sales revenue is up 23% from our poultry trussing product, along with continued strong sales of our BladeStop safety bandsaw. The protein service business again grew strongly, up 60% on the prior year, whilst delivering further margin growth of 43% mainly due to BladeStop parts and service.

The second poultry trusser site installation is on track, with two on the water to Costco in North America and due to be installed in late 2023. The next eight are in production to be installed throughout 2024. There is significant interest in seeing this product in action after winning the IPPE US best new processing product of 2023.

The BladeStop range expansion is under way with the smaller T300 retail saw well in development and ready for testing at the first customer site. This follows the success of BladeStop across large supermarkets, such as, Foodstuffs, Woolworths and Walmart. A strong lead into FY24 with an additional 10 saws sold recently to major American retailer Walmart, taking their total BladeStop saws to 44 and with strong opportunity still ahead with this customer.

MATERIALS HANDLING

MHL has delivered impressive growth of 35% on prior year coming from both of Scott's key markets for MHL, Europe and the US.

Europe sales revenue grew 46% during the year converting last year's record order book into revenue including the design and production of Clarebout's new French facility and Incom Leone's Slovenian ice cream facility.

Growth in MHL revenue and margins in US and Europe follows the successful change in management structure to bring the US business under the leadership of Scott Europe. This enables greater focus on the US market as global processor relationships from Europe are extended into the US.

This strategy has produced its first result, with McCain Foods ordering a $12m palletisation system for one of its North American sites. The forward order book for MHL globally at $127m is very healthy, with other new orders, including A-ware Food Group and Colruyt. We see the industry pressures of labour supply and wage inflation continuing to drive demand.

MINERALS

With an increased focus on business and product development, Scott's minerals business, Rocklabs, continues to grow strongly contributing 33% of the Group's EBITDA.

Our world-leading range of sample preparation products underpin our minerals revenue, with our high-margin aftermarket business contributing 36%. The recent launch of our new automated modular solution (AMS) has been received positively in the industry, with our first contracts won and builds well under way. This product will drive our future growth as global mining companies and commercial laboratories look to automation to increase productivity, improve health and safety and address labour challenges.

SERVICE AND AFTERMARKET BUSINESS

Scott has recognised the significance of its service and aftermarket business, not only for supporting customer needs but also for its own.

The service business within the core business segments experienced impressive growth, with a 30% increase in the period. This growth indicates that customers are increasingly relying on Scott for maintenance and support services.

The service business also includes a significant portion of high-margin consumables, accounting for over 50% of total service revenue providing a steady revenue stream from consumables that customers regularly require.

Scott's focus on its service and aftermarket business has led to strong growth, increased profitability and a higher level of customer satisfaction.

This strategy has proven to be valuable not only for customers but also for shareholders, as it provides recurring revenue and attractive profit margins.

SUSTAINABLE GROWTH AND RESPONSIBILITY

Our commitment to sustainable growth extends beyond our financial success. We are acutely aware of our responsibility to society and the environment. In the past year, we have taken positive steps in our sustainability journey, such as the launch of our carbon reduction strategies, increased employee benefits and deeper partnerships with education pathways.

Our increased investment in people-led initiatives has resulted in an outstanding eNPS engagement score of 83% across the Group. Our 'BeScott' Health and Safety programme continues to drive our high-performing safety culture and, more importantly, a significant improvement across all safety metrics.

We are dedicated to contributing to positive change in the communities and industries we serve and look forward to further building on our commitment in the year ahead.

LOOKING TO THE FUTURE

As we look to the future, our vision for Scott Technology is clear. We will continue as global leaders in automation, providing solutions that benefit organisations worldwide. Whether it's enhancing manufacturing efficiency, reducing environmental impact or improving workplace safety, we will continue to make a positive difference in the world through automation.

With the Scott 2025 Strategy as our roadmap, we are well prepared to meet the challenges and opportunities of the future, ensuring that our legacy of excellence continues for many decades to come.

> "I would like to extend my gratitude to our exceptional team, it is your dedication and unrivalled talent that make our achievements possible."

I would like to extend my gratitude to our exceptional team, it is your dedication and unrivalled talent that make our achievements possible. And, to our louyal shareholders and customers I thank you for your ongoing commitment and support.

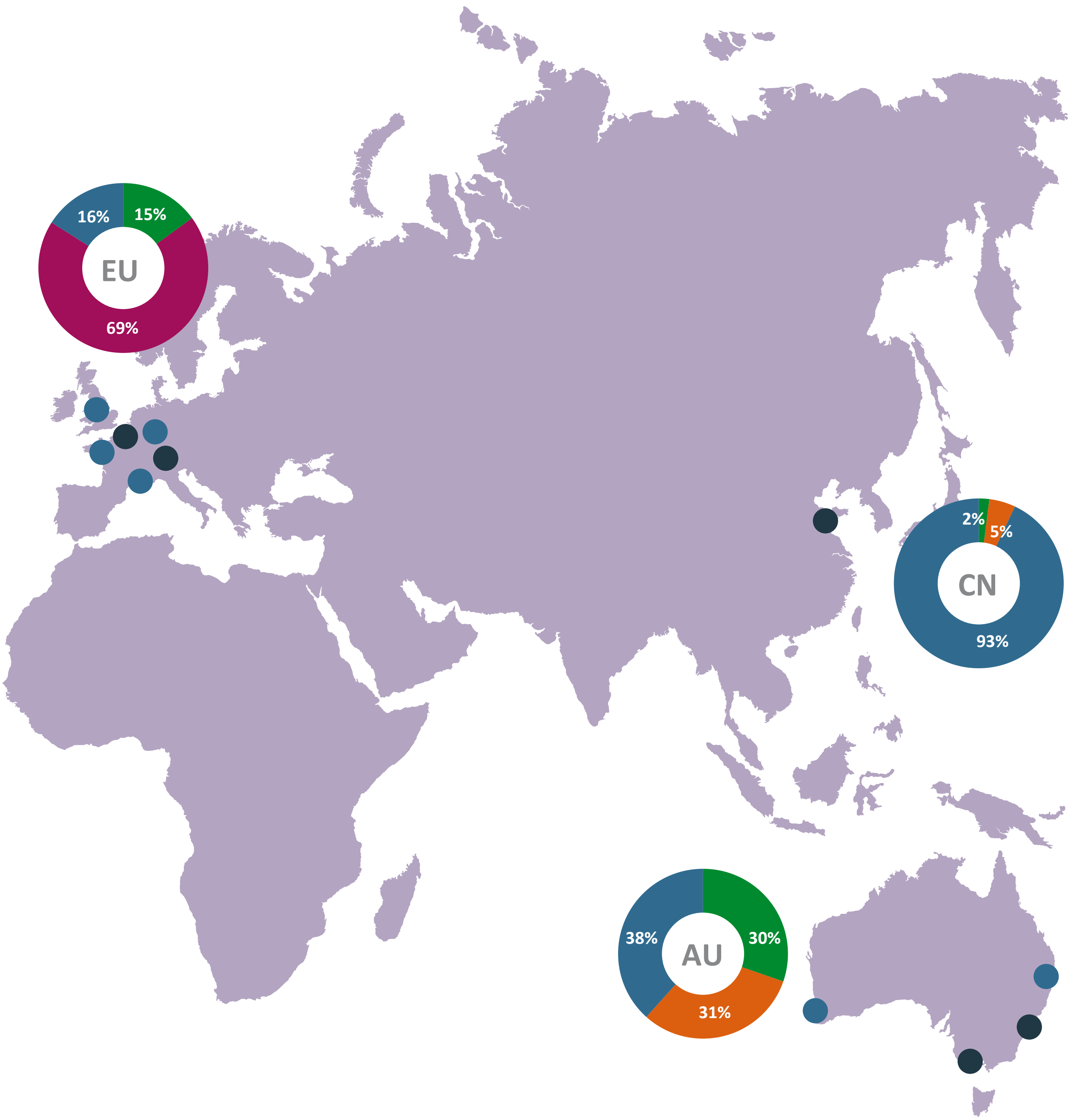
John Kippenberger
Chief Executive Officer

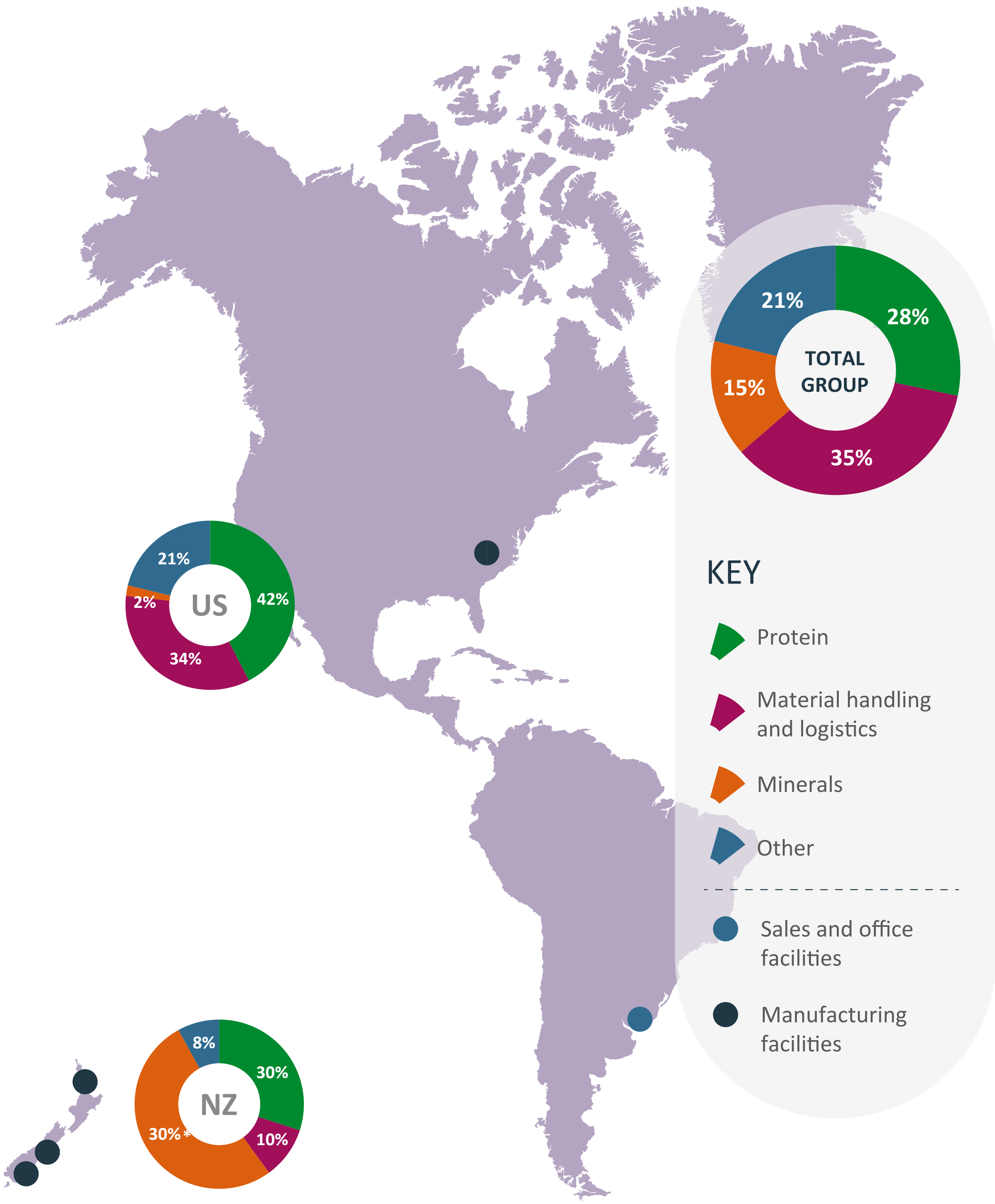
Management commentary
(no financial statements)

John Kippenberger, CEO, at the official opening ceremony of our China facility in Qingdao.

GLOBAL PRESENCE

REVENUE BY SECTOR AND END CUSTOMER GEOGRAPHY





** Includes Rocklabs product sales to international distributors.*

End-of-line paletising solution featuring Scott Pal 4.0

ACCELERATING GROWTH

The 2023 financial year has seen a strong focus on accelerating and delivering growth at Scott Technology.

Scott Technology CEO, John Kippenberger, says he's extremely proud of the progress that's been made against the *Engineering Scott to High Performance 2025* (Scott 2025) strategy, after several years of stabilising and focusing the business.

He explains: "Pre 2020 the business went through a period of significant growth, largely through merger and acquisition activity in Europe, North America, and Australia. The development and rollout of Scott 2025 early in 2020 enabled us to take a step back and look at the overall business. In each of our 13 markets, we were trying to develop and deliver every technology and service to every customer – which wasn't achieving the results we were looking for. This resulted in us identifying growth markets and sectors, optimising the size of our organisation and establishing regional centres of excellence."

"We were positioned to fly and we have really seen that acceleration of growth take hold in FY23."

The change and focus took time to bed in as COVID-19 unfolded across the world and the team worked through some highly complex legacy projects that were no longer part of the core business.

"At the end of our 2022 financial year the world was opening up and we had some good tailwinds. The new ways of working, strategic priorities and core sectors were well entrenched across our global business. We were positioned to fly and we have really seen that acceleration of growth take hold in FY23."

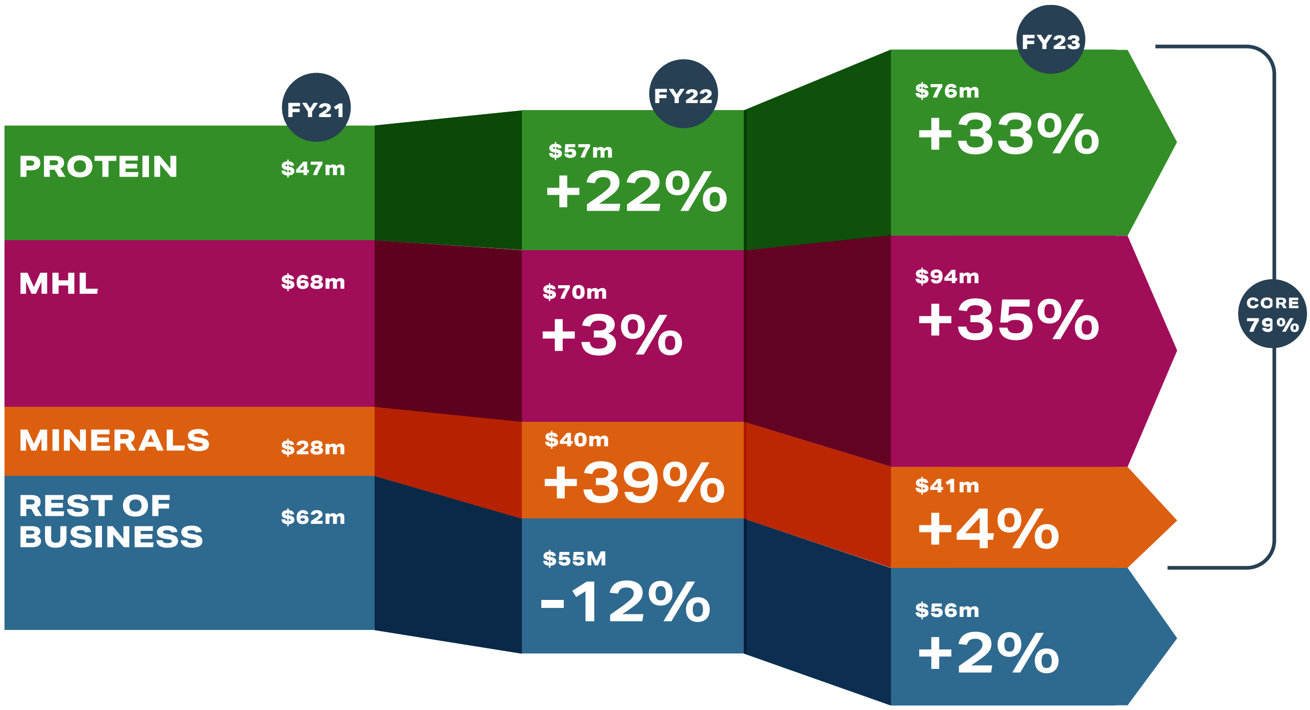
Cameron Mathewson, Chief Financial Officer suggests there are many projects that have underpinned the growth, BladeStop being one example. FY23 has seen growth of this product both geographically and into new channels.

"We have been looking at where we don't have a presence and then putting people on the ground there or building distributor partnerships. North America is a good example of where there was an opportunity for BladeStop and we've been targeting that region this year," says Mathewson.

"We're building relationships with big businesses that we haven't worked with before – Cargill, one of the biggest beef processors in North America, for example. We're also moving into retail with BladeStop, where historically we've only had the product used by large processors like JBS."

Another strategic highlight for 2023 was the expansion of

REVENUE BY SECTOR YEAR ON YEAR GROWTH



the historically European-focused material's handling and logistics (MHL) business into America. Leveraging its expertise and existing customer relationships, the Scott Europe team has broken into one of the hottest intra-logistics markets in the world. First cab off the rank for an automated MHL system was a global french fry manufacturer.

(Below) Turntable redirects cases in preparation for palletising.

"We've got our MHL automation in its production sites in France, Belgium, the Netherlands and Poland. This year we've secured our first project in North America, as a result of the successful customer partnership we've built in Europe over several years," says Kippenberger.

In poultry, Scott's proprietary trussing technology has moved into the commercialisation phase, passing factory acceptance testing with Costco Wholesale. This represents an important milestone in a strategic partnership, with the business poised to roll the trussers out across the Costco network.

In the mineral sector, FY23 has seen a strategic reset, moving away from highly complex one-off systems into semi-automated modular laboratory solutions.

"FY23 has been a huge year of accelerated growth for the business and we look forward to continuing this exponential growth in FY24."

"FY23 has been a huge year of accelerated growth for the business and we look forward to continuing this exponential growth in FY24."

Award-winning BladeStop reducing risk of injury at local supermarket butchery.

TRIED AND TRUSTED – THE BENEFITS OF BUILDING AUTHENTIC CUSTOMER PARTNERSHIPS

Building authentic customer partnerships has been a priority for Scott over the last three years. The team has invested in understanding customers' objectives, strategies and growth plans, by collaborating to identify opportunities for further partnerships. It's also improved its performance to ensure customers experience world-class aftermarket service levels; preventative servicing to make sure their technology is up to date and well maintained, as well as quick responses and fixes to any issues.

FY23 has seen the benefits of this investment in partnership, with Scott focusing its efforts on repeat business, working with existing customers to expand their use of Scott solutions. This drive has resulted in 60% of FY23 sales opportunities being generated from repeat business, excluding aftercare service or parts.

"There are a few ways we look to generate repeat business – selling more units across multiple geographies, selling solutions across multiple facilities or even cross selling between Scott sectors."

Scott Technology CEO, John Kippenberger, says this organic growth relies on customers being satisfied with Scott's expertise and service. "There are a few ways we look to generate repeat business – selling more units across multiple geographies, selling solutions across multiple facilities or even cross selling between Scott sectors. We are proud that we now have over 170 customers with more than one Scott solution installed in their business."

Alliance Group, a global leader in procuring and processing the world's best quality red meat products, is one such customer. In the face of a challenging labour market, New Zealand's largest red meat processor sought out efficiencies. In 2021 they installed the latest generation of Scott's Lamb Primal cutting technology in its Lorneville plant, which became the country's most advanced boning room as a result Alliance's desire for greater efficiency goes further than this and the Scott team is currently concluding the commissioning of a fully automated materials handling system at the same site. This will result in greater efficiencies and improved handling of cartons and products, enhance the health and safety of staff and lift the efficiency and competitiveness of the plant.

"We have had a long and positive relationship with Alliance Group, having installed several of our Primal systems in their sites across New Zealand. They know we deliver world-class technology and great ongoing service and so they came to us to expand their automation beyond processing meat," says Andrew Arnold, Scott Technology's New Zealand General Manager.

Demonstrating the benefits of its products to customers with multiple facilities is another way Scott has secured repeat business in FY23, with Costco Wholesale being a great example. Costco sells a high quantity of rotisserie chickens in multiple stores across America, presenting an opportunity for Scott's poultry trussing system to significantly improve operating capacity amd safety for the retailer. Ten trussers have already been sold to American Costco this year, and the Scott team has been working closely with it to determine what a wider rollout could look like.

"Costco sold 117 million rotisserie chickens globally in FY22. It can already see the incredible efficiency and cost savings that could be realised through expanding the automated trussing technology right across its business," says Arnold.

"I'm extremely proud of the way our team has delivered exceptional technology and maintained authentic business relationships to help us secure repeat business."

"I'm extremely proud of the way our team has delivered exceptional technology and maintained authentic business relationships to help us secure repeat business. We look forward to continuing this growth trajectory in FY24," says Kippenberger.

AUTHENTIC CUSTOMER PARTNERSHIPS

MATERIALS HANDLING & LOGISTICS

- Pfizer
- Bridgestone
- essity
- Clarebout Frozen Potato Products
- Microsoft
- Nestlé
- Poco Loco
- General Mills
- PepsiCo
- Danone
- Michelin
- Gulfstream
- LambWeston

PROTEIN

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

MINERALS

- SGS
- Talison Lithium
- ALS
- RioTinto
- CAT
- FMG Fortescue
- BHP
- Imperial
- Mineral Resources
- Newmont
- AngloAmerican

REST OF BUSINESS

- GE Appliances
- Electrolux
- Bosch
- Midea
- Glencore
- Sub-Zero
- Whirlpool

The manufacturing and assembly hall at our new 8,000sqm facility in Qingdao, China.

NEW CHINA FACILITY ENABLING MANUFACTURING AND PROCUREMENT GAINS ACROSS THE GLOBE

In March 2023, Scott officially opened its new workshop in Qingdao, China; an 8,000 square metre facility employing 43 people. China is a Scott centre of excellence for appliance manufacturing, alongside Christchurch, focused on designing and building world-class automated appliance lines for domestic white goods manufacturers.

The new workshop enables the Scott China team to continue growing the appliance business, as well as fulfilling new roles around wider manufacturing and procurement for the global business.

Cathy Zhang, Regional Director of Scott China, says that the move brings her local team closer to the Scott global team. “A key strategic pillar of the Scott 2025 strategy is One Team. Simply put, this is about operating cohesively as a global business – working across geographies and cultures to deliver efficiencies, connection and direction. Here in China, we now have the capacity and capability to support the manufacturing of short blocks, or parts, for our centres of excellence across the world.”

This ability will become increasingly useful as Scott continues its growth acceleration trajectory, selling greater volumes of its products.

“Our poultry trusser is a great example of this. We have huge ambitions for this product, particularly in the North American market, and as demand grows, we’ll need to produce more. The trusser is designed and built out of our New Zealand protein centre of excellence; however, we now have the capacity to build discrete parts here in China with speed and efficiency. This will support our ability to meet the growing demand we anticipate,” says Zhang.

“It’s important that the technology component, its development and any evolution remain within the market it was developed. This is where the expertise sits and will stay,” reiterates Zhang.

Procurement is another strength of the Scott China business, having supported the Scott business in this area for several years.

“With our new facility in China, we have a strategic opportunity to expand our role in procurement for other parts of the business across the globe. We have great relationships and an eye for quality, and the efficiencies and savings that we can deliver are significant. However, we know that there are areas where domestic procurement makes more sense, in markets like Europe for example,” says Zhang. “We continue to find the right balance so we can maintain our world-class outputs.”

"With our new facility in China, we have a strategic opportunity to expand our role in procurement for other parts of the business across the globe."

Scott CEO, John Kippenberger, says the One Team approach is about breaking down borders, embracing cultural nuances and ensuring end-to-end ownership and accountability of customer relationships and shareholder returns.

“The China team are now fully connected with the global business and have already played a significant role in delivering exceptional technology to our customers. We’re proud of our China team and see a bright future for the key role that it will play in Scott 2025 and our future growth,” concludes Kippenberger.

(Below) Cathy Zhang and the team at the official opening ceremony for the Qingdao facility.

Management commentary
(no financial statements)

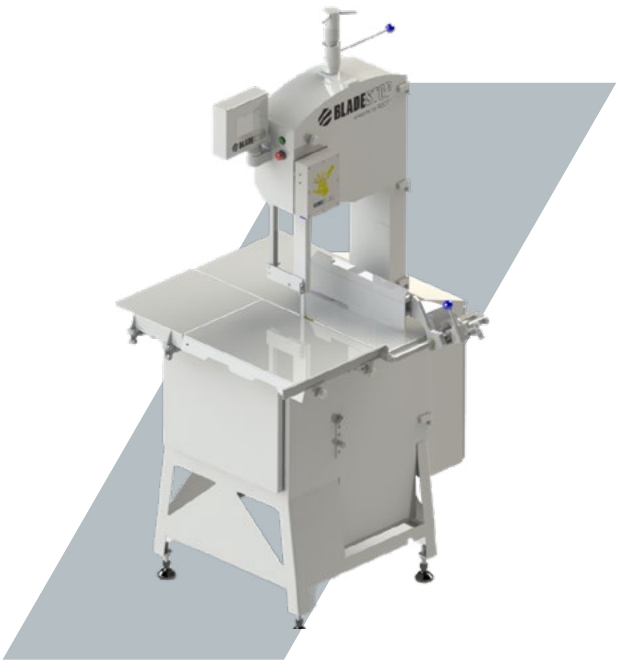
MARKET LEADERSHIP THROUGH CORE BUSINESS INNOVATION

Engineering is at the heart of Scott Technology's DNA and that by definition means a commitment to continuous improvement.

The business has intensified its focus on productisation, allowing the innovation of existing proven technology to drive sales and enable Scott to provide stronger aftermarket services.

"We are consistently looking for opportunities to go beyond with our technology. Our time and creative energy are focused on developing world-leading tech within our core sectors."

John Kippenberger, says "We are consistently looking for opportunities to go beyond with our technology. Our time and creative energy are focused on developing world-leading tech within our core sectors, as well as designing and building the next generation of our existing automation."



(Above) BladeStop T300 retail saw prototype.

Scott is the global leader in bandsaw safety, with the fastest stop time on the market in its BladeStop product, primarily used in the meat cutting industry. BladeStop has over 1,600 units in market, across 30 countries and received an ISSA Safety Award in 2023.

Even with the product's immense success and market leadership, it doesn't mean the business won't continue to evolve and improve the technology. "The truth is, we already are," says Kippenberger. "We have a smaller T300 retail saw in testing and anticipating release mid 2024, this saw is designed for large supermarkets and independent butcheries".

Early progress has also been made on the beef automation project. Working with Meat & Livestock Australia and JBS Foods Australia, the research and development project takes x-ray and vision expertise from Scott's Lamb Primal technology and is evolving the tech for the beef industry.

Scott's automated poultry trussing technology is another example of its commitment to innovation in its protein sector. "Our trusser is in what we'd term as early commercialisation, yet it has been incredibly successful across the globe. The US poultry market is a US$95b (NZ$148b) industry, with more than 900 million rotisserie chickens produced per year, so we are already looking at what generation two and three of this product looks like," says Kippenberger.

The future of the mineral sector also lies in innovation and the team has designed an automated modular solution (AMS) to offer several improvements across the sample preparation process. In the past, RoboPrep systems have required a large laboratory space due to their size. However, the AMS provides a linear solution that has comparable capacity but requires a much smaller footprint. *Read more about this on page 20.*

The business has been on a significant cultural journey in the innovation space, ensuring that teams across the globe understand that innovation and continuous improvement remain at our heart. "We were a bespoke design and build business, and now we're really harnessing a product mentality and accelerating it through innovation-focused products and sectors. It's exciting," adds Kippenberger.

Award-winning poultry trussing technology during factory acceptence testing at our Dunedin, New Zealand facility.

INNOVATION IN THE MINERALS SECTOR OPENS UP NEW MARKET OPPORTUNITIES FOR SCOTT

Rocklabs, Scott's market-leading brand of automated sample preparation equipment, has been on an innovation journey in FY23.

Group GM – People, Marketing and Minerals, Casey Jenkins, says the Scott 2025 strategy has supported a shift away from building complex, bespoke systems, instead increasing strategic product solution offerings, allowing the team to focus on developing an automated modular solution (AMS).

"Historically, we have developed bespoke end-to-end RoboPrep systems for our customers. These are large, highly complex, costly systems to build and install and realistically they require highly skilled technicians to be based on site for ongoing maintenance and issues," says Jenkins. "Minimising down time is an important factor in sample preparation and the pandemic taught us that flying in a technician isn't always an option."

The Rocklabs AMS is being developed in its Auckland centre of excellence and is a world first in linear automated lines for sample preparation. It links three machine modules to control and automate the crushing, pulverising and dispensing stages.

Several improvements across the sample preparation process will be seen in the development of the new AMS, with each piece of equipment being modular and adaptable. A full-scale end-to-end sample preparation system can be created or a single piece of Rocklabs equipment can be utilised within an existing system.

In the past, RoboPrep systems have required a large laboratory space due to their size. In the AMS, the Rocklabs R&D team has produced a linear solution that has comparable production capacity but requires a much smaller footprint.

General Manager of Rocklabs, Werner Conradie, says the Rocklabs AMS is much easier to fit into existing labs due to its smaller footprint.

"The modular nature of the product also compartmentalises risk to prevent the entire system failure that was common in the larger systems. This means down time is significantly reduced."

Standardisation of outputs is another important factor that has been considered in the design phase. Pre-determined algorithms ensure continuous flow of standardised samples through preparation modules, improving quality and consistency of output.

Skilled labour shortages across the globe have put pressure on many industries and the minerals sector is no exception. The Rocklabs AMS reduces the labour requirements for sample preparation from six operators, down to one, in some cases.

"Skilled labour shortages across the globe have put pressure on many industries and the minerals sector is no exception."

"The AMS can achieve the same output rates of the bigger systems, for approximately a third of the cost," says Conradie.

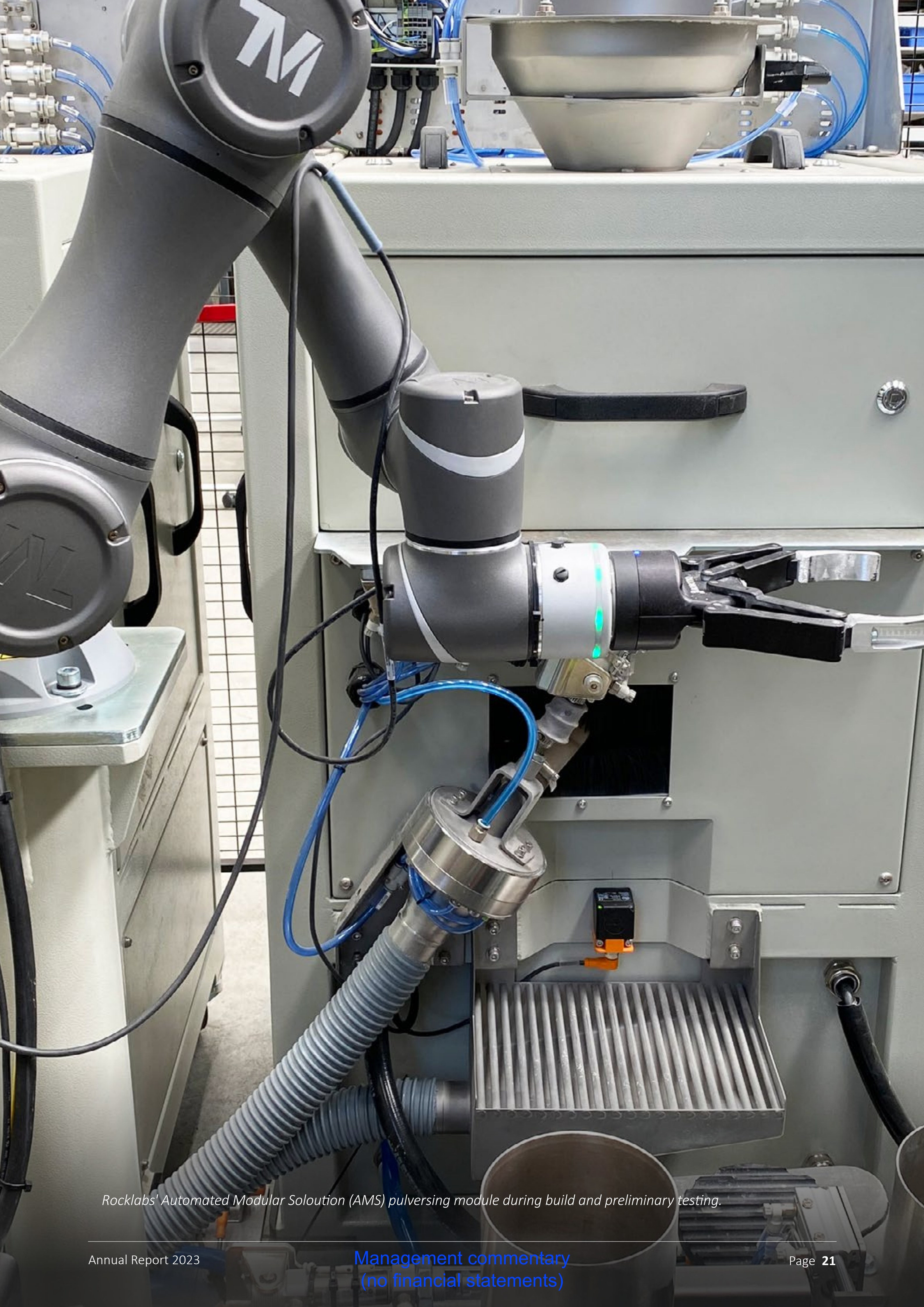
A prototype of the AMS is available to trial at Scott's Rocklabs HQ in Auckland, where customers can test their samples on the technology to see if the modular solution is right for them. To give customers full confidence to adopt the AMS, Scott offers customers the opportunity to try before they buy.

Australia and North America have been identified as the initial priority markets for the AMS technology, with the first contract for two lines signed with Mineral Resources Limited (MRL) for its Onslow Iron project located in West Pilbara, Australia.

"MRL is building the world's lowest carbon footprint mine, and they chose our automated modular solution because of the small footprint and the safety credentials it offers. We're delighted to be working with them," continues Casey Jenkins.

Large mining companies will be the primary target in 2024. However, the technology is also suitable for commercial labratories. "We've spent a lot of time identifying the addressable market for this product and we see plenty of growth potential," concludes Jenkins.

The next phase of development for the AMS will be working with customers to separate the crusher as a single module. FY24 is looking to be a big year for Rocklabs!



Rocklabs' Automated Modular Soloution (AMS) pulversing module during build and preliminary testing.

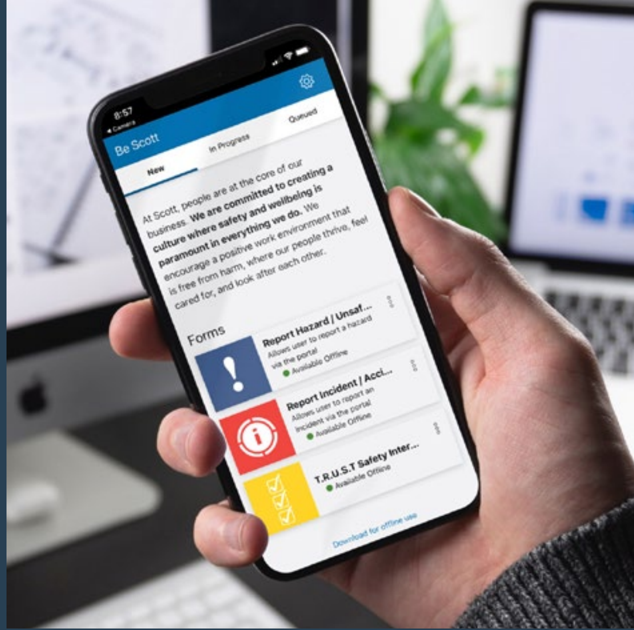
Service team perform complete health check on BladeStop saw at major New Zealand protein processor.

(Right) BeScott App and BeSafe, Be Well, Be Scott 2022 Awards.

8.1
YEARS AVERAGE LENGTH OF TENURE

83%
ENPS
UP 1.2% ON FY22, WITH 78% RESPONSE RATE

4.3
LTIFR[1]
30% REDUCTION OVER LAST 12 MONTHS



SUSTAINABILITY, A CATALYST FOR GROWTH AND RESPONSIBILITY

Scott has continued to make positive progress on its ESG journey across the globe, with the business completing the mapping of its full GHG emissions footprint in FY23.

Previously, the carbon footprint of its European, Australian and New Zealand businesses had been measured, and this year has seen its China and US regions completed. With a full view of its total emissions the business is currently developing reduction targets and strategies. Scott will measure progress against these targets and report this as part of its climate-related disclosure requirements, commencing in late 2024.

To ensure engagement with the business' desire to map and reduce its carbon footprint, Scott extended educational sessions to the China and US teams to provide local and international context, focusing on climate science and greenhouse gasses.

The business is committed to educating its partners on how they too can play a role. In February, Scott hosted a climate change and carbon emissions seminar for its ANZ suppliers. This was well received with 100 suppliers in attendance and generated extremely positive feedback.

One Team remains a core pillar for Scott, with employee engagement continuing to thrive across the business. It's strong Employee Net Promoter Score (eNPS) of 83%, up from 82% in FY22, reflects its increased investment and focus on employee initiatives and engagement has been well received.

This year the New Zealand business has introduced a new employee benefits programme, featuring increased employer contributions to KiwiSaver, enhanced medical insurance offerings and celebrating employees through monthly staff awards. Employee initiatives are also being developed for its other markets across the globe, being rolled out over the coming year.

Positive employee engagement is a key measure of success for Scott and the business is committed to ensuring it retains and attracts the top talent required to deliver smart automation solutions to the world.

Scott is proud of its commitment to building a better world and looks forward to continuing to build on this in FY24.

[1] LTIFR - Lost Time Injury Frequency Rate

SCOTT'S CARBON EMISSIONS MANAGEMENT JOURNEY

For Scott, understanding the carbon footprint of its operations was an important first step in developing a low-impact, climate-resilient business.

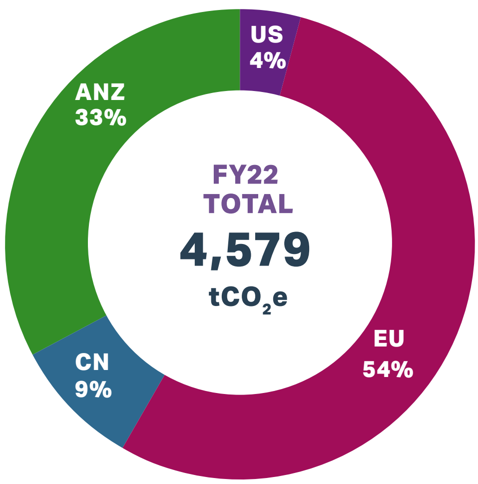
In 2021, with support from sustainability expert Tadpole, Scott measured the FY19 carbon emissions of its European (EU), Australian and New Zealand (ANZ) business units. FY19 was chosen as the base year because it represented the most recent typical year of operations, where the impacts of COVID-19 could be avoided.

In the past year, Scott Technology further fortified its commitment to sustainability by expanding its carbon emissions understanding across all global operations. Leveraging the insights from its collaboration, Scott broadened its measurement boundary to encompass business operations in China and the US, mapping its entire global footprint for the first time.

President Scott Europe and North America, Aaron Vanwalleghem, says the business is delighted to complete this important step in its emissions-reduction journey.

FY22 GHG EMISSIONS BY REGION

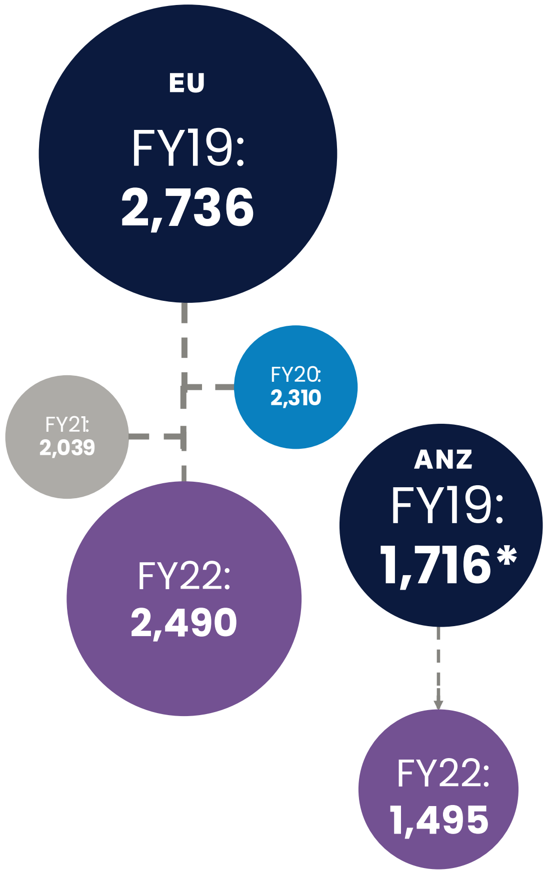
Absolutele total footprint (tonnes CO_2e)



	tonnes CO_2e
Europe (EU)	2,490
Australia & New Zealand (ANZ)	1,495
China (CN)	402
United States (US)	192

GHG EMISSIONS REDUCTION

Absolutele total footprint (tonnes CO_2e)



** This figure differs from that disclosed in last year's Annual Report. Presented last year as 1,801 tonnes CO_2e, this was the pre-audit figure. The figures above are final, verified numbers.*

"This year, our primary focus has been to complete carbon footprints for all regions and have these audited by independent third parties. Our global carbon footprint is just over 4,500 tCO_2e with materials, electricity and transport fuel our three biggest measured emissions sources and Europe our highest emitting market."

Scott ran educational sessions for its China and US teams, focusing on climate science and greenhouse gasses, local and international context and how Scott is approaching the challenge of mapping its global business.

Scott has already made progress within its European, Australian and New Zealand operations since the 2019 baseline was measured. The European division started at 2,736 tCO_2e in 2019 and has reduced to 2,490 tCO_2e

FY22 GLOBAL GHG EMISSIONS FOOTPRINT BY SOURCE

MATERIALS
31%
1,418 tCO_2e

ELECTRICITY
22%
1,009 tCO_2e**

TRANSPORT FUEL
22%
995 tCO_2e*

BUSINESS TRAVEL
15%
708 tCO_2e*

STATIONARY FUEL
6%
266 tCO_2e**

REFRIGERANT GAS
1%
42 tCO_2e

WASTE
1%
60 tCO_2e

PACKAGING
1%
29 tCO_2e

OTHER***
1%
51 tCO_2e*

* *Includes well-to-tank emissions.*
** *Includes well-to-tank emissions and line losses.*
*** *Other includes private car use (China only), working from home (US only), contractors (Europe), transfers in Europe and delivery of parts and products (US only).*

in 2022, while Australia and New Zealand started at 1,716 tCO_2e in 2019 and reduced to 1,495 tCO_2e in 2022. Note that the team in Europe measured its footprint through the Covid-impacted years, the team in Australia and New Zealand did not.

Scott's carbon emissions are broken into three scopes. Scope 1 and 2 are emissions that the business has control over, while scope 3 emissions are those up and down

"Understanding the activities that produce emissions within our business, and their magnitude, is only the first step in our journey."

its supply chain that, to measure accurately and manage, requires collaboration with suppliers and customers.

"Understanding the activities that produce emissions within our business, and their magnitude, is only the first step in our journey" says Vanwalleghem. "The critical piece of work is to develop strategies to reduce these emissions and implement the strategies within our teams."

Together with Tadpole, Scott ran a series of carbon-reduction sessions with teams in each region. Focus was given to hotspots, the areas of the business that are causing the largest emissions, and the ones that can be influenced in the short term.

"In these sessions, our team was tasked with identifying ambitious and realistic actions we can take to decarbonise. Alongside these sessions, we engaged with our large suppliers to share our progress in developing our carbon-reduction plan and identified the actions our suppliers are taking to reduce their emissions. We are also working with our suppliers to improve the way we measure emissions from the materials and parts we use in manufacturing and to bring freight emissions into the footprint measurement, which have to date been omitted," adds Vanwalleghem.

Scott is now in the process of modelling the emissions reduction opportunities identified alongside projections for business growth. This will enable the development of a reduction target and set of strategies that will get us there.

"We are committed to playing our role in decarbonising and are looking forward to sharing our initiatives and progress as part of our climate-related disclosures later next year," says Vanwalleghem.

BE SAFE, BE WELL, BE SCOTT CONTINUES TO GO FROM STRENGTH TO STRENGTH

4.3

LTIFR 30% REDUCTION SINCE FY22

13%

MORE REPORTS ON FY22

251

SAFETY CONVERSATIONS

69%

OF SAFETY CONVERSATIONS COMPLETED BY EXECUTIVE TEAM DRIVING STRONG LEADERSHIP

68

SAFE MATE AWARD RECIPIENTS

Fostering a work environment that prioritises safety and wellbeing continues to be the highest priority for Scott Technology in FY23, which is reflected both in the organisation's safety culture and key metrics.

"We are delighted with the progress we've made in the last year," says Group GM – People, Marketing and Minerals, Casey Jenkins. "Be Safe, Be Well, Be Scott continues to go from strength to strength and our teams remain committed to continuously improving our safety culture."

After its inaugural success, Scott held its second Stop for Safety event in December 2022 where employees from across the globe were recognised for exemplary safety culture. The best performing site went to Dunedin, New Zealand, whilst most improved went to Sydney, Australia. These sites received these awards for their outstanding achievements in safety improvements, including reporting the highest number of hazards/observations across the Group, led the successful BeScott app deployment, active staff engagement and a deep understanding of health and safety requirements, which was reflected in the scores obtained during executive safety conversations.

"It was a fantastic opportunity for us to get together again to celebrate the achievements from across the Group. Our safety is a collective responsibility and we have really seen the team work together to drive a high-performing safety culture," says Jenkins.

"Our employees continue to lead by example, and we receive a high number of nominations each month, particularly in the Speak Up and One Team categories."

The Safe Mate programme, a people-led initiative where colleagues can nominate each other for safety awards, continues to encourage staff to uphold the six core expectations in the Be Safe, Be Well, Be Scott framework.

"Our employees continue to lead by example, and we receive a high number of nominations each month, particularly in the Speak Up and One Team categories," continues Jenkins.

(Left) Scott service team onsite commissioning a palletising system for major New Zealand protein processor.

The integration of the BeScott reporting app has also played a significant role, and is now fully embedded across the global business, with high levels of engagement. The app, which simplifies safety reporting by making it easily accessible on employees' phones, has played a significant role in improving reporting metrics, with incident reporting increasing over 100% since the launch.

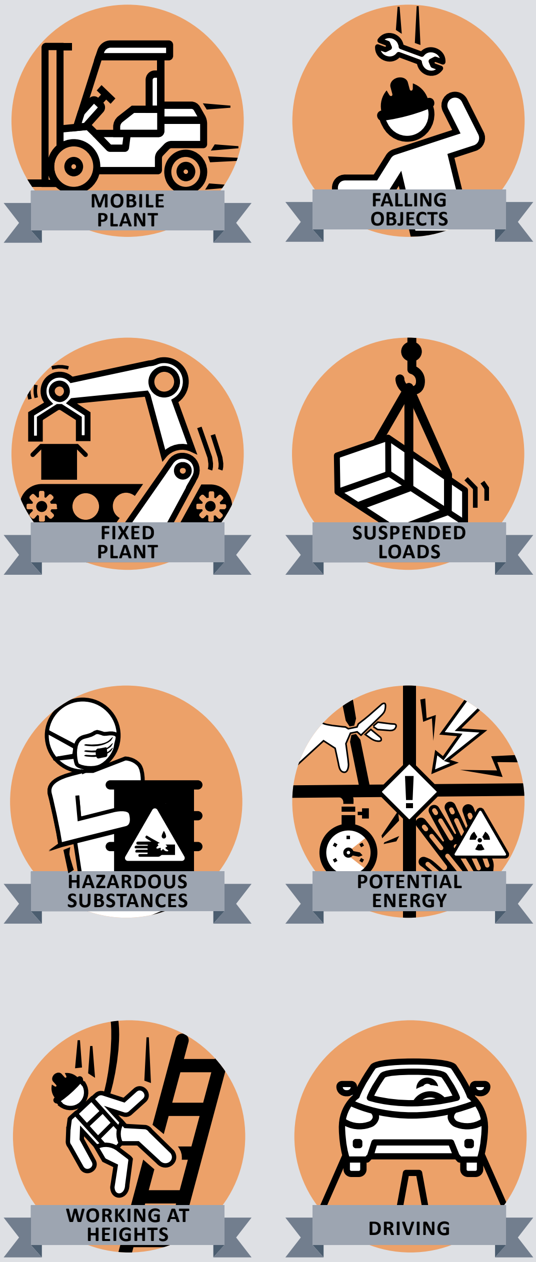
"As a result of the increase in this, and other lead indicators such as management conversations, our lost time injury frequency rate has decreased significantly from 6.1 in August last year, to 4.3 in 2023," says Jenkins.

Continuous improvement in workplace health and safety is a fundamental commitment for Scott and there is always more that can be done. The team has been working hard on developing a Critical Risk Management Strategy, which has involved defining critical risk and establishing eight risk categories.

The strategy is set to be launched in November this year and will ensure that employees are aware of the business' risk categories, with each category being championed by an executive team member. The launch will include an introduction video and posters, as well as post-launch workshops to define mandatory controls and finalise the Risk Management Framework.

"For each risk, we will develop mitigations and controls to ensure they are managed effectively and risks are minimised as much as possible," adds Jenkins. "Allocating a risk category to each member of the leadership team instils a collective sense of accountability and allows for the health and safety of the business to be everyone's responsibility."

CRITICAL RISKS FRAMEWORK



BE SAFE - BE WELL
BE SCOTT

INVESTING IN OUR FUTURE

Building a strong team and future leaders continues to be a key focus for Scott as it looks to expand its diversity in the workplace.

Casey Jenkins, Scott Technology's Group GM – People, Marketing and Minerals, says the business knows its teams are stronger and its products and technologies are better, when they are developed with input from a diverse range of people.

"We are a people-led business," says Jenkins. "We have an ongoing focus on growing and developing our teams through partnerships that encourage a wider range of people to work in the world of robotics and engineering."

With this in mind, Scott engaged in a partnership with the University of Canterbury (UC) late in 2022, an institution known for producing high-quality engineering talent. Together with UC, Scott developed the Scott Technology Women in Engineering Scholarship; a compelling opportunity for female engineering students, which covers fees up to $5,000, a $1,000 stipend and a paid internship.

In September, the scholarship was awarded to Lydia Burnett. Studying a Bachelor of Engineering specialising in Mechatronics, Lydia has a keen interest in engineering for manufacturing and improving operator safety and usability.

"Lydia was one of several high-calibre applicants we received, and we were really reassured to see so many females engaging in an engineering qualification. Lydia impressed us with her understanding of Scott and desire to support student outreach programmes and we look forward to supporting her over the next few years," says Jenkins.

In addition to the scholarship, Scott sponsors the university's Women in Engineering committee and has worked with a group of four UC students on their final year project.

(Below) Scholarship winner, Lydia Burnett, onsite in Christchurch with Matt Flemmer, project engineer.

(Above) Harry Russell qualified fitter and turner, completed his apprenticeship with Scott (Photo coutesy of Otago Daily Times).

The UC students worked with Scott project mentors, Paul Boyes and Glen Rose. The project explores the design and engineering of a 400-tonne servo press to incorporate into manufacturing lines.

Engaging the next generation of engineers is also a priority for Scott and its long-term sponsorship of RoboCup Junior New Zealand reflects this. RoboCup Junior NZ is the local iteration of a global educational initiative designed to introduce primary and secondary students to the field of robotics by sparking their curiosity about, and increasing their comfort with, technology.

Created in a true cooperative spirit, the RoboCup Junior competition encompasses engineering and IT skills, extending right across a school curriculum. Taught through participating schools, students compete to solve challenges using science, technology and performing arts.

"We believe that more needs to be done to encourage and excite young people to pursue STEM *(Science, technology, engineering and maths)* careers," says Jenkins. "RoboCup Junior is a fun way for kids to engage with robotics. We've seen some incredible talent come through the competition over the years and we have even had the pleasure of hiring several great employees through this pathway."

Scott continues to grow its talent pipeline by providing robust learning pathways through its graduate, apprenticeship and internship programmes.

"We are excited to continue to develop and shape the next generation of engineers."

"In FY23 we welcomed three graduates, four interns and four apprentices to join our team of 22 second- and third-year graduates and apprentices globally and we are excited to continue to develop and shape the next generation of engineers," says Jenkins.

Scott Australia delivers choreographed robots for Vivid Sydney festival in Australia.

LEADERSHIP & GOVERNANCE

OUR BOARD

Stuart McLauchlan
Chairman and Independent Director

John Kippenberger
Chief Executive Officer

Brent Eastwood
Director

John Berry
Director

Al Byers
Director

John Thorman
Independent Director

Derek Charge
Independent Director

Penny Ford
Emerging Director

Full profiles are available on the Scott website at scottautomation.com/en/investor-centre/governance

FINANCIAL REPORT

INDEX TO THE FINANCIAL STATEMENTS

KEY

Key judgements and other judgements made

Accounting policy

FOR THE YEAR ENDED 31 AUGUST 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023 $'000s	2022 $'000s
Revenue	A1	267,526	221,757
Other operating income	A1	1,391	2,003
Share of joint ventures' net surplus	E2	127	329
Raw materials, consumables used and operating expenses	A1	(158,967)	(130,425)
Employee benefits expense		(79,703)	(69,746)
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION, AND ONE OFF COSTS (OPERATING EBITDA)		**30,374**	**23,918**
One off costs	E5	(683)	-
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		**29,691**	**23,918**
Interest revenue		558	560
Depreciation and amortisation	B4, B6, B8, C5	(8,809)	(8,053)
Finance costs		(2,241)	(1,508)
NET PROFIT BEFORE TAX		**19,199**	**14,917**
Taxation expense	A2	(3,763)	(2,260)
NET PROFIT FOR THE YEAR AFTER TAX FROM CONTINUING OPERATIONS		**15,436**	**12,657**
Loss from discontinued operation (net of income tax)	E4	-	(12,567)
NET PROFIT FOR THE YEAR AFTER TAX		**15,436**	**90**
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Translation of foreign operations		623	4,822
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**16,059**	**4,912**
Net profit / loss for the year after tax from continuing operations is attributable to:			
Members of the parent entity (used in the calculations of earnings per share)		15,522	12,639
Non-controlling interests		(86)	18
		15,436	**12,657**
Total comprehensive income / loss is attributable to:			
Members of the parent entity		16,145	4,894
Non controlling interests		(86)	18
		16,059	**4,912**
Total comprehensive income / loss attributable to members of the parent entity arises from:			
Continuing operations		16,145	17,461
Discontinued operations		-	(12,567)
		16,145	**4,894**
		Cents per share	Cents per share
Earnings per share to shareholders from continuing operations (weighted average shares on issue):			
Basic	C2	19.3	15.9
Diluted	C2	19.3	15.9

FOR THE YEAR ENDED 31 AUGUST 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Fully paid ordinary shares $'000s	Retained earnings $'000s	Foreign currency translation reserve $'000s	Non-controlling interests $'000s	Total $'000s
Balance at 31 August 2021		**82,701**	**19,559**	**(3,761)**	**(304)**	**98,195**
Net profit for the year after tax		-	72	-	18	90
Other comprehensive (loss) for the year net of tax		-	-	4,822	-	4,822
Dividends paid (8.0 cents per share)		-	(6,315)	-	-	(6,315)
Issue of shares under dividend reinvestment plan	C1	3,614	-	-	-	3,614
Balance at 31 August 2022		**86,315**	**13,316**	**1,061**	**(286)**	**100,406**
Net profit for the year after tax		-	15,522	-	(86)	15,436
Other comprehensive income for the year net of tax		-		623	-	623
Dividends paid (8.0 cents per share)		-	(6,413)	-	-	(6,413)
Issue of shares under dividend reinvestment plan	C1	3,847	-	-	-	3,847
Balance at 31 August 2023		**90,162**	**22,425**	**1,684**	**(372)**	**113,899**

AS AT 31 AUGUST 2023

CONSOLIDATED BALANCE SHEET

		Notes	2023 $'000s	2022 $'000s
Current assets	Cash and cash equivalents		21,432	8,478
	Trade debtors	B1	43,639	40,003
	Other financial assets	D1	1,277	938
	Sundry debtors		10,776	5,251
	Inventories	B2	38,251	31,328
	Contract assets	B3	34,241	18,073
	Receivable from joint ventures	E3	431	431
	Tax receivable		-	881
	TOTAL CURRENT ASSETS		**150,047**	**105,383**
Non-current assets	Property, plant and equipment	B4	18,366	17,112
	Investment in joint ventures	E2	804	677
	Other financial assets	D1	142	99
	Sundry debtors		2,901	4,608
	Goodwill	B5	52,016	50,117
	Deferred tax	A2	2,912	3,365
	Intangible assets	B6	5,586	7,158
	Development assets	B8	7,807	8,837
	Right-of-use assets	C5	12,473	9,532
	TOTAL NON-CURRENT ASSETS		**103,007**	**101,505**
	TOTAL ASSETS		**253,054**	**206,888**
Current liabilities	Bank overdraft		9,036	4,543
	Trade creditors and accruals	C4	39,300	35,102
	Lease liabilities	C5	3,773	3,290
	Other financial liabilities	D1	1,682	1,291
	Contract liabilities	B3	45,454	26,307
	Employee entitlements	C6, C8	12,943	9,369
	Provision for warranty	C7	1,374	1,323
	Taxation payable		1,646	-
	Current portion of borrowings	C3	1,151	945
	Onerous contracts provision	C9	1,061	5,241
	TOTAL CURRENT LIABILITIES		**117,420**	**87,411**
Non-current liabilities	Other financial liabilities	D1	142	182
	Employee entitlements	C6, C8	667	719
	Lease liabilities	C5	9,602	7,145
	Borrowings	C3	11,324	11,025
	TOTAL NON-CURRENT LIABILITIES		**21,735**	**19,071**
Equity	Share capital	C1	90,162	86,315
	Retained earnings		22,425	13,316
	Foreign currency translation reserve		1,684	1,061
	Equity attributable to equity holders of the parent		**114,271**	**100,692**
	Non-controlling interests		(372)	(286)
	TOTAL EQUITY		**113,899**	**100,406**
	TOTAL LIABILITIES AND EQUITY		**253,054**	**206,888**

CONSOLIDATED STATEMENT OF CASH FLOWS

		Notes	2023 $'000s	2022 $'000s
Cash flows from operating activities	*Cash was provided from / (applied to):*			
	Receipts from operations		267,110	224,625
	Interest received		558	560
	COVID-19 wage subsidies received		-	436
	Payments to suppliers and employees		(246,887)	(217,713)
	Taxation paid		(564)	(1,600)
	Net cash inflow from operating activities	F1	**20,217**	**6,308**
Cash flows to investing activities	*Cash was provided from / (applied to):*			
	Purchase of property, plant, equipment and intangible assets		(4,324)	(2,312)
	Sale of property, plant and equipment		2,370	877
	Purchase of development asset	B8	(1,229)	(6,574)
	Purchase of business		-	(705)
	Proceeds from discontinued operations		-	896
	Net cash (outflow) from investing activities		**(3,183)**	**(7,818)**
Cash flows to financing activities	*Cash was provided from / (applied to):*			
	Repayment of borrowings		(1,904)	(1,599)
	Dividends paid (less amount reinvested the dividend reinvestment scheme)		(2,566)	(2,686)
	Proceeds from borrowings		2,203	2,396
	Lease payments		(4,040)	(3,392)
	Interest paid		(2,266)	(1,516)
	Net cash (outflow) from financing activities		**(8,573)**	**(6,797)**
	Net increase / (decrease) in cash held		8,461	(8,307)
	Add cash and cash equivalents at start of year		3,935	12,242
	Balance at end of year		**12,396**	**3,935**
	Comprised of:			
	Cash and cash equivalents		21,432	8,478
	Bank overdraft		(9,036)	(4,543)
			12,396	**3,935**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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

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

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

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and, for the purposes of complying with GAAP, it is a for-profit entity. They comply with New Zealand equivalents to 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 18 October 2023.

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 2023 and the comparative information presented in these financial statements for the year ended 31 August 2022.

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

The information is presented in thousands of New Zealand dollars, which is the functional currency of the company and the presentation currency of the Group.

CRITICAL JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial report are set out within the particular note to which they relate. These policies have been consistently applied unless otherwise stated.

Summary of accounting policies continued

CONSOLIDATION OF SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

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

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

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

- NZ IAS 1 (Classification of Liabilities as Current and Non Current) - clarifies the classification on liabilities as current or non current based on rights in existence rather than expectations at the end of the reporting period;
- Amendments to NZ IAS 1 and IFRS PS 2 (Disclosure of Accounting Policies) - requires the disclosure of material instead of significant accounting policies; and
- Amendments to NZ IAS8 (Definition of accounting Estimates) - replaces the definition of change in accounting estimates with a definition of accounting estimates.

The amendments will have no material impact on the Group.

CLIMATE-RELATED DISCLOSURES

In 2021 legislation on mandatory reporting on climate risks was introduced. Reporting entities captured by the legislation are required to provide a climate report for accounting period beginning on or after 1 January 2023.

In December 2022, the External Reporting Board (XRB) issued its first climate disclosure standards to give effect to the legislation. The standards are effective for annual reporting periods beginning on or after 1 January 2023. The new Climate Standards issued are:

Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)
This standard provides a framework for considering climate-related risks and opportunities. It requires disclosures explaining how the entity manages its climate-related risks and opportunities. The disclosure requirements cover four key areas (Governance, Strategy, Risk Management and Metrics and Targets). Entities must obtain assurance over the greenhouse gas emissions disclosures.

Aotearoa New Zealand Climate Standard 2: First-time Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2)
This standard includes a limited number of adoption provisions and provides optional disclosure exemptions that entities may apply during the first few periods of climate reporting.

Summary of accounting policies continued

Aotearoa New Zealand Climate Standard 3: General Requirements for Climate-related Disclosures (NZ CS 3)

This standard includes:

- the principles for climate-related disclosures (such as relevance, accuracy, and verifiability),
- general requirements for how the information is disclosed, and
- guidance on topics such as materiality and estimation uncertainty.

Scott Technology Limited qualifies as a climate reporting entity and is required to comply with these reporting standards. These requirements include:

- Preparation of an annual climate statement that discloses information about the effects of climate change on the Group's business;
- Preparation of climate statements in accordance with climate standards issued by the XRB;
- Obtaining independent assurance about the part of the climate statement that relates to the disclosure of GHG emissions from 2025;
- Making the climate statements available to the public; and
- Complying with record-keeping requirements.

The Group has established a task force on climate-related financial disclosures reporting and, in 2021, with the support from New Zealand based sustainability experts, Tadpole, embarked on a project to measure and understand its carbon emissions across the global business. The FY19 GHG verified measurements were reported in the FY22 annual report.

The task force is also focused on ensuring compliance with the reporting standards and legislation by establishing the Group's climate-related risks and opportunities, how these affect the Group, and in turn, how the Group's business operations affect climate change. This includes scenario analysis, the processes to identify risks and how these integrate into the overall risk management framework while also identifying and determining how it reports key metrics associated with its most material climate impacts.

RECLASSIFICATIONS

Disaggregation of revenue - Sources of Revenue by Industry

The Group has redefined its categories of revenue from contracts with customers from Systems, Products and Services to revenue from customers by industry, namely Protein, Minerals, Materials Handling, and Rest of Business, which better reflect the specific nature and application of Group's systems technology, products and services across its geographic manufacturing segments and CGUs. The sources of revenue are also allocated between sales and service revenues across these industries.

Comparative figures for the year ended 31 August 2022 included under Note A1 Revenue from Contracts With Customers have been restated in order to report comparative figures under the new categories.

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

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

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

FOREIGN CURRENCIES

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates, which is its functional currency. For the purpose of the consolidated financial statements, the results and position of each Group entity are expressed in New Zealand dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Summary of accounting policies continued

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Zealand dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity, and attributed to non-controlling interests as appropriate.

NON-GAAP FINANCIAL INFORMATION

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

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

SECTION A: FINANCIAL PERFORMANCE

A1. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OPERATING EXPENSES

(A) ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

The Group derives revenue from the following sources:

- Sales
- Services

Revenue recognition – sales

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

Policy

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

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

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

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

A1. Revenue from contracts with customers and operating expenses continued

Judgement

The estimation of percentage of completion relies on the directors estimating costs to complete systems contracts. If the costs incurred to complete the systems contracts differ from the estimates completed by management, the directors could be over or under estimating the percentage of completion on the project, and consequently revenue and profit to date may also be over or under estimated.

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

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

Policy

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

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

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

Revenue recognition – services

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

Policy

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

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

Disaggregation of revenue from contracts with customers

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

A1. Revenue from contracts with customers and operating expenses continued

Year Ended 31 August 2023		Protein	Minerals	Materials Handling	Rest of Business	Total
		$'000s	$'000s	$'000s	$'000s	$'000s
New Zealand manufacturing	Sales	10,772	11,893	3,633	2,256	28,554
	Service	4,065	14,087	1,192	1,966	21,310
	Revenue from external customers	**14,837**	**25,980**	**4,825**	**4,222**	**49,864**
	Timing of revenue recognition					
	- Over time	9,955	-	3,633	2,257	15,845
	- At a point in time	4,882	25,980	1,192	1,965	34,019
		14,837	**25,980**	**4,825**	**4,222**	**49,864**
Australia manufacturing	Sales	5,028	12,720	-	13,088	30,836
	Service	7,627	276	-	2,794	10,697
	Revenue from external customers	**12,655**	**12,996**	**-**	**15,882**	**41,533**
	Timing of revenue recognition					
	- Over time	7,376	3,329	-	13,088	23,793
	- At a point in time	5,279	9,667	-	2,794	17,740
		12,655	**12,996**	**-**	**15,882**	**41,533**
Americas manufacturing	Sales	25,051	1,159	21,868	16,974	65,052
	Service	9,874	754	6,519	57	17,204
	Revenue from external customers	**34,925**	**1,913**	**28,387**	**17,031**	**82,256**
	Timing of revenue recognition					
	- Over time	7,714	1,157	21,868	16,636	47,375
	- At a point in time	27,211	756	6,519	395	34,881
		34,925	**1,913**	**28,387**	**17,031**	**82,256**
Europe manufacturing	Sales	9,823	-	42,368	13,741	65,932
	Service	3,627	-	18,793	645	23,065
	Revenue from external customers	**13,450**	**-**	**61,161**	**14,386**	**88,997**
	Timing of revenue recognition					
	- Over time	-	-	42,368	13,741	56,109
	- At a point in time	13,450	-	18,793	645	32,888
		13,450	**-**	**61,161**	**14,386**	**88,997**
China manufacturing	Sales	-	234	-	4,526	4,760
	Service	83	33	-	-	116
	Revenue from external customers	**83**	**267**	**-**	**4,526**	**4,876**
	Timing of revenue recognition					
	- Over time	-	-	-	4,526	4,526
	- At a point in time	83	267	-	-	350
		83	**267**	**-**	**4,526**	**4,876**
Total manufacturing	Sales	50,674	26,006	67,869	50,585	195,134
	Service	25,276	15,150	26,504	5,462	72,392
	Revenue from external customers	**75,950**	**41,156**	**94,373**	**56,047**	**267,526**
	Timing of revenue recognition					
	- Over time	25,045	4,486	67,869	50,248	147,648
	- At a point in time	50,905	36,670	26,504	5,799	119,878
		75,950	**41,156**	**94,373**	**56,047**	**267,526**

A1. Revenue from contracts with customers and operating expenses continued

Year Ended 31 August 2022 (Restated)		Protein $'000s	Minerals $'000s	Materials Handling $'000s	Rest of Business $'000s	Total $'000s
New Zealand manufacturing	Sales	4,427	21,261	5,448	1,662	32,798
	Service	4,779	12,024	465	882	18,150
	Revenue from external customers	**9,206**	**33,285**	**5,913**	**2,544**	**50,948**
	Timing of revenue recognition					
	- Over time	2,070	454	5,449	1,053	9,026
	- At a point in time	7,136	32,831	464	1,491	41,922
		9,206	**33,285**	**5,913**	**2,544**	**50,948**
Australia manufacturing	Sales	21,738	5,536	-	21,363	48,637
	Service	3,983	-	-	4,050	8,033
	Revenue from external customers	**25,721**	**5,536**	**-**	**25,413**	**56,670**
	Timing of revenue recognition					
	- Over time	14,547	27	-	21,331	35,905
	- At a point in time	11,174	5,509	-	4,082	20,765
		25,721	**5,536**	**-**	**25,413**	**56,670**
Americas manufacturing	Sales	7,502	998	11,314	20,563	40,377
	Service	5,077	-	7,010	-	12,087
	Revenue from external customers	**12,579**	**998**	**18,324**	**20,563**	**52,464**
	Timing of revenue recognition					
	- Over time	173	-	11,314	19,518	31,005
	- At a point in time	12,406	998	7,010	1,045	21,459
		12,579	**998**	**18,324**	**20,563**	**52,464**
Europe manufacturing	Sales	7,623	-	29,706	1,781	39,110
	Service	1,978	-	16,100	697	18,775
	Revenue from external customers	**9,601**	**-**	**45,806**	**2,478**	**57,885**
	Timing of revenue recognition					
	- Over time	-	-	29,706	1,782	31,488
	- At a point in time	9,601	-	16,100	696	26,397
		9,601	**-**	**45,806**	**2,478**	**57,885**
China manufacturing	Sales	-	-	-	3,790	3,790
	Service	-	-	-	-	-
	Revenue from external customers	**-**	**-**	**-**	**3,790**	**3,790**
	Timing of revenue recognition					
	- Over time	-	-	-	3,222	3,222
	- At a point in time	-	-	-	568	568
		-	**-**	**-**	**3,790**	**3,790**
Total manufacturing	Sales	41,291	27,795	46,468	49,159	164,712
	Service	15,817	12,024	23,574	5,629	57,044
	Revenue from external customers	**57,107**	**39,819**	**70,042**	**54,788**	**221,757**
	Timing of revenue recognition					
	- Over time	16,790	481	46,469	46,906	110,646
	- At a point in time	40,317	39,338	23,574	7,882	111,111
		57,107	**39,819**	**70,043**	**54,788**	**221,757**

A1. Revenue from contracts with customers and operating expenses continued

Revenue recognised in relation to contract liabilities

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

Revenue recognised included in the contract liability balance at the beginning of the period.	**2023** *$'000s*	**2022** *$'000s*
Fixed-price contracts for long-term projects	14,404	13,068

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

Unsatisfied long-term fixed-price project contracts

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

	2023 *$'000s*	**2022** *$'000s*
Aggregate amount of the transaction price allocated to long-term fixed-price project contracts that are partially or fully unsatisfied as at 31 August	113,153	71,580

Management expects that 90% of the transaction price allocated to the unsatisfied contracts as of 31 August 2023 will be recognised as revenue during the next reporting period ($102 million) (2022: 89% of the transaction price allocated to the unsatisfied contracts as of 31 August 2022 will be recognised as revenue during the next reporting period ($64 million)). The remaining 10% ($11 million) (2022: 11% ($8 million)) will be recognised in the following financial year.

(B) OTHER OPERATING INCOME

Government grants

Policy

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

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

	2023 *$'000s*	**2022** *$'000s*
Rental income	157	230
Government grants related to research and development	631	1,156
COVID-19 wage subsidies	-	426
Other Government grants	144	142
Gain on sale of property, plant and equipment	459	49
	1,391	**2,003**

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

A1. Revenue from contracts with customers and operating expenses continued

Government wage subsidies and wage support were claimed in New Zealand by Scott Technology NZ Limited, as a result of COVID-19 and the impact on the New Zealand business. The total of the subsidies recognised as revenue in 2023 was nil (2022: $0.4m).

(C) INCLUDED IN RAW MATERIALS, CONSUMABLES AND OPERATING EXPENSES

		2023 *$'000s*	2022 *$'000s*
Audit services: Deloitte Limited	Group audit	537	484
	Other assurance services	-	-
	Total remuneration for audit services	**537**	**484**
Non-audit services: Deloitte Limited	Taxation services	145	249
	Total remuneration for non-audit services	**145**	**249**

The auditor of the Group is Deloitte Limited.

		2023 *$'000s*	2022 *$'000s*
Other separately disclosed expenses:	Directors' fees	280	279
	Superannuation scheme contributions	7,352	6,284
	Raw materials and consumables used (cost of sales)	137,249	117,935
	Foreign exchange loss	1,159	1,529
	Unrealised fair value losses on foreign exchange derivatives	455	639
	and after crediting:		
	Foreign exchange gains	845	-
	Unrealised fair value gains on foreign exchange derivatives	362	339
	Unrealised fair value gains on interest rate swap contracts	83	576

SECTION A: FINANCIAL PERFORMANCE

A2. INCOME TAXES

Income tax recognised in net surplus

Policy

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

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

	2023 $'000s	2022 $'000s
Net profit before tax	**19,199**	**14,917**
Income tax expense calculated at 28% (2022: 28%)	5,376	4,177
Non-deductible expenses / (non-assessable income)	(1,212)	(1,629)
Under / (over) provision of income tax in previous year	(401)	(288)
Taxation expense	**3,763**	**2,260**
Represented by:		
Current tax	3,310	197
Deferred tax	453	2,063
	3,763	**2,260**

Prima facie tax rate

The prima facie tax rate used in the above reconciliation is the corporate tax rate of 28% payable by New Zealand corporate entities on taxable profits under New Zealand tax law for the 2023 income tax year.

Deferred tax balances

Policy

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

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

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

A2. Income taxes continued

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

At the reporting date, the Group has unused gross tax losses of $6.79m (2022: $7.83m) available to offset against future profits. A deferred tax asset has been recognised in respect of $1.4m (2022: $2.1m) of such losses.

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

2022		Opening Balance $'000s	Charged to Income $'000s	Closing Balance $'000s
Gross deferred tax assets:	Trade debtors	163	41	204
	Other financial assets	37	(28)	9
	Employee entitlements	1,422	289	1,711
	Provisions	1,535	(1,034)	501
	Tax losses	4,629	(2,489)	2,140
	Leases	262	13	275
	Inventories	692	459	1,151
		8,740	**(2,749)**	**5,991**
Gross deferred tax liabilities:	Property, plant and equipment	(1,584)	414	(1,170)
	Intangible assets	(1,728)	272	(1,456)
		(3,312)	**686**	**(2,626)**
		5,428	**(2,063)**	**3,365**

Imputation credit account balances

	2023 $'000s	2022 $'000s
Imputation credits available to shareholders	-	-

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

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

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

SECTION A: FINANCIAL PERFORMANCE

A3. SEGMENT INFORMATION

Policy

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

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

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

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

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

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

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

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

Segment revenues and results

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

	Manufacturing							
	New Zealand	Australia	Americas	Europe	China	Unallocated	Elimination	Total
2023	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
Revenue from contracts with customers								
Total revenue from contracts with customers	49,864	41,533	82,256	88,997	4,876	-	-	267,526
Inter-segment revenue	6,738	9,276	701	3,643	6,043	-	(26,401)	-
Segment Revenue	**56,602**	**50,809**	**82,957**	**92,640**	**10,919**	**-**	**(26,401)**	**267,526**
Segment profit	23,650	5,087	4,024	8,514	2,017	-	-	43,292
Depreciation and amortisation	(1,611)	(2,986)	(599)	(3,221)	(154)	(238)	-	(8,809)
Share of net surplus in joint ventures	127	-	-	-	-	-	-	127
Interest revenue	176	280	-	42	38	22	-	558
Central administration costs	-	-	-	-	-	(13,728)	-	(13,728)
Finance costs	(708)	(60)	(228)	(354)	-	(891)	-	(2,241)
Net profit/(loss) before taxation	**21,634**	**2,321**	**3,197**	**4,981**	**1,901**	**(14,835)**	**-**	**19,199**
Taxation (expense)/benefit	(1,360)	(409)	(856)	(1,116)	(22)	-	-	(3,763)
Net profit/(loss) after taxation	**20,274**	**1,912**	**2,341**	**3,865**	**1,879**	**(14,835)**	**-**	**15,436**

A3. Segment information continued

2022	Manufacturing New Zealand $'000s	Australia $'000s	Americas $'000s	Europe $'000s	China $'000s	Unallocated $'000s	Elimination $'000s	Total $'000s
Revenue from contracts with customers								
Total revenue from contracts with customers	50,948	56,670	52,464	57,885	3,790	-	-	221,757
Inter-segment revenue	19,955	7,665	-	5,263	7,917	-	(40,800)	-
Segment Revenue	**70,903**	**64,335**	**52,464**	**63,148**	**11,707**	**-**	**(40,800)**	**221,757**
Segment profit	22,962	2,512	(1,334)	8,002	309	-	-	32,451
Depreciation and amortisation	(1,171)	(2,886)	(575)	(2,950)	(137)	(334)	-	(8,053)
Share of net surplus in joint ventures	329	-	-	-	-	-	-	329
Interest revenue	-	486	-	1	73	-	-	560
Central administration costs	-	-	-	-	-	(8,862)	-	(8,862)
Finance costs	(153)	(107)	(164)	(321)	-	(763)	-	(1,508)
Net profit/(loss) before taxation	**21,967**	**5**	**(2,073)**	**4,732**	**245**	**(9,959)**	**-**	**14,917**
Taxation (expense)/benefit	(3,282)	667	1,068	(736)	23	-	-	(2,260)
Net profit/(loss) after taxation	**18,685**	**672**	**(1,005)**	**3,996**	**268**	**(9,959)**	**-**	**12,657**

Revenue reported above represents revenue generated from external customers. Inter-segment sales, which are eliminated on consolidation, were $26.4 million for the year ended 31 August 2023 (2022: $40.8 million).

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

Geographical information

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

	2023 $'000s	2022 $'000s
New Zealand (country of domicile)	17,862	9,735
Australia and Pacific Islands	45,611	60,885
North America, including Mexico	105,814	61,703
South America	1,881	9,816
Asia	22,003	12,784
Europe	70,758	59,258
Russia and former states	492	4,996
Africa and Middle East	3,105	2,580
	267,526	**221,757**

A3. Segment information continued

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

	2023 $'000s	2022 $'000s
Australia	24,836	32,248
US	10,907	10,066
Europe	32,344	25,819
China	1,077	955
	69,164	**69,088**

Information about major customers

In 2023 there was no single customer accounting for more than 10.0% of total Group sales (2022: none).

SECTION B: ASSETS

B1. TRADE DEBTORS

Policy

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

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

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

	2023 $'000s	2022 $'000s
Trade debtors	44,744	40,759
Allowance for expected credit losses	(1,105)	(756)
	43,639	**40,003**

Credit losses in profit and loss

The allowance for expected credit losses recognised in the profit and loss during the year was $0.3 million (2022: $0.2 million).

Credit period

The credit period on sales of goods ranges from 30 to 120 days depending on the terms negotiated by the customer for large contracts. No interest is charged on trade debtors.

B1. Trade debtors continued

Impairment of financial assets

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

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

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

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

Provision matrix

	New Zealand		Australia		Americas		China		Europe		Group	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Debtors	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
Current-30 days	10,906	8,228	6,078	5,582	8,986	5,519	-	88	9,366	12,330	35,336	31,747
31-60 days	1,753	2,254	935	185	272	114	636	-	670	1,050	4,266	3,603
61-90 days	441	422	53	595	603	147	96	-	659	542	1,852	1,706
Over 91 days	2,022	1,751	232	478	195	619	14	295	827	560	3,290	3,703
Total debtors	**15,122**	**12,655**	**7,298**	**6,840**	**10,056**	**6,399**	**746**	**383**	**11,522**	**14,482**	**44,744**	**40,759**
Contract assets	10,808	3,895	625	1,049	1,613	1,843	7,278	3,101	13,917	8,185	34,241	18,073
Total assets	**25,930**	**16,550**	**7,923**	**7,889**	**11,669**	**8,242**	**8,024**	**3,484**	**25,439**	**22,667**	**78,985**	**58,832**
Allowance based on expected credit loss	-	-	-	-	-	-	-	-	-	-	-	-
Expected credit loss on individually assessed balances	(834)	(694)	-	-	(128)	(41)	-	-	(143)	(21)	(1,105)	(756)
Credit loss allowance	**(834)**	**(694)**	**-**	**-**	**(128)**	**(41)**	**-**	**-**	**(143)**	**(21)**	**(1,105)**	**(756)**

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

SECTION B: ASSETS

B2. INVENTORIES

Policy

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

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

	2023	**2022**
	$'000s	*$'000s*
Raw materials	18,168	14,393
Work in progress	9,047	9,329
Finished goods	11,737	8,926
Provision for obsolete inventory	(701)	(1,320)
	38,251	**31,328**

Write downs

The cost of inventories recognised as an expense during the year includes $0.3 million (2022: $0.1 million) in respect of write downs of inventory to net realisable value and write offs of obsolete inventory.

SECTION B: ASSETS

B3. CONTRACT ASSETS / LIABILITIES

Policy

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

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

Judgement

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

Assets and liabilities related to contracts with customers

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

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

	2023 *$'000s*	2022 *$'000s*
Contract assets	34,241	18,073
Contract liabilities	(27,498)	(19,576)
Deferred revenue	(17,956)	(6,731)
	(11,213)	**(8,234)**

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

SECTION B: ASSETS

B4. PROPERTY, PLANT AND EQUIPMENT

Policy

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

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

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

	Freehold land at cost $'000s	Freehold buildings at cost $'000s	Plant, equipment and vehicles at cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2021	2,432	13,011	25,920	41,363
Additions	-	266	1,796	2,063
Disposals	-	(24)	(2,084)	(2,108)
Translation of amounts held in foreign currency	-	(123)	483	360
As at 31 August 2022	**2,432**	**13,130**	**26,115**	**41,677**
Additions	2	469	3,565	4,036
Disposals	-	(15)	(2,080)	(2,095)
Translation of amounts held in foreign currency	3	142	517	662
As at 31 August 2023	**2,437**	**13,726**	**28,117**	**44,280**
Accumulated depreciation & impairment				
As at 31 August 2021	-	3,521	20,101	23,622
Disposals	-	(24)	(1,599)	(1,623)
Depreciation expense	-	436	1,941	2,377
Translation of amounts held in foreign currency	-	(7)	196	189
As at 31 August 2022	**-**	**3,926**	**20,639**	**24,565**
Disposals	-	-	(1,392)	(1,392)
Depreciation expense	-	431	1,793	2,224
Translation of amounts held in foreign currency	-	80	437	517
As at 31 August 2023	**-**	**4,437**	**21,477**	**25,914**
Net book value				
As at 31 August 2022	2,432	9,204	5,476	17,112
As at 31 August 2023	**2,437**	**9,289**	**6,640**	**18,366**

SECTION B: ASSETS

B5. GOODWILL

Policy

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

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

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

Gross carrying amount	2023 *$'000s*	2022 *$'000s*
Balance at beginning of financial year	50,117	55,171
Discontinued operation	-	(7,656)
Translation of goodwill amounts held in foreign currency	1,899	2,602
Balance at end of financial year	**52,016**	**50,117**

Judgement

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows, particularly in relation to future project wins and market conditions, expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Impairment testing summary

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

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

A heightened degree of focus has been given to the Australian CGU, as this CGU continues to recover from the effects of COVID-19. The impairment model includes assumptions around post-COVID-19 recovery, resulting in an expectation that the Australian CGU will improve its Earnings Before Interest and Tax (EBIT) by NZ$1.5m in 2024 and then adjusting for annualised growth after that date. The Board consider this a conservative estimate of forecast growth given the changes made to the Australia business in the prior year. Sensitivity analysis has showed that if the improvement in the net result from 2024 onwards is NZ$0.2m rather than the NZ$1.5m assumed and no subsequent recovery in earnings is made, the model would result in nil headroom. Sensitivity analysis also showed that if the upper limit of the discount rate range was used the model would result in no indications of impairment. The Board is satisified that the assumptions included in the model are reasonable.

B5. Goodwill continued

Allocation of goodwill to cash-generating units

The Group's cash-generating units are:

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

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

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

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

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

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

Goodwill has been allocated for impairment testing purposes to the cash-generating units:	**2023** *$'000s*	**2022** *$'000s*
New Zealand manufacturing	10,530	10,530
Australia manufacturing	13,780	14,166
Americas	8,303	8,079
Europe manufacturing	19,031	16,961
China manufacturing	372	381
	52,016	**50,117**

Impairment model inputs by region

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

New Zealand	**2023**	**2022**
Annual growth rate	2.5%	2.5%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	16.6%	15.4%

New Zealand cashflow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2023 of 2.5% (2022: 2.5%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2022: 2.0%). The pre-tax discount rate calculated in 2023 is 16.6% (2022: 15.4%).

The New Zealand CGU has sufficient historical data to support the cash flow assumptions included in the impairment model and management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the New Zealand cash-generating unit.

Australia	**2023**	**2022**
Annual growth rate	3.0%	3.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	15.4%	14.0%

B5. Goodwill continued

Australia cashflow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2023 of 3.0% (2022: 3.0%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2022: 2.0%). The pre-tax discount rate calculated in 2023 is 15.4% (2022: 14.0%).

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

Americas	**2023**	**2022**
Annual growth rate	2.5%	2.4%
Terminal growth rate	2.5%	2.4%
Pre-tax discount rate	14.8%	13.5%

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

The rate of revenue and materials price inflation during 2023 of 2.5% (2022: 2.4%) reflects the effect of market expectations on global sales over the five year period, albeit with a slight recovery in 2023. Cash flows beyond that five year period have been extrapolated using a 2.5% p.a. growth rate (2022: 2.4%). The pre-tax discount rate calculated in 2023 is 14.8% (2022: 13.5%). Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the Americas cash-generating unit.

Europe	**2023**	**2022**
Annual growth rate	2.0%	2.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	15.5%	12.6%

Europe cashflow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2023 of 2.0% (2022: 2.0%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2022: 2.0%). The pre-tax discount rate calculated in 2023 is 15.5% (2022: 12.6%).

The European CGU has sufficient historical data to support the cash flow assumptions included in the impairment model and management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the European cash-generating unit.

China	**2023**	**2022**
Annual growth rate	3.0%	3.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	12.9%	14.4%

China cashflow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2023 of 3.0% (2022: 3.0%) reflects the effect of market expectations on global sales over the five year period. Cash flows beyond that five year period have been extrapolated using a 2.0% p.a. growth rate (2022: 2.0%). The pre-tax discount rate calculated in 2023 is 12.9% (2022: 14.4%).

The Chinese CGU has sufficient historical data to support the assumptions included in the impairment model and management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the Chinese cash-generating unit.

SECTION B: ASSETS

B6. INTANGIBLE ASSETS

Policy

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

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

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

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

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

	Conveyor & palletiser technology at cost *$000's*	BladeStop technology at cost *$'000s*	URLs at cost *$'000s*	Non-compete at cost *$'000s*	Centrifuge technology at cost *$'000s*	Automated grading technology at cost *$'000s*	Patents & other *$'000s*	Total *$'000s*
Gross carrying amount								
As at 31 August 2021	**5,624**	**10,387**	**1,850**	**72**	**340**	**1,543**	**170**	**19,986**
Additions	189	-	-	-	-	41	19	249
Disposals	-	-	(2,120)	(82)	-	-	-	(2,202)
Foreign translation difference	(192)	804	270	10	-	(50)	9	851
As at 31 August 2022	**5,621**	**11,191**	**-**	**-**	**340**	**1,534**	**198**	**18,884**
Additions	245	-	-	-	-	-	44	289
Disposals	(1)	-	-	-	-	-	(30)	(31)
Foreign translation difference	846	(305)	-	-	-	257	(5)	793
As at 31 August 2023	**6,711**	**10,886**	**-**	**-**	**340**	**1,791**	**207**	**19,935**

B6. Intangible assets continued

	Conveyor & palletiser technology at cost	BladeStop technology at cost	URLs at cost	Non-compete at cost	Centrifuge technology at cost	Automated grading technology at cost	Patents & other	Total
	$000's	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
Accumulated amortisation and impairment								
As at 31 August 2021	**2,082**	**6,384**	**-**	**44**	**112**	**451**	**39**	**9,112**
Amortisation expense	685	1,350	-	31	26	138	35	2,265
Disposals	-	-	-	(82)	-	-	-	(82)
Foreign translation difference	(101)	543	-	7	-	(22)	4	431
As at 31 August 2022	**2,666**	**8,277**	**-**	**-**	**138**	**567**	**78**	**11,726**
Amortisation expense	646	1,360	-	-	26	146	42	2,220
Disposals	-	-	-	-	-	-	(4)	(4)
Foreign translation difference	523	(224)	-	-	-	112	(4)	407
As at 31 August 2023	**3,835**	**9,413**	**-**	**-**	**164**	**825**	**112**	**14,349**
Net book value								
As at 31 August 2022	2,955	2,914	-	-	202	967	120	7,158
As at 31 August 2023	**2,876**	**1,473**	**-**	**-**	**176**	**966**	**95**	**5,586**

Assets

Intangible assets comprise:

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

SECTION B: ASSETS

B7. RESEARCH AND DEVELOPMENT COSTS

Policy

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

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

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

SECTION B: ASSETS

B8. DEVELOPMENT ASSETS

Policy

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

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

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

Judgement

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

B8. Development Assets continued

		Protein development assets	Mineral development assets	Total
		$'000s	*$'000s*	*$'000s*
Gross carrying amount	**As at 31 August 2021**	**1,576**	**634**	**2,210**
	Additions	1,574	5,000	6,574
	Disposals	-	-	-
	Foreign translation difference	4	49	53
	As at 31 August 2022	**3,154**	**5,683**	**8,837**
	Additions	10	1,219	1,229
	Transfer to project	(473)	-	(473)
	Disposals	(1,277)	-	(1,277)
	Foreign Translation Difference	(1)	(155)	(156)
	As at 31 August 2023	**1,413**	**6,747**	**8,160**
Accumulated amortisation and impairment	**As at 31 August 2021**	-	-	-
	Amortisation expense	-	-	-
	Foreign Translation Difference	-	-	-
	As at 31 August 2022	-	**-**	**-**
	Amortisation expense	(353)	-	(353)
	Foreign Translation Difference	-	-	-
	As at 31 August 2023	**(353)**	**-**	**(353)**
Net book value	As at 31 August 2022	**3,154**	**5,683**	**8,837**
	As at 31 August 2023	**1,060**	**6,747**	**7,807**

Protein development assets relate to work being completed on producing systems to automated processing solutions for poultry. Work has also been completed on updating design drawings for a lamb processing system. All protein development assets relate to the New Zealand and Australian segments.

Mineral development assets relate to work completed on large projects to develop products that will be able to be sold as future products. All mineral development assets relate to the Australian segment.

SECTION C: CAPITAL AND FUNDING

C1. SHARE CAPITAL

Policy

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

	2023 Number	2022 Number	2023 $'000s	2022 $'000s
Fully paid ordinary shares at beginning of financial year	79,852,190	78,665,835	86,315	82,701
Issue of shares under dividend reinvestment plan	1,346,604	1,186,355	3,847	3,614
Balance at end of financial year	81,198,794	79,852,190	90,162	86,315

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

SECTION C: CAPITAL AND FUNDING

C2. EARNINGS AND NET TANGIBLE ASSETS PER SHARE

Earnings per share from continuing operations

	2023 Cents per share	2022 Cents per share
Basic	19.3	15.9
Diluted	19.3	15.9

	2023 $'000s	2022 $'000s
Net profit for the year used in the calculation of basic and diluted earnings per share from continuing operations	15,522	12,639
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	80,302	79,320

Non-GAAP information

Net tangible assets per ordinary share	2023 Cents per share	2022 Cents per share
Basic	56.1	38.7
Diluted	56.1	38.7

	Notes	2022 $'000s	2022 $'000s
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share	C1	81,199	79,852
Net tangible assets (net assets excluding goodwill, intangible assets, development assets and deferred tax)		45,578	30,929

SECTION C: CAPITAL AND FUNDING

C3. BORROWINGS

Policy

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

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

	2023 *NZD$'000s*	2022 *NZD$'000s*
Current	1,151	945
Non-current	11,324	11,025
Total term loans	**12,475**	**11,970**
Maturity profile of non-current portion		
1-2 years	11,072	65
2-3 years	86	10,934
3-5 years	166	26
	11,324	**11,025**

Interest rates applicable to 31 August 2023 on the bank term loans ranged from 1.0% to 8.4% p.a. (2022: 1.0% to 5.5% p.a.)

The carrying amounts of the Group's borrowings are denominated in the following currencies:	2023 Facility *NZD$'000s*	2023 Utilised *NZD$'000s*	2022 Facility *NZD$'000s*	2022 Utilised *NZD$'000s*
New Zealand dollar	8,000	8,000	8,000	8,000
United States dollar	3,692	2,969	2,900	2,889
European euros	2,179	1,218	2,324	950
Czech koruna	540	288	394	131
	14,411	**12,475**	**13,618**	**11,970**

The Group also has access to the following working capital facilities:	2023 Facility *NZD$'000s*	2023 Utilised *NZD$'000s*	2022 Facility *NZD$'000s*	2022 Utilised *NZD$'000s*
New Zealand dollar	20,000	9,036	20,000	4,543
United States dollar	1,676	-	408	-
European euros	2,747	-	2,451	-
Czech koruna	761	-	666	-
	25,184	**9,036**	**23,525**	**4,543**

Borrowing facilities

Borrowings shown above include bank debt and vehicle financing.

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

C3. Borrowings continued

The main source of financing for the Group is through ANZ Bank in New Zealand. The total of the ANZ Bank New Zealand Limited current facility agreement for borrowings and working capital is NZ$31.7m (2022: NZ$30.9m), of which NZ$11.7m was unutilised at 31 August 2023 (2022: $15.5m).

The bank facilities of ANZ Bank New Zealand Limited are secured by general security agreements over all the present and after acquired property of Scott Technology Limited and certain subsidiaries, and therefore associated property, plant and equipment assests are pledged as security for these facilities. The bank facilities from ANZ Bank New Zealand Limited are also secured by mortgages over the properties at 630 Kaikorai Valley Road Dunedin, 10 Maces Road Christchurch and 1B Quadrant Drive Lower Hutt.

The Group also has borrowing facilities through KBC Bank in Belgium with a total facility for borrowings and working capital of EUR 4.9m (2022: EUR 2.9m) of which EUR 3.7m was unutilised at 31 August 2023 (2022: EUR 2.3m).

The bank facilities from KBC Bank are secured by a registered pledge on the business assets of Scott Automation NV for a total of EUR 4.9m (2022: EUR 3.8m) and a registered pledge on the bank guarantees line of 50% of any amount exceeding EUR 3.5m (2022: EUR 3.5m).

Other borrowing facilities include a US$1.0m (2022 USD$0.3m), line of credit from BB&T Bank not untilised at 31 August 2023 or 31 August 2022, and a CZK 10m (2022: CZK 10m), overdraft facility not utilised at 31 August 2023 or 31 August 2022.

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

SECTION C: CAPITAL AND FUNDING

C4. TRADE CREDITORS AND ACCRUALS

Policy

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

	2023	**2022**
	$'000s	*$'000s*
Trade creditors	20,011	20,755
Accruals	19,289	14,347
	39,300	**35,102**

Terms

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

SECTION C: CAPITAL AND FUNDING

C5. LEASES

Policy

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

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

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

Judgement

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

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

The Group leases several assets including buildings, cars and machinery. The average lease term is 3.4 years (2022: 3.3 years).

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

C5. Leases continued

Right-of-use assets

		Buildings $'000s	Plant $'000s	Vehicles $'000s	Group $'000s
Cost	**Balance at 31 August 2021**	**14,294**	**353**	**2,869**	**17,516**
	Additions	2,931	234	480	3,645
	Disposals	(1,548)	(254)	(1,455)	(3,257)
	Translation of leases held in foreign currency	850	5	(51)	804
	As at 31 August 2022	**16,527**	**338**	**1,843**	**18,708**
	Additions	4,360	9	1,762	6,131
	Disposals	(3,710)	-	(397)	(4,107)
	Translation of leases held in foreign currency	974	-	237	1,211
	As at 31 August 2023	**18,151**	**347**	**3,445**	**21,943**
Depreciation	**Balance at 31 August 2021**	**6,023**	**258**	**1,712**	**7,993**
	Depreciation expense	2,709	117	585	3,411
	Disposals	(1,012)	(254)	(1,455)	(2,721)
	Translation of leases held in foreign currency	527	(7)	(27)	493
	Balance at 31 August 2022	**8,247**	**114**	**815**	**9,176**
	Depreciation expense	3,283	66	663	4,012
	Disposals	(3,710)	-	(382)	(4,092)
	Translation of leases held in foreign currency	260	1	113	374
	As at 31 August 2023	**8,080**	**181**	**1,209**	**9,470**
As at 31 August 2022		8,280	224	1,028	9,532
As at 31 August 2023		10,071	166	2,236	12,473

Amounts recognised in profit and loss and cash flows statement

	2023 $'000s	2022 $'000s
Total cash outflow for leases	4,040	3,392
Interest expense on lease liabilities	528	492
Expense relating to short-term liabilities	662	839

As at 31 August 2023, the Group is committed to $0.6 million (2022: $0.4 million) for short-term leases.

Lease liabilities

	2023 $'000s	2022 $'000s
Current liability	3,773	3,290
Non-current liability	9,602	7,145
Total	**13,375**	**10,435**

Maturity analysis

	2023 $'000s	2022 $'000s
Not later than 1 year	3,773	3,290
Later than 1 year and not later than 5 years	6,722	5,339
Later than 5 years	2,880	1,806
	13,375	**10,435**

SECTION C: CAPITAL AND FUNDING

C6. EMPLOYEE BENEFITS

Policy

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

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

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

SECTION C: CAPITAL AND FUNDING

C7. PROVISION FOR WARRANTY

Policy

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

	2023 *$'000s*	2022 *$'000s*
Balance at 1 September	1,323	1,230
Additional provisions (derecognised) / recognised	51	93
Balance at 31 August	**1,374**	**1,323**

Obligation

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

SECTION C: CAPITAL AND FUNDING

C8. PERFORMANCE-BASED COMPENSATION

Policy

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

Details of arrangement

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

At balance date there is a liability of $2.7 million (2022: $1.1 million) included in employee entitlements in the balance sheet. The impact of the movement in the liability on profit for the year was a $1.6 million increase (2022: $0.6 million increase) and is included in the employee benefits expenses. Refer to note F3.

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

SECTION C: CAPITAL AND FUNDING

C9. ONEROUS CONTRACT PROVISION

Policy

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

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

	2023	2022
	$'000s	*$'000s*
Balance at 1 September	5,241	7,962
Additional provisions expensed to the profit and loss during the year	615	1,028
Utilisation of provisions	(4,795)	(3,749)
Balance at 31 August	**1,061**	**5,241**

SECTION D: RISK MANAGEMENT

D1. FINANCIAL INSTRUMENTS

Policy

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

The Group designates certain derivatives as hedges of the fair value of firm commitments (fair value hedge) or as hedges of forecast future sales (cash flow hedge). Open firm commitments reflect contractual agreements to provide goods to customers at an agreed price denominated in a foreign currency on specified future dates.

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

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

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

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

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

Financial risk management objectives

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

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

D1. Financial instruments continued

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 2022.

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

The Group has sufficient liquid assets to fund the operations of the business. To the extent that additional working capital funding is required the Group has bank facilities available as disclosed in note C3. Where the Group requires funding for a significant capital acquisition, separate funding facilities are established, provided the directors consider that the Group has adequate equity to support these facilities.

Market risk

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

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

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. There were no open cash flow hedges at balance date. The carrying amounts in New Zealand dollars of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2023	**2022**	**2023**	**2022**
	$'000s	*$'000s*	*$'000s*	*$'000s*
United States dollar	16,431	9,905	48,911	27,547
Euros	26,656	21,808	17,022	4,577
Australian dollar	14,224	8,154	7,766	8,429
Great Britain pound	347	240	193	23
Chinese yuan	3,776	1,490	-	720
Canadian dollar	-	1	19	-
Czech koruna	343	155	817	1,772
Swedish krona	-	35	-	-
Singaporean dollar	-	-	662	326
	61,777	**41,788**	**75,390**	**43,394**

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions. These are presented in other financial assets or other financial liabilities in the balance sheet.

D1. Financial instruments continued

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

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

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

	2023	2022
Assets	*$'000s*	*$'000s*
At fair value:		
Fair value hedge of open firm commitments	1,339	1,037
Foreign currency forward contracts held as effective fair value hedges	61	-
Foreign exchange derivatives	19	-
	1,419	**1,037**
Represented by:		
Current financial assets	1,277	938
Non-current financial assets	142	99
	1,419	**1,037**
Liabilities		
At fair value:		
Fair value hedge of open firm commitments	61	-
Foreign currency forward contracts held as effective fair value hedges	1,339	1,037
Foreign exchange derivatives	424	353
Interest rate swap contracts	-	83
	1,824	**1,473**
Represented by:		
Current financial liabilities	1,682	1,291
Non-current financial liabilities	142	182
	1,824	**1,473**

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

D1. Financial instruments continued

Outstanding forward foreign currency contracts

	Average Fx Rate		Nominal value		Fair value	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
			$'000s	*$'000s*	*$'000s*	*$'000s*
Sell US dollars	0.6213	0.6515	40,613	17,856	1,681	(1,047)
Sell Australian dollars	0.9139	0.9280	3,970	228	22	(9)
Buy euro	0.5504	0.5636	2,095	2,046	(21)	(153)
(AUD) Buy euro	-	0.6484	-	3,153	-	(181)
			46,678	**23,283**	**1,682**	**(1,390)**

Outstanding forward foreign currency contracts maturity profile

	Nominal value		Fair value	
	2023	**2022**	**2023**	**2022**
	$'000s	*$'000s*	*$'000s*	*$'000s*
0-3 months	13,593	13,868	623	(794)
3-6 months	10,901	2,948	584	(32)
6-9 months	12,354	1,850	180	(204)
9-12 months	6,613	3,091	153	(262)
Greater than 12 months	3,216	1,526	142	(98)
	46,677	**23,283**	**1,682**	**(1,390)**

Foreign currency sensitivity analysis

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

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

	10% increase in New Zealand dollar		10% decrease in New Zealand dollar	
	2023	**2022**	**2023**	**2022**
	$'000s	*$'000s*	*$'000s*	*$'000s*
United States dollar	3,223	890	(3,939)	(890)
Euro	(773)	(3,764)	945	3,764
Australian dollar	(587)	328	718	(328)
Great Britain pound	(14)	1	17	(1)
Chinese yuan	(343)	-	420	-
Canadian dollar	2	-	(2)	-
Czech koruna	69	1	(84)	(1)
Singaporean dollar	60	-	(74)	-

D1. Financial instruments continued

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

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

Credit risk management

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

At year end the amount receivable from the five largest trade debtors is $13.3 million (2022: $10.6 million).

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

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

Liquidity and interest rate risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note C3 are details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued floating rate debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at 31 August.

The interest rate swap contract obligation was taken over through the acquisition of the Alvey business. This swap contract was settled in FY23.

Outstanding receive floating pay fixed contracts

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	%	*%*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
5 years +	-	2.70%	-	2,680	-	(83)

D1. Financial instruments continued

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

	Weighted average effective interest rate	On demand	Less than 1 year	1-2 years	2-3 years	3-5 years	5+ years	Total
	%	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
2023 financial liabilities								
Lease liabilities	3.34%	-	4,228	3,250	2,282	1,958	3,104	14,822
Borrowings	7.41%	-	1,236	11,892	93	98	81	13,400
Trade creditors and accruals		39,300	-	-	-	-	-	39,300
		39,300	**5,464**	**15,142**	**2,375**	**2,056**	**3,185**	**67,522**
2022 financial liabilities								
Lease liabilities	3.34%	-	3,691	2,123	1,894	1,972	1,977	11,657
Borrowings	5.07%	-	993	68	11,488	28	-	12,577
Trade creditors and accruals		35,102	-	-	-	-	-	35,102
		35,102	**4,684**	**2,191**	**13,382**	**2,000**	**1,977**	**59,336**

The Group has access to financing facilities, of which the total unused amount is $18.1 million at the balance sheet date, (2022: $20.6 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which fair value is observable.

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

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

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

D1. Financial instruments continued

	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
2023				
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	1,339	-	1,339
Foreign currency forward contracts held as effective fair value hedges	-	61	-	61
Foreign exchange derivatives	-	19	-	19
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(61)	-	(61)
Foreign currency forward contracts held as effective fair value hedges	-	(1,339)	-	(1,339)
Foreign exchange derivatives	-	(424)	-	(424)
Interest rate swap contracts	-	-	-	-
	-	**(405)**	**-**	**(405)**
2022				
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	1,037	-	1,037
Foreign currency forward contracts held as effective fair value hedges	-	-	-	-
Foreign exchange derivatives	-	-	-	-
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	-	-	-
Foreign currency forward contracts held as effective fair value hedges	-	(1,037)	-	(1,037)
Foreign exchange derivatives	-	(353)	-	(353)
Interest rate swap contracts	-	(83)	-	(83)
	-	**(436)**	**-**	**(436)**

Fair value

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

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E1. SUBSIDIARIES

			2023 %	2022 %
Parent entity				
Scott Technology Limited	31 August	New Zealand	n/a	n/a
New Zealand trading subsidiaries				
Scott Technology NZ Limited	31 August	New Zealand	100	100
Scott Automation Limited	31 August	New Zealand	100	100
Scott Technology US Limited	31 August	New Zealand	100	100
QMT General Partner Limited	31 August	New Zealand	93	93
QMT New Zealand Limited Partnership	31 August	New Zealand	92	92
Scott Technology Americas Limited	31 August	New Zealand	100	100
Scott Technology Europe Limited	31 August	New Zealand	100	100
New Zealand non-trading subsidiaries				
Scott LED Limited	31 August	New Zealand	100	100
Rocklabs Limited	31 August	New Zealand	100	100
Overseas subsidiaries				
Scott Technology Australia Pty Ltd	31 August	Australia	100	100
Scott Automation & Robotics Pty Ltd	31 August	Australia	100	100
Scott Systems International Incorporated	31 August	US	100	100
Scott Systems (Qingdao) Co Limited	31 December (*)	China	95	95
Scott Technology GmbH	31 August	Germany	100	100
Scott Technology Belgium bvba	31 August	Belgium	100	100
Scott Automation NV	31 August	Belgium	100	100
FLS Systems NV	31 August	Belgium	100	100
Alvey do Brazil Comercio de Maquinas de Automacao	31 December (*)	Brazil	-	100
Scott Automation a.s.	31 August	Czech Republic	100	100
Scott Automation SAS	31 August	France	100	100
Scott Automation Limited	31 August	United Kingdom	100	100
Normaclass	31 August	France	100	100
Rivercan S.A.	31 December (*)	Uruguay	100	100

(*) Determined by local regulatory requirements.

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E2. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in joint ventures

Policy

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

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

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

Joint ventures	Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %	Carrying value 2023 $'000s	Carrying value 2022 $'000s
Robotic Technologies Limited (i)	New Zealand	50	50	804	677
Balance at 31 August				**804**	**677**

(i) Scott Technology Limited's joint venture with Silver Fern Farms Limited, Robotic Technologies Limited (RTL), was formed in October 2003 and has a balance date of 31 August. RTL's principal activity is the marketing and development of (primarily) lamb meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of RTL's net profit was $127,000. (2022: share of net profit $329,000).

E2. Investments accounted for using the equity method continued

Carrying value of equity accounted investments:	2023 $'000s	2022 $'000s
Balance at 1 September	677	348
Share of net surplus	127	329
Balance at 31 August	**804**	**677**

Summarised statement of comprehensive income of joint ventures from continuing operations:	Joint ventures	
	2023 $'000s	2022 $'000s
Income	463	2,080
Expenses	(209)	(1,422)
Net surplus and total comprehensive income	254	658
Group share of net surplus	**127**	**329**

Summarised balance sheets of joint ventures:	Joint ventures	
	2023 $'000s	2022 $'000s
Current assets	2,398	3,397
Non-current assets	21	-
Current liabilities	(812)	(2,043)
Non-current liabilities	-	-
Net assets	1,607	1,354
Group share of net assets	804	677

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

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E3. RELATED PARTY TRANSACTIONS

Joint ventures	2023 $'000s	2022 $'000s
Project work undertaken by the Group for RTL	133	229
Administration, sales and marketing fees charged by the Group to RTL	261	161
Sales revenue received by RTL from the Group	549	257
Advance from Scott Technology to RTL	431	431
Interest charged by RTL to Scott Technology on advance	-	14

Advances

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

E3. Related party transactions continued

Substantial shareholders

JBS Australia Pty Ltd owns a 53.05% shareholding in Scott Technology Limited (2022: 52.54%). The Group has recognised sales to JBS companies of $21.9 million (2022: $8.5 million) and has made purchases from JBS Companies of $Nil (2022: $Nil). As at balance date the Group had $2.1 million receivable from JBS Companies (2022: $2.0 million).

Dividends paid to JBS amounted to $3.4 million (2022: $3.1 million). All dividends have been reinvested in Scott Technology Limited under a dividend reinvestment plan.

Terms and conditions

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

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

Outstanding balances are unsecured and repayable in cash.

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E4. DISCONTINUED OPERATION

Policy

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a major line of business or geographical area of operation;
- is part of a singularly coordinated plan to dispose of a separate major line of business or geographic area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

On 16 June 2022, the Group discontinued its robotic solutions and integration operation in Marion, Ohio (RobotWorx). The resolution by the Board to dispose of RobotWorx is consistent with the Group's long-term policy to focus on the Group's other businesses.

The associated assets and liabilities of the discontinued operation have been written down to nil or absorbed by other existing US business and its revenue and expenses reported as a discontinued operation (previously reported within the Americas manufacturing segment). The revenue and segment information reported in notes A1 and A3 does not include any amounts of the discontinued operation.

Financial information relating to the discontinued operation for the period to the date of closure is set out below.

E4. Discontinued operation continued

Financial performance and cash flow information	2023 $'000s	2022 $'000s
Revenue	-	7,566
Expenses	-	(7,936)
(Loss) / Profit before tax	-	**(370)**
Attributable income tax expense	-	375
Net profit / (loss) after tax	-	**5**
Gain / (loss) on disposal of discontinued operation	-	(12,572)
Net profit / (loss) from discontinued operation	**-**	**(12,567)**
Net cash outflow from operating activities	-	(1,179)
Net cash outflow from investing activities	-	(290)
Net cash inflow / (outflow) from financing activities	-	1,304
Net increase / (decrease) in cash generated by the discontinued operation	**-**	**(165)**
Current assets	-	-
Current liabilities	-	-
Net assets of discontinued operation	**-**	**-**
The net loss on disposal is calculated as follows:		
Carrying amount of assets and liabilities as at date of disposal:		
Property, plant and equipment	-	(425)
Inventory	-	(2,654)
Intangible assets	-	(1,877)
Goodwill	-	(7,656)
Net assets disposed of	**-**	**(12,612)**
Proceeds from disposal:		
Cash and cash equivalents	-	896
Less: Transaction costs	-	(856)
Net loss from discontinued operation after tax	**-**	**(12,572)**
Net cash inflow arising on disposal:		
Consideration received in cash and cash equivalents	-	896
Less: cash and cash equivalents disposed of	-	-
	-	**896**

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E5. ONE OFF COSTS

Scott advised the share market on the 15th of June 2023 that after discussions with the majority shareholder JBS, it intends to undertake a strategic review of its ownership structure, with the view to exploring options to maximise value for all shareholders. Scott has engaged Macquarie Capital as financial advisor to assist with the strategic review.

The costs associated with the strategic review have been included on a separate line as they are one off in nature and do not represent the trading position of the Group.

SECTION F: OTHER DISCLOSURES

F1. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Policy

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income.

Definition of terms used in the statement of cash flows:

- Cash includes cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value, net of bank overdrafts.
- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.
- Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity.

	2023	2022
	$'000s	*$'000s*
Net profit after tax for the year	**15,436**	**90**
Adjustments for non-cash items:		
Depreciation and amortisation	8,809	8,053
Net gain on sale of property, plant and equipment	(459)	(49)
Deferred tax	453	2,063
Share of net loss / (surplus) of joint ventures and associates	(127)	(329)
Non cash loss on discontinued operation	-	12,612
Interest expense	2,266	1,508
	10,942	**23,858**
Add / (less) movement in working capital:		
Trade debtors	(3,636)	(12,518)
Other financial assets – derivatives	(382)	(337)
Sundry debtors	(3,818)	(4,689)
Inventories	(6,923)	(10,857)
Contract assets	(16,168)	6,414
Contract liabilities	19,147	3,568
Onerous contract provision	(4,180)	(2,721)
Taxation payable	2,527	(2,117)
Trade creditors and accruals	4,198	5,004
Other financial liabilities – derivatives	351	63
Employee entitlements	3,522	1,089
Provision for warranty	51	93
	(5,311)	**(17,008)**
Movements in working capital disclosed in investing / financing activities:		
Working capital relating to sale / (purchase) of business and non-controlling interest	-	(622)
Movement in foreign exchange translation reserve relating to working capital	(850)	(10)
Net cash inflow from operating activities	**20,217**	**6,308**

F1. Notes to the consolidated statement of cash flows continued

Reconciliation of movement in debt facilities

	Balance at 1 September	Additions	Disposals	Drawings	Repayment	Translation of foreign exchange	Balance at 31 August
	$'000s	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
2023							
Borrowings	11,970	-	-	2,203	(1,904)	206	12,475
Lease liabilities	10,435	6,120	(15)	-	(4,040)	875	13,375
	22,405	**6,120**	**(15)**	**2,203**	**(5,944)**	**1,081**	**25,850**
2022							
Borrowings	10,920	-	-	2,396	(1,599)	253	11,970
Lease liabilities	10,288	3,671	(605)	-	(3,392)	473	10,435
	21,208	**3,671**	**(605)**	**2,396**	**(4,991)**	**726**	**22,405**

SECTION F: OTHER DISCLOSURES

F2. CONTINGENT LIABILITIES

	2023	2022
	$'000s	*$'000s*
Payment guarantees and performance bonds	18,695	23,371
Stock Exchange bond	75	75
Maximum contract penalty clause exposure	7,419	8,950

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

Scott Technology Limited has a payment bond to the value of $75,000 (2022:$75,000) in place with ANZ Bank New Zealand Limited in favour of the New Zealand Stock Exchange.

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

SECTION F: OTHER DISCLOSURES

F3. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2023 *$'000s*	2022 *$'000s*
Short-term benefits – employees	3,206	3,085
Short-term benefits – Executive Director	1,897	920
Long-term benefits – employees	1,392	466
Long-term benefits – Executive Director	390	145
	6,885	**4,616**
Directors' remuneration	**280**	**279**

Detailed remuneration disclosures are provided in the remuneration statement on pages 98 to 99

SECTION F: OTHER DISCLOSURES

F4. SUBSEQUENT EVENTS

On 18 October 2023 the Board of Directors approved a final dividend of four cents per share to be paid for the 2023 year (2022: four cents per share).

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SCOTT TECHNOLOGY LIMITED

Opinion

We have audited the consolidated financial statements of Scott Technology Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 August 2023, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 32 to 82, present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2023, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

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

Audit materiality

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

We determined materiality for the Group financial statements as a whole to be $1,100,000 (2022: $1,000,000).

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Recognition of Revenue and Profit on Systems Contracts

Key audit matter	How our audit addressed the key audit matter
The Group's most significant revenue stream relates to contracts for designing and manufacturing customised automation and robotic systems for customers in various industries ("systems contracts"). Revenue on systems contracts is recognised over the term of the contract period using the input method based on management's estimate of the percentage of completion of the individual contracts as detailed in note A1. An estimate of the percentage of completion is based on costs associated with the work done to date relative to the total forecast costs to complete. There is a significant level of judgement involved in the recognition of revenue and profit on systems contracts driven by factors which arise throughout the life of the project requiring estimation, and contract conditions differing between projects. For these reasons, we have identified this area as a key audit matter.	We assessed the Group's processes and design and implementation of controls around preparation/calculation of the percentage of completion. For a sample of projects in place at the end of the prior year, we compared the current year actual results to prior year forecasts to assess the reliability of management estimates relating to the cost of completion. For a sample of contracts, we performed the following procedures: • Assessed whether the key estimates made by management reflect the terms and conditions of the contract; • Evaluated cost to complete forecasts by challenging management's key assumptions and comparing revenue recognition calculations to project cost forecasts prepared by project managers; • Obtained evidence of scope variations and claims and verified that these have not been included in management's determination of revenue recognition until agreed with the customer; and • Tested the costs incurred on systems contracts during the year to validate the costs and assess whether they have been applied to contracts appropriately.

Goodwill Impairment Assessment - Australian cash generating unit

Key audit matter	How our audit addressed the key audit matter
As at 31 August 2023, there is $52.0 million (2022: $50.1 million) of goodwill included on the balance sheet of the Group as detailed in note B5. The balance is held across five cash generating units (CGUs). $13.8 million (2022: $14.2 million) of the goodwill balance is allocated to the Australian CGU. NZ IAS 36 Impairment of Assets requires the Group to complete an impairment test related to goodwill annually. The Group tests for impairment by determining the recoverable amount of the cash generating units to which the goodwill is allocated and comparing the recoverable amounts of the CGUs to their carrying values. The recoverable amount of each CGU is based on value in use which is determined using a discounted cash flow calculation. This calculation is subjective, and requires the use of judgement, primarily in respect of: • Annualised forecast cash flows for the 5 year forecast period (using the budget for the first year of the forecast period) • Discount rates • Annual growth rates • Terminal growth rates We have included the impairment assessment of goodwill relating to the Australian CGU as key audit matter due to the significance of the balance to the financial statements, the lower level of headroom relative to the other cash generating units and the level of judgements and estimates required in preparing the value in use model.	We considered whether the Group's methodology for assessing impairment of the Australian cash generating unit is compliant with NZ IAS 36. We focused on testing and challenging the suitability of the model and reasonableness of the assumptions used by the Group in conducting their impairment review. Our procedures included, among others: • Agreeing first year forecast cashflows to Board approved budgets; • Challenging the reliability of the Group's revenue and expense growth rates to historical forecasts and actual results; • Assessing reasonables of key assumptions and changes from the previous years; and • Assessing management's determination of cash generating units and our understanding of the Group's business and operating environment. We used our internal valuation experts to assist with evaluating the models and challenging the Group's key assumptions. The procedures of the specialist included: • Evaluating the appropriateness of the model; • Testing the mathematical integrity of the model; and, • Comparing the Group's annualised and terminal growth rates to market data. We evaluated the sensitivity analysis performed by management to consider the extent to which a change in one or more of the key assumptions could give rise to impairment in the goodwill. We note that this analysis resulted in additional disclosure in the financial statements relating to the Australian CGU. This is consistent with the prior year.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

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

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

Directors' responsibilities for the consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Andrew Dick,
Partner for Deloitte Limited
Auckland, New Zealand
18 October 2023

Members of the Scott team representing Scott at tradeshows around the world.

STATEMENT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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

The key corporate governance documents referred to in this report are available on Scott's website:

www.scottautomation.com/en/investor-centre/governance

PRINCIPLE 1
CODE OF ETHICAL BEHAVIOUR

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

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

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

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

The Directors' shareholdings and all trading of shares during the year by the directors are disclosed under Directors' Interests on page 94 to 95 of the Annual Report.

PRINCIPLE 2
BOARD COMPOSITION AND PERFORMANCE

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

The primary responsibilities of the Board include:

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

BOARD COMPOSITION AS AT 31 AUGUST 2023

The Board composition reflects the majority shareholding of the company, with 53% held by JBS Australia Pty Limited. As at 31 August 2023, the Board comprises three Independent Directors, three Directors representing JBS Australia Pty Limited and one Executive Director. The Chair of the Board is an Independent Director.

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

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

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

DIRECTOR APPOINTMENT

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

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

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

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

Skills matrix and Director strength

Number of Directors with strength in this area

CORE SKILLS	
Governance	7
Finance and accounting	4
Risk management	6
Capital markets and M&A	7
Health and safety	7
Regulatory knowledge and experience	5
Human Resources	7
GROWTH	
Growth execution	7
Strategy	7
Operations and supply chain excellence	6
Industry experience	7
Customer / brand / marketing	6
International experience	5
RELATIONSHIPS	
Govt / regulatory relationships	7
Investor relationships	5

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

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

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

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

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

DIVERSITY

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

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

The Board believes the principles of the Diversity Policy were upheld in FY23, and is working towards setting measurable objectives to support its focus on diversity and inclusion. The following initiatives are in place to support Scott's diversity plan:

- Anti-bullying & Harassment policy
- Ethics hotline where employees can anonymously report anything they believe to be unethical or discriminatory
- Wellbeing plan that focuses on the long-term wellbeing and engagement of our people
- Employee surveys

As at 31 August 2023, Scott had 656 employees of which 15% were female and 85% were male (31 August 2022: 627 Scott employees, 16% female, 84% male).

		2022		2023
As at 31 August	Female	Male	Female	Male
Directors, including the CEO	0	8	0	7
Officers*	2	6	2	4

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

PRINCIPLE 3
BOARD COMMITTEES

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

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

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

AUDIT AND FINANCIAL RISK COMMITTEE (AFRC)

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

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

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

HEALTH AND SAFETY COMMITTEE

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

GOVERNANCE, REMUNERATION AND NOMINATIONS COMMITTEE

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

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

TREASURY COMMITTEE

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

INDEPENDENT DIRECTORS' COMMITTEE

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

BOARD MEETINGS AND ATTENDANCE

Director attendance at Board and Committee meetings during FY23 was as follows:

	Board	Audit and Financial Risk Committee	Health and Safety Committee	Governance, Remuneration and Nominations Committee
Total number of meetings	**6**	**4**	**6**	**2**
Stuart McLachlan	6	4	6	2
Brent Eastwood	5	-	5	-
Alan Byers	6	-	6	-
John Berry	5	3	5	-
John Thorman	6	4	6	2
Derek Charge	6	-	6	2
John Kippenberger	6	4	6	-

PRINCIPLE 4
REPORTING AND DISCLOSURE

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

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

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

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

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

FINANCIAL REPORTING

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

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

For FY23, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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

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

NON-FINANCIAL REPORTING

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

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

PRINCIPLE 5 REMUNERATION

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

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

DIRECTOR REMUNERATION

Details of individual Directors' remuneration for the year are on page 98 of the Annual Report.

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

In FY23, the approved remuneration for each role was as follows:

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

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

EXECUTIVE REMUNERATION

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

The short-term incentives are at-risk payments that reward performance. They are designed to motivate and incentivise senior staff in the delivery of performance. The amount payable is determined annually. The payment of

Management commentary
(no financial statements)

the short-term incentive depends on achieving certain results and outcomes. Performance over the financial year is measured against 'stretch' performance targets. The performance metrics differ with each role. The levels and appropriateness of these incentives and weighting are reviewed each year.

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

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

PRINCIPLE 6
RISK MANAGEMENT

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

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

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

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

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

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

HEALTH AND SAFETY

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

Specific protocols include:

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

There has been an improvement in overall health, safety, and wellbeing performance, as reflected in the increased number of reported hazards (1,035) in February 2023 compared to (872) in the previous financial year. The increase in hazard reporting indicates that employees are actively identifying hazards.

There is a downward trend in both the Lost Time Injury Frequency Rate (LTIR 4.3) in FY23, compared to 6.08 in the result of FY22. This reduction indicates a decrease in the number of injuries resulting in lost time at work.

CYBER SECURITY

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

PRINCIPLE 7
AUDITOR

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

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

For the financial year ended 31 August 2023, Deloitte was the external auditor for Scott Technology Limited. Deloitte was re-appointed under the Companies Act 1993 at the 2022 Annual Meeting.

All audit work is separated from non-audit services to ensure that appropriate independence is maintained. Other services provided by Deloitte were non-audit related and involved the provision of advice rather than recommendations. These were deemed to have no effect on the independence or objectivity of the auditor in relation to audit work. The amount of fees paid to Deloitte for audit and non-audit work in FY23 are detailed on page 44 of the Annual Report.

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

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

PRINCIPLE 8
SHAREHOLDER RIGHTS AND RELATIONS

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

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

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

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

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

STATUTORY INFORMATION

DIRECTORS' INTERESTS

The company maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. No interest disclosures for the purposes of section140(1) were given during the year ended 31 August 2023. The following are general disclosures of interest given by Directors of the company under section 140(2) of the Companies Act 1993.

Stuart McLauchlan

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

John Kippenberger

Director	Robotic Technologies Limited

Derek Charge

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

Brent Eastwood

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

Alan Byers

Nothing to declare

John Thorman

Director	Marken New Zealand Limited
Director	Energizer NZ Limited
Director	Corporate Services New Zealand Limited
Director	TNX Limited
Director	Starnow GP LLC
Director	Pro-Invest NZ Property 3 GP Limited
Director	Pro-Invest NZ Hotel Operating 3 Limited
Director	FRV NZ1 Limited
Director	Kitaki Nominees Limited
Director	Kitaki Ventures GP Limited
Director	Juvare Asia Pacific Limited
Director	DBGIS Limited
Director	GOT Technologies NZ Limited
Director	RVJK Kiwi GP Limited
Director	E & P Foundation Trustee Limited
Director	Deel New Zealand Limited
Director	Big Wednesday New Zealand Limited
Director	Liveops New Zealand Limited
Director	GAP II NZ GP Limited
Director	Primer Technologies New Zealand Limited
Director	Fairfield TIR New Zealand Limited
Director	International Paper (New Zealand) Limited
Director	Baby Bunting NZ Limited
Director	CSNZ Trustees Limited
Director	Nextdc New Zealand Holdings Limited
Director	Nextdc New Zealand Limited
Director	Lauriston Solar Holdco Limited
Director	Lauriston Solar Projectco Limited

John Berry

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

Management commentary
(no financial statements)

DIRECTORS' RELEVANT INTERESTS IN SHARES AS AT 31 AUGUST 2023

In accordance with the NZX Listing Rules, as at 31 August 2023, ordinary shares in the company in which each Director has a relevant interest are specified in the table below.

Director		2023	2022
S McLauchlan	Indirect / beneficial interest	421,266	413,453
J Kippenberger	Legal and beneficial interest	108,840	106,821
J Thorman	Indirect / beneficial interest	5,185	5,089
D Charge	Indirect / beneficial interest	5,235	5,112
H Eastwood	Non-beneficial interest*	43,016,698	41,950,535
J Berry	Non-beneficial interest*	43,016,698	41,950,535

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

SHARE DEALINGS OF DIRECTORS

The details of disclosures by Directors of acquisitions or disposals by Directors of relevant interests in ordinary shares of the company during the financial year ended 31 August 2023, in accordance with section 148(2) of the Companies Act 1993, are shown below.

Director	Nature of relevant interest	Number of shares acquired / (disposed)	Date	Consideration paid / received ($)
J Berry	*Issue of ordinary shares pursuant to the company's dividend reinvestment plan to JBS Australia Pty Ltd, being a person that acts in accordance with the directions and instructions of the Director in relation to the company's ordinary shares (jointly with other Directors of JBS Australia Pty Ltd).*	551,187*	11 May 2023	1,615,969
		574,976*	22 November 2022	1,594,120
H Eastwood	*Issue of ordinary shares pursuant to the company's dividend reinvestment plan to JBS Australia Pty Ltd, being a person that acts in accordance with the directions and instructions of the Director in relation to the company's ordinary shares (jointly with other Directors of JBS Australia Pty Ltd).*	551,187*	11 May 2023	1,615,969
		574,976*	22 November 2022	1,594,120
S McLauchlan	*Issue of ordinary shares pursuant to the company's dividend reinvestment plan to Rosebery Holdings Limited, being a person over whom the Director has power and control.*	3,816	11 May 2023	11,187
		3,997	22 November 2022	11,080
J Kippenberger	*Issue of ordinary shares pursuant to the company's dividend reinvestment plan.*	986	11 May 2023	2,890
		1,033	22 November 2022	2,862
J Thorman	*Power to exercise, or control the exercise of, a right to vote attached to ordinary shares issued pursuant to the company's dividend reinvestment plan to the registered holder with whom the Director has a personal relationship.*	47	11 May 2023	137
		49	22 November 2022	136
D Charge	*Power to exercise, or control the exercise of, a right to vote attached to ordinary shares issued pursuant to the company's dividend reinvestment plan to the registered holder with whom the Director has a personal relationship.*	60	11 May 2023	175
		63	22 November 2022	173

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

USE OF COMPANY INFORMATION

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

DIRECTORS AND OFFICERS INSURANCE

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

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors and particulars of entries in the interests registers made during the year ended 31 August 2023.

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

The remuneration and other benefits of such Directors are included in the Director's remuneration section of this Annual Report and the remuneration and other benefits of employees totalling NZ$100,000 or more during the year ended 31 August 2023 are included in the relevant bandings for remuneration on page 98 to 99.

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

The persons who held office as Directors of subsidiary companies at 31 August 2023 were as follows:

Subsidiary company	Directors
Scott Technology NZ Limited	Stuart McLauchlan, John Kippenberger, Cameron Mathewson
Scott Automation Limited	Stuart McLauchlan, Cameron Mathewson
Scott Technology US Limited	Cameron Mathewson, Michael Crombie
QMT General Partner Limited	Cameron Mathewson, Michael Crombie
QMT New Zealand Limited Partnership	QMT General Partner Limited
Scott Technology Americas Limited	Cameron Mathewson, Michael Crombie
Scott Technology Europe Limited	Cameron Mathewson, Michael Crombie
Scott LED Limited	Cameron Mathewson, Michael Crombie
Rocklabs Limited	Cameron Mathewson, Michael Crombie
Scott Technology Australia Pty Ltd	Cameron Mathewson, Kelish Gounder, Gerry Farnell*
Scott Automation and Robotics Pty Ltd	Cameron Mathewson, Kelish Gounder Gerry Farnell*
Scott Systems International Incorporated	Cameron Mathewson, Jerry McDonough, Tony Joyce*, Michael Crombie*
Scott Systems (Qingdao) Co Limited	Cameron Mathewson, Cathy Zhang, Michael Crombie
Scott Automation GmbH	Aaron Vanwalleghem BV
Scott Technology Belgium BV	Aaron Vanwalleghem BV, Cameron Mathewson, Jonas Vromant
Scott Automation NV	Aaron Vanwalleghem BV, Cameron Mathewson, Jonas Vromant
FLS Group BV	Aaron Vanwalleghem BV, Jonas Vromant, Michael Crombie
FLS Systems NV	Aaron Vanwalleghem BV, Frederic Hermier, Michael Crombie
Scott Automation a.s.	Aaron Vanwalleghem BV, Michael Crombie Pavel Cevela, Vladimir Stoklas
Scott Automation SAS	Aaron Vanwalleghem BV, Jonas Vromant
Scott Automation Limited	Aaron Vanwalleghem BV
Normaclass s.a.s.	Aaron Vanwalleghem BV
Rivercan S.A.	Eric Luis Zeballos Pérez

** Ceased to hold office during the period.*

Other than as set out in the Director's Interest table above, no interest disclosures for the purposes of section140(1) were given by any Director of a subsidiary during the year ended 31 August 2023.

TWENTY LARGEST SHAREHOLDERS AS AT 31 AUGUST 2023

Rank	Registered shareholder	Number of shares	% of total shares in the company
1	JBS Australia Pty Limited	43,076,698	53.05
2	Oakwood Securities Limited	5,575,039	6.87
3	Accident Compensation Corporation	2,225,068	2.74
4	Leveraged Equities Finance Limited	1,915,172	2.36
5	Forsyth Barr Custodians Limited	1,384,648	1.71
6	Russell John Field & Anthony James Palmer	1,357,585	1.67
7	JBWERE (NZ) Nominees Limited	1,196,325	1.47
8	Custodial Services Limited	1,130,415	1.39
9	Citibank Nominees (NZ) Ltd	707,299	0.87
10	Jack William Allan & Helen Lynnette Allan	615,000	0.76
11	New Zealand Depository Nominee	572,573	0.71
12	Wairahi Investments Limited	500,000	0.62
13	Jarden Custodians Limited	479,982	0.59
14	New Zealand Permanent Trustees Limited	465,000	0.57
15	Public Trust Forte Nominees Limited	428,326	0.53
16	Rosebery Holdings Limited	421,266	0.52
17	Forsyth Barr Custodians Limited	402,183	0.50
18	HSBC Nominees (New Zealand) Limited	391,052	0.48
19	FNZ Custodians Limited	332,464	0.41
20	Turha Limited	325,000	0.40

SPREAD OF SHAREHOLDERS AS AT 31 AUGUST 2023

As at 31 August 2023, there were 81,198,794 ordinary shares in the company on issue, which were held as follows:

Range	Number of ordinary security holders	% of issued capital
1-1,000	795	0.45
1,001-5,000	1,130	3.58
5,001-10,000	389	3.52
10,001-50,000	371	8.95
50,001-100,000	24	2.03
Greater than 100,000	31	81.47
Total shareholders	**2,740**	**100%**

SUBSTANTIAL PRODUCT HOLDERS

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. These substantial product holders are shareholders who have a relevant interest of 5% or more of a class of quoted voting products of the company according to the company's records. As at 31 August 2023, details of the substantial product holders of the company and their relevant interests in the company's ordinary shares were as follows. As at the balance date (31 August 2023) there were 81,198,794 ordinary shares in the company on issue.

Name of substantial product holder	Number of ordinary voting securities as at 31 August 2023	% of issued capital
JBS Australia Pty Limited	43,076,698	53.05
Oakwood Securities Limited	5,575,039	6.87

Management commentary
(no financial statements)

DONATIONS

The Group made no donations during the year (2022: $0).

CREDIT RATING

The company currently does not have a credit rating.

WAIVERS FROM NZX LISTING RULES

No waivers were granted by NZX or relied on by the company during the 12 month period ended 31 August 2023.

AS AT 31 AUGUST 2023

REMUNERATION

DIRECTORS' REMUNERATION

Non-executive Directors received the following Directors' fees from the company as follows:

Non-executive Director	Directors' fees FY23 *NZ$'000s*	Directors' fees FY22 *NZ$'000s*
S McLauchlan (Chair)	140	140
J Thorman	75	74
D Charge	65	65
Total	**280**	**279**

Non-executive Directors also receive reimbursement for reasonable travel, accommodation and other expenses incurred in the course of performing their duties. Directors' fees exclude GST, where applicable.

Remuneration and meeting costs of Directors representing JBS Australia Pty Ltd are paid directly by the JBS Group of Companies.

CHIEF EXECUTIVE OFFICER REMUNERATION

The review and approval of the CEO's remuneration is the responsibility of the Board.

The CEO's remuneration comprises:

- a fixed base salary, including Kiwisaver contributions by the Group;
- an at-risk short-term incentive (STI) payable annually subject to agreed upon Company and individual key performance indicators; and
- a long-term incentive (LTI) programme that includes the payment of a monetary amount after a period of approximately three years of continuous full-time employment. The payment amount is determined by the differential between the company's share price at the beginning of the period and the end of the period, after adjusting for any event that affects the share price, such as capital reconstructions, bonus issues or dividends.

The remuneration of the Chief Executive Officer (CEO) is shown below:

Chief Executive Officer remuneration		Salary and benefits *NZ$'000s*	Short-term incentive *NZ$'000s*	Long-term incentive *NZ$'000s*	Total remuneration *NZ$'000s*
John Kippenberger	FY23	805	1,092	390	2,287
	FY22	751	169	145	1,065

EMPLOYEE REMUNERATION

Employee remuneration consists of a fixed salary and, on an employee-by-employee basis, may also include variable or 'at-risk' remuneration.

Fixed remuneration includes: an individual's base salary, for core responsibilities, capability and performance, along with any superannuation scheme contributions by the Group and any other health or disability benefits provided by the Group. The base salary is benchmarked to the market.

Variable remuneration includes:

- short-term incentives (STIs) that are linked directly to individual and company performance; and
- a long-term incentive (LTI) programme that includes the payment of a monetary amount after a period of approximately three years of continuous full-time employment. The payment amount is determined by the differential between the company's share price at the beginning of the period and the end of the period, after adjusting for any event that affects the share price, such as capital reconstructions, bonus issues or dividends.

The table below shows the number of employees and former employees of the Group, not being Directors or CEO of the Group, who, in their capacity as employees, received remuneration and other benefits during the year ended 31 August 2023 totalling at least NZ$100,000. This remuneration includes redundancy payments but excludes any long-term incentives that have not been triggered.

Salary range	Number of employees
$100,000-$110,000	35
$110,001-$120,000	41
$120,001-$130,000	36
$130,001-$140,000	32
$140,001-$150,000	21
$150,001-$160,000	23
$160,001-$170,000	24
$170,001-$180,000	23
$180,001-$190,000	14
$190,001-$200,000	6
$200,001-$210,000	12
$210,001-$220,000	9
$220,001-$230,000	6
$230,001-$240,000	2
$240,001-$250,000	6
$250,001-$260,000	6
$260,001-$270,000	4
$270,001-$280,000	2
$280,001-$290,000	4
$290,001-$300,000	2
$300,001-$310,000	1
$310,001-$320,000	2
$320,001-$330,000	1
$340,001-$350,000	1
$350,001-$360,000	2
$400,001+	5

The Group operates in Australasia, Europe, China and the United States where market remuneration levels differ. Of the employees noted in the table above, 70% are employed by the Group outside of New Zealand. The offshore remuneration amounts are converted into New Zealand dollars.

Management commentary
(no financial statements)

AS AT 31 AUGUST 2023

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which present fairly, in all material respects, the consolidated financial position of Scott Technology Limited and its subsidiaries (“the Group”) as at 31 August 2023 and the results of their operations and cash flows for the year ended 31 August 2023.

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

The Directors have responsibility for ensuring that proper accounting records have been kept which enable them to ensure that the financial statements comply with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

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

The Directors present the financial statements of Scott Technology Limited for the year ended 31 August 2023.

These financial statements are dated 18 October 2023 and are signed in accordance with a resolution of the directors made pursuant to section 461(1)(b) of the Financial Markets Conduct Act 2013.

For and on behalf of the directors

Stuart McLauchlan
Chairman and Independent Director

John Kippenberger
Chief Executive Officer

Management commentary
(no financial statements)

DIRECTORY

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Chairman and Independent Director
Stuart McLauchlan

Independent Directors
John Thorman
Derek Charge

Directors representing JBS Australia Pty Ltd (Non-independent Directors)
Brent Eastwood
John Berry
Alan Byers

Chief Executive Officer
John Kippenberger

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Solicitors
Gallaway Cook Allan

Auditor
Deloitte Limited

ENGINEERING SCOTT TO HIGH PERFORMANCE

Management commentary
(no financial statements)