SCOTT TECHNOLOGY LIMITED

ANNUAL REPORT 2022

Lamb automation solution during manufacturing in Dunedin, New Zealand.

The Board of Directors of Scott Technology Limited is pleased to present the Annual Report for the year ended 31 August 2022. This provides a review of our progress in FY22 and our focus for the financial year ahead. Strong progress has been made in the second year of the Scott 2025 strategy, including the first full year of our Environmental, Social and Governance (ESG) strategy.

On behalf of the Board, 18 October 2022.

Stuart McLauchlan
Chairman and Independent Director

John Kippenberger
Chief Executive Officer

DIVIDEND

Final dividend: 4.0 cents per share (unimputed)

Record date: 7 November 2022

Payment date: 22 November 2022

Dividend reinvestment plan applies to this payment for shareholders who have elected to receive shares in lieu of a cash dividend.

ANNUAL MEETING

Wednesday 23 November 2022, 3:00pm
www.virtualmeeting.co.nz/sct22

Proxies close 3:00pm,
Monday 21 November 2022

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AT A GLANCE

YEAR IN REVIEW

DELIVERING ON STRATEGY

REVENUE UP 8% TO $222M, GROSS MARGIN OF 24%, EBITDA OF $24M AND NPAT OF $13M, UP 51% ON FY21

STRONG GROWTH ACROSS CORE BUSINESS

Strategic focus on meat, mining and materials handling and logistics delivering sales growth of 15%.

RECORD FORWARD WORK OF $190M

Forward work has increased by 47% on FY21

AT A GLANCE

FINANCIAL PERFORMANCE

FY22 revenue (from continuing operations) increased 8% on the prior comparative period (pcp) to $222 million, as Scott's strategy of generating more revenue from repeatable core products and services continued to deliver positive growth.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) grew 14% to $24 million, despite the effects of unprecedented disruption through inflation, supply chain pressures and ongoing pandemic challenges. Margins held at 24% in line with FY21, as Scott focused on expanding repeatable sales from the likes of its BladeStop and Rocklabs mining products, whilst taking opportunities to increase price where customer proposition was strong.

Net profit after tax (NPAT) for the year was $13 million, 51% growth on a like-for-like basis versus the prior comparative period. The forward work programme is up 47% on FY21 to $190 million.

Operating cash flow of $6.3 million was lower than the previous comparative period of $13.4 million, as the Company's revenue growth and global supply chain pressures increased debtors and inventory respectively. With global pressures easing, a programme is under way to return safety inventory back to cash. The Group had cash in the bank of $3.9 million on 31 August 2022.

In line with the Scott 2025 strategy, which puts a firm focus on core sectors of the business, Scott closed its US-based RobotWorx business and, as such, the results snapshot above shows the continuing operations for all years.

The Group's net debt position was $8.0 million as funding was invested in growth and working capital.

In recognition of the progress made by the Company, the Directors declared an (unimputed) dividend of 4.0 cents per share, payable on 22 November 2022, to take the full year dividend to 8.0 cents. The Dividend Reinvestment Plan will apply.

ONGOING CUSTOMER PARTNERSHIPS

Strong repeat business with global leading brands, such as McCains, Alliance, Silver Fern Farms, Rio Tinto and JBS.

POSITIVE MOMENTUM IN ESG STRATEGY

Exciting progress across all ESG pillars.

SERVICE AND AFTERMARKET CARE

Bolstered service business delivers 20% revenue growth and strong margin performance.

FOCUS ON PRODUCTISATION

Capitalising on addressable market opportunities for key products.

AT A GLANCE

FIVE-YEAR TRENDS

	2018	2019	2020	2021	2022
FINANCIAL	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
Revenue	165,772	211,585	174,582	206,030	221,757
Net surplus / (loss) after tax	10,029	7,533	(16,955)	8,382	12,657
Operating cash flow	1,018	726	19,563	13,426	6,308
Net cash / (overdraft)	12,473	(4,737)	7,745	12,242	3,935
Bank loans	7,409	11,667	11,185	10,920	11,970
Total assets	194,310	217,786	193,110	194,504	206,888
Shareholders' equity	105,677	112,732	92,740	98,195	100,406

DIVIDENDS (CENTS PER SHARE)	2018	2019	2020	2021	2022
Interim	4.0	4.0	-	2.0	4.0
Final	6.0	4.0	-	4.0	4.0

EMPLOYEES (NUMBER)	2018	2019	2020	2021	2022
New Zealand	249	248	188	188	198
Australia	95	101	77	86	95
China	33	36	35	45	40
Americas	74	83	56	73	60
Europe	327	316	257	230	240
Total	**778**	**784**	**613**	**622**	**633**

INTRODUCTION

LETTER FROM THE CHAIRMAN

On behalf of the Board of Directors, I am pleased to present Scott Technology's 2022 Annual Report.

Whilst the need for community-wide lockdowns has diminished, the continued prevalence of COVID-19 infections across the community, and the subsequent requirement for self-quarantining, has impacted our people and, in turn, placed pressure on our operations. This has been compounded by the return of the widespread flu infections affecting the health of our employees and their families.

Leadership matters and Scott Technology is fortunate to have rebuilt a very strong senior leadership team, ably led by our Chief Executive Officer, John Kippenberger.

> **"WE THANK ALL OF OUR PEOPLE FOR THEIR COMMITMENT AND PERFORMANCE THIS PAST YEAR. WE ARE GRATEFUL FOR YOUR DEDICATION AND CONTRIBUTIONS."**

The team is focused on driving customer outcomes and delivering on the Scott 2025 strategy. We thank all of our people for their commitment and performance this past year. We are grateful for your dedication and contributions.

The FY22 result was underpinned by sales growth, with revenues of $222 million. Our people have overcome the interruptions, increased costs and extended freight times, wrought by COVID-19, to continue to deliver the many products our customers require.

The resilience of our business model and strategy has been thoroughly tested, particularly during these past two years, and its success has seen us continue to deliver growth in earnings and returns to our shareholders.

We will continue to invest in the core growth areas of our business which will underpin the future growth of Scott. The closure of the US-based RobotWorx business during the year was due to this operation sitting outside of our strategic focus. The closure saw us take a non-cash write-down.

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.

GOVERNANCE

The Annual Shareholder Meeting is planned to be in Dunedin and online on Wednesday, 23 November at 3:00pm.

In accordance with the Company's Constitution and the NZX Listing Rules, Derek Charge will retire and is eligible for re-election. John Berry, who has been an Alternate Director since February 2017, was appointed Director on 21 September 2022 to replace Edison Alvares, who stood down as a Director on 20 September 2022. In accordance with the Company's Constitution and the NZX Listing Rules, John Berry will retire and is eligible for election.

I would like to thank Edison for his wise counsel, especially as a member of the Audit and Risk Committee.

The Board is committed, 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

We are seeing good engagement from our customer base across all parts of the Scott business, with some recent large orders. This has resulted in a strong order pipeline, which bodes well for the coming year.

On behalf of the Board, I would like to thank our shareholders for your continued support of our Company, the Board and management.

Stuart McLauchlan
Chairman and Independent Director

Installation of lamb automation solution for Thomas Foods International, Tamworth, Australia.

CHIEF EXECUTIVE OFFICER'S COMMENTARY

In a year which has seen global markets continue to experience unprecedented disruption through inflation, supply chain pressures and ongoing pandemic challenges, the team at Scott has once again demonstrated resilience and focus to drive a positive business and safety performance for FY22.

STRONG GROWTH ACROSS CORE SECTORS

Through our ongoing focus and commitment to the growth of Scott's three core business segments, meat, mining and materials handling and logistics (MHL), we have delivered revenue and EBITDA of $222 million (+8%) and $24 million (+14%) respectively. This included sales growth in all three core areas of the business, as well as important revenue and margin contributions from the service or aftermarket business attached to each segment.

The completion of FY22 sees us close the second full year, guided by our Engineering Scott to High Performance 2025 strategy. The clarity this provides has enabled us to continue driving positive customer outcomes, fulfilling employee experiences and commercially successful results for Scott. This strategy emphasises the imperative of driving sales through product areas where we have established world-leading technology and away from the more bespoke design projects that are unproven and present higher risk to Scott. This is reflected in our strong forward order book of $190 million.

These core businesses make up 76% of total Group sales for FY22, with combined growth of 15%.

> "THE TEAM AT SCOTT HAS ONCE AGAIN DEMONSTRATED RESILIENCE AND FOCUS TO DRIVE A POSITIVE BUSINESS AND SAFETY PERFORMANCE FOR FY22."

Meat processing

We saw ongoing demand for our Lamb Primal Systems and BladeStop safety bandsaw, resulting in revenue growth of 22%. The service business in meat also continued to grow strongly. This segment delivered margins of 32%, well above the Group average.

Most recently, we secured an order from New Zealand lamb processor, Silver Fern Farms, which reinforces our long-standing relationships with industry-leading companies looking to secure a safer, more efficient lamb processing line.

The forward order book for meat products and service remains strong, as Australasian lamb processors continue to invest in the Scott Lamb Primal product (+$10 million per unit), and global meat processors continue to buy the Scott BladeStop bandsaw to drive efficiency and safety outcomes.

Materials handling and logistics (MHL)

This important area of our business largely comprises of conveyors, automated palletising and sortation equipment used in the warehousing operations of the large food manufacturers and related industries.

REVENUE BY SECTOR

(Left to right) Cameron Mathewson, John Kippenberger and Aaron Vanwalleghem in Podivin, Czech Republic.

Our customers include industry leaders, such as McCain Foods Ltd, Danone and Friesland Campina.

Largely concentrated out of our European operations in Belgium and the Czech Republic, this business worked at the epicentre of the global supply chain crisis and in close proximity to the war in the Ukraine. These pressures have driven strong cost increases and led to delays on many projects, as our customers wait for building materials to complete construction projects to house large Scott equipment.

Despite the macro environment, we are hugely proud of the team in Europe as they continued to deliver positive business and customer outcomes, driving growth of 4% in group MHL and service margins of 38%.

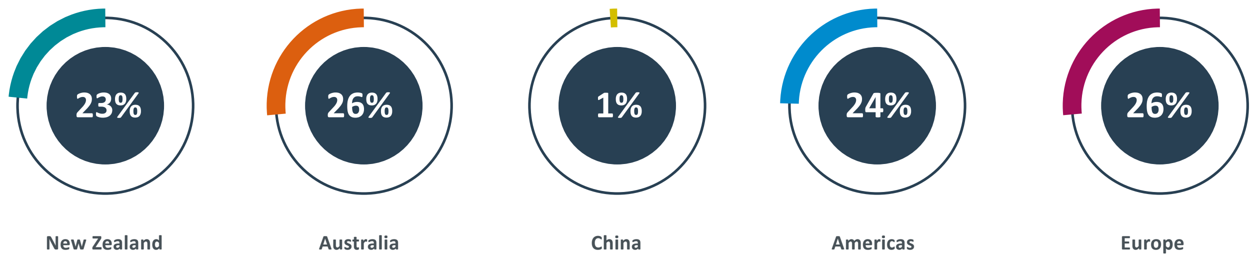
> **“DESPITE THE MACRO ENVIRONMENT, WE ARE HUGELY PROUD OF THE TEAM IN EUROPE AS THEY CONTINUED TO DELIVER POSITIVE BUSINESS AND CUSTOMER OUTCOMES.”**

In FY22, we progressed our strategic priority of expanding the European material handling business into the high-growth North American market, with the recent announcement of a large foundation project with JBS Canada. This US$37 million project will see us build a fully automated warehouse with 100,000 carton capability. This will be an important proving ground and testament to our ability to be competitive in the North American warehousing and intralogistics market.

Additionally, to drive faster growth in the US, we recently brought the North American business under highly credentialled and proven Regional Director, Aaron Vanwalleghem, who currently leads our European centre of excellence for materials handling.

The forward order book for Scott material handling equipment is sitting at its highest levels on record (+$40 million) as large food companies continue to struggle with a reduced labour supply, combined with increased pressures of short lead times on the customer end of their businesses.

REVENUE BY GEOGRAPHY



Mining product sales

Our mining business – anchored off our strong Rocklabs sample preparation sales – continues to experience positive and reliable growth. These products are well proven in the large global mining sector and produce high-margins, given they are well priced and the Scott manufacturing footprint is highly efficient.

This business continues to grow at 20% compound annual growth rate (CAGR) with margins of +40% supported by over 30% of revenue coming from high margin recurring consumables.

We will continue to move the high-complexity, and therefore high risk, end-to-end automated laboratory systems part of the business towards a more 'modular' product approach. This strategy is well proven at scale, producing high volume outputs, at quality, accuracy and efficiency for the large mining companies and independent laboratories.

With this modular approach we have proven our ability to deliver competitively priced solutions to the market without exposing our employees or shareholders to the risks of the higher-complexity end-to-end systems, which rely heavily on robotic intervention for speed and sample transfers.

SERVICE AND AFTERMARKET BUSINESS

Scott's strategy of building our aftermarket service business has been important for customers, maintaining our machine accuracy and reliability, and for our shareholders as it provides important recurring revenue and margin streams.

The service business underpinning the above three core business segments saw strong growth of 19% for the FY22 year and 60% over the last two years. This is approximately 31% of the total revenue of these businesses and delivers a strong margin performance at 37%.

We see this important business continuing to deliver profitable sustainable growth as our customers look to the specialist technical skills of Scott technicians to support their own maintenance teams on what is often highly complex and technical Scott equipment.

A HIGHLY POSITIVE START TO OUR ESG ENDEAVOURS

I am very pleased with the early momentum building in our ESG strategy. This has strong engagement and support from the Board and across the business. The early work in this area has brought with it a deep sense of purpose and excitement to playing our part in building a better world.

> **"THE EARLY WORK IN THIS AREA HAS BROUGHT WITH IT A DEEP SENSE OF PURPOSE AND EXCITEMENT TO PLAYING OUR PART IN BUILDING A BETTER WORLD."**

We have made strong progress across all our ESG pillars, including some key project highlights in safety and wellbeing, carbon footprint scoping and sustainable procurement. Be sure to read more about these in the subsequent pages of the report.

We look forward to making further progress and sharing more about our sustainability journey during FY23.

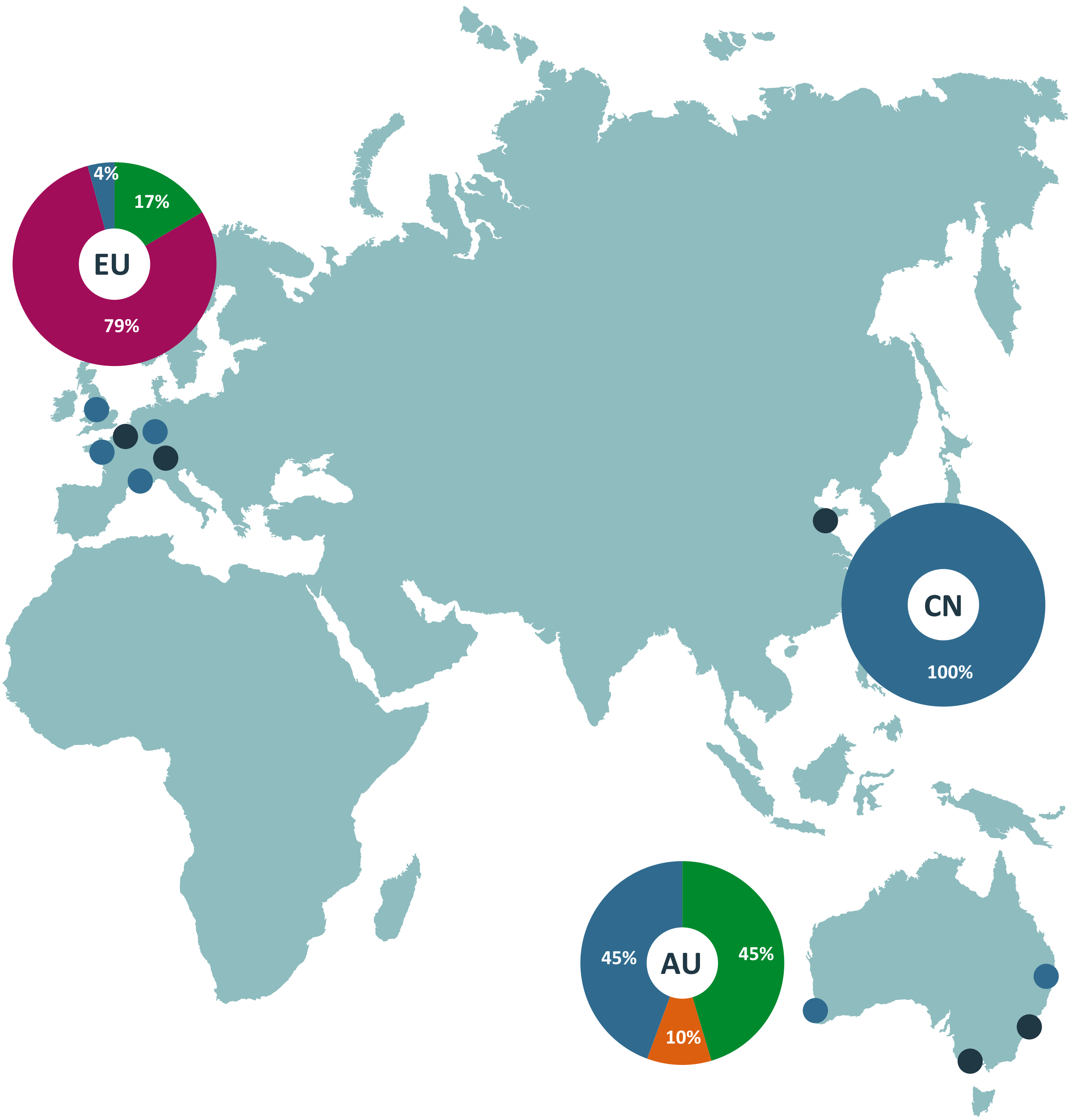
John Kippenberger
Chief Executive Officer

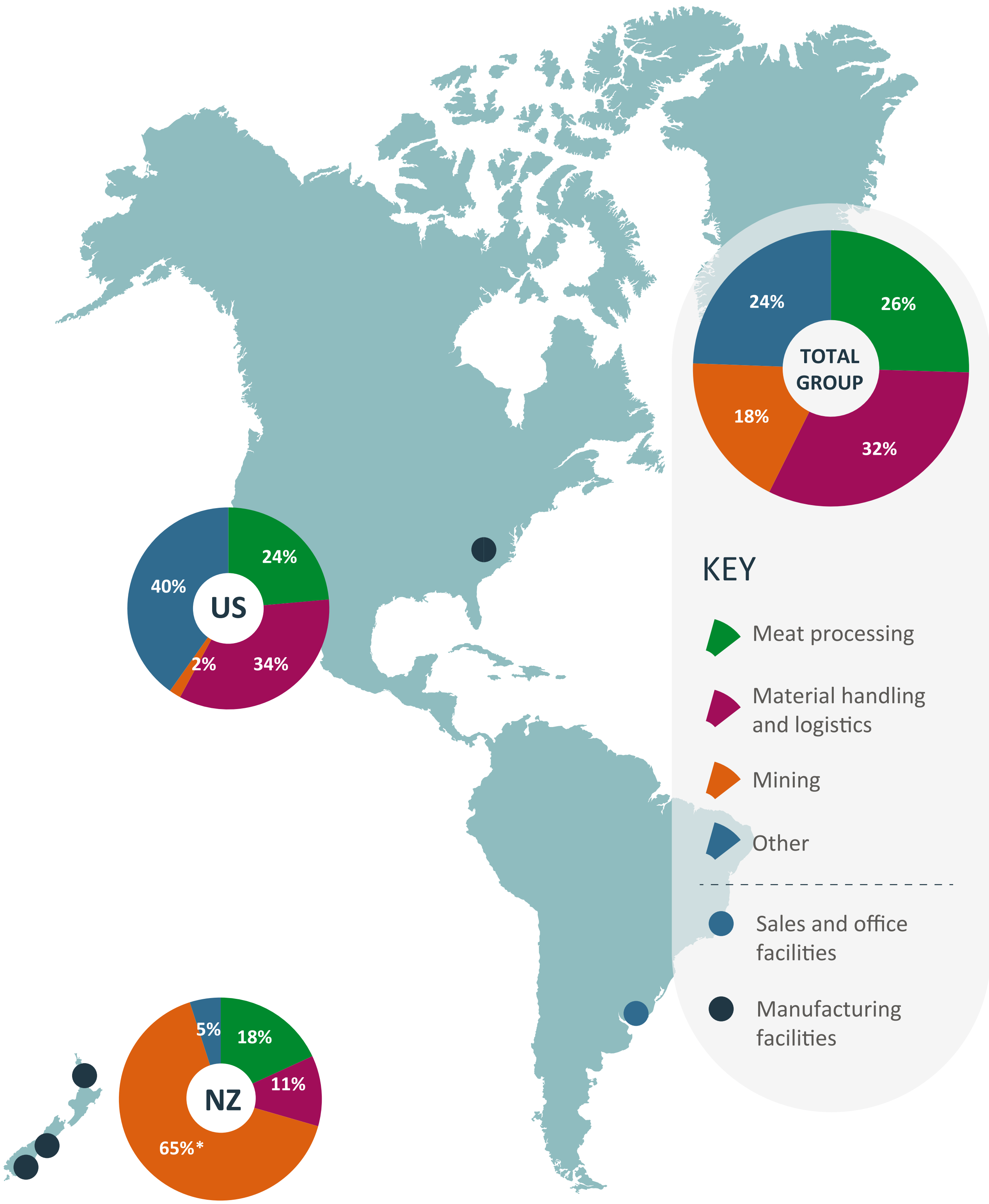
Chief Executive Officer, John Kippenberger.

AT A GLANCE

GLOBAL PRESENCE

REVENUE BY SECTOR AND END CUSTOMER GEOGRAPHY





* Includes Rocklabs product sales to international distributors.

AT A GLANCE

SCOTT 2025 & LEADING A SUSTAINABLE FUTURE

Our Mission

To deliver smart automation solutions that transform industries.

2020

Financial Performance

Customer Satisfaction

Sustainable Procurement

Environmental Management

Purpose

Growing profitible business focused on long-term growth for Scott's customers, shareholders and employees.

(Page 26)

Place

Commitment to the environment which develops and encourages sustainable business practices.

(Page 26 to 28)

Authentic Customer Partnerships

Continue to build authentic customer partnerships that yield repeat business and growth opportunities.

(Page 20)

Robust Global Platforms

Build an operations infrastructure matched to our growth curve.

(Page 14)

Focusing on areas of strength and proven expertise, Scott continues to deliver sustainable growth and margin performance in the second year of its 2025 strategy. Combined with a long-term commitment to sustainability, Scott's strategy continues to mature, delivering a deeper sense of purpose and commitment for our planet and stakeholders.

One Global Team

Create an effective global Scott ‘identity’ and culture, with a focus on delivering excellence and positive customer outcomes.

(Page 24)

Operational Excellence

Robust systems, controls and processes to ensure delivery of projects on scope, on time and on budget.

(Page 15 to 16)

Leading-edge Technology

Leverage Scott’s leading technology platforms and offerings. Delivering a matured revenue mix across products, systems and service.

(Page 16 to 17)

Employee Safety & Wellbeing

Diversity & Inclusion

Global Recruitment

Employee Retention

People

Building an engaged, diverse, and talented workforce.

(Page 26 and 31)

2025 and beyond

Our Vision

Be the first choice for businesses wanting smart automation and robotic solutions that make their businesses safer, more productive and more efficient.


Automated mining sample preparation during manufacturing in Sydney, Australia.

DELIVERING ON STRATEGY

STRATEGIC FOCUS TO MAXIMISE MOMENTUM

On the back of the strategic progress of FY21, Scott Technology has continued to build focus and momentum around its core business in this financial year. Its Engineering Scott to High Performance 2025 strategy focused the business on its areas of strength and proven expertise, namely meat processing, material handling and mining and this continues to drive growth and margin.

Scott Technology Chief Executive Officer, John Kippenberger, says he is delighted with the Company's performance against the strategy over the past year. "Playing to our strengths in selling proven products and aftermarket services has enabled us to deliver core revenue growth of 15%. This approach also drives our pipeline of work and ongoing margin performance – which is 29% of our core business – so it really sets us up for a bright future."

> **"THE TALENT AND COMMITMENT FROM THE SCOTT TEAM AROUND THE WORLD TO CONFRONT THE ONGOING CHALLENGES ... HAS BEEN EXCEPTIONAL."**

All three of Scott's core business sectors are experiencing ongoing demand for automation to help drive efficiency, safety, and to overcome the global labour shortages.

Despite some uncertainties around the global economic outlook, Scott continues to secure sales and contracts with leading companies who are progressing with capital expenditure and investment programmes.

"The talent and commitment from the Scott team around the world to confront the ongoing challenges and supply chain shortages, whilst continuing to stay focused and deliver margin at pre-COVID-19 levels, has been exceptional," continues Kippenberger.

"We have, however, seen some delay in revenues where customers' infrastructure projects have also been delayed, for example, due to supply issues on steel."

The strategic focus in FY22 has delivered several highlights:

- Scott's meat business has seen a 27% increase in revenue driven by a return to focusing on key product strengths, such as BladeStop and our Primal technology.
- The service business for meat has also grown 15% year on year. Combined, these delivered strong net margins of +30%.
- Scott's Rocklabs mining products business has also grown substantially (+25% year on year) while holding strong margins of 40%.
- $37 million JBS Canada warehouse automation project.

The JBS Canada warehouse automation project provides an important cornerstone for the development of Scott's North American material handling business, extending its centre of excellence capability from Europe.

Kippenberger continues, "The US is currently the hottest intralogistics market in the world as food companies, in particular, struggle to keep up with demand, at shorter lead times and often with less availability of labour. The JBS Canada project, combined with our recent European-North American executive team merger, will see us build capability and growth in this sector over the next decade."

FY22 has also seen Scott begin developing its ESG (Environmental, Social and Governance) strategy. "I'm very pleased with the early momentum we've seen around ESG, with strong engagement from the Board right through the organisation. While we are at the beginning of this journey, we're very excited about the deep sense of purpose this brings to our business, as well playing our part to build a better world," adds Kippenberger.

With its laser focus on core business sectors, product sales growth and increasing its service business, Scott is proud to have delivered a successful FY22 and is well placed to continue this progress into FY23.

> **"WITH ITS LASER FOCUS ON CORE BUSINESS SECTORS, PRODUCT SALES GROWTH AND INCREASING ITS SERVICE BUSINESS, SCOTT IS PROUD TO HAVE DELIVERED A SUCCESSFUL FY22 AND IS WELL PLACED TO CONTINUE THIS PROGRESS INTO FY23."**

DELIVERING ON STRATEGY:

SURVIVING SUPPLY CHAIN UNREST AND MAINTAINING OPERATIONAL EXCELLENCE

Like many businesses in manufacturing and servicing across the globe, supply chain disruption has had a significant impact over the past year. For Scott's business in FY22, the key pressure point has been extended lead times on parts supply.

Chief Executive Officer, John Kippenberger says that they acted early, which helped the business to mitigate risk and maintain operational excellence. "Our solution was to invest in working capital, pushing up inventories to secure supply and price, which helped us to ensure we could fulfil customer orders and, ultimately maintain our margins."

The impacts of supply chain unrest have also extended beyond parts supply, with some sales delays occurring due to customers not being ready to accept Scott equipment. "This has largely been due to delays in construction projects," says Kippenberger. "Customers that are building greenfield sites or extending existing factories to incorporate Scott equipment, have had their own projects delayed and this has had a knock-on effect to our sales."

Most of this impact has been felt in Europe, where growth hasn't been quite to the levels Scott would have liked. The closure of Russian business has also impacted European growth.

Scott's ongoing focus on core business, as well as improved cycle times of production and supply, have helped to combat this.

"A great example of this is with our primal system where our engineers and factories have worked hard to deliver short lead times on our proven equipment for both Alliance and TFI. We've also really focused on growing our order book, particularly in Europe. The outlook is very positive," he adds.

Despite the order book being strong, Kippenberger anticipates that many of the supply chain disruptions will continue into FY23.

"We will find new ways to continue to deliver operational excellence despite this," says Kippenberger. "We have a huge team commitment and energy to always push for the best outcome for our customers, people and shareholders."

Automated appliance line during manufacturing in Qingdao, China.

DELIVERING ON STRATEGY

LEADING-EDGE TECHNOLOGY: MATURING SALES AND GROWING SERVICE REVENUE

The Leading-edge Technology pillar within Scott Technology's 2025 strategy showcases its ongoing commitment to innovation, whilst optimising the business' mix of sales and continuing to deliver service revenue growth.

Chief Financial Officer, Cameron Mathewson, says they have made great progress in this area in FY22 by increasing the focus on selling existing products, upweighting service and productisation of proven technology.

"The work we have done has facilitated growth throughout the entire Scott business. By investing in service capability and leadership we have strong service organisations across all our geographies, led by experienced service leaders. Additionally, our investment into analytics and insights means operational management can make quick, accurate, reliable decisions, responding effectively to customer demand and sales opportunities."

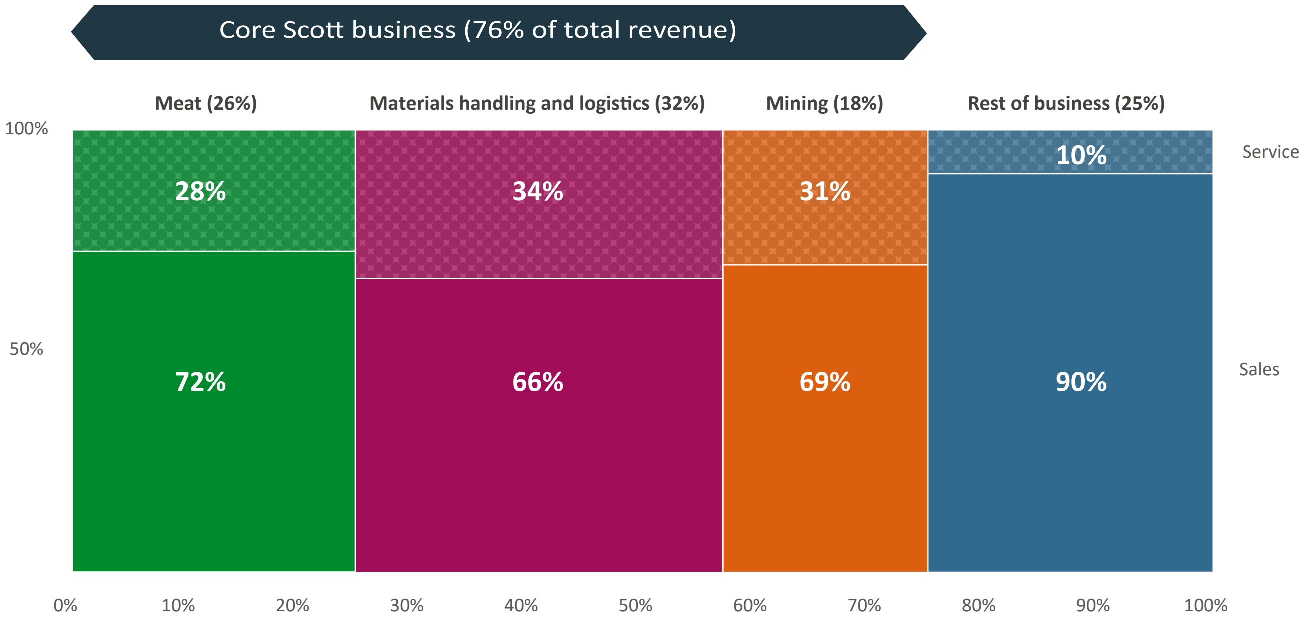
Strengthening the Rocklabs brand has enabled considerable growth, from both a sales and service perspective. We have also seen success with some of our meat processing products, such as our poultry trussing technology, and significant growth is anticipated over the next year as we expand into North America and our order volumes increase.

Scott continues to develop new and existing product offerings, by working on integrating existing products to create modular solutions that customers can easily order and commission without needing to go through an often timely design and implementation process.

> **"WE LOVE BEING ABLE TO OFFER SOLUTIONS TO OUR CUSTOMERS THROUGH WORLD-LEADING TECHNOLOGY."**

"Initially, our larger projects are often designed for a customer who has a particular and unique problem, or opportunity, they want to resolve," says Mathewson. "These then give birth to new ideas, new technology and create the products of the future. As we continue to develop new technologies, opportunities to productise present themselves. We love being able to offer solutions to our customers through world-leading technology, as we have

FY22 SALES AND SERVICE REVENUE MIX



seen with the success of our Lamb Primal System and the monumental material handling deal signed with JBS Canada."

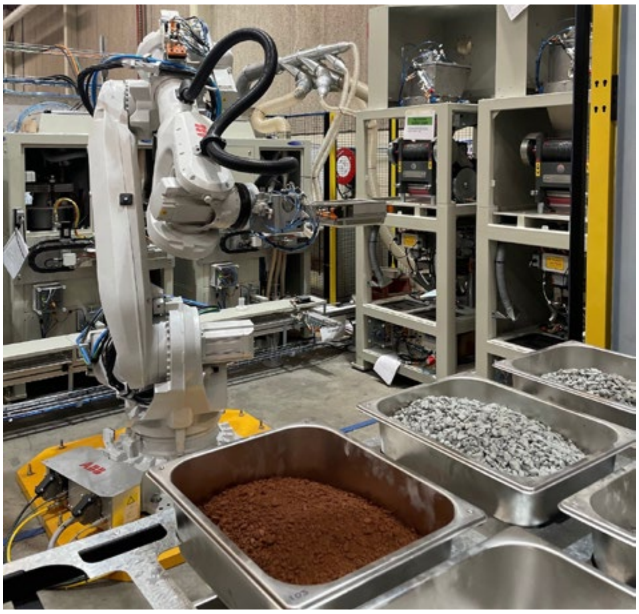
"We have evolved and become more resilient in how we contract, investing in capability and processes so when we take on new business we do so with a greater sense of confidence around delivering strong margins."

Mathewson says the impact on margins has been extremely positive, yet the real growth is below the surface.

"We have faced headwinds from macro challenges, such as supply chains, the pandemic, and inflationary pressures; however, the work we have put into maturing the mix has seen both our products and service businesses experience double-digit growth from a revenue and profit perspective."

Mathewson also commented on the importance of having Scott's people on board with balancing the focus, every step of the way.

> **"WE ARE FORTUNATE TO HAVE AN ABUNDANCE OF INCREDIBLY SMART PEOPLE WITHIN THE ORGANISATION, AND THEY UNDERSTAND THE REASONS BEHIND WANTING TO STRIKE THE RIGHT BALANCE ACROSS THE THREE CORE SECTORS WE OPERATE IN."**



"We are fortunate to have an abundance of incredibly talented people within the organisation, and they understand the reasons behind wanting to strike the right balance across the three core sectors we operate in.

There are also exciting opportunities in the pipeline, with the prospect of opening up new markets and customer sectors, such as expanding our mature material handling and logistics sector from Europe into North America.

In addition to the expansion of our materials handling business, we see an opportunity to extend Rocklabs into more geographies and mining types. BladeStop also presents an opportunity for expanding our distribution network and customer footprint, on the back of a strong year of growth in FY22."


Automated poultry trusser during factory acceptance testing in Dunedin, New Zealand.

DELIVERING ON STRATEGY

SCALING SCOTT THROUGH PRODUCTISATION

A key focus of the Scott 2025 strategy is to commercialise successful proven technology through productisation, driving repeatable product sales into large addressable markets. This approach provides quicker lead times for customers, higher margin performance and revenue growth.

Scott's productisation success to date has stemmed from strong development partnerships with industry leaders, such as Silver Fern Farms, MLA, AMPC, and Pilgrims.

Scott is also seeing strong uptake in the European market for our Pal 4.0 palletising product and its launch into the US market in FY23.

Rocklab's mining product continues to deliver impressive revenue and margin performance and Scott continues to invest in development and marketing of this product range.

Chief Executive Officer, John Kippenberger, says "Our approach is reflective of the Scott 2025 strategy, to take our successful and proven technology and commercialise it through productisation."

> "OUR APPROACH IS REFLECTIVE OF THE SCOTT 2025 STRATEGY, TO TAKE OUR SUCCESSFUL AND PROVEN TECHNOLOGY AND COMMERCIALISE IT THROUGH PRODUCTISATION."

Lamb automation

The lamb automation systems are an example of how Scott has successfully taken large complex solutions into a repeatable product that customers can easily order and install without requiring often timely design and commissioning processes.

Scott's world-leading lamb automation solution was developed back in 2001 in partnership with its key customer, Silver Fern Farms, to increase efficiency, maximise yield and improve operator safety.

There are now over 18 of these solutions installed across Australasia, totalling approximately $180 million in sales, with up to 60% of the market still to be captured.

It is estimated that 30% of all New Zealand lambs are processed on a Scott automation line.

Poultry

Similar success is expected by applying this process to the new proprietary automated poultry trussing technology designed by Scott for Pilgrims and the US market.

Scott Technology's automated trussing technology is truly innovative and presents an incredible opportunity for Scott to begin deploying this product into the US poultry industry, which makes up 50% of the global market of fully trussed birds.

The US opportunity is approximately 150 units and growing.

BladeStop

Scott leads the safety bandsaw market with over 1,500 units of its award-winning BladeStop products installed globally, however, the market opportunity remains significant as we seek to convert traditional non-safety bandsaws to BladeStop safety saws.

BladeStop has seen solid uptake in the European and US markets in FY22. It is anticipated sales will accelerate in FY23 as strong demand from these regions continues, due to an ongoing drive from processors to increase operator safety.

While initial market focus for BladeStop remains in the meat processing industry, the highly adaptable product is also fit for purpose for non-protein industries, like aluminium and carbon, further increasing future market potential.

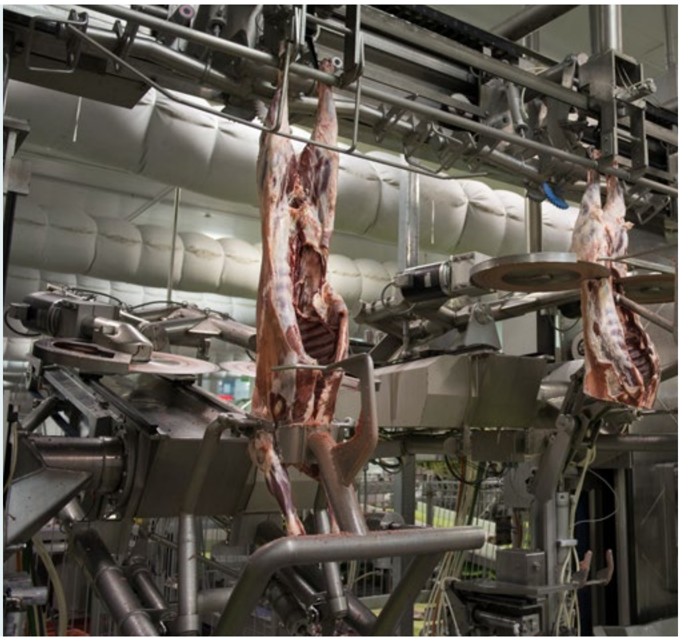
LAMB AUTOMATION

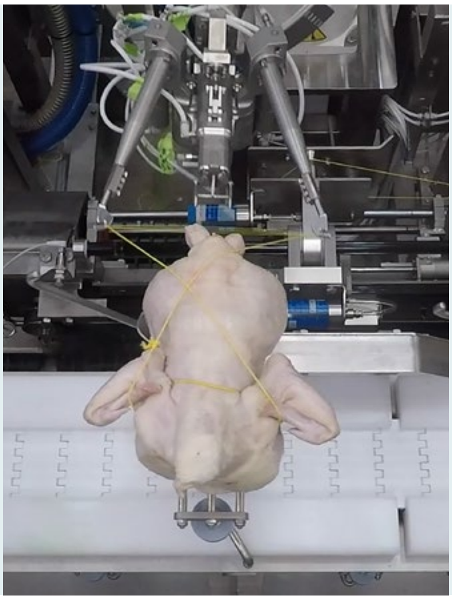
18
installations across Australasia

Processing
12
carcasses per minute

Installs make up approximately
40%
of lamb market for full systems

Investment
$10-15M
NZD per unit





AUTOMATED POULTRY TRUSSER

Configurable in
24
birds per minute (bpm) units

Fully trussed bird in 2.5 seconds

Opportunity
150
units for US market

Investment
$1.7M
NZD per unit (24 bpm) installed

US makes up
50%
of the global market of trussed birds

900M
chickens trussed annually in the US

BLADESTOP SAFETY BANDSAW

World's fastest stopping time

Investment
$70K
NZD per unit excluding options

BladeStop US marketshare
9%

Over
1,500
installs across
30
countries

Configurable for both protein and non-protein applications

US Opportunity
1,146
units for beef, pork and case ready

Pal 4.0 palletiser during manufacturing in Deerlijk, Belgium.

DELIVERING ON STRATEGY

AUTHENTIC CUSTOMER PARTNERSHIPS MAKE WAY FOR NEW TECHNOLOGIES AND MARKETS

In FY22 Scott's authentic customer partnerships have continued to grow and the benefits have been tangible for its business and customers.

Chief Executive Officer, John Kippenberger, says that Scott's commitment is to work closely with leading global businesses to truly understand their strategies, priorities and what this means for their long-term investment plans.

> **"SCOTT'S COMMITMENT IS TO WORK CLOSELY WITH LEADING GLOBAL BUSINESSES TO TRULY UNDERSTAND THEIR STRATEGIES, PRIORITIES AND WHAT THIS MEANS FOR THEIR LONG-TERM INVESTMENT PLANS."**

"McCain, one of our frozen food customers, has been a long-term partner to Scott. Over time it has invested in Scott warehouse automation solutions in multiple markets – most recently in France, the Netherlands, Belgium and soon to be, Poland. This is a great example of where our partnership has meant repeat purchases of our technology solutions for different markets around the world.

Alliance in New Zealand is another example of an enduring forward-looking partnership in which investment in proven automation is driving returns for New Zealand farmers. In FY22 we commissioned a new Scott-automated Lamb Primal System at Alliance's Lorneville plant and soon we will deliver a large fully automated warehouse facility. Because of our deep understanding of the business, we were able to cross-sell between our meat processing and materials handling businesses, enabling Alliance to continue to roll out proven Scott technology that will drive efficiency."

For Scott, authentic customer partnerships also means continuing to build its aftermarket support. This means driving ongoing performance of all Scott products in the field, while demonstrating true partnership. In FY22, this part of our business grew 29%, making up 33% of core revenue and at strong margins of 37%.

FY23 presents several strategic opportunities for Scott. Continuing to drive recurring revenue from existing customers through an intimate understanding of their businesses will help to continue the momentum from FY22. Extending its customer footprint with BladeStop, and the launch of Scott's proprietary poultry trussing technology into the US are amongst the key opportunities.

BladeStop safety bandsaws ready for shipment in Podivin, Czech Republic.

Lamb automation solution in action, separating the hindquarter from middle section.

CUSTOMER STORY

ALLIANCE GROUP

Scott has partnered with leading global and solutions food company, Alliance Group, for 12 years. Providing it with automated processing solutions to support its growth as it continues to streamline its activities to meet rising production and customer demands in the meat processing industry.

One of Alliance's strategic goals of increasing operational efficiency and improving yield has been supported by Scott each step of the way. Today, you will find Scott's world-class meat processing technology in many of Alliance's processing plants across New Zealand. Scott's proprietary Lamb Primal System has been installed across four of Alliance's lamb boning rooms to date, with its Lorneville Plant in Invercargill being the first to include a fully automated forequarter processing system.

Scott Technology New Zealand General Manager, Andrew Arnold, says that the business is right on strategy in terms of building relationships and successful partnerships with customers.

"For over 12 years we've worked closely with the Alliance Group to develop a deep understanding of its meat processing business, providing it with market-leading solutions to improve efficiency and yield. As we've grown our deep knowledge of the business, we've been able to identify areas where some of our other automation solutions will benefit it," says Arnold.

> **"AS WE'VE GROWN OUR DEEP KNOWLEDGE OF THE BUSINESS, WE'VE BEEN ABLE TO IDENTIFY AREAS WHERE SOME OF OUR OTHER AUTOMATION SOLUTIONS WILL BENEFIT IT."**

As a result, Scott is set to supply, out of its European centre of excellence, a fully automated storage and warehousing system at Alliance's Lorneville plant.

"Identifying opportunities to supply our meat processing clients, for example, with automation solutions in materials handling and logistics, is critical to the growth and only comes from truly understanding our customer's strategy and business," explains Arnold.

Arnold believes that actively listening to shifting needs and requirements is at the forefront of a strong customer partnership, and Scott has been working hard to strengthen its communications to guarantee that we are performing ahead of the curve. Service-level agreements have strengthened Scott's aftermarket offering, with a focus on exceptional reliability. With the ability to embed full-time engineers on customers' sites, Scott can give dedicated service and support to ensure the technology continues to operate smoothly.

> **"WE'RE DELIGHTED TO HAVE BUILT A DEEP RELATIONSHIP WITH SCOTT OVER THE YEARS. THEIR TECHNOLOGY HAS ENABLED US TO INCREASE OUR YIELD, ADDRESS ONGOING LABOUR SHORTAGES AND MITIGATE THE HEALTH AND SAFETY RISKS."**

"When we sell in a piece of equipment, it's basically selling in a level of service with that, which is aftermarket care. Each service-level agreement is bespoke to the customer but essentially it's a long-term service commitment to partnering with our customer to maintain the machine and technology. This end-to-end offering is vital to the performance of the equipment and our customer partnership."

Alliance Group Chief Executive Officer, David Surveyor, describes its collaboration with Scott Technology as core to delivery of our automation strategy.

"We're delighted to have built a deep relationship with Scott over the years. Their technology has enabled us to increase our yield, support ongoing labour shortages and mitigate health and safety risks associated with traditional meat processing. Their knowledge of our business, combined with their expertise in several sectors, is enabling us to continue automating the business by extending beyond processing and into material handling and logistics. We look forward to seeing the benefits we'll gain from automating our storage and warehouse system at the Lorneville plant."

Scott and Alliance are currently working on new opportunities within the New Zealand market and will continue to strengthen their authentic customer partnership in the coming years by embracing automation that transforms.

ALLIANCE
FARMERS' PRODUCE

DELIVERING ON STRATEGY:

COLLABORATION ACROSS REGIONS SUPPORTS ONE TEAM APPROACH

Scott Technology has made impressive progress in its One Team approach in FY22, which has ensured ongoing financial success, whilst championing a people-led business. Over the past year, Scott has continued to embed its centre of excellence model, allowing the organisation to embrace the diverse skillsets and expertise across the regions and capture different ways of working.

Scott Technology's collaboration across its regions has continued to develop and strengthen over the past year.

> **"WE OPERATE A CENTRE OF EXCELLENCE MODEL, AND THIS REQUIRES US TO ACT AS A SINGLE, SEAMLESSLY CONNECTED ORGANISATION, WHILE DRAWING ON THE UNIQUE EXPERTISE FROM ACROSS THE GLOBE."**

"We operate a centre of excellence model, and this requires us to act as a single, seamlessly connected organisation, while drawing on the unique expertise from across the globe. Our team in Europe has fantastic manufacturing processes that we collaborate into, as our skillset in New Zealand is quite different. For example, we have world-first vision and control engineers located in Dunedin, who collaborate globally where needed," says Casey Jenkins, Director of Marketing and People.

The Engineering Scott to High Performance strategy has really helped Scott's people to understand the business mission, vision and values. Ensuring their global teams understood the unique and important role they play in delivering the 2025 strategy was an important step to ensuring successful collaboration across the regions.

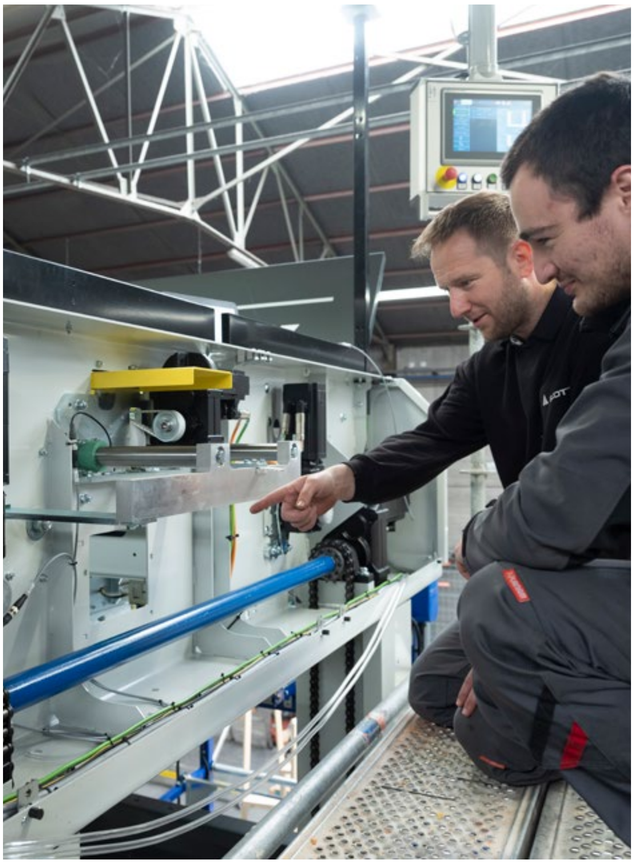
"The One Team approach extends across all countries we operate in," says Jenkins. "We operate global project teams in many areas, including ESG and safety and wellbeing. Having our regional teams involved in developing our strategies provides greater engagement, deeper collaboration and, ultimately, better outcomes."

Employee engagement at Scott has been a key measure of success and is evaluated through annual surveys. FY22 showed a real improvement in employee engagement, with a 23% increase across the organisation. The Company believes cultural drivers, such as the Be Safe, Be Well, Be Scott strategy, play a huge part in this.

"We encourage a positive work environment that is free from harm, where our people thrive, feel cared for, and look after each other," says Jenkins. "And what we've seen as a result, is collaboration between our regions on multiple projects, that utilise the unique skillsets and the best practices from across our business."

To invest in the ongoing success of cross-border collaboration, Scott recognises that the transfer of knowledge is an area that needs to be invested in to enable Scott to retain its unique technical skills and expertise. Internal processes ensure expertise and insights are shared across teams, specifically with graduates, to support employee development and Scott Technology's growth ambitions.

"Employee engagement, retention and development is always going to be a huge focus for Scott. We will continue to develop and engage our people to ensure we have the skills and experience required to deliver smart automation solutions to the world."



Appliance line during manufacturing in Qingdao, China.

FOR PEOPLE, PLACE AND PURPOSE

LEADING A SUSTAINABLE FUTURE

Our Focus

PLACE

Aaron Vanwalleghem
Regional Director Scott Europe

PURPOSE

Cameron Mathewson
Chief Financial Officer

Strategic Goals and Objectives

1

Sustainable procurement

Demonstrate leadership in sustainable procurement practices.

Standardise our process for evaluating new and existing suppliers' ESG compliance.

2

Environmental management

We will measure, report and reduce our greenhouse gas (CHG) emissions.

We will reduce the waste we create and divert waste from landfill.

We will select renewable energy and invest in energy efficient processes across our business.

3

Customer satisfaction

We will achieve leading customer satisfaction scores.

We will support our customers to enable them to achieve their sustainability goals.

4

Financial performance

We will deliver long-term profitable growth for our employees, shareholders and customers.

Our Focus

PEOPLE

Casey Jenkins
Director of Marketing and People

Strategic Goals and Objectives

5

Employee retention

We will develop the careers of our team with education and training programmes.

6

Global recruitment

Build high-performing teams that align with our One Team culture.

7

Employee safety & wellbeing

We will provide a workplace that safeguards the health and wellbeing of our people.

8

Diversity & inclusion

We are committed to diversity and a culture of inclusion in our workplace and will ensure equitable opportunities for employees.

SDGS[1] Alignment

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

[1] *Sustainable development goals - a set of global goals identified by The United Nations.*

Scott team at Alliance Lourneville site, New Zealand.

LEADING A SUSTAINABLE FUTURE

DELIVERING ON SUSTAINABILITY, BEYOND BENCHMARKS AND BASELINES

Scott Technology's overarching sustainability pillars of People, Purpose and Place, remain integral to the business leading a sustainable future.

The three pillars have given Scott clarity, whilst pursuing a long-term sustainable partnership with customers, stakeholders and the wider community. Governed by the Environmental, Social and Governance (ESG) Framework that was developed in FY21, Chief Executive Officer, John Kippenberger, says strides are being made against all three pillars, through thoughtful alignment with the 2025 strategy.

"FY22 has seen us move forward from setting benchmarks and baselines, to now making strong progress on delivering outcomes for our People, Purpose and Place pillars. Scott is making positive headway in these areas, and there has been a significant cultural shift towards delivering sustainable outcomes since our strategic programmes began."

> **"AS A GLOBAL BUSINESS, IT IS IMPORTANT THAT OUR SUSTAINABILITY GOALS REFLECT THE DIVERSITY AND GEOGRAPHIES OF OUR ENTIRE TEAM."**

"As a global business, it is important that our sustainability goals reflect the diversity and geographies of our entire team. Every site across the regions has employees involved in our ESG projects and we attribute our success in these areas to our people."

The People pillar has become the core of Scott's business and is synonymous with achieving its vision for a sustainable future. The value of retaining a highly skilled and talented workforce through quality engagement has been recognised as a key focus area.

People is about building an engaged, diverse, and talented workforce. For Scott to be able to deliver smart technology, innovation and solutions globally, maintaining a skilled and experienced workforce is key and this has been a focus over the past year. This pillar is led by Director of Marketing and People, Casey Jenkins. *(FY22 Highlight: Be Safe, Be Well, Be Scott, page 31.)*

Purpose is about the commitment to growing a profitable business that focuses on long-term growth and positive shareholder return, combined with strong authentic customer partnerships. This pillar is led by Chief Financial Officer, Cameron Mathewson.

Place refers to being dedicated to creating a workplace that supports responsible global business outcomes. Scott recognises the role it needs to play in protecting our environment and planet for future generations. This pillar is led by President of Europe and North America, Aaron Vanwalleghem. (*FY22 Highlight: Environmental Management, and Carbon Scoping, page 29.)*

OUTLOOK

"We are proud of our ESG progress to date; however, we recognise that we are still in the early days of our sustainability journey and there are still many opportunities," says Kippenberger. "Measuring our carbon footprint has been a standout area, while we maintain our commitment to our people and our focus on employee retention and engagement."

Looking ahead, a key area of focus for Scott is diversity, specifically focusing on encouraging a greater gender balance into the fields of engineering and technology. Scott remains a large supporter of robotics education through its sponsorship of RoboCup Junior New Zealand, which is ultimately helping establish career pathways, whilst growing the pipeline of technology talent in New Zealand.

SNAPSHOTS OF WORK PROGRAMMES COMMENCED IN FY22

SUSTAINABLE PROCUREMENT

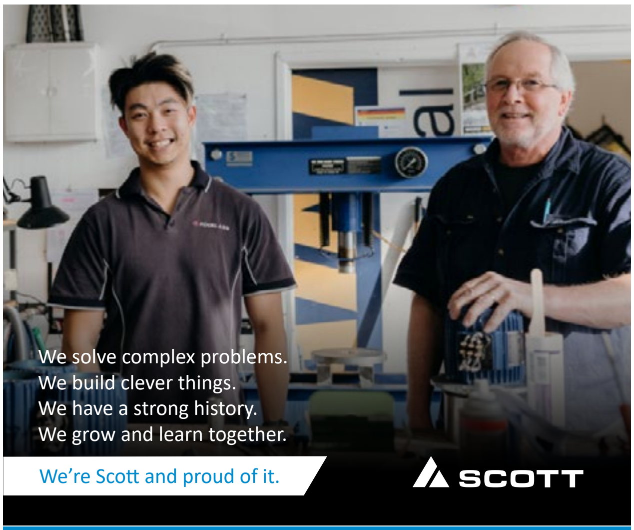
Scott has focused on partnering with businesses and suppliers that share the same commitments to sustainability. To manage this, Scott has created a Supplier Code of Conduct to ensure it is partnering with businesses that share its value set, particularly in the sustainability space. This is managed by an auditing tool developed internally, that measures suppliers against those core values. Casey Jenkins, Director of Marketing and People, says, “We view this as a partnership and collaborative opportunity to achieve our own goals, while we support our suppliers to achieve theirs, too.”

EMERGING DIRECTOR

Scott is excited to welcome Emerging Director, Penny Ford, with her experience and ideas to the board, and to be able to provide governance pathways and opportunities for aspiring directors.

ONBOARDING

This year Scott undertook a review of its onboarding process to align with the One Team strategic pillar. “At Scott, it’s important that we set our people up for success, and that begins with the welcome. We have strong support structures in place from recruitment, through to employment, ensuring these processes are as seamless as possible and everyone has a positive experience,” says Jenkins. “Introducing our onboarding process to all our global geographies has been a huge success, ensuring every employee receives the same message in their local language. Our onboarding surveys and 30, 60, and 90-day check-ins, are essential to the success of this programme, and we ensure support and services are offered to anyone who needs it.”



EMPLOYEE VALUE PROPOSITION (EVP) – WE’RE SCOTT AND PROUD OF IT

The business has worked on identifying what makes Scott unique, an employer of choice and why someone would want to join its team. Jenkins says, “It’s beneficial to communicate thoughtfully and highlight our rich history to potential employees, acknowledging our presence for over 100 years and the world-first projects our teams develop and work on. At Scott, it is a priority to grow a talent base that enriches our business and industry with highly skilled and experienced people. Our sponsorship and support of RoboCup New Zealand is an example of this.”

LEADING A SUSTAINABLE FUTURE

DELIVERING FOR OUR PLANET: UNDERSTANDING OUR CARBON EMISSIONS

In 2021, Scott Technology, with support from New Zealand-based sustainability experts, Tadpole, embarked on a project to measure and understand its carbon emissions across the global business.

Europe and ANZ (Australia and New Zealand) were selected as the initial markets for scoping, capturing 70% of the business, with China and the US to follow in FY23.

Getting the business engaged in the process was the initial priority for Scott. Regional Director Scott Europe, Aaron Vanwalleghem, says that having people understand the 'why' was an important foundation.

> **"WE'RE EXTREMELY PROUD OF HOW OUR PEOPLE REALLY GOT BEHIND OUR DESIRE TO DO BETTER AS A BUSINESS."**

"Working with Tadpole, we ran a series of educational workshops that our employees could attend. We gave an overview of global warming, greenhouse gases, local context, what governments are doing and ended with how Scott is going to play its part in the long-term future of our planet."

Smaller teams in each market were then engaged in the boundary-setting process. Following the ISO 14064-1 Standard for the quantification and reporting of greenhouse gas emissions and removals, this involved understanding each market's physical boundaries and emissions sources. The output was a clear plan for exactly what data was needed to be collected by each market.

"Because 2020 and 2021 were impacted by COVID-19, we needed to use FY19 as our base year for data collection to present the most accurate picture of a typical operating year," says Vanwalleghem.

Scott measured three types of emissions: direct greenhouse gas (GHG) emissions (Scope 1), indirect GHG emissions from purchased energy (Scope 2) and indirect GHG emissions from other sources (Scope 3). The specific emissions sources are detailed in the table below.

Scope 1 Direct greenhouse gas (GHG) emissions	• Transport fuel combusted in Scott leased and owned vehicles • Transport fuel combusted in rental vehicles • Fuel used in forklifts • Stationary fuel used in appliances or equipment • Refrigerant gases
Scope 2 Indirect GHG emissions from purchased energy	• Electricity used in buildings and for electric forklifts (where relevant)
Scope 3 Indirect GHG emissions from other sources	• Domestic and international air travel • Accommodation associated with business travel or project installations • Manufacturing raw materials • Purchased packaging • Contracted services (use of contractors) • Treatment of waste • Distribution / line losses (electricity + gas) • Well to tank fuel emissions

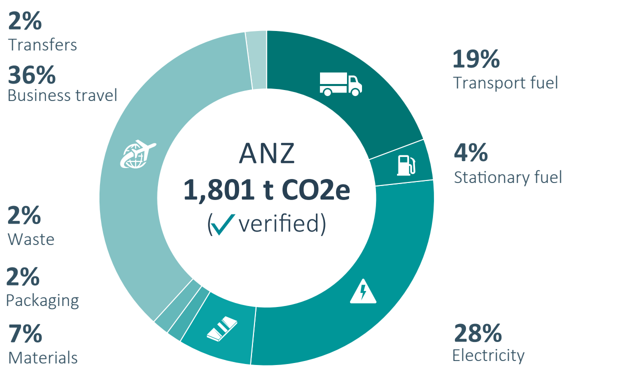
> **"WE HAVE MEASURED OUR EMISSIONS TO BETTER UNDERSTAND THE SCALE OF OUR CARBON FOOTPRINT, THE IMPACT OF OUR ACTIONS AND, ULTIMATELY, TO IDENTIFY OUR OPPORTUNITIES FOR IMPROVEMENT."**

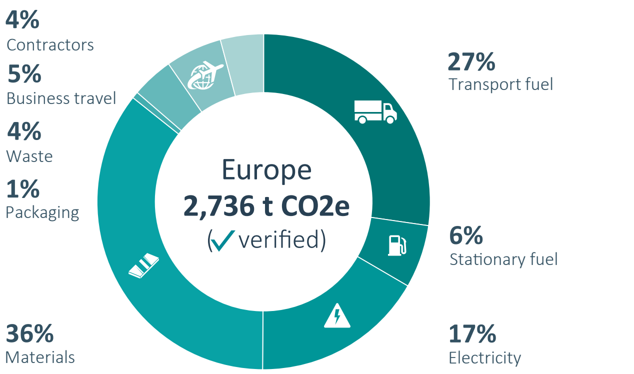
"Collecting the required data and doing so retrospectively, was a big undertaking," says Vanwalleghem. "We're extremely proud of how our people really got behind our desire to do better as a business. The collection process required commitment and effort from many people from right across the business, additional to their usual responsibilities, to enable us to understand our carbon footprint. The engagement has been incredible, and we'd like to thank and recognise the many people who have contributed."

As with anything new, there were a few challenges along the way. "While using FY19 as a baseline made complete sense to eliminate the pandemic factor, it also presented some limitations," continues Vanwalleghem. "Freight data included in our preliminary carbon footprint is limited to transfers between our sites. Going forward, we have developed a process that will capture inwards and outwards freight data. These emissions will be included in our 2023 carbon footprint."

External audit partners in Europe and ANZ have verified the processes and data used to develop Scott's preliminary carbon footprints, see below.

FY19 GHG EMISSIONS FOOTPRINT





"We have measured our emissions to better understand the scale of our carbon footprint, the impact of our actions and, ultimately, to identify our opportunities for improvement. From the work we have completed to date, we have already recognised some opportunities for reduction improvements. For example, our electricity usage, air travel, accommodation and travel in company cars. These will be obvious starting points in our emissions reduction plan."

The business anticipates that the remaining carbon footprints for China and US will be completed and verified by the end of 2022.

By mid FY23, Scott will be in a strong position to share the carbon footprint for the total Scott business, as well as our objectives and actions for reduction.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORTING

At Scott we recognise the need for climate-related disclosures and the long-term value created by better managing our climate-related risks and opportunities.

We have measured the GHG emissions of our operations in New Zealand, Australia and Europe and had these independently assured. The next key step is for us to clearly establish our climate-related risks and opportunities and report these in line with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) and New Zealand's External Reporting Board (XRB).

In next year's report, we will provide more information about Scott's climate-related risks and opportunities, how they affect us and, in turn how our operations affect climate change. This will include scenario analysis, our process to implement and identify risks and how we integrate this into the overall risk management framework. We will also identify and report the key metrics associated with our most material climate impacts.

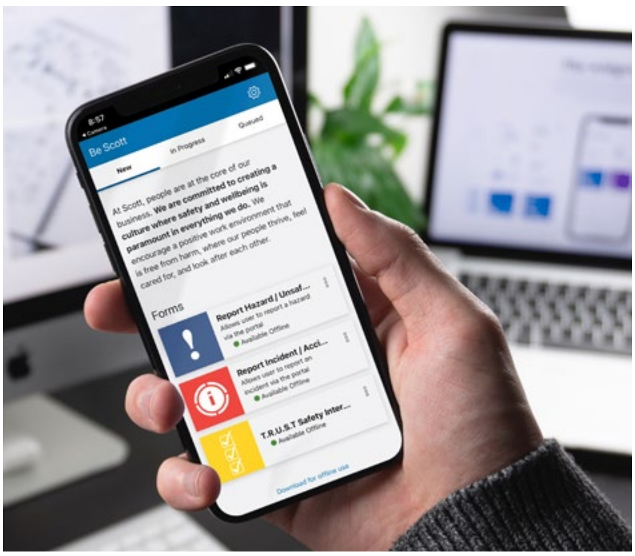

Filming of the safety & wellbeing induction video at Scott Charlotte, USA.

LEADING A SUSTAINABLE FUTURE

DELIVERING FOR OUR PEOPLE: BE SAFE, BE WELL, BE SCOTT

Driving a high-performance safety culture is key to delivering long-term positive outcomes for Scott Technology. In FY22, the organisation's safety and wellbeing strategy has continued to be championed by the people of Scott, which Director of Marketing and People, Casey Jenkins, believes is a huge contributing factor to why the health and safety metrics show great improvement.

"From the beginning, we wanted our people to drive the development of our health and safety strategy. To do this, all our sites workshopped what safety and wellbeing meant to them and what they expected from our business. Through this process, the Be Safe, Be Well, Be Scott concept was born and our six safety expectations were set.



"Having our teams so heavily involved in the development phase created a real sense of excitement when it came time to launch the programme. From here, we have supported the programme with people-focused policies and tools, such as our 'Be Scott' reporting software."

The app has made health and safety reporting significantly quicker and easier for Scott's employees and the results are tangible. Near-miss reporting has increased by 75%, while the lost-time severity rate has decreased by 60% in this financial year. To reward and recognise positive behaviours and leadership in the safety and wellbeing space, Scott has rolled out the Safe Mate programme globally. This is a people-led initiative where colleagues can nominate each other for the award, with one outstanding Safe Mate awarded each month at each site.

"Be Safe, Be Well, Be Scott has resulted in a significant culture shift and our teams have been highly engaged with it. Standouts in this space have been the vision and branding, bespoke software, the health and safety video, and performance reporting across the board. The performance indicators speak for themselves in terms of our lead and lag reporting, lost-time injuries and reduction in severity rates. We are a people-led business and our safety and wellbeing is incredibly important.

In December we are holding our second Stop for Safety event," adds Jenkins "We'll touch on highlights from 2022, acknowledge our people and celebrate some of our standout achievements from across the Group. It's really important to us that we continue to celebrate success as we drive towards providing the safest working environment possible."

BE SAFE - BE WELL
BE SCOTT

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

FINANCIAL REPORT

For the year ended 31 August 2022

INDEX TO THE FINANCIAL STATEMENTS

KEY

Key judgements and other judgements made

Accounting policy

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 August 2022

	Notes	2022 *$'000s*	2021 *$'000s* *(restated)*
Revenue	A1	221,757	206,030
Other operating income	A1	2,003	2,118
Share of joint ventures' net surplus	E3	329	796
Raw materials, consumables used and operating expenses	A1	(130,425)	(126,164)
Employee benefits expense		(69,746)	(61,813)
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		**23,918**	**20,967**
Interest revenue		560	102
Depreciation and amortisation	B4, B6, C5	(8,053)	(8,796)
Finance costs		(1,508)	(1,380)
NET PROFIT BEFORE TAX		**14,917**	**10,893**
Taxation (expense)	A2	(2,260)	(2,471)
NET PROFIT FOR THE YEAR AFTER TAX FROM CONTINUING OPERATIONS		**12,657**	**8,422**
(Loss) / Profit from discontinued operation (net of income tax)	E5	(12,567)	1,105
NET PROFIT FOR THE YEAR AFTER TAX		**90**	**9,527**
Other Comprehensive Income/(Loss)			
Items that may be reclassified to profit or loss:			
Translation of foreign operations		4,822	(3,370)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR NET OF TAX		**4,912**	**6,157**
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)		12,639	8,519
Non-controlling interests		18	(97)
		12,657	**8,422**
Total comprehensive income/(loss) is attributable to:			
Members of the parent entity		4,894	6,254
Non controlling interests		18	(97)
		4,912	**6,157**
Total comprehensive income/(loss) attributable to members of the parent entity arises from:			
Continuing operations		17,479	5,052
Discontinued operations		(12,567)	1,105
		4,912	**6,157**
		Cents per share	Cents per share
Earnings per share to shareholders from continuing operations (weighted average shares on issue):			
Basic	C2	15.9	10.8
Diluted	C2	15.9	10.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2022

	Notes	Fully paid ordinary shares $'000s	Retained earnings $'000s	Foreign currency translation reserve $'000s	Non-controlling interests $'000s	Total $'000s
Balance at 31 August 2020		**81,822**	**11,516**	**(391)**	**(207)**	**92,740**
Net profit / (loss) for the year after tax		-	9,624	-	(97)	9,527
Other comprehensive (loss) for the year net of tax		-	-	(3,370)	-	(3,370)
Dividends paid (2.0 cents per share)		-	(1,581)	-	-	(1,581)
Issue of shares under dividend reinvestment plan	C1	879	-	-	-	879
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 income 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**

CONSOLIDATED BALANCE SHEET

As at 31 August 2022

		Notes	2022 $'000s	2021 $'000s
Current assets	Cash and cash equivalents		8,478	12,242
	Trade debtors	B1	40,003	27,485
	Other financial assets	D1	938	663
	Sundry debtors		5,251	5,170
	Inventories	B2	31,328	23,125
	Contract assets	B3	18,073	24,487
	Receivable from joint ventures	E4	431	-
	Tax receivable		881	-
	TOTAL CURRENT ASSETS		**105,383**	**93,172**
Non-current assets	Property, plant and equipment	B4	17,112	17,741
	Investment in joint ventures	E3	677	348
	Other financial assets	D1	99	37
	Sundry debtors		4,608	-
	Goodwill	B5	50,117	55,171
	Deferred tax	A2	3,365	5,428
	Intangible assets	B6	7,158	10,874
	Development assets	B8	8,837	2,210
	Right-of-use assets	C5	9,532	9,523
	TOTAL NON-CURRENT ASSETS		**101,505**	**101,332**
	TOTAL ASSETS		**206,888**	**194,504**
Current liabilities	Bank overdraft		4,543	-
	Trade creditors and accruals	C4	35,102	30,095
	Lease liabilities	C5	3,290	2,900
	Other financial liabilities	D1	1,291	714
	Contract liabilities	B3	26,307	22,739
	Employee entitlements	C6, C8	9,369	8,282
	Provision for warranty	C7	1,323	1,230
	Taxation payable		-	1,236
	Payable to joint ventures	E4	-	108
	Current portion of borrowings	C3	945	737
	Deferred settlement on purchase of business	E1	-	1,327
	Onerous contracts provision	C9	5,241	7,962
	TOTAL CURRENT LIABILITIES		**87,411**	**77,330**
Non-current liabilities	Other financial liabilities	D1	182	696
	Employee entitlements	C6, C8	719	712
	Lease liabilities	C5	7,145	7,388
	Borrowings	C3	11,025	10,183
	TOTAL NON-CURRENT LIABILITIES		**19,071**	**18,979**
Equity	Share capital	C1	86,315	82,701
	Retained earnings		13,316	19,559
	Foreign currency translation reserve		1,061	(3,761)
	Equity attributable to equity holders of the parent		**100,692**	**98,499**
	Non-controlling interests		(286)	(304)
	TOTAL EQUITY		**100,406**	**98,195**
	TOTAL LIABILITIES AND EQUITY		**206,888**	**194,504**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2022

		Notes	2022 $'000s	2021 $'000s
Cash flows from operating activities	*Cash was provided from / (applied to):*			
	Receipts from operations		224,625	208,146
	Interest received		560	102
	COVID-19 wage subsidies received		436	591
	Payments to suppliers and employees		(217,713)	(194,583)
	Taxation paid		(1,600)	(830)
	Net cash inflow from operating activities	F1	**6,308**	**13,426**
Cash flows to investing activities	*Cash was provided from / (applied to):*			
	Purchase of property, plant, equipment and intangible assets		(2,312)	(2,303)
	Sale of property, plant and equipment		877	209
	Divestment of joint venture		-	1,215
	Sale of HTS-110		-	768
	Purchase of development asset	B8	(6,574)	(2,210)
	Purchase of business	E1	(705)	(457)
	Proceeds from discontinued operations		896	-
	Net cash (outflow) from investing activities		**(7,818)**	**(2,778)**
Cash flows to financing activities	*Cash was provided from / (applied to):*			
	Repayment of borrowings		(1,599)	(10,175)
	Dividends paid (less amount reinvested the dividend reinvestment scheme)		(2,686)	(702)
	Proceeds from borrowings		2,396	10,119
	Lease payments		(3,392)	(4,007)
	Interest paid		(1,516)	(1,386)
	Net cash (outflow) from financing activities		**(6,797)**	**(6,151)**
	Net (decrease) / increase in cash held		(8,307)	4,497
	Add cash and cash equivalents at start of year		12,242	7,745
	Balance at end of year		**3,935**	**12,242**
	Comprised of:			
	Cash and cash equivalents		8,478	12,242
	Bank overdraft		(4,543)	-
			3,935	**12,242**


Rocklabs Certified Reference Materials in production in Auckland, New Zealand.

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 2022.

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 that 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 2022 and the comparative information presented in these financial statements for the year ended 31 August 2021.

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

Summary of accounting policies continued

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 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.

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, amendments to NZ IAS 37 Onerous Contracts - Cost of Fulfilling a Contract and Amendment to NZ IAS 12 are assessed as relevant to the Group. The forthcoming requirements of Amendments to NZ IAS 37 requires the onerous contract costs to include both incremental costs and an allocation of other direct costs (overheads). Amendment to NZ IAS 12 clarifies the deferred tax treatment of certain transactions. The amendments will have no material impact on the Group.

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on, or after, the effective date of the new standard.

Summary of accounting policies continued

RECLASSIFICATIONS

Segments and Cash-generating Units (CGUs)

The previous reporting segment and CGU of Australasia has been split in the second half of the 2022 financial year into the new segments and CGUs of Australia and New Zealand. As a result of a number of changes in the Executive and Leadership Teams in 2022, the responsibilities of the global team were updated to align with the revised Group structure and associated responsibilities. Regional Directors have oversight and responsibility for the redefined segments and CGUs of Australia, New Zealand, America, Europe and China. All internal reporting has been aligned to these revised segments and CGUs.

As a result of the split of Australia and New Zealand, the 2021 reported segments and CGUs of Australia and New Zealand have been split out in notes A1 Revenue, A3 Segment information, B1 Trade Debtors and B5 Goodwill in order to report comparative figures for the new segments / CGUs of Australia and New Zealand.

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.

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 operating 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:

- Systems
- Products
- Services.

Revenue recognition – systems

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).

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.

Revenue recognition – products

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 meat processors.

A1. Revenue from contracts with customers and operating expenses continued

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 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 2022

		Systems $'000s	Products $'000s	Services $'000s	Total $'000s
New Zealand manufacturing	Segment revenue	32,308	28,296	18,070	78,674
	Inter-segment transactions	(23,282)	(4,526)	82	(27,726)
	Revenue from external customers	**9,026**	**23,770**	**18,152**	**50,948**
	Timing of revenue recognition				
	- At a point in time	-	23,770	18,152	41,922
	- Over time	9,026	-	-	9,026
		9,026	**23,770**	**18,152**	**50,948**
Australia manufacturing	Segment revenue	20,656	14,642	9,574	44,872
	Inter-segment transactions	15,249	(1,915)	(1,536)	11,798
	Revenue from external customers	**35,905**	**12,727**	**8,038**	**56,670**
	Timing of revenue recognition				
	- At a point in time	-	12,727	8,038	20,765
	- Over time	35,905	-	-	35,905
		35,905	**12,727**	**8,038**	**56,670**
Americas manufacturing	Segment revenue	11,020	3,669	10,817	25,506
	Inter-segment transactions	19,985	5,709	1,264	26,958
	Revenue from external customers	**31,005**	**9,378**	**12,081**	**52,464**
	Timing of revenue recognition				
	- At a point in time	-	9,378	12,081	21,459
	- Over time	31,005	-	-	31,005
		31,005	**9,378**	**12,081**	**52,464**
Europe manufacturing	Segment revenue	36,669	7,164	18,579	62,412
	Inter-segment transactions	(5,181)	459	195	(4,527)
	Revenue from external customers	**31,488**	**7,623**	**18,774**	**57,885**
	Timing of revenue recognition				
	- At a point in time	-	7,623	18,774	26,397
	- Over time	31,488	-	-	31,488
		31,488	**7,623**	**18,774**	**57,885**
China manufacturing	Segment revenue	9,993	295	5	10,293
	Inter-segment transactions	(6,771)	273	(5)	(6,503)
	Revenue from external customers	**3,222**	**568**	**-**	**3,790**
	Timing of revenue recognition				
	- At a point in time	-	568	-	568
	- Over time	3,222	-	-	3,222
		3,222	**568**	**-**	**3,790**
Total manufacturing	Segment revenue	110,646	54,066	57,045	221,757
	Inter-segment transactions	-	-	-	-
	Revenue from external customers	**110,646**	**54,066**	**57,045**	**221,757**
	Timing of revenue recognition				
	- At a point in time	-	54,066	57,045	111,111
	- Over time	110,646	-	-	110,646
		110,646	**54,066**	**57,045**	**221,757**

A1. Revenue from contracts with customers and operating expenses continued

Year Ended 31 August 2021

		Systems $'000s	Products $'000s	Services $'000s	Total $'000s
New Zealand manufacturing *(restated)*	Segment revenue	26,500	19,885	12,270	58,655
	Inter-segment transactions	(12,534)	(2,423)	2,176	(12,781)
	Revenue from external customers	**13,966**	**17,462**	**14,446**	**45,874**
	Timing of revenue recognition				
	- At a point in time	-	17,462	14,446	31,908
	- Over time	13,966	-	-	13,966
		13,966	**17,462**	**14,446**	**45,874**
Australia manufacturing *(restated)*	Segment revenue	34,850	13,564	7,656	56,070
	Inter-segment transactions	13,050	(2,238)	(697)	10,115
	Revenue from external customers	**47,900**	**11,326**	**6,959**	**66,185**
	Timing of revenue recognition				
	- At a point in time	-	11,326	6,959	18,285
	- Over time	47,900	-	-	47,900
		47,900	**11,326**	**6,959**	**66,185**
Americas manufacturing *(restated)*	Segment revenue	8,702	4,809	9,495	23,006
	Inter-segment transactions	1,118	4,560	(1,639)	4,039
	Revenue from external customers	**9,820**	**9,369**	**7,856**	**27,045**
	Timing of revenue recognition				
	- At a point in time	-	9,369	7,856	17,225
	- Over time	9,820	-	-	9,820
		9,820	**9,369**	**7,856**	**27,045**
Europe manufacturing	Segment revenue	34,403	3,770	17,076	55,249
	Inter-segment transactions	(1,510)	82	160	(1,268)
	Revenue from external customers	**32,893**	**3,852**	**17,236**	**53,981**
	Timing of revenue recognition				
	- At a point in time	-	3,852	17,236	21,088
	- Over time	32,893	-	-	32,893
		32,893	**3,852**	**17,236**	**53,981**
China manufacturing	Segment revenue	12,542	508	-	13,050
	Inter-segment transactions	(124)	19	-	(105)
	Revenue from external customers	**12,418**	**527**	**-**	**12,945**
	Timing of revenue recognition				
	- At a point in time	-	527	-	527
	- Over time	12,418	-	-	12,418
		12,418	**527**	**-**	**12,945**
Total manufacturing	Segment revenue	116,997	42,536	46,497	206,030
	Inter-segment transactions	-	-	-	-
	Revenue from external customers	**116,997**	**42,536**	**46,497**	**206,030**
	Timing of revenue recognition				
	- At a point in time	-	42,536	46,497	89,033
	- Over time	116,997	-	-	116,997
		116,997	**42,536**	**46,497**	**206,030**

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.	**2022** *$'000s*	**2021** *$'000s*
Fixed-price contracts for long-term projects	13,068	15,409

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.

	2022 *$'000s*	**2021** *$'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	71,580	71,302

Management expects that 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) (2021: 94% of the transaction price allocated to the unsatisfied contracts as of 31 August 2021 will be recognised as revenue during the next reporting period ($67 million)). The remaining 11% ($8 million) (2021: 6% ($4 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.

	2022 *$'000s*	**2021** *$'000s*
Rental income	230	74
Government grants related to research and development	1,156	625
COVID-19 wage subsidies	426	1,351
Other Government grants	142	-
Gain on sale of property, plant and equipment	49	68
	2,003	**2,118**

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 2022 was $0.4 million (2021: $1.4 million).

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

		2022 *$'000s*	2021 *$'000s*
Audit services: Deloitte Limited	Group audit	484	412
	Other assurance services	-	-
	Total remuneration for audit services	**484**	**412**
Non-audit services: Deloitte Limited	Taxation services	249	261
	Total remuneration for non-audit services	**249**	**261**

The auditor of the Group is Deloitte Limited.

		2022 *$'000s*	2021 *$'000s*
Other separately disclosed expenses:	Directors' fees	279	255
	Superannuation scheme contributions	6,284	5,762
	Raw materials and consumables used (cost of sales)	117,935	114,271
	Foreign exchange loss	1,529	1,706
	Unrealised fair value losses on foreign exchange derivatives	639	521
	Fair value losses on derivatives held as fair value hedges	-	-
	Unrealised fair value losses on interest rate swap contracts	-	-
	and after crediting:		
	Foreign exchange gains	-	-
	Fair value gains on firm commitments	-	-
	Unrealised fair value gains on foreign exchange derivatives	339	132
	Unrealised fair value gains on interest rate swap contracts	576	155

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:

	2022 *$'000s*	2021 *$'000s*
Net profit before tax	**14,917**	**10,893**
Income tax expense calculated at 28% (2021: 28%)	4,177	3,050
Non-deductible expenses / (non-assessable income)	(1,629)	(642)
Under / (over) provision of income tax in previous year	(288)	63
Taxation expense	**2,260**	**2,471**
Represented by:		
Current tax	197	2,034
Deferred tax	2,063	437
	2,260	**2,471**

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 2022 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

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**

At the reporting date, the Group has unused gross tax losses of $7.83 million (2021: $16.5 million) available to offset against future profits. A deferred tax asset has been recognised in respect of $1.9 million (2021: $4.6 million) 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.

2021		Opening balance $'000s	Charged to income $'000s	Closing balance $'000s
Gross deferred tax assets:	Trade debtors	324	(161)	163
	Other financial assets	97	(60)	37
	Employee entitlements	998	424	1,422
	Provisions	3,832	(2,297)	1,535
	Tax losses	2,793	1,836	4,629
	Leases	274	(12)	262
	Inventories	358	334	692
		8,676	**64**	**8,740**
Gross deferred tax liabilities:	Property, plant and equipment	(1,020)	(564)	(1,584)
	Intangible assets	(1,791)	63	(1,728)
		(2,811)	**(501)**	**(3,312)**
		5,865	**(437)**	**5,428**

Imputation credit account balances

	2022 $'000s	2021 $'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 and Australia have previously been reported as a single segment (Australasia manufacturing) due to the previously integrated nature of customers, management, manufacturing and sales activities across New Zealand and Australia. These segments have been split into New Zealand and Australia in 2022, as a result of the separation in the management and change in focus in the regions.

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**	**Total**
2022	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
Revenue	**50,948**	**56,670**	**52,464**	**57,885**	**3,790**	**-**	**221,757**
Segment profit / (loss)	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**

A3. Segment information continued

2021	New Zealand	Australia	Americas	Europe	China	Unallocated	Total
	Manufacturing						
	$'000s	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
Revenue	**45,874**	**66,185**	**27,045**	**53,981**	**12,945**	**-**	**206,030**
Segment profit	15,673	3,774	2,972	6,275	2,514	-	31,208
Depreciation and amortisation	(990)	(2,802)	(561)	(3,991)	(79)	(373)	(8,796)
Share of net surplus in joint ventures	796	-	-	-	-	-	796
Interest revenue	-	-	-	3	99	-	102
Central administration costs	-	-	-	-	-	(11,037)	(11,037)
Finance costs	(160)	-	(194)	(392)	-	(634)	(1,380)
Net profit / (deficit) before taxation	**15,319**	**972**	**2,217**	**1,895**	**2,534**	**(12,044)**	**10,893**
Taxation (expense)	(799)	(313)	(737)	(501)	(121)	-	(2,471)
Net profit / (loss) after taxation	**14,520**	**659**	**1,480**	**1,394**	**2,413**	**(12,044)**	**8,422**

Revenue reported above represents revenue generated from external customers. Inter-segment sales, which are eliminated on consolidation, were $40.8 million for the year ended 31 August 2022 (2021 restated: $34.1 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.

Industry information

The Group focuses its marketing on five principal industries: appliances, materials handling and logistics, meat processing, mining, and industrial automation. The Group's revenue from external customers by industry is detailed below:

	2022	2021
	$'000s	*$'000s* *(restated)*
Appliances	28,950	19,597
Materials handling and logistics	70,044	68,158
Meat processing	57,129	36,706
Mining	56,722	58,383
Industrial automation	8,912	23,186
	221,757	**206,030**

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:

	2022	2021
	$'000s	*$'000s* *(restated)*
New Zealand (country of domicile)	9,735	14,161
Australia and Pacific Islands	60,885	53,919
North America, including Mexico	61,703	46,144
South America	9,816	5,416
Asia	12,784	21,933
Europe	59,258	56,745
Russia and former states	4,996	4,696
Africa and Middle East	2,580	3,016
	221,757	**206,030**

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

	2022 $'000s	2021 $'000s
Australia	32,248	21,803
US	10,066	16,634
Europe	25,819	29,033
China	955	907
	69,088	**68,377**

Information about major customers

In 2022 there was no single customer accounting for more than 10.0% of total Group sales (2021: Australia manufacturing segment and the mining industry 13.1%).

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.

	2022 $'000s	2021 $'000s
Trade debtors	40,759	28,069
Allowance for expected credit losses	(756)	(584)
	40,003	**27,485**

Credit losses in profit and loss

The allowance for expected credit losses recognised in the profit and loss during the year was $0.2 million (2021: ($0.7) 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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	$'000s	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
		(restated)		*(restated)*								
Debtors												
Current-30 days	8,228	6,705	5,582	3,910	5,519	4,848	88	2,053	12,330	5,510	31,747	23,026
31-60 days	2,254	185	185	10	114	524	-	-	1,050	350	3,603	1,069
61-90 days	422	99	595	118	147	135	-	-	542	284	1,706	636
Over 91 days	1,751	571	478	224	619	1,006	295	124	560	1,413	3,703	3,338
Total debtors	**12,655**	**7,560**	**6,840**	**4,262**	**6,399**	**6,513**	**383**	**2,177**	**14,482**	**7,557**	**40,759**	**28,069**
Contract assets	3,895	6,403	1,049	8,774	1,843	781	3,101	3,487	8,185	5,042	18,073	24,487
Total assets	**16,550**	**13,963**	**7,889**	**13,036**	**8,242**	**7,294**	**3,484**	**5,664**	**22,667**	**12,599**	**58,832**	**52,556**
Allowance based on expected credit loss	-	-	-	-	-	-	-	-	-	-	-	-
Expected credit loss on individually assessed balances	(694)	(548)	-	-	(41)	(36)	-	-	(21)	-	(756)	(584)
Credit loss allowance	**(694)**	**(548)**	**-**	**-**	**(41)**	**(36)**	**-**	**-**	**(21)**	**-**	**(756)**	**(584)**

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.

The Group has not experienced delays in payment receipts as a result of COVID-19. COVID-19 has, however, been taken into consideration when completing the expected credit losses calculations for 2021 and 2022.

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.

	2022	**2021**
	$'000s	*$'000s*
Raw materials	14,393	11,930
Work in progress	9,329	7,046
Finished goods	8,926	5,860
Provision for obsolete inventory	(1,320)	(1,711)
	31,328	**23,125**

Write downs

The cost of inventories recognised as an expense during the year includes $0.1 million (2021: $0.8 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 cash flows 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.

However, two contracts contain a potential financing component. The financing component has been taken into consideration when calculating the revenue for each individual contract.

	2022 *$'000s*	2021 *$'000s*
Contract assets	18,073	24,487
Contract liabilities	(19,576)	(17,214)
Deferred revenue	(6,731)	(5,525)
	(8,234)	**1,748**

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 as a result of travel restrictions from COVID-19.

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 2020	2,432	12,742	27,417	42,591
Additions	-	197	2,011	2,208
Disposals	-	(8)	(3,102)	(3,110)
Translation of amounts held in foreign currency	-	80	(406)	(326)
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	359
As at 31 August 2022	**2,432**	**13,130**	**26,115**	**41,677**
Accumulated depreciation and impairment				
As at 31 August 2020	-	2,961	21,332	24,293
Disposals	-	(7)	(2,869)	(2,876)
Depreciation expense	-	471	1,946	2,417
Translation of amounts held in foreign currency	-	96	(308)	(212)
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**
Net book value				
As at 31 August 2021	2,432	9,490	5,819	17,741
As at 31 August 2022	**2,432**	**9,204**	**5,476**	**17,112**

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	2022 *$'000s*	2021 *$'000s*
Balance at beginning of financial year	55,171	57,316
Discontinued operation	(7,656)	-
Translation of goodwill amounts held in foreign currency	2,602	(2,145)
Balance at end of financial year	**50,117**	**55,171**

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.

In the current year, upon consideration of the CGUs within the Group, it was determined that the previously represented Americas CGU should have historically been spilt into Americas - RobotWorx and Americas - Transbotics. In the current year, Americas - RobotWorx has been discontinued. Refer to note E5. Management has considered whether impairment has occured in the stand alone Americas CGUs in the periods affected and determined that there were no indications of impairment. America - Transbotics has been renamed Americas in the current period to align with the manufacturing regions on a continuing basis.

B5. Goodwill continued

A heightened degree of focus has been given to the Australian CGU, due to the impacts that COVID-19 continued to have on Australia in the current year. 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$3.8 million in 2023 and then adjusting for annualised growth after that date. The Board considers 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 2023 onwards is NZ$3.2 million rather than the NZ$3.8 million 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.

Allocation of goodwill to cash-generating units

The Group's cash-generating units are:

- New Zealand manufacturing
- Australia manufacturing
- Americas - Transbotics manufacturing
- Americas - RobotWorx 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 - Transbotics 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.

Americas - RobotWorx is a separate CGU, which was discontinued during the current year as mentioned above.

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.

	2022 *$'000s*	**2021** *$'000s* *(restated)*
New Zealand manufacturing	10,530	10,530
Australia manufacturing	14,166	13,148
Americas - Transbotics manufacturing	8,079	7,051
Americas - RobotWorx manufacturing	-	6,683
Europe manufacturing	16,961	17,404
China manufacturing	381	355
	50,117	**55,171**

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	**2022**	**2021**
Annual growth rate	2.5%	2.5%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	11.8%	11.0%

B5. Goodwill continued

New Zealand cash flow 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 2022 of 2.5% (2021: 2.5%) reflects the effect of COVID-19 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 (2021: 2.0%). The pre-tax discount rate calculated in 2022 is 11.8% (2021: 11.0%).

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	2022	2021
Annual growth rate	3.0%	2.5%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	11.2%	11.0%

Australia cash flow 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 2022 of 3.0% (2021: 2.5%) reflects the effect of COVID-19 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 (2021: 2.0%). The pre-tax discount rate calculated in 2022 is 11.2% (2021: 11.0%).

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 - Transbotics	2022	2021
Annual growth rate	2.4%	2.4%
Terminal growth rate	2.4%	2.0%
Pre-tax discount rate	11.1%	10.6%

Americas - Transbotics 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 2022 of 2.4% (2021: 2.4%) reflects the effect of COVID-19 on global sales over the five year period, albeit with a slight recovery in 2022. Cash flows beyond that five year period have been extrapolated using a 2.4% p.a. growth rate (2021: 2.0%). The pre-tax discount rate calculated in 2022 is 11.1% (2021: 10.6%). 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 - Transbotics cash-generating unit.

Americas - RobotWorx	2022	2021
Annual growth rate	-	2.4%
Terminal growth rate	-	2.0%
Pre-tax discount rate	-	10.6%

Americas -RobotWorx has been disposed in 2022 and forms the discontinued operation. Refer to note E5.

Europe	2022	2021
Annual growth rate	2.0%	1.5%
Terminal growth rate	2.0%	1.0%
Pre-tax discount rate	10.1%	9.7%

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 2022 of 2.0% (2021: 1.5%) reflects the effect of COVID-19 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 (2021: 1.0%). The pre-tax discount rate calculated in 2022 is 10.1% (2021: 9.7%).

The European CGU has sufficient historical data to support the cash flow assumptions included in the impairment model

B5. Goodwill continued

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	2022	2021
Annual growth rate	3.0%	2.5%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	14.3%	13.5%

China cash flow 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 2022 of 3.0% (2021: 2.5%) reflects the effect of COVID-19 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 (2021: 2.0%). The pre-tax discount rate calculated in 2022 is 14.3% (2021: 13.5%).

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.

B6. Intangible assets continued

	Conveyor and palletiser technology at cost $000's	BladeStop technology at cost $'000s	URLs at cost $'000s	Non-compete at cost $'000s	HTS technology at cost $'000s	Centrifuge technology at cost $'000s	Automated grading technology at cost $'000s	Patents and other $'000s	Total $'000s
Gross carrying amount									
As at 31 August 2020	**5,976**	**10,933**	**1,929**	**74**	**403**	**340**	**1,637**	**87**	**21,379**
Additions	16	-	-	-	-	-	-	79	95
Disposals	-	-	-	-	(403)	-	-	-	(403)
Foreign translation difference	(368)	(546)	(79)	(2)	-	-	(94)	4	(1,085)
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**
Accumulated amortisation and impairment									
As at 31 August 2020	**1,463**	**5,354**	**-**	**40**	**403**	**86**	**293**	**19**	**7,658**
Amortisation expense	767	1,333	-	6	-	26	192	19	2,343
Disposals	-	-	-	-	(403)	-	-	-	(403)
Foreign translation difference	(148)	(303)	-	(2)	-	-	(34)	1	(486)
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**
Net book value									
As at 31 August 2021	3,542	4,003	1,850	28	-	228	1,092	131	10,874
As at 31 August 2022	2,955	2,914	-	-	-	202	967	120	7,158

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.
- Domain names (URLs) and a non-compete arrangement resulting from the purchase of the RobotWorx business in May 2014. These assets have been disposed of in 2022 and form part of the discontinued operations disclosure.
- Intangible assets associated with the RobotWorx non-compete arrangement, which are being amortised on a straight-line basis over a fifteen-year period, while intangible assets related to the URLs are indefinite life intangibles as the rights to the URLs are held indefinitely and are assessed for impairment annually. This asset has been disposed of in 2022 and forms part of the discontinued operations disclosure.
- 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 meat 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. 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.

Judgement

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

B8. Development Assets continued

		Meat development assets	Mining development assets	Total
		$'000s	*$'000s*	*$'000s*
Gross carrying amount	**As at 31 August 2020**	**-**	**-**	**-**
	Additions	1,576	634	2,210
	Disposals	-	-	-
	Foreign translation difference	-	-	-
	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**
Accumulated amortisation and impairment	**As at 31 August 2020**	-	-	-
	Amortisation expense	-	-	-
	Foreign Translation Difference	-	-	-
	As at 31 August 2021	-	**-**	**-**
	Amortisation expense	-	-	-
	Foreign Translation Difference	-	-	-
	As at 31 August 2022	**-**	**-**	**-**
Net book value	As at 31 August 2021	**1,576**	**634**	**2,210**
	As at 31 August 2022	**3,154**	**5,683**	**8,837**

The meat development assets relate to work being completed on producing systems to automated processing solutions for pork and chicken. Work has also been completed on updating design drawings for a lamb processing system. All meat development assets relate to the New Zealand and Australian segments. These assets will be amortised over the periods future sales are expected.

Mining development assets relate to work completed on large projects to develop products that will be able to be sold as future products. All mining development assets relate to the Australian segment. These assets will be amortised over the periods future sales are expected.

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.

	2022 *Number*	**2021** *Number*	**2022** *$'000s*	**2021** *$'000s*
Fully paid ordinary shares at beginning of financial year	78,665,835	78,311,032	82,701	81,822
Issue of shares under dividend reinvestment plan	1,186,355	354,803	3,614	879
Balance at end of financial year	79,852,190	78,665,835	86,315	82,701

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	**2022** *Cents per share*	**2021** *Cents per share (restated)*
Basic	15.9	10.8
Diluted	15.9	10.8

	2022 *$'000s*	**2021** *$'000s (restated)*
Net profit for the year used in the calculation of basic and diluted earnings per share from continuing operations	12,639	8,422
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	79,320	78,421

Non-GAAP information

Net tangible assets per ordinary share	**2022** *Cents per share*	**2021** *Cents per share*
Basic	38.7	31.2
Diluted	38.7	31.2

	Notes	**2022** *$'000s*	**2021** *$'000s*
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share	C1	79,852	78,666
Net tangible assets (net assets excluding goodwill, intangible assets, development assets and deferred tax)		30,929	24,512

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.

	2022 NZD$'000s	2021 NZD$'000s
Current	945	737
Non-current	11,025	10,183
Total term loans	**11,970**	**10,920**
Maturity profile of non-current portion		
1-2 years	65	10,039
2-3 years	10,934	78
3-5 years	26	66
	11,025	**10,183**

Interest rates applicable to 31 August 2022 on the bank term loans ranged from 1.0% to 5.5% p.a. (2021: 1.8% to 8.5% p.a.)

The carrying amounts of the Group's borrowings are denominated in the following currencies:	2022 Facility NZD$'000s	2022 Utilised NZD$'000s	2021 Facility NZD$'000s	2021 Utilised NZD$'000s
New Zealand dollar	8,000	8,000	18,000	8,000
United States dollar	2,900	2,889	3,416	1,952
European euros	2,324	950	1,848	748
Czech koruna	394	131	730	220
	13,618	**11,970**	**23,994**	**10,920**

The Group also has access to the following working capital facilities:	2022 Facility NZD$'000s	2022 Utilised NZD$'000s	2021 Facility NZD$'000s	2021 Utilised NZD$'000s
New Zealand dollar	20,000	4,543	12,000	-
United States dollar	408	-	356	-
European euros	2,451	-	3,635	706
Czech koruna	666	-	658	-
	23,525	**4,543**	**16,649**	**706**

C3. Borrowings continued

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.

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$30.9 million (2021: NZ$23.4 million), of which NZ$15.5 million was unutilised at 31 August 2022 (2021: NZ$13.5 million).

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 2.9 million (2021: EUR 3.0 million), which EUR 2.3 million was unutilised at 31 August 2022 (2021 EUR 2.6 million).

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 3.8m and a registered pledge on the bank guarantees line of 50% of any amount exceeding EUR 3.5 million.

Other borrowing facilities include a US$0.3 million (2021 US$0.3 million), line of credit from BB&T Bank not utilised at 31 August 2022 or 31 August 2021, and a CZK 10 million (2021: CZK 10 million), overdraft facility not utilised at 31 August 2022 or 31 August 2021.

Due to the uncertainty of the impact of COVID-19, the Group entered into an agreement with JBS Australia Pty Ltd in March 2020 to obtain access to a revolving credit facility up to a maximum amount of NZ$10 million. The expiry date of this facility was 31 August 2022 and this facility has not been renewed.

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.

	2022	2021
	$'000s	*$'000s*
Trade creditors	20,755	20,261
Accruals	14,347	9,834
	35,102	**30,095**

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 3.3 years (2021: 3.7 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 2020**	**16,100**	**379**	**3,735**	**20,214**
	Additions	910	89	556	1,555
	Disposals	(2,104)	(105)	(1,265)	(3,474)
	Translation of leases held in foreign currency	(612)	(10)	(157)	(779)
	As 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**
Depreciation	**Balance at 31 August 2020**	**5,057**	**247**	**1,838**	**7,142**
	Depreciation expense	3,034	122	920	4,076
	Disposals	(1,856)	(105)	(968)	(2,929)
	Translation of leases held in foreign currency	(212)	(6)	(78)	(296)
	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
	As at 31 August 2022	**8,247**	**114**	**815**	**9,176**
As at 31 August 2021		8,271	95	1,157	9,523
As at 31 August 2022		8,281	224	1,027	9,532

Amounts recognised in profit and loss and cash flows statement

	2022 $'000s	2021 $'000s
Total cash outflow for leases	3,392	4,007
Interest expense on lease liabilities	492	509
Expense relating to short-term liabilities	839	496

As at 31 August 2022, the Group is committed to $0.4 million (2021: $0.5 million) for short-term leases.

Lease liabilities

	2022 $'000s	2021 $'000s
Current liability	3,290	2,900
Non-current liability	7,145	7,388
Total	**10,435**	**10,288**

Maturity analysis

	2022 $'000s	2021 $'000s
Not later than 1 year	3,290	2,900
Later than 1 year and not later than 5 years	5,339	5,310
Later than 5 years	1,806	2,078
	10,435	**10,288**

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.

	2022	**2021**
	$'000s	*$'000s*
Balance at 1 September	1,230	1,874
Additional provisions (derecognised) / recognised	93	(644)
Balance at 31 August	**1,323**	**1,230**

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 (STIs) are annual performance-based compensation linked directly to individual and Company performance, while long-term incentives (LTIs) 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 three 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 $1.1 million (2021: $0.5 million) included in employee entitlements in the balance sheet. The impact of the movement in the liability on profit for the year was a $0.6 million increase (2021: $0.4 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.

	2022	**2021**
	$'000s	*$'000s*
Balance at 1 September	7,962	7,699
Additional provisions expensed to the profit and loss during the year	1,028	4,069
Utilisation of provisions	(3,749)	(3,806)
Balance at 31 August	**5,241**	**7,962**

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 2021.

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	
	2022	**2021**	**2022**	**2021**
	$'000s	*$'000s*	*$'000s*	*$'000s*
United States dollar	9,905	14,003	27,547	7,003
Euros	21,808	11,404	4,577	8,219
Australian dollar	8,154	7,126	8,429	14,117
Japanese yen	-	50	-	-
Great Britain pound	240	587	23	28
Chinese yuan	1,490	2,771	720	2,974
Canadian dollar	1	37	-	-
Czech koruna	155	662	1,772	1,382
Swedish krona	35	-	-	143
Singaporean dollar	-	-	326	645
	41,788	**36,640**	**43,394**	**34,511**

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.

	2022	2021
Assets	*$'000s*	*$'000s*
At fair value:		
Fair value hedge of open firm commitments	1,037	324
Foreign currency forward contracts held as effective fair value hedges	-	375
Foreign exchange derivatives	-	1
	1,037	**700**
Represented by:		
Current financial assets	938	663
Non-current financial assets	99	37
	1,037	**700**
Liabilities		
At fair value:		
Fair value hedge of open firm commitments	-	375
Foreign currency forward contracts held as effective fair value hedges	1,037	324
Foreign exchange derivatives	353	52
Interest rate swap contracts	83	659
	1,473	**1,410**
Represented by:		
Current financial liabilities	1,291	714
Non-current financial liabilities	182	696
	1,473	**1,410**

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	
	2022	2021	2022	2021	2022	2021
			$'000s	$'000s	$'000s	$'000s
Sell US dollars	0.6515	0.6921	17,856	7,502	(1,047)	(11)
Sell Australian dollars	0.9280	0.9281	228	5,550	(9)	(173)
Buy euro	0.5636	0.5689	2,046	6,572	(153)	236
(AUD) Buy euro	0.6484	0.6221	3,153	5,452	(181)	(52)
			23,283	**25,076**	**(1,390)**	**-**

Outstanding forward foreign currency contracts maturity profile

	Nominal value		Fair value	
	2022	2021	2022	2021
	$'000s	$'000s	$'000s	$'000s
0-3 months	13,868	7,906	(794)	(209)
3-6 months	2,948	8,188	(32)	144
6-9 months	1,850	4,573	(204)	35
9-12 months	3,091	3,164	(262)	5
Greater than 12 months	1,526	1,245	(98)	25
	23,283	**25,076**	**(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	
	2022	2021	2022	2021
	$'000s	$'000s	$'000s	$'000s
United States dollar	890	(636)	(890)	636
Euro	(3,764)	(1,774)	3,764	1,774
Australian dollar	328	750	(328)	(750)
Japanese yen	-	(4)	-	4
Great Britain pound	1	(51)	(1)	51
Chinese yuan	-	18	-	(18)
Canadian dollar	-	(3)	-	3
Czech koruna	1	65	(1)	(65)
Swedish krona	-	8	-	(8)
Singaporean dollar	-	59	-	(59)

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 was $10.6 million (2021: $5.7 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. These are not hedge accounted. The loan facility is not currently being used.

Outstanding receive floating pay fixed contracts

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	%	*%*	*$'000s*	*$'000s*	*$'000s*	*$'000s*
5 years +	2.70%	2.70%	2,680	2,886	(83)	(659)

D1. Financial instruments continued

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

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand $'000s	Less than 1 year $'000s	1-2 years $'000s	2-3 years $'000s	3-5 years $'000s	5+ years $'000s	Total $'000s
2022 financial liabilities								
Lease liabilities	3.34%	-	3,691	2,123	1,894	1,972	1,977	11,657
Term loans	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**
2021 financial liabilities								
Lease liabilities	4.25%	-	3,271	2,580	1,488	1,863	2,311	11,513
Term loans	3.29%	-	761	10,369	81	68	-	11,279
Deferred settlement on purchase of business	-	-	1,327	-	-	-	-	1,327
Payable to joint ventures		-	108	-	-	-	-	108
Trade creditors and accruals		30,095	-	-	-	-	-	30,095
		30,095	**5,467**	**12,949**	**1,569**	**1,931**	**2,311**	**54,322**

The Group has access to financing facilities, of which the total unused amount is $20.6 million at the balance sheet date, (2021: $29.0 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).

D1. Financial instruments continued

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.

	Level 1	Level 2	Level 3	Total
	$'000s	*$'000s*	*$'000s*	*$'000s*
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)**
2021				
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	324	-	324
Foreign currency forward contracts held as effective fair value hedges	-	375	-	375
Foreign exchange derivatives	-	1	-	1
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(375)	-	(375)
Foreign currency forward contracts held as effective fair value hedges	-	(324)	-	(324)
Foreign exchange derivatives	-	(52)	-	(52)
Interest rate swap contracts	-	(659)	-	(659)
	-	**(710)**	**-**	**(710)**

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. ACQUISITION OF BUSINESS

Deferred settlement	2022	2021
	$'000s	*$'000s*
Balance at 1 September	1,327	1,881
Payment of deferred consideration	(705)	(457)
Release of provision not needed	(619)	-
Movement in balances held in foreign currency	(3)	(97)
Balance at 31 August	**-**	**1,327**
Current	-	1,327
Non-current	-	-
Total Deferred Settlement	**-**	**1,327**
Made up of:		
Transbotics	-	484
Normaclass	-	843
	-	**1,327**

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E2. SUBSIDIARIES

			2022 %	2021 %
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 USA 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 and 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 Group bvba (**)	31 August	Belgium	-	100
FLS Systems NV	31 August	Belgium	100	100
Alvey do Brazil Comercio de Maquinas de Automacao	31 December (*)	Brazil	100	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.
(**) FLS Group bvba amalgamated with Scott Automation NV on 1 September 2021.

SECTION E: GROUP STRUCTURE AND SUBSIDIARIES

E3. 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 2022 %	2021 %	Carrying value 2022 $'000s	2021 $'000s
Robotic Technologies Limited (i)	New Zealand	50	50	677	348
Balance at 31 August				**677**	**348**

(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 $329,000 (2021: share of net profit $81,000).

E3. Investments accounted for using the equity method continued

Carrying value of equity accounted investments:	**2022** *$'000s*	**2021** *$'000s*
Balance at 1 September	348	1,223
Share of net surplus	329	796
Divestment of interest in joint venture	-	(1,671)
Balance at 31 August	**677**	**348**

	Joint ventures	
Summarised statement of comprehensive income of joint ventures from continuing operations:	**2022** *$'000s*	**2021** *$'000s*
Income	2,080	9,894
Expenses	(1,422)	(8,302)
Net surplus and total comprehensive income	658	1,592
Group share of net surplus	**329**	**796**

	Joint ventures	
Summarised balance sheets of joint ventures:	**2022** *$'000s*	**2021** *$'000s*
Current assets	3,397	1,882
Non-current assets	-	300
Current liabilities	(2,043)	(1,486)
Net assets	1,354	696
Group share of net assets	**677**	**348**

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

E4. RELATED PARTY TRANSACTIONS

Joint ventures	2022 $'000s	2021 $'000s
Project work undertaken by the Group for RTL	229	197
Administration, sales and marketing fees charged by the Group to RTL	161	198
Sales revenue received by RTL from the Group	257	558
Advance to / (from) RTL to Scott Technology	431	(108)
Interest charged by RTL to Scott Technology on advance	14	66

Advances

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

Substantial shareholders

JBS Australia Pty Ltd owns a 52.54% shareholding in Scott Technology Limited (2021: 52.02%). The Group has recognised sales to JBS companies of $8.5 million (2021: $6.9 million), the majority of which are sales of BladeStop machines, and has made purchases from JBS Companies of $Nil (2021: $Nil). As at balance date the Group had $2.0 million receivable from JBS Companies (2021: $1.0 million).

The Group had a revolving credit facility with JBS that expired on 31 August 2022. Refer to note C3 for details.

During the 2021 period, the Group negotiated and restarted a development project for a pork processing system with JBS USA with the intention of securing a contract. The development work has continued in 2022. Refer to note B8 for details.

Dividends paid to JBS amounted to $3.1 million (2021: $0.8 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

E5. 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.

Financial performance and cash flow information

	2022	2021
	$'000s	*$'000s*
Revenue	7,566	10,204
Expenses	(7,936)	(9,100)
(Loss) / Profit before tax	**(370)**	**1,105**
Attributable income tax expense	375	-
Net profit / (loss) after tax	**5**	**1,105**
Gain / (loss) on disposal of discontinued operation	(12,572)	-
Net profit / (loss) from discontinued operation	**(12,567)**	**1,105**
Net cash outflow from operating activities	(1,179)	(3,772)
Net cash outflow from investing activities	(290)	(2)
Net cash inflow / (outflow) from financing activities	1,304	(394)
Net increase / (decrease) in cash generated by the discontinued operation	**(165)**	**(4,168)**
Current assets	-	4,504
Current liabilities	-	(2,990)
Net assets of discontinued operation	**-**	**1,514**

E5. Discontinued operations continued

	2022 *$'000s*	2021 *$'000s*
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 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.

F1. Notes to the consolidated statement of cash flows continued

	2022	2021
	$'000s	*$'000s*
Net profit after tax for the year	**90**	**9,527**
Adjustments for non-cash items:		
Depreciation and amortisation	8,053	8,836
Net gain on sale of property, plant and equipment	(49)	(68)
Deferred tax	2,063	437
Share of net loss / (surplus) of joint ventures and associates	(329)	(796)
Non cash loss on discontinued operation	12,612	-
Interest expense	1,508	1,380
	23,858	**9,789**
Add / (less) movement in working capital:		
Trade debtors	(12,518)	(4,056)
Other financial assets – derivatives	(337)	336
Sundry debtors	(4,689)	(2,595)
Inventories	(10,857)	(443)
Contract assets	6,414	894
Contract liabilities	3,568	(6,313)
Onerous contract provision	(2,721)	263
Taxation payable	(2,117)	1,144
Trade creditors and accruals	5,004	6,062
Other financial liabilities – derivatives	63	(376)
Employee entitlements	1,089	483
Provision for warranty	93	(644)
	(17,008)	**(5,245)**
Movements in working capital disclosed in investing / financing activities:		
Working capital relating to sale / (purchase) of business and non-controlling interest	(622)	(97)
Movement in foreign exchange translation reserve relating to working capital	(10)	(548)
Net cash inflow from operating activities	**6,308**	**13,426**

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*
2022							
Bank loans	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**
2021							
Bank loans	11,185	-	-	10,119	(10,175)	(209)	10,920
Lease liabilities	13,826	1,555	(563)	-	(4,007)	(523)	10,288
	25,011	**1,555**	**(563)**	**10,119**	**(14,182)**	**(732)**	**21,208**

SECTION F: OTHER DISCLOSURES

F2. CONTINGENT LIABILITIES

	2022 *$'000s*	2021 *$'000s*
Payment guarantees and performance bonds	23,371	30,370
Stock Exchange bond	75	75
Maximum contract penalty clause exposure	8,950	5,692

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 (2021: $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:

	2022 *$'000s*	2021 *$'000s*
Short-term benefits – employees	3,085	1,924
Short-term benefits – Executive Director	920	1,803
Post-employment benefits	-	10
Long-term benefits – employees	466	288
Long-term benefits – Executive Director	145	129
	4,616	**4,154**
Directors' remuneration	**279**	**255**

Detailed remuneration disclosures are provided in the remuneration statement on pages 102 to 103.

SECTION F: OTHER DISCLOSURES

F4. SUBSEQUENT EVENTS

On 18 October 2022 the Board of Directors approved a final dividend of four cents per share to be paid for the 2022 year. (2021: four cents per share)

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 August 2022

Deloitte.

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 2022, 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 34 to 85, present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2022, 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 $1,000,000 (2021: $950,000).

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	
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.
Development Assets	
The Group has reported development assets totalling \$8.8m (2021: \$2.2m) in note B8. The establishment of a development asset requires significant judgement as to whether a project meets the capitalisation criteria, and which expenditure is directly attributable to the development of such projects. The valuation of development assets is considered a key audit matter due to the significance of the assets and the significant judgement applied by management. Judgements include determining when the development phase commenced and the depth of future commercial opportunities.	Our audit procedures included, amongst others: • Understanding the nature and background of the activities that are capitalised through inquiry of key personnel; and • On a sample basis, determining the nature of expenditure by examining whether the development phase has commenced (and therefore the amount included should be capitalised). This included considering management's assessment of the possible market, resources the Group has to complete the development assets and whether the product will generate future profits.

Key audit matter	How our audit addressed the key audit matter
Goodwill Impairment Assessment – Australian cash generating unit	
As at 31 August 2022, there is $50.1 million (2021: $55.2 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). $13.5 million (2021: $13.2 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. This also included consideration of Covid 19 on both forecast revenue and profitability of the Australia CGU; • Assessing reasonabless 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.

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 2022

STATEMENT OF CORPORATE GOVERNANCE

As at 31 August 2022

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 97 to 98 of this 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:

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

BOARD COMPOSITION AS AT 31 AUGUST 2022

The Board composition reflects the majority shareholding of the Company, with 52.54% held by JBS Australia Pty Limited. As at 31 August 2022, the Board comprised of 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
John Kippenberger	Executive Director / Chief Executive Officer
Brent Eastwood	Non-executive Director representing JBS Australia Pty Limited
Edison Alvares	Non-executive Director representing JBS Australia Pty Limited
John Berry	Alternative non-executive Director representing JBS Australia Pty Limited
Alan Byers	Non-executive Director representing JBS Australia Pty Limited
John Thorman	Independent Director
Derek Charge	Independent Director

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 not have 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 this 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.

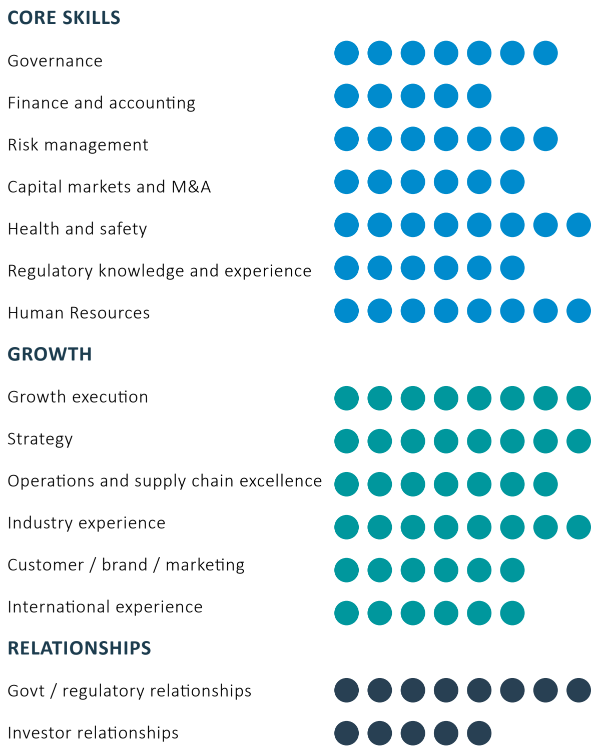
Directors will retire and may stand for re-election by shareholders every three years. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting. The Board asks for Director nominations each year prior to the 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 skillsets.

Skills matrix and Director strength

Number of Directors with strength in this area



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 that 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 programmes; restructures; and terminations.

The Board believes the principles of the Diversity Policy were upheld in FY22 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 and 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 2022, Scott had 627 employees of which 16% were female and 84% were male (31 August 2021: 622 Scott employees, 14% female, 86% male).

	2021		2022	
As at 31 August	Female	Male	Female	Male
Directors, including the CEO	0	8	0	8
Officers*	2	5	2	6

* *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 Edison Alvares
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 Edison Alvares

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.

The Committee generally invites the Chief Executive Officer, Chief Financial Officer and the external auditor to attend AFRC meetings as appropriate. The Committee also meets and receives regular reports from the external auditor without management present, concerning any matters which arise in connection with the performance of its 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 its 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 FY22 was as follows

	Board	Audit and Financial Risk Committee	Health and Safety Committee	Governance, Remuneration and Nominations Committee
Total number of meetings	**7**	**3**	**6**	**2**
Stuart McLauchlan	7	3	6	2
Brent Eastwood	6	-	5	-
Edison Alvares	3	1	3	-
Alan Byers	6	-	6	-
John Berry (alternate)	5	-	5	-
John Thorman	7	3	6	2
Derek Charge	7	-	6	2
John Kippenberger	7	3	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 and 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 FY22, the Directors believe that proper accounting records have been kept that 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 that 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, 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 emphasises 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 102 of this 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 Director's fees in accordance with the permitted pool. Any proposed increases in non-executive Director fees and remuneration are put to shareholders for approval.

In FY22, 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 roles 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 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 102 to 103 of this 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 the external auditor 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 that 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 reviewed and audited on a regular basis as part of our continuous improvement programme through the HS Strategic programme.
- Dedicated health and safety coordinators on each site, fully supported and well informed with the legislation and law changes.
- An in-house competency-based training programme that utilises both in-house expertise and external certified trainers to ensure our staff are safe to operate in our workshops and on customer sites.
- Health and safety measures that are monitored and regularly reviewed.

Scott's Lost Time Injury Frequency Rate (LTIFR) was 6.08 as at the end of August 2022, (3.47 as at the end of August 2021), below the industry benchmark for specialised equipment manufacture of 13 (Sourced through Safework Australia).

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 five 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 2022, Deloitte was the external auditor for Scott Technology Limited. Deloitte was re-appointed under the Companies Act 1993 at the 2021 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 FY22 are detailed on page 46 of this 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 that 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 that uphold stakeholder interests.

STATUTORY INFORMATION

As at 31 August 2022

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 2022.

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	The New Zealand Whisky Co. Ltd
Chairman	Woodworks Southern Ltd
Chairman	Skyline Healthcare Group Ltd
Chairman	New Zealand Formulary Ltd
Partner/Director	GS McLauchlan and Co Ltd
Director	Argosy Property Ltd
Director	Cargill Hotel 2002 Ltd
Director	Dunedin Casinos Ltd
Director	EBOS Group Ltd
Director	Scenic Hotel Group Ltd
Director	Orari Street Properties Ltd
Director	Rosebery Holdings Ltd
Director	B Pac NZ
Director	South Link Education Trust

John Kippenberger

Director	Robotic Technologies Ltd
Director	The True Honey Co. Ltd

Derek Charge

Director	Charge Advisory Ltd
Director	Larooma Farm Holdings Pty Limited
Director	SWS Lawyers Pty Ltd
Director	Whisky Tasmania Ltd
Director	Hellyers Road Distillery Pty Ltd
Director	SWS Advisory Pty Ltd

Brent Eastwood

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

John Thorman

Director	East Pacific Telecommunications Company Ltd
Director	Corporate Services New Zealand Ltd
Director	TNX Ltd
Director	Energizer NZ Ltd
Director	Kitaki Nominees Ltd
Director	Kitaki Ventures GP Ltd
Director	Baby Bunting NZ Ltd
Director	Juvare Asia Pacific Ltd
Director	Deel New Zealand Ltd
Director	CSNZ Trustees Ltd
Director	Fairfield TIR New Zealand Ltd
Director	Liveops New Zealand Ltd
Director	GAP II NZ GP Ltd
Director	Got Technologies NZ Ltd
Director	FRV NZ1 Ltd
Director	Proactive Software Ltd
Director	P A S Holding Ltd
Director	Primer Technologies New Zealand Ltd
Director	International Paper (New Zealand) Ltd
Director	Starnow GP LLC
Director	Pro-Invest NZ Property 3 GP Ltd
Director	Pro-Invest NZ Hotel Operating 3 Ltd
Director	Heilig Assets NZ Ltd

Edison Alvares

Director	Associated Companies of JBS Australia Pty Ltd
Director	Diamond Valley Pork Pty Ltd

John Berry

(alternate for Brent Eastwood, Edison Alvares and Alan Byers)

Chairman	Australian Meat Processor Corporation
Director	JBS Australia Pty Ltd and Associated Companies
Director	Andrews Meat Industries Pty Ltd
Director	Premier Beehive NZ
Director	Diamond Valley Pork Pty Ltd

Alan Byers

Nothing to declare

DIRECTORS' RELEVANT INTERESTS IN SHARES AS AT 31 AUGUST 2022

In accordance with the NZX Listing Rules, as at 31 August 2022, ordinary shares in the Company in which each Director has a relevant interest are specified in the table below.

Director		2022	2021
S McLauchlan	Indirect / beneficial interest	413,453	484,602
J Kippenberger	Legal and beneficial interest	106,821	73,232
J Thorman	Indirect / beneficial interest	5,089	5,000
D Charge	Indirect / beneficial interest	5,112	5,000
H Eastwood	Non-beneficial interest*	41,950,535	40,923,700
J Berry	Non-beneficial interest*	41,950,535	40,923,700

* *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 2022, 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).*	541,776*	11 May 2022	1,573,532
		485,059*	22 November 2021	1,555,100
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).*	541,776*	11 May 2022	1,573,532
		485,059*	22 November 2021	1,555,100
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.*	3,780	11 May 2022	10,979
		3,396	22 November 2021	10,888
J Kippenberger	*Issue of ordinary shares pursuant to the Company's dividend reinvestment plan.*	977	11 May 2022	2,836
		612	22 November 2021	1,962
	On-market acquisition of ordinary shares	32,000	17 November 2021	99,840
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 2022	135
		42	22 November 2021	134
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.*	59	11 May 2022	171
		53	22 November 2021	170

* *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 2022.

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 2022 are included in the relevant bandings for remuneration on page 103.

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 2022 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 USA Limited	Cameron Mathewson, Michael Crombie, Kate Rankin*
QMT General Partner Limited	Cameron Mathewson, Michael Crombie, Kate Rankin*
QMT New Zealand Limited Partnership	QMT General Partner Limited
Scott Technology Americas Limited	Cameron Mathewson, Michael Crombie, Kate Rankin*
Scott Technology Europe Limited	Cameron Mathewson, Michael Crombie, Kate Rankin*
Scott LED Limited	Cameron Mathewson, Michael Crombie, Kate Rankin*
Rocklabs Limited	Cameron Mathewson, Michael Crombie, Kate Rankin*
Scott Technology Australia Pty Ltd	Cameron Mathewson, Gerry Farnell, McBurney's (interim)*, Twain Drewett*, Steve Russell*
Scott Automation and Robotics Pty Ltd	Cameron Mathewson, Gerry Farnell, McBurney's (interim)*, Twain Drewett*, Steve Russell*, Kate Rankin*
Scott Systems International Incorporated	Tony Joyce, Michael Crombie, Kate Rankin*
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, MEL-ADMI Consulting CommV*
Scott Automation NV	Aaron Vanwalleghem BV, Cameron Mathewson, Jonas Vromant
FLS Group BV	Aaron Vanwalleghem BV, Jonas Vromant, Michael Crombie, Kate Rankin*
FLS Systems NV	Aaron Vanwalleghem BV, Frederic Hermier, Michael Crombie, Kate Rankin*
Alvey do Brazil Comercio de Maquinas de Automacao	N/A
Scott Automation a.s.	Aaron Vanwalleghem BV, Michael Crombie, Kate Rankin* Pavel Cevela, Vladimir Stoklas
Scott Automation SAS	Aaron Vanwalleghem BV, Jonas Vromant
Scott Automation Limited	Aaron Vanwalleghem BV, Kate Rankin*
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 2022.

TWENTY LARGEST SHAREHOLDERS AS AT 31 AUGUST 2022

Rank	Registered shareholder	Number of shares	% of total shares in the Company
1	JBS Australia Pty Limited	41,950,535	52.54
2	Oakwood Securities Limited	5,500,000	6.89
3	New Zealand Central Securities Depository Ltd	4,017,575	5.03
4	Russell John Field and Anthony James Palmer	2,000,000	2,50
5	Leveraged Equities Finance Limited	1,622,626	2.03
6	JBWERE (NZ) Nominees Limited	1,494,631	1.87
7	Custodial Services Limited	1,127,080	1.41
8	Forsyth Barr Custodians Limited	906,139	1.13
9	Jack William Allan and Helen Lynnette Allan	580,000	0.73
10	New Zealand Depository Nominee	552,374	0.69
11	Jarden Custodians Limited	479,982	0.60
12	Forsyth Barr Custodians Limited	448,843	0.56
13	Rosebery Holdings Limited	413,453	0.52
14	Wairahi Investments Limited	410,000	0.51
15	FNZ Custodians Limited	333,933	0.42
16	Gmh 38 Investments Limited	300,000	0.38
17	Hobson Wealth Custodian Limited	282,239	0.35
18	William Edward Paul Davidson	275,000	0.34
19	Robert Wong and Cristein Joe Wong	241,230	0.30
20	Eunice Marsh	152,650	0.19

SPREAD OF SHAREHOLDERS AS AT 31 AUGUST 2022

As at 31 August 2022, there were 79,852,190 ordinary shares in the Company on issue, which were held as follows:

Range	Number of ordinary security holders	% of issued capital
1-1,000	794	0.47
1,001-5,000	1,168	3.75
5,001-10,000	397	3.67
10,001-50,000	386	9.31
50,001-100,000	22	1.91
Greater than 100,000	33	80.89
Total shareholders	**2,800**	**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 2022, 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 2022) there were 79,852,190 ordinary shares in the Company on issue.

Name of substantial product holder	Number of ordinary voting securities as at 31 August 2022	% of issued capital
JBS Australia Pty Ltd	41,950,535	52.54
Oakwood Securities Ltd	5,500,000	6.89
New Zealand Central Securities Depository Ltd	4,017,575	5.03

DONATIONS

The Group made no donations during the year (2021: $0).

CREDIT RATING

The Company currently does not have a credit rating.

WAIVERS FROM NZX LISTING RULES

On 31 May 2022, NZ RegCo granted the Company, in relation to a transaction with JBS Food Canada ulc (JBS Canada), a waiver from NZX Listing Rule 5.2.1. This was a waiver to the extent that NZX Listing Rule 5.2.1 would otherwise require the Company to obtain the approval of shareholders to enter into the transaction as a material, related party transaction. The waiver was provided on the conditions that:

(a) the non-interested Directors of the Company certify that:

- (i) the terms of the transaction have been entered into, and negotiated, on an arm's length commercial basis;
- (ii) the Company was not unduly influenced to enter into the transaction by JBS Canada; and
- (iii) entry into the transaction is in the best interest of all of the Company's shareholders; and

(b) the waiver, its conditions and its implications are disclosed in the Annual Report.

For full details of the waiver, see https://www.nzx.com/announcements/393001.

REMUNERATION

As at 31 August 2022

DIRECTORS' REMUNERATION

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

Non-executive Director	Directors' fees FY22 *NZ$'000s*	Directors' fees FY21 *NZ$'000s*
S McLauchlan (Chair)	140	125
J Thorman	74	70
D Charge	65	60
Total	279	255

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 of up to 50% of the base salary 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*
FY22				
John Kippenberger	751	169	145	1,065
FY21				
John Kippenberger	753	1,050	129	1,932

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 2022 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	43
$110,001-$120,000	38
$120,001-$130,000	41
$130,001-$140,000	22
$140,001-$150,000	29
$150,001-$160,000	18
$160,001-$170,000	12
$170,001-$180,000	10
$180,001-$190,000	9
$190,001-$200,000	14
$200,001-$210,000	5
$210,001-$220,000	5

Salary range	Number of employees
$220,001-$230,000	5
$230,001-$240,000	6
$240,001-$250,000	6
$250,001-$260,000	1
$270,001-$280,000	2
$280,001-$290,000	1
$290,001-$300,000	3
$300,001-$310,000	2
$310,001-$320,000	1
$330,001-$340,000	1
$340,001-$350,000	3
$400,001+	4

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.

DIRECTORS' RESPONSIBILITY STATEMENT

As at 31 August 2022

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements that present fairly, in all material respects, the consolidated financial position of Scott Technology Limited and its subsidiaries ('the Group') as at 31 August 2022 and the results of their operations and cash flows for the year ended 31 August 2022.

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 that 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 2022.

These financial statements are dated 18 October 2022 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

DIRECTORY

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Website
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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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Auditor
Deloitte Limited

ENGINEERING SCOTT TO HIGH PERFORMANCE