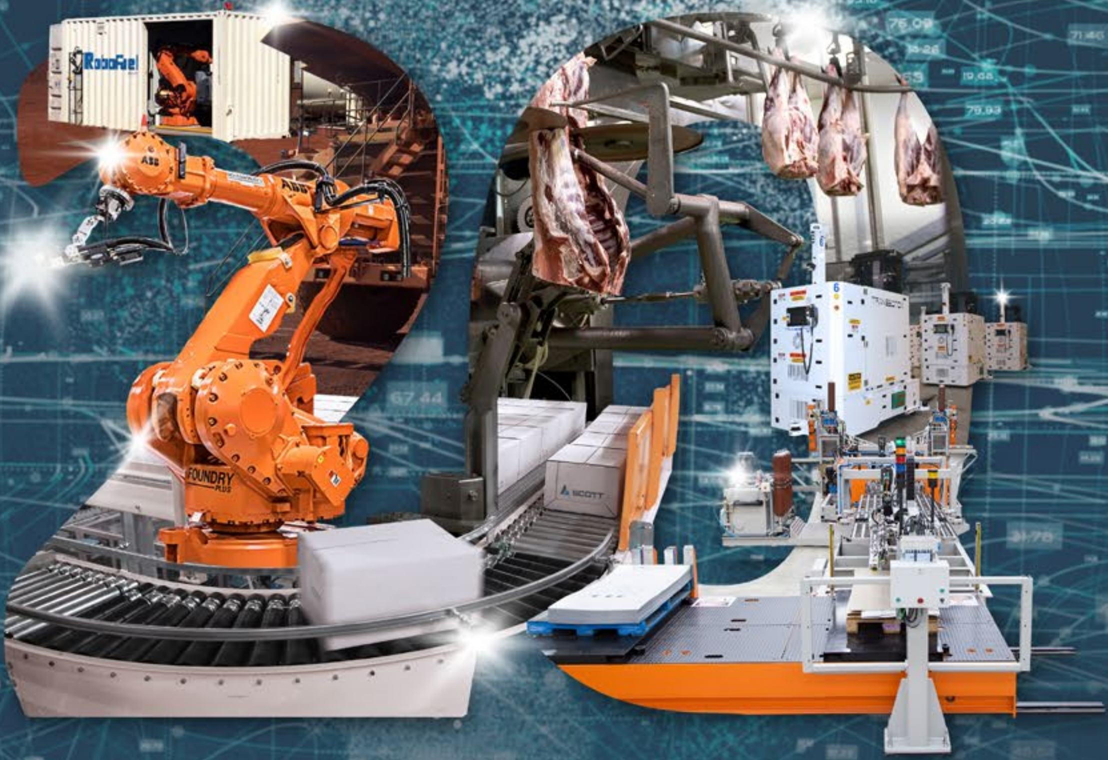


SCOTT

SCOTT TECHNOLOGY LIMITED
ANNUAL REPORT 2020

Scott robotic handling and welding system for Glencore Technology

The Board of Directors of Scott Technology Limited is pleased to present the Annual Report for the year ended 31 August 2020. This provides a review of our progress in FY20 and our focus for the financial year ahead. With the launch of our Scott 2025 strategy, we have a clear plan in place to grow our company over the next five years and add value to shareholders. Scott remains a world leader in smart automation and robotics technology and we will continue to build on our expertise to deliver safer, more productive, high quality solutions for businesses around the globe.

On behalf of the Board

Stuart McLauchlan
Chairman & Independent Director

John Kippenberger
Chief Executive Officer

30 October 2020

CONTENTS

KEY DATES

ANNUAL MEETING

Thursday 3 December 2020, 3:00pm
at Scott Technology Limited,
630 Kaikorai Valley Road, Dunedin.

Proxies close 3:00pm, Tuesday, 1 December 2020

DIVIDEND

The directors have declared that no dividend will be paid for the year ended 31 August 2020.

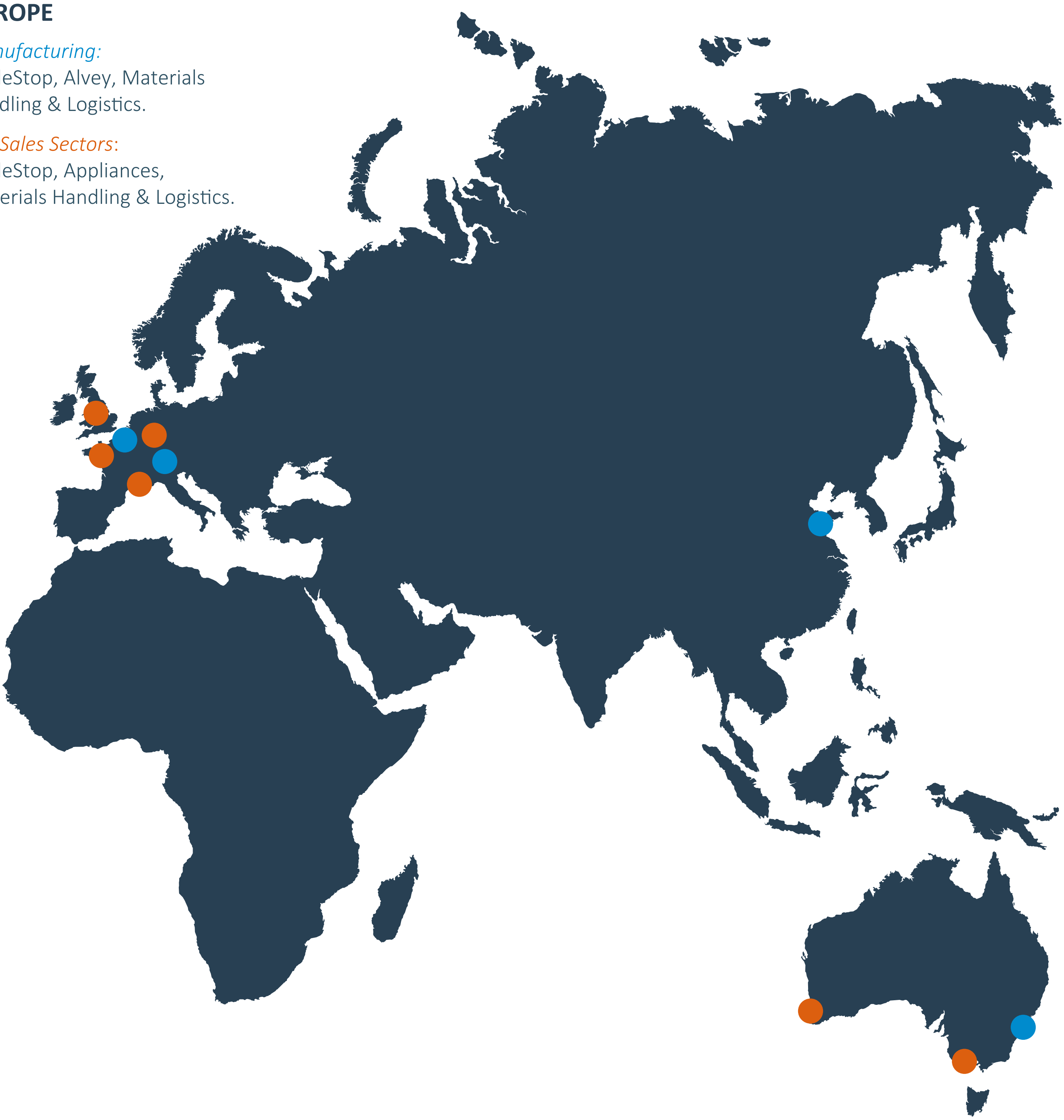
SCOTT

OUR BUSINESS

EUROPE

Manufacturing:
BladeStop, Alvey, Materials Handling & Logistics.

Key Sales Sectors:
BladeStop, Appliances, Materials Handling & Logistics.



CHINA

Manufacturing:
Appliances

Key Sales Sectors:
Appliances

AMERICAS

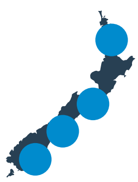
Manufacturing:
Transbotics & Robotworx

Key Sales Sectors:
Meat, Appliances, Industrial Automation, Materials Handling & Logistics.

AUSTRALASIA

Manufacturing:
BladeStop, Meat, Mining, Rocklabs, Appliances & Industrial Automation.

Key Sales Sectors:
Meat, Mining, Rocklabs, Industrial Automation & BladeStop.



FY20 AT A GLANCE

APPOINTMENT OF NEW CEO

with John Kippenberger appointed as Chief Executive Officer in November 2019.

STRENGTHENED EXECUTIVE TEAM

with a number of new team members adding additional strength and experience.

LAUNCHED NEW STRATEGY

focused on sustainable, profitable returns and reduction in risk.

SIGNIFICANT IMPACT FROM COVID-19

seen from late in the first half and throughout the second half of the financial year.

CONTINUED FOCUS

on working capital discipline, cost management and more rigorous project risk assessment delivering benefits.

RESTRUCTURING AND RIGHT SIZING OF BUSINESS COMPLETED

including relocation of manufacturing in Germany, consolidation of sites in New Zealand and the initiation of the sale process of the HTS-110 business in New Zealand which was considered non-core.

SOFTENING ECONOMIC CONDITIONS

noted in key markets, including the impact of global trade and Brexit, further exacerbated by COVID-19 restrictions across the globe.

VALUE CONTINUES TO BE ADDED BY ACQUIRED BUSINESSES

particularly Transbotics and BladeStop.

DEMAND FOR HIGH QUALITY ROBOTICS AND AUTOMATION CONTINUES

albeit with some disruptions from COVID-19.

FINANCIAL PERFORMANCE

Revenue reduced by 17% compared to prior comparative period (pcp) - NZ, Australia and Asia down on pcp, partially offset by stronger US sales in H120.

Results materially impacted by COVID-19.

EBITDA impacted by reduced revenue, lower volumes leading to lower overhead recoveries, margin erosion, forex impact and restructuring costs.

Non-trading adjustments comprise:

- non-cash $7.6m impairment on assets.
- $4.3m restructuring expense.
- $6.2m of one-off project impairments to close-out several challenging legacy Australasian projects.
- These have been offset by $2.8m of wage subsidies included in FY20.

Improved operating cash flow, benefitting from timing of project milestones and strong working capital disciplines.

No final dividend has been declared.

Reconciliation of Reported EBITDA to Underlying EBITDA

Underlying EBITDA is a Non-GAAP measure that has been used in the commentary of the FY20 performance to provide users of the financial information with a clearer picture of the underlying trading performance in FY20. This is consistent with internal reporting to management. The reconciliation below shows the adjustments made from EBITDA reported in the Statement of Comprehensive Income to underlying EBITDA.

		2019	2020
	Note	$'000s	$'000s
Reported EBITDA		**20,010**	**(11,646)**
Impairment of assets[1]	B8	-	(7,600)
Restructuring costs[1]	E2	-	(4,257)
Project impairments[2]		-	(6,295)
Wage subsidies[2]		-	2,777
Total adjustments		**-**	**(15,375)**
Underlying EBITDA		**20,010**	**3,729**

1 *Refer to note A3 for split by segment*

2 *All adjustments are within the Australasian segment*

FIVE YEAR TRENDS

FINANCIAL	**2016** $'000s *(reported)*	**2017** $'000s *(reported)*	**2018** $'000s *(reported)*	**2019** $'000s *(restated)*	**2020** $'000s *(adjusted)*
Revenue	112,044	132,631	181,779	225,093	186,073
Net surplus/(loss) after tax	8,134	10,265	10,772	8,604	(17,503)
Operating cash flow	16,108	13,407	1,018	726	19,563
Net cash/(overdraft)	34,244	26,670	12,473	(4,737)	7,745
Bank loans	-	-	7,409	11,667	11,185
Total assets	113,811	126,181	194,310	217,786	193,110
Shareholders' equity	94,600	97,156	105,677	112,732	92,740

DIVIDENDS (CENTS PER SHARE)	**2016**	**2017**	**2018**	**2019**	**2020**
Interim	4.0	4.0	4.0	4.0	-
Final	5.5	6.0	6.0	4.0	-

EMPLOYEES (NUMBER)	**2016**	**2017**	**2018**	**2019**	**2020**
New Zealand	197	215	249	248	188
Australia	80	84	95	101	77
China	33	27	33	36	35
Americas	50	44	74	83	56
Europe	40	53	327	316	257
Total	400	423	778	784	613

CHAIRMAN'S COMMENTARY

Stuart McLauchlan - Chairman and Independent Director

On behalf of the Board of Directors, it is my pleasure to present Scott Technology's 2020 Annual Report.

The past nine months have been dominated by the COVID-19 pandemic, the effects of which will continue to be felt for some time. This global health crisis has had significant economic consequences for many countries and communities and in these unprecedented times Scott is fortunate to be an industry leader, operating in markets where our technologies are needed.

"I WOULD LIKE TO ACKNOWLEDGE AND THANK OUR PEOPLE ACROSS THE GLOBE FOR THEIR EFFORTS OVER THE YEAR"

I would like to acknowledge and thank our people across the globe for their efforts over the year, despite the economic and personal challenges arising from COVID-19.

Scott Technology has survived the First World War, the Spanish Flu, the Great Depression and the Second World War and each time has bounced back strongly. I am sure we will see the same resilience post COVID-19.

With the appointment of John Kippenberger as CEO, announced at last year's Annual Meeting, John set about building his team of executives whom he has belief in, to take Scott forward after the restructuring that was required as we looked to create a leaner cost structure for the future. John is very focused on the 'Engineering Scott to High Performance 2025' strategy which sets five clear foundations to achieve profitable growth. This has had full sign off from the Board of Directors.

HEALTH & SAFETY

Health & Safety is an important focus for Scott and we look for the same commitment from our customers. Our commitment and results are good, but we strive for even better standards with continuous improvement of our health and wellbeing outcomes for all our staff and stakeholders. We have set the same best practice expectations across all our operations, in all regions.

The Health & Safety Committee comprises all Board members.

FINANCIAL PERFORMANCE

The company achieved sales of $186.1m, despite the major disruptions we experienced in all of the markets we operate in. Notwithstanding the very challenging circumstances, management has diligently collected a large portion of our outstanding debtors and reduced inventories where appropriate. This has strengthened our cash position markedly. I would like to applaud the huge effort that has gone into achieving this outcome.

I would also like to thank our very supportive major shareholder, JBS Australia Pty Ltd. They have provided on demand assistance, including standby funding facilities.

The bottom line result includes non-cash, non-trading adjustments relating to the restructure and the close-out of several challenging projects. While disappointing, this has put us onto a stronger footing for the future. We are looking to deliver an improved result and increasing shareholder value in FY21 as we move ahead with a leaner and more focused organisation and under our new strategy.

DIVIDEND

The Directors are recommending that no dividend be paid for the year ended 31 August 2020. The Board deems this decision to be a prudent one due to the uncertainty that still exists around the globe.

GOVERNANCE

During the year, Andre Nogueira and Chris Hopkins resigned as Directors. I would like to thank them both for their contributions to the growth of the company.

The Board welcomed Alan Byers and John Kippenberger to replace Andre and Chris. I look forward to working with them both during the exciting times we have ahead of us.

OUTLOOK

Despite the difficulty of operating a global company from New Zealand in the past year, we are seeing good engagement from our customers. This is resulting in orders being received, which are keeping our forward orders book in a satisfactory position heading into the current financial year.

We have sufficient confidence in our sales prospects and operational developments to target growth and a lift in year on year in performance in the year ahead.

On behalf of the Board, I would like to thank our shareholders for your continued support for our company, the Board and management. We look forward to welcoming you to our Annual Meeting later this year and updating you on our progress.

Stuart McLauchlan
Chairman & Independent Director

Scott single tower primal system, Australia

CHIEF EXECUTIVE OFFICER'S COMMENTARY

John Kippenberger - Chief Executive Officer

The 2020 financial year has been one filled with an extraordinary amount of challenge, together with some exciting changes, to build the foundations for a stronger future for Scott. At all times the Scott team has worked with a sense of urgency, resilience and commitment to overcome the challenges in front of us while driving the business onto a successful future.

In December 2019, with the support of the Board, we commenced a review of the existing Scott strategy and cost base.

“WE MOVED QUICKLY TO ADAPT TO THE EVER-CHANGING CONDITIONS OF THE NEW GLOBAL ENVIRONMENT.”

While revenues of the Group had grown during the prior two years, in part due to the completion of several important acquisitions, it was timely to review the size of our global operational base and cost structure relative to our near-to-medium term growth projections. This review set the plans for a restructure and right sizing of the Group, both in terms of closing down some areas of excess capacity, as well as re-setting the organisation structure across our four clear regional business units - Australasia, China, Europe and North America. As part of this, we had to make some hard decisions around our workforce, resulting in a number of our team being let go. These people were valued employees and we have done what we can to support them through this process. The restructuring process was well progressed before the COVID-19 pandemic started taking hold and the outcome is a more efficient and appropriately resourced business.

In line with our Scott 2025 strategy, each of our regional business units is led by a Regional Director with local teams providing product expertise, sales and customer support. Manufacturing plants are becoming Centres of Excellence where each plant will have a specific focus on a product or industry sector, rather than all plants striving to produce a number of different, and often highly complex, systems and products.

In May 2020, we announced our new ‘Engineering Scott to High Performance 2025’ strategy, which is focused on positioning Scott as the first choice for customers around the world wanting smart automation and robotic solutions which make their businesses safer, more productive and more efficient. Our strategy identifies five foundations to achieve profitable growth and we have set ourselves a number of goals under each of these. We are pleased to report that, despite intense disruptions of the global pandemic, the team has made important strides forward.

The first two foundations of our strategy are focused on building authentic customer partnerships which yield repeat business, as well as pivoting our sales mix to include a higher percentage of repeat, profitable sales of our products and services. This approach brings with it efficiencies and risk reduction to the commercial outcome.

Many of our global multinational customers have multiple factories across various parts of the world and our aim is to take a longer term partnership approach. In two existing examples in North America, over the past six months, we have moved our engagement from focusing solely on completing one standalone system to now having an agreement whereby the customer will take a number of repeat systems over the next three to five years.

To support the successful achievement of our aspirations, we have taken important steps to build additional strength and experience in the Executive Team of the Group. This has included the recruitment of a new Chief Operating Officer, as well as establishment of Regional Directors for each of our business units, appointment of a new CEO and CFO along with an expansion of the Marketing and People role. We are pleased that a number of these have been internal appointments, reflecting the strength and calibre of our team.

FACING INTO THE PANDEMIC

With our global operations spanning across four continents, COVID-19, or more specifically the travel restrictions and global economic impact from the pandemic, has created tremendous challenges for our company.

As the pandemic moved from its initial impact on our Qingdao operations in China early in 2020, then into the US and other parts of the world, our priority was, and continues to be, on the safety and wellbeing of our employees. We repatriated employees back to their homelands and also worked closely with our regional teams to build and implement relevant risk management plans tailored to their regions.

Under the restrictive conditions of the pandemic, the task of installing, commissioning and servicing equipment, with people often needing to travel across national borders, suddenly became one of our biggest challenges. These travel restrictions resulted in limited access to customer sites and delays to a number of project installations and commissioning work across the Group.

We moved quickly to adapt to the ever-changing conditions of the new global environment. This has included building the required skill-sets on the ground in several parts of our global market, as well as finding ways to increase the remote support to local teams from highly specialised areas of the business, such as robotic programmers or vision engineers. It also includes introducing greater versatility to working with local sub-contracting partners in some parts of the world, such as the United States.

Undoubtedly, the spread of the virus has resulted in delays and inefficiencies to Scott's operations and activities around the world. We know that we must, and will, continue to evolve our business model to place increased levels of locally skilled resources on the ground in several key geographies, again most notably in America. This model will transcend the past practices of fly-in, fly-out resourcing to some of our key markets.

Decisive steps taken during the early stages of the pandemic to create strong control over cash flows have delivered positive results across the Group. A new line of funding from JBS Australia Pty Ltd was also immediately put into place as a cash reserve, however, we are pleased this has only been partially drawn down.

Positively, while the initial shock of the global pandemic caused delays over some projects, we have seen several industries and regions more recently starting to make positive investment decisions around our automation and robotic projects, products and services. In some cases, such as the US meat processing sector, we see the demand for automation (which was already building pre-COVID-19 due to the increasing issues around labour availability) now gaining greater traction and acceleration as the issues around intensely populated, cold temperature controlled meat plants takes on a higher level of risk under the pandemic.

FY20 FINANCIAL PERFORMANCE

Scott's results for the year ended 31 August 2020 reflect the material impact of COVID-19 on our business, as well as the right sizing of the organisation, the timing of projects and milestone payments, and legacy projects which are in the process of being closed out.

While we have not measured the impact of COVID-19 in terms of lost revenue and gross margin, we do know that access to sites, travel restrictions and customer deferral of investment spend, have had a significant impact on our ability to close-out, or progress projects, in a timely manner.

Revenue was down 17% on the prior year to $186.1m, with a stronger performance in the USA partially offsetting the reduction in Australasia and Europe. China was slightly down year on year, and was one of the first regions to recover after being impacted by COVID-19 early in the 2020 calendar year.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $(11.6)m was impacted by the revenue decrease, and also includes non-trading adjustments of $15.3m. These comprise $7.6m impairments on assets, $4.3m of restructuring expenditure, $6.2m of project impairments and $2.8m of wage subsidies received. Excluding these adjustments, underlying EBITDA was a profit of $3.7m.

A considerable amount of energy and activity during the past year has been spent on moving a number of challenging Australasian projects to either acceptable outcomes for both Scott and our customers, or to an exit.

Some of these financial provisions were taken at the half-year in anticipation of the challenges Scott was facing at that point on the respective projects. However, in two cases the pathways, which looked like potential positive outcomes at the time, have subsequently closed as the team reflected on operational progress and the commercial position of the project, versus the remaining completion risk.

Critically, we have now introduced a mandatory pre-bid review on all large project bids. The objective is to fully understand the development risk inherent in a project and ensure this is sufficiently factored into our timing commitments and pricing to avoid Scott taking on a disproportionate part of any risk.

"WE ARE CONFIDENT THAT OUR NEW STRATEGY WILL LEAD TO A RETURN TO SUSTAINABLE AND PROFITABLE RETURNS IN THE YEARS AHEAD."

The restructuring programme was completed in August 2020 and the full benefits are expected to be seen in FY21.

Despite the challenges faced during the year, the company finished the year with a strong balance sheet and a net cash position of $7.7m, compared to prior year of ($4.7m). The team made good progress on working capital management, with a strong improvement in both debtors and creditors, despite the COVID-19 environment, and disciplined cost management. We delivered strong operating cash flows of $19.6m, which we believe are now more representative of the underlying business.

The bottom line result, including non-trading adjustments, was a net loss after tax of $(17.5)m. While this headline number is not as we would have liked, we are confident that our new strategy will lead to a return to sustainable and profitable returns in the years ahead.

INDUSTRY OUTLOOK

In line with our new strategy, we have identified five key sectors which leverage Scott's leading technology platforms and offerings - Mining, Meat, Appliances, Material Handling & Logistics, and Industrial Automation - with strong growth opportunities in each.

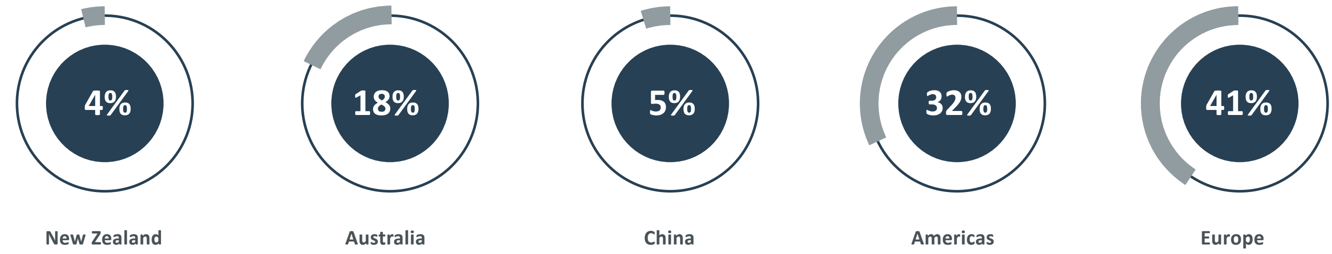
Mining: The Scott mining business has continued to grow strongly during the year as high precious metal and gold prices see our customers investing in new and increased capacity, primarily in Australia. Our customers such as Rio Tinto, MinAnalytical and Fortesque Metals Group continue to look to Scott for automated laboratory solutions and their ongoing standard product (Rocklabs) and service needs.

Meat: Sales of our BladeStop band-saw machines, together with an increase in demand for our service skills, has continued to grow during the past 12 months. However, 2020 was a relatively quiet demand year for our larger primal cutting automation systems. We are now pleased to have a number of large system design and pricing opportunities which are moving deep into the sales process. We are confident that, together with our multiple system sales opportunities to JBS companies in the United States, these will drive a stronger revenue and margin generation in the coming 12 to 24 months.

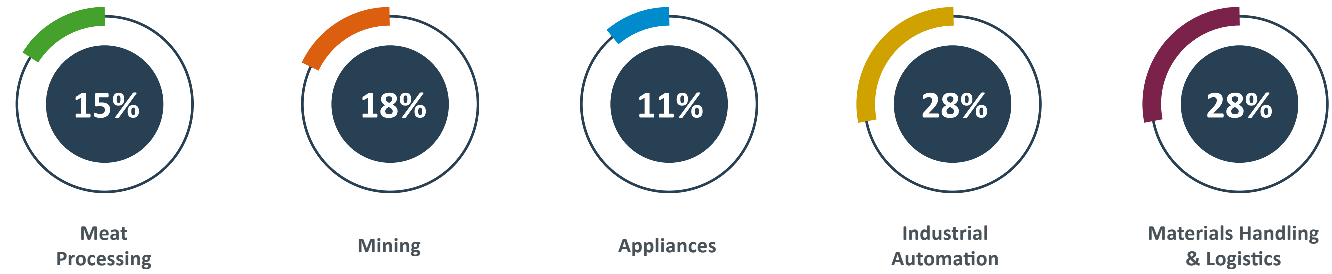
Appliances: Increases in global consumer demand for white goods over the past six months have seen a growing level of interest from our large appliance customers. These world renowned brands, including GE, Haier, Sub-Zero, Electrolux and Bosch, are looking for a mix of upgrades to existing production lines, along with new line builds, to increase capacity in the United States and China, in particular.

Material Handling & Logistics: The long lag of the Brexit negotiations, combined with the uncertainty of the pandemic investment environment for many food companies in Europe, saw a challenging year for our largely European-focused materials handling and logistics

REVENUE BY GEOGRAPHY



REVENUE BY INDUSTRY



business (Alvey). However, our team is fully focused on rebuilding our European market in this sector, as well as taking our proven technology into Australasia and North America. To this end we have early-stage opportunities in both markets which will provide the ideal platform to deliver successful testimony sites upon which to build a large end-of-line system business beyond Europe. The recently completed global joint venture with Savoye, world leaders in carton stacking and retrieval systems, brings an important element to our end-to-end capability in warehousing projects for the future.

Industrial Automation: This business includes our autonomous guided vehicle (AGV) offer from our US based Transbotics business, together with our reconditioned Robotworx business and our general robotic and automation projects in areas such as welding. Our US business continues to see ongoing demand from companies looking for specialised large weight-carrying autonomous guided vehicles.
In Australasia we have a number of ongoing projects in the area of robotics and automation, and we will build our sales pipeline throughout the year ahead in areas where Scott brings proven experience, capability and margin producing activity to projects.

OUTLOOK

The Scott team has met the challenges of the past year with courage and conviction.
We remain cautious about the ongoing impact of COVID-19 and appreciate 2021 will bring a new set of challenges as the world continues to settle into the 'new normal'.

However, our new and more efficient organisational footprint will stand us in good stead, with a leaner cost base and a more appropriate regional network that will allow us to deliver an improved service to our customers.

We have identified a number of opportunities and are focused on building our sales pipeline in areas that offer the best returns, while minimising risk. We are well positioned to build on our reputation, leading products and expertise to deliver earnings growth and margin improvement.

Thank you for your continued support.

John Kippenberger
Chief Executive Officer

ENGINEERING SCOTT TO HIGH PERFORMANCE

SCOTT 2020-25

THE SCOTT VISION IS TO BE THE FIRST CHOICE FOR BUSINESSES AROUND THE WORLD WANTING SMART AUTOMATION AND ROBOTIC SOLUTIONS WHICH MAKE THEIR BUSINESSES SAFER, MORE PRODUCTIVE AND MORE EFFICIENT.

We are very pleased with the progress achieved in developing our new five-year strategy, together with the early stages of implementation across several areas of the plan. Given the inevitable challenges and necessary distractions of the ever-moving pandemic, the team met the task of looking into the future of Scott with strong and insightful conviction.

The strategy is well under way in several areas including:

- Building deep, long-term customer relationships which will increasingly focus on medium-to-long range capital planning and the associated design/build projects. These relationships will be supported by an increased focus on providing timely and effective service support, bringing with it an important degree of customer intimacy and confidence in the Scott people, system and product performances.
- We are investing in our product offers (BladeStop and Rocklabs) together with our service businesses as we look to move the important projects/products/services balance from 60/20/20 in 2020 to 40/30/30 over the next five years. This mix will bring greater margin stability and cash flow generation as we balance the high-margin product and service sales with the varying and more cyclical flows of the project business.
- We have recently welcomed new executive members to the team who bring with them a deep knowledge and experience in managing global engineering businesses. These executives are already introducing new ways of working to our design/procure/make/deliver activities along with increased discipline and structure to our pre-bid reviews and project management capabilities.
- We will continue to invest in the health and wellness of our global Scott team to ensure we come through this challenging COVID-19 period in a fit and energised state to take on the exciting future ahead of us.

FOUNDATIONS FOR PROFITABLE GROWTH

AUTHENTIC CUSTOMER PARTNERSHIPS

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

LEADING EDGE TECHNOLOGY

Leverage Scott's leading technology platforms and offerings.

ONE GLOBAL TEAM

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

OPERATIONAL EXCELLENCE

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

ROBUST GLOBAL PLATFORMS

Build an operations infrastructure matched to our growth curve.

"GIVEN THE INEVITABLE CHALLENGES AND NECESSARY DISTRACTIONS OF THE EVER-MOVING PANDEMIC, THE TEAM MET THE TASK OF LOOKING INTO THE FUTURE OF SCOTT."

John Kippenberger, Chief Executive Officer

AUSTRALIA & NEW ZEALAND REGIONAL UPDATE

Twain Drewett, Regional Director - ANZ

With sales revenue representing 22% of total Group revenue in FY20, Australasia market continues to show strength, significantly for mining and meat customers. The FY20 year was characterised by mixed performance across Scott's strategic Industries in Australasia. Pleasingly, we saw a very strong performance in Mining with significant inroads made into the automated laboratory and sampling space. After a slow start, the Meat business tabled a significant upturn in opportunities and interest in our lamb deboning, materials handling and BladeStop business, with a number of large projects secured late in 2020 and others forecast for early 2021.

"THE FY20 YEAR WAS CHARACTERISED BY MIXED PERFORMANCE ACROSS SCOTT'S STRATEGIC INDUSTRIES"

We have Centres of Excellence in New Zealand for our Rocklabs mining products and Appliances manufacturing lines, and in both Australia and New Zealand for Meat processing systems. Additionally, in Australia we have a Centre of Excellence for Industrial Automation systems. We also manufacture BladeStop in Australia.

We design and build Appliance manufacturing systems in New Zealand, with our team then travelling globally to install and commission these, as well as for upgrade work on existing systems. The COVID-19 travel restrictions and closed borders, specifically in the United States, have had a significant impact on our ability to deliver on these projects in FY20.

The Industrial Automation business provided a strong year with solid sales in palletising, welding and materials handling.

While the local markets have been significantly impacted by social distancing restrictions and other containment measures that have been put in place to control COVID-19, economic conditions are expected to improve as the pandemic is brought under control. Government stimulus is expected to be of benefit to Scott, particularly in Australia where $1.5 billion in new funding will be invested over the next four years in the Modern Manufacturing Strategy. Scott is uniquely positioned across the ANZ region to maximise this opportunity. Our growth potential lies in providing more of our products to existing customers, such as materials handling systems to meat customers, and we will also be continuing to build on customer partnerships, particularly in the Mining sector, to sell more of our products and systems.

CHINA REGIONAL UPDATE

Cathy Zhang, Regional Director - China

China is our most recent market, with sales revenue representing 5% of total Group revenue in FY20. Most of our activity in China is in Appliances, for example, air conditioning and washer cabinet assembly lines.

China was one of the first regions to be impacted by COVID-19 restrictions, with almost no sales in the first half of the year, but it was also one of the first to recover. Several new customers came on board during the second half of the year, with multiple large projects keeping the team busy.

Increasing demand for automation is being driven by strong consumer demand for whitegoods customers like Bosch and Haier, Government promotion, increasing labour cost, and the impact of COVID-19 on manufacturing sites, with more businesses looking to invest in equipment. A key focus for the year ahead is on delivery and costs to ensure a competitive regional offer.

Scott robotic refuelling installed for Rio Tinto, Australia

Pomuni's fully automatic multi-line palletising system for cases of potato products, Belgium

EUROPE REGIONAL UPDATE

Aaron Vanwalleghem, Regional Director - Europe

With sales revenue representing 41% of total Group revenue in FY20, Europe continues strong in sales for Materials Handling solutions, such as palletising, conveying, high speed picking, and storage and retrieval, with some BladeStop sales. Customers are primarily in the food and beverage sector, ranging from snack producers to warehousing and logistics.

The operational focus for the year was to centralise areas of expertise within Europe and the Scott Group. This resulted in the closure of our Appliances facility in Germany, with the work moved to our high-performance facilities in New Zealand and China, and providing additional leverage to lower operating costs. BladeStop manufacturing was also relocated to our facility in the Czech Republic for lower operating costs without compromising quality.

Historically, Appliance systems have also played a key role in European sales, and we are focused on rebuilding this important part of the business, given many of our global appliance customers have factories across Europe.

COVID-19 continues to create uncertainty across Europe and, in conjunction with the lack of agreement around Brexit, has created a challenging investment environment for many food customers. However, the future pipeline looks solid, with a number of opportunities for Scott. We have identified the potential to grow our sales of BladeStop and Materials Handling systems, as well as rebuild the Appliance side of the business and the team is looking to the future with confidence.

AMERICAS REGIONAL UPDATE

Tony Joyce, Regional Director - Americas

The FY20 year for Scott in the Americas started well, flowing on from the busy 2019 year. However, the impact of COVID-19 became increasingly evident, affecting the ability of Transbotics and RobotWorx to deliver on previous project schedules. Pleasingly, orders were deferred, not cancelled, and we have been able to accommodate all our customers' needs while accepting progress payments in recognition of the delays. A strong comeback in Q4 for Transbotics resulted in a positive start for 2021 across the industries. Finishing FY20 with sales revenue representing 32% of total Group revenue, primarily from Industrial Automation and AGV (Automatic Guided Vehicles) sales.

BladeStop has seen continued growth in both the protein and industrial (non-protein) industries, including the installation of 15 saws into a JBS Beef facility in Texas with the Connect reporting function enabling the saws' operational performance to be monitored remotely. The disruption to larger processors' capacity from COVID-19 has seen increased interest for BladeStop saws, along with other meat automation solutions from smaller producers.

All the Transbotics projects are now being completed, including the commissioning of an AGV system in China, in conjunction with the Scott China team who will support the customer when our US personnel leave after completion. RobotWorx has also caught up on the delayed projects and completed shipping all the backlog orders.

The US is supporting several onsite requirements, both with internal resource and contractors, for the Mining and Appliance sectors of the Group where international travel restrictions have been imposed.

In the US our biggest customer segments are Industrial Automation (RobotWorx) and AGVs (Transbotics) and we have identified significant growth opportunities in the Meat sector, particularly around pork and poultry, and in Materials Handling. These are in the early stages and will be a focus for the team in FY21.

OPERATIONAL EXCELLENCE

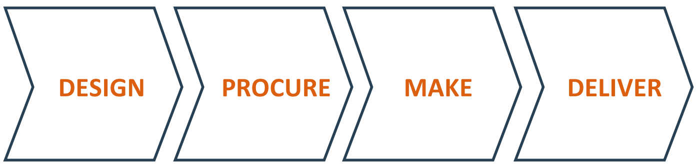
Chris Steedman, Chief Operations Officer

To deliver high performance in operations and future proof our business, we have designed and implemented a number of innovative systems, processes and methodologies, based on industry best practise to standardise our operations.

The key objective for Operations is to deliver Projects, Products and Systems, on time, on quality, and on budget.

Achieving these key components will improve customer satisfaction, provide higher profits for the business and attract repeat business.

The high level value stream of Operations is:



DESIGN (ENGINEERING)

We are in the process of deploying industry best practice, known as DFMA (Design for Manufacturing and Assembly). The benefit of this methodology is to sequence and stage gate the engineering process. For example, procurement and manufacturing does not begin until the Design engineering is "frozen", thereby avoiding costly re-engineering, equipment re-ordering, and additional labour and schedule slippage. This methodology is well aligned to LEAN best practice.

PROCURE

Approximately 70% of our procurement spend is conducted via 30% of our supplier base.

The initiative deployed is entering into supplier agreements, forging better relationships with our suppliers, driving down costs, improving conformance of delivery (COD) and better lead times. Additional benefits of this initiative are lower inventory levels for Scott.

MAKE

This initiative is primarily focused on our manufacturing and production facilities.

The DFMA process will have a positive effect on manufacturing, with a reduction in waste from re-work. The additional benefits are product quality improvement and staff satisfaction.

Lean deployment in Manufacturing is a continuous improvement activity, and as such will be an ongoing journey.

DELIVER (PROJECT MANAGEMENT)

In our project management division we have deployed industry best practice, Earned Value Management (EVM) as our preferred project management methodology for complex projects. EVM is an early warning tool for project management, measuring project financials (CPI, Cost Performance Index) and project schedule (SPI, Schedule Performance Index) on a unified scale, allowing project managers to simply identify cost or schedule slippage. Armed with this information, the project manager can identify and remediate the problem before the project is compromised.

> **"THE KEY OBJECTIVE FOR OPERATIONS IS TO DELIVER PROJECTS, PRODUCTS AND SYSTEMS, ON TIME, ON QUALITY, AND ON BUDGET."**

We have recently established a PMO, (Project Management Office), to conduct regular project reviews. The PMO is managed outside of the Projects division to maintain, segregation of duties.

Additionally, the PMO provides leadership and guidance in solving project issues and provides best practise initiatives to the business.

Transbotics forklift AGV (automated guided vehicle), USA

OUR VALUES

WE PURSUE EXCELLENCE

WE THRIVE ON A CHALLENGE AND WE DELIVER FOR OUR CUSTOMERS BECAUSE IT IS WHO WE ARE.

WE ARE *committed* TO RESULTS

TOGETHER WE EVALUATE AND TAKE ACTION, BEING ACCOUNTABLE THROUGH TO COMPLETION, NO EXCUSES.

WE *act* WITH INTEGRITY

WE BUILD CONFIDENCE, DO WHAT'S RIGHT, AND DELIVER ON WHAT WE PROMISE.

ABOVE ALL WE VALUE PEOPLE

WE ARE ONE TEAM. WE RESPECT EACH OTHER AND WORK COLLABORATIVELY TO ACHIEVE COMMON GOALS.

OUR TEAM

John Kippenberger
Chief Executive Officer

Chris Steedman
Chief Operations Officer

Kate Rankin
Chief Financial Officer

Casey Jenkins
Director - Marketing and People

Twain Drewett
Regional Director - ANZ

Aaron Vanwalleghem
Regional Director - Europe

Cathy Zhang
Regional Director - China

Tony Joyce
Regional Director - Americas

Full profiles available on the Scott website at www.scottautomation.com/our-company/our-people

OUR BOARD

Stuart McLauchlan
Chairman &
Independent Director

John Kippenberger
Chief Executive Officer

Edison Alvares
Director

Alan Byers
Director

Derek Charge
Independent Director

Brent Eastwood
Director

John Thorman
Independent Director

John Berry
Alternate Director

Full profiles available on the Scott website at www.scottautomation.com/investor-relations/governance

FINANCIAL REPORT

For the year ended 31 August 2020

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 2020

	Notes	2020 $'000s	2019 $'000s *(restated)*
Revenue	A1	186,073	225,093
Other operating income	A1	3,389	2,441
Share of joint ventures' net surplus	E4	149	444
Raw materials, consumables used & operating expenses		(118,023)	(134,792)
Employee benefits expense		(71,377)	(73,176)
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, IMPAIRMENT OF ASSETS AND RESTRUCTURING EXPENSES (OPERATING EBITDA)		**211**	**20,010**
Impairment of assets	B8	(7,600)	-
Restructuring expense	E2	(4,257)	-
(LOSS)/EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		**(11,646)**	**20,010**
Interest revenue		191	20
Depreciation & amortisation	B4, B6, C5	(9,898)	(8,969)
Finance costs		(2,093)	(1,715)
NET (LOSS) / SURPLUS BEFORE TAXATION		**(23,446)**	**9,346**
Taxation benefit/(expense)	A2	5,943	(742)
NET (LOSS) / SURPLUS FOR THE YEAR AFTER TAX		**(17,503)**	**8,604**
Other Comprehensive (Loss)/Income			
Items that may be reclassified to profit or loss:			
Cash flow hedges	C6	-	370
Translation of foreign operations		(1,136)	875
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR NET OF TAX		**(18,639)**	**9,849**
Net surplus for the year after tax is attributable to:			
Members of the parent entity (used in the calculation of earnings per share)		(17,331)	8,690
Non controlling interests		(172)	(86)
		(17,503)	**8,604**
Total comprehensive income is attributable to:			
Members of the parent entity		(18,467)	9,935
Non controlling interests		(172)	(86)
		(18,639)	**9,849**

	Note	2020 Cents Per Share	2019 Cents Per Share
Earnings per share (weighted average shares on issue):			
Basic	C2	(22.2)	11.3
Diluted	C2	(22.2)	11.3
Net tangible assets per ordinary share (at year end):			
Basic	C2	20.2	50.4
Diluted	C2	20.2	50.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2020

	Note	Fully Paid Ordinary Shares $'000s	Retained Earnings $'000s	Foreign Currency Translation Reserve $'000s *(restated)*	Non-Controlling Assets $'000s	Cash flow Hedge Reserves $'000s	Total $'000s *(restated)*
Balance at 31 August 2018		**75,647**	**31,335**	**(935)**	**51**	**(370)**	**105,728**
Change in accounting policy		-	(450)	-	-	-	(450)
Prior period restatement		-	-	805	-	-	805
1 September 2018 after change in accounting policy (restated)		**75,647**	**30,885**	**(130)**	**51**	**(370)**	**106,083**
Net surplus/(loss) for the year after tax		-	8,690	-	(86)	-	8,604
Other comprehensive income for the year net of tax (restated)		-	-	875	-	370	1,245
Dividends paid (10.0 cents per share)		-	(7,626)	-	-	-	(7,626)
Issue of shares under dividend reinvestment plan	C1	4,426	-	-	-	-	4,426
Balance at 31 August 2019 (restated)		**80,073**	**31,949**	**745**	**(35)**	**-**	**112,732**
Net loss for the year after tax		-	(17,331)	-	(172)	-	(17,503)
Other comprehensive loss for the year net of tax		-	-	(1,136)	-	-	(1,136)
Dividends paid (4.0 cents per share)		-	(3,102)	-	-	-	(3,102)
Issue of shares under dividend reinvestment plan	C1	1,749	-	-	-	-	1,749
Balance at 31 August 2020		**81,822**	**11,516**	**(391)**	**(207)**	**-**	**92,740**

CONSOLIDATED BALANCE SHEET

For the year ended 31 August 2020

	Notes	2020 $'000s	2019 $'000s (restated)
Current Assets			
Cash and cash equivalents		7,745	-
Trade debtors	B1	23,429	38,993
Other financial assets	D1	1,032	1,207
Sundry debtors		2,575	3,204
Inventories	B2	22,682	22,559
Contract assets	B3	25,381	29,834
Receivable from joint ventures	E5	767	1,552
Plant and equipment held for sale		-	345
Development assets	B9	-	6,786
TOTAL CURRENT ASSETS		**83,611**	**104,480**
Non Current Assets			
Property, plant and equipment	B4	18,298	20,259
Investment in joint ventures	E4	1,223	1,371
Other investments	B8	-	400
Other financial assets	D1	4	9
Goodwill	B5	57,316	57,951
Deferred tax	A2	5,865	-
Intangible assets	B6	13,721	16,320
Right of use assets	C5	13,072	16,996
TOTAL NON CURRENT ASSETS		**109,499**	**113,306**
TOTAL ASSETS		**193,110**	**217,786**
Current Liabilities			
Bank overdraft		-	4,737
Trade creditors and accruals	C4	24,033	31,057
Lease liabilities	C5	3,818	4,081
Other financial liabilities	D1	972	2,541
Contract liabilities	B3	29,052	16,050
Employee entitlements	C7, C9	7,815	10,298
Provision for warranty	C8	1,874	1,546
Taxation payable		92	218
Payable to joint ventures	E5	431	393
Current portion of term loans	C3	3,719	4,217
Deferred settlement on purchase of business	E1	1,376	2,385
Onerous contracts provision	C10	7,699	4,236
TOTAL CURRENT LIABILITIES		**80,881**	**81,759**
Non Current Liabilities			
Other financial liabilities	D1	814	969
Employee entitlements	C7, C9	696	939
Lease liabilities	C5	10,008	13,311
Deferred tax liability	A2	-	626
Term loans	C3	7,466	7,450
Deferred settlement on purchase of business	E1	505	-
TOTAL NON CURRENT LIABILITIES		**19,489**	**23,295**
Equity			
Share capital	C1	81,822	80,073
Retained earnings		11,516	31,949
Foreign currency translation reserve		(391)	745
Cash flow hedge reserve	C6	-	-
Equity attributable to equity holders of the parent		**92,947**	**112,767**
Non controlling interests		(207)	(35)
TOTAL EQUITY		**92,740**	**112,732**
TOTAL LIABILITIES & EQUITY		**193,110**	**217,786**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2020

	Note	2020 $'000s	2019 $'000s
Cash Flows From Operating Activities			
Cash was provided from / (applied to):			
Receipts from operations		218,083	213,712
Interest received		191	20
COVID-19 wage subsidies received		3,614	-
Payments to suppliers and employees		(201,651)	(208,109)
Taxation paid		(674)	(4,897)
Net cash inflow from operating activities	F1	**19,563**	**726**
Cash Flows From / (to) Investing Activities			
Cash was provided from / (applied to):			
Purchase of property, plant, equipment and intangible assets		(3,206)	(7,229)
Sale of property, plant and equipment		2,807	266
Dividend received from joint venture		298	-
Proceeds from advances with joint ventures		824	759
Repayment of advances with joint ventures		-	(280)
Purchase of business	E1	(514)	(6,803)
Purchase of investments		(20)	(400)
Net cash inflow/(outflow) from investing activities		**189**	**(13,687)**
Cash Flows to Financing Activities			
Cash was provided from / (applied to):			
Repayment of borrowings		(3,574)	(742)
Dividends paid		(1,353)	(3,200)
Proceeds from borrowings		3,264	5,000
Lease payments		(4,176)	(3,592)
Interest paid		(1,431)	(1,715)
Net cash outflow from financing activities		**(7,270)**	**(4,249)**
Net increase / (decrease) in cash held		12,482	(17,210)
Add cash and cash equivalents at start of period		(4,737)	12,473
Balance at end of period		**7,745**	**(4,737)**
Comprised of:			
Cash and bank balances / (bank overdraft)		7,745	(4,737)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2020

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 30 October 2020.

BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost except for the revaluation of certain financial instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 August 2020 and the comparative information presented in these financial statements for the year ended 31 August 2019.

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

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

CRITICAL JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no significant estimates.

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 long term construction contracts (note A1)
- Provisions for losses relating to contract assets (B3)
- Goodwill impairment (note B5)

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.

Accounting policies of subsidiaries are consistent with the policies of the Group.

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

On acquisition, the assets, 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 & INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

The Group did not adopt any new or amended standards in the current year and has adopted all mandatory new and amended standards and interpretations. None had a material impact on these financial statements.

STANDARDS & 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.

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on, or after, the effective date of the new standard. These standards are not expected to have a material effect on the Group's consolidated financial statements when they are adopted.

RESTATEMENTS

Intangible Assets

An adjustment has been made to restate the 2019 comparatives to recognise the foreign exchange impact on Intangible asset balances denominated in foreign currencies. These balances were previously held in the functional currency of the Group, but have been restated to the functional currency of the foreign operation that owns the assets.

This adjustment has resulted in the following adjustments: $0.9 million increase in the reported balance of Intangible assets and a $0.9 million increase in the reported balance of Equity in the 31 August 2019 Consolidated Balance Sheet. The Translation of foreign operations in the Consolidated Balance Sheet increased by $0.8 million at 31 August 2018 and the Statement of Comprehensive Income by $0.1 million at 31 August 2019.

There was no impact on the reported 31 August 2019 Net Surplus for the Year or on the Consolidated Statement of Cash Flows.

RECLASSIFICATIONS

Development Assets

An adjustment has been made in the 2020 financial year to reclassify two assets included in the 2019 financial statements from Contract assets to Development assets in the 31 August 2019 Consolidated Balance Sheet. This adjustment reduced Contract assets by $6.8 million and increased Development assets by $6.8 million. There was no change in overall reported Current Assets.

This adjustment did not have any impact on Equity, the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Cash Flows.

Onerous Contract Provision

An adjustment has been made in the 2020 financial year to reclassify loss making contracts in the 2019 financial statements from Contract assets/liabilities to an Onerous contract provision in the 31 August 2019 Consolidated Balance Sheet. This adjustment increased Contract assets by $3.8 million, decreased Contract liabilities by $0.4 million and increased the Onerous contract provision by $4.2 million.

This adjustment did not have any impact on Equity, the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Cash Flows.

Segments and Cash Generating Units (CGUs)

The previously reported segment and CGU of Asia & Europe has been split in the second half of the 2020 financial year, into the new segments and CGUs of China and Europe.

As a result of a number of changes in the Executive and Leadership Teams in 2020, the responsibilities of the global teams were updated to align with the revised Group structure and associated responsibilities. Regional Directors have oversight and responsibility for the re-defined segments and CGUs of Australia and New Zealand (Australasia), America, Europe and China. All internal reporting has been aligned to these revised segments and CGUs.

As a result of the split of Asia & Europe, the 2019 reported segment and CGU of Asia & Europe has been split out in Notes A1 Revenue, A3 Segment Information and B5 Goodwill in order to report comparative figures for the new segments/CGUs of Europe and China.

GOODS & SERVICES TAX & 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 which 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, 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.

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:

- Long term contracts
- Standard equipment
- Short term projects and service work

Revenue recognition – long term contracts

The Group designs, manufactures and sells customised automation and robotic systems for use in a wide range of industries under fixed-price contracts. The contract period is in excess of three months and is often in excess of twelve months. Long term contracts are specific to each customer and the Group is restricted by these contracts to redirect the products to another customer. The Group, through these long term contracts, has an enforceable right to payment when agreed milestones are met for performance completed up to a point in time.

Policy

Revenue on long term 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.

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 Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision (see Note C8).

Judgement

The estimation of percentage of completion relies on the Directors estimating costs to complete long term contracts. If the costs incurred to complete the long term 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 – standard equipment

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
- High temperature superconductor current leads under the "HTS-110" brand
- New and refurbished industrial robots under the "RobotWorx" brand

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 C8).

Revenue recognition – short term projects and service work

The Group undertakes short term projects (less than three months) for the design, manufacture and sale of customised small scale automation and robotic systems for use in a wide range of industries under fixed-price contracts. In some cases the short term project contracts contain an enforceable right to payment for performance completed to date.

The Group also 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

Where the short term project contract contains an enforceable right to payment for performance completed to date and there is no alternative use, revenue for short term projects is recognised over time on the same basis as for long term contracts (as noted above).

Where the short term project contract does not contain an enforceable right to payment for performance completed to date, or there is an alternative use for the product produced, revenue for short term projects 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.

Revenue under service contracts is recognised at a point in time when the service is delivered.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision (see Note C8).

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).

Year Ended 31 August 2020	**Long term contracts** $'000s	**Standard equipment** $'000s	**Short term projects and service work** $'000s	**Total** $'000s
Australasia manufacturing				
Segment revenue	29,707	30,602	15,534	75,843
Inter-segment revenue	(346)	(2,753)	(1,309)	(4,408)
Revenue from external customers	**29,361**	**27,849**	**14,225**	**71,435**
Timing of revenue recognition				
- At a point in time	-	27,849	14,225	42,074
- Over time	29,361	-	-	29,361
	29,361	**27,849**	**14,225**	**71,435**
Americas manufacturing				
Segment revenue	15,808	9,639	13,535	38,982
Inter-segment revenue	275	2,030	473	2,778
Revenue from external customers	**16,083**	**11,669**	**14,008**	**41,760**
Timing of revenue recognition				
- At a point in time	-	11,669	14,008	25,677
- Over time	16,083	-	-	16,083
	16,083	**11,669**	**14,008**	**41,760**
Europe manufacturing				
Segment revenue	42,126	9,723	13,899	65,748
Inter-segment revenue	71	965	641	1,677
Revenue from external customers	**42,197**	**10,688**	**14,540**	**67,425**
Timing of revenue recognition				
- At a point in time	-	10,688	14,540	25,228
- Over time	42,197	-	-	42,197
	42,197	**10,688**	**14,540**	**67,425**
China manufacturing				
Segment revenue	4,979	369	152	5,500
Inter-segment revenue	-	(242)	195	(47)
Revenue from external customers	**4,979**	**127**	**347**	**5,453**
Timing of revenue recognition				
- At a point in time	-	127	347	474
- Over time	4,979	-	-	4,979
	4,979	**127**	**347**	**5,453**
Total manufacturing				
Segment revenue	92,620	50,333	43,120	186,073
Inter-segment revenue	-	-	-	-
Revenue from external customers	**92,620**	**50,333**	**43,120**	**186,073**
Timing of revenue recognition				
- At a point in time	-	50,333	43,120	93,453
- Over time	92,620	-	-	92,620
	92,620	**50,333**	**43,120**	**186,073**

Year Ended 31 August 2019	**Long term contracts**	**Standard equipment**	**Short term projects and service work**	**Total**
	$'000s	$'000s	$'000s	$'000s
Australasia manufacturing				
Segment revenue	54,666	38,583	13,251	106,500
Inter-segment revenue	(1,551)	(1,991)	(198)	(3,740)
Revenue from external customers	**53,115**	**36,592**	**13,053**	**102,760**
Timing of revenue recognition				
- At a point in time	-	36,592	13,053	49,645
- Over time	53,115	-	-	53,115
	53,115	**36,592**	**13,053**	**102,760**
Americas manufacturing				
Segment revenue	10,578	20,906	2,091	33,575
Inter-segment revenue	74	1,954	27	2,055
Revenue from external customers	**10,652**	**22,860**	**2,118**	**35,630**
Timing of revenue recognition				
- At a point in time	-	22,860	2,118	24,978
- Over time	10,652	-	-	10,652
	10,652	**22,860**	**2,118**	**35,630**
Europe manufacturing				
Segment revenue	52,490	4,310	17,477	74,277
Inter-segment revenue	1,477	37	712	2,226
Revenue from external customers	**53,967**	**4,347**	**18,189**	**76,503**
Timing of revenue recognition				
- At a point in time	-	4,347	18,189	22,536
- Over time	53,967	-	-	53,967
	53,967	**4,347**	**18,189**	**76,503**
China manufacturing				
Segment revenue	10,200	-	541	10,741
Inter-segment revenue	-	-	(541)	(541)
Revenue from external customers	**10,200**	**-**	**-**	**10,200**
Timing of revenue recognition				
- At a point in time	-	-	-	-
- Over time	10,200	-	-	10,200
	10,200	**-**	**-**	**10,200**
Total manufacturing				
Segment revenue	127,934	63,799	33,360	225,093
Inter-segment revenue	-	-	-	-
Revenue from external customers	**127,934**	**63,799**	**33,360**	**225,093**
Timing of revenue recognition				
- At a point in time	-	63,799	33,360	97,159
- Over time	127,934	-	-	127,934
	127,934	**63,799**	**33,360**	**225,093**

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.

	2020 $'000s	2019 $'000s
Revenue recognised included in the contract liability balance at the beginning of the period Contracts for long term projects	15,571	20,951

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

Unsatisfied long term project contracts

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

	2020 $'000s	2019 $'000s
Aggregate amount of the transaction price allocated to long term project contracts that are partially or fully unsatisfied as at 31 August	85,297	78,205

Management expects that 95% of the transaction price allocated to the unsatisfied contracts as of 31 August 2020 will be recognised as revenue during the next reporting period ($81 million) (2019: 95% of the transaction price allocated to the unsatisfied contracts as of 31 August 2019 will be recognised as revenue during the next reporting period ($74 million)). The remaining 5% ($4 million) (2019: 5% ($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.

	2020 $'000s	2019 $'000s
Rental income	217	178
Government grants related to research and development	67	2,026
COVID-19 wage subsidies	2,777	-
Gain on sale of property, plant and equipment	328	237
	3,389	**2,441**

The Group received a Growth Grant through Callaghan Innovation which ended on 31 August 2019. Callaghan Innovation reimbursed the Group for 20% of eligible expenditure on the Group's R&D programme in New Zealand. The Growth Grant has been replaced by the R&D Tax Incentive Scheme, which the Group is eligible for from the 2020 financial year onwards and any tax credits will be included in A2 Income Taxes.

The Group also receives grant revenue related to research and development through its Australian subsidiary Scott Automation and Robotics Pty Ltd.

Government wage subsidies were claimed in New Zealand by Scott Technology NZ Limited and in Australia Scott Automation and Robotics Pty Ltd, as a result of COVID-19 and the impact on the New Zealand and Australian businesses. The total of the subsidies received in FY20 was $2.8 million.

Scott Technology NZ Limited claimed an extension to the New Zealand wage subsidy in August 2020 totalling $0.8 million and the extended subsidy payments will be included in the FY21 financial statements.

The Australian wage subsidy ended on 30 September 2020 and no further extension has been obtained.

(C) OPERATING EXPENSES

	2020 $'000s	2019 $'000s
Audit Services: Deloitte Limited		
Group Audit	422	440
Other assurance services	-	5
Total remuneration for Audit Services	**422**	**445**
Non-Audit Services: Deloitte Limited		
Taxation Services	66	55
Total remuneration for Non-Audit Services	**66**	**55**

The auditor of the Group is Deloitte Limited.

Other Separately Disclosed Expenses:	Note	2020 $'000s	2019 $'000s
Directors' fees		236	227
Superannuation scheme contributions		7,009	7,543
Unrealised fair value losses on foreign exchange derivatives	D1	82	1,334
Fair value losses on derivatives held as fair value hedges	D1	890	1,216
Unrealised fair value losses on interest rate swap contracts	D1	-	346
and after crediting:			
Foreign exchange gains		450	8
Fair value gains on firm commitments	D1	1,036	1,216
Unrealised fair value gains on foreign exchange derivatives	D1	146	-
Unrealised fair value gains on interest rate swap contracts	D1	146	-

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:

	2020 $'000s	2019 $'000s
Net (loss)/surplus before tax	**(23,446)**	**9,346**
Income tax expense calculated at 28% (2019: 28%)	(6,565)	2,617
Non-deductible expenses / non-assessable income	1,469	(559)
Research & development tax credits claimed (Australia)	(1,167)	(1,112)
Under/(over) provision of income tax in previous year	569	(204)
Change in tax policy	(249)	-
Taxation benefit/(expense)	**(5,943)**	**742**
Represented by:		
Current tax	548	2,341
Deferred tax	(6,491)	(1,599)
	(5,943)	**742**

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 2020 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.

2020	Opening Balance $'000s	Charged to Income $'000s	Charged to Other Comprehensive Income $'000s	Acquisition of Subsidiary/ Business $'000s	Closing Balance $'000s
Gross deferred tax assets:					
Trade debtors	401	(77)	-	-	324
Other financial assets	948	(851)	-	-	97
Employee entitlements	1,224	(226)	-	-	998
Provisions	789	3,043	-	-	3,832
Tax losses	37	2,756	-	-	2,793
Inventories	(367)	725	-	-	358
	3,032	**5,370**	**-**	**-**	**8,402**
Gross deferred tax liabilities:					
Property, plant and equipment	(1,535)	789	-	-	(746)
Intangible assets	(2,123)	332	-	-	(1,791)
	(3,658)	**1,121**	**-**	**-**	**(2,537)**
	(626)	**6,491**	**-**	**-**	**5,865**

In the current year there is a large increase in deferred tax on provisions charged to profit or loss. This represents additional costs to complete projects and the impairment of assets. Refer to Note B8 and C10.

At the reporting date, the Group has unused gross tax losses of $10.0m (2019: $1.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of $2.8m (2019: $0.04m) 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.

2019	Opening Balance $'000s	Charged to Income $'000s	Charged to Other Comprehensive Income $'000s	Acquisition of Subsidiary/ Business $'000s	Closing Balance $'000s
Gross deferred tax assets:					
Trade debtors	438	(37)	-	-	401
Other financial assets	483	608	(143)	-	948
Employee entitlements	1,183	41	-	-	1,224
Provisions	696	93	-	-	789
Tax losses	7	30	-	-	37
	2,807	**735**	**(143)**	**-**	**3,399**
Gross deferred tax liabilities:					
Inventories	(630)	263	-	-	(367)
Property, plant and equipment	(1,952)	417	-	-	(1,535)
Intangible assets	(1,863)	184	-	(444)	(2,123)
	(4,445)	**864**	**-**	**(444)**	**(4,025)**
	(1,638)	**1,599**	**(143)**	**(444)**	**(626)**

During the year the New Zealand Government introduced new tax legislation for deferred tax on buildings. The impact of this legislative change in the current year reduced the deferred tax liability on property, plant and equipment by $0.2m.

Imputation Credit Account Balances

	2020 $'000s	2019 $'000s
Imputation credits available to shareholders	-	176

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:

- Australasia manufacturing
- Americas manufacturing
- Europe manufacturing
- China manufacturing

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

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

Asia and Europe have previously been reported as a single segment due to the previously integrated nature of customers, management, manufacturing and sales activities across Asia and Europe. These segments have been split into Europe and China in 2020, as a result of the separation in the management and change in focus for these regions.

Segment Revenues & 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 and therefore these allocations may not result in a meaningful and comparable measure of profitability by segment.

2020	Australasia Manufacturing	Americas Manufacturing	Europe Manufacturing	China Manufacturing	Unallocated	Total
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Revenue	**71,435**	**41,760**	**67,425**	**5,453**	**-**	**186,073**
Segment profit	330	2,971	3,393	(196)	-	6,498
Impairment of assets	(7,600)	-	-	-	-	(7,600)
Restructuring provision	(1,291)	-	(2,966)	-	-	(4,257)
Depreciation and amortisation	(3,985)	(751)	(4,668)	(52)	(442)	(9,898)
Share of net deficit of joint ventures	(69)	287	(69)	-	-	149
Interest revenue	86	-	-	98	7	191
Central administration costs	-	-	-	-	(6,436)	(6,436)
Finance costs	(215)	(294)	(471)	-	(1,113)	(2,093)
Net (deficit)/surplus before taxation	**(12,744)**	**2,213**	**(4,781)**	**(150)**	**(7,984)**	**(23,446)**
Taxation benefit/(expense)	5,804	(478)	356	451	(190)	5,943
Net (deficit)/surplus after taxation	**(6,940)**	**1,735**	**(4,425)**	**301**	**(8,174)**	**(17,503)**

2019	**Australasia Manufacturing** $'000s	**Americas Manufacturing** $'000s	**Europe Manufacturing** $'000s *(restated)*	**China Manufacturing** $'000s *(restated)*	**Unallocated** $'000s	**Total** $'000s
Revenue	**102,760**	**35,630**	**76,503**	**10,200**	**-**	**225,093**
Segment profit	16,426	4,915	2,770	3,278	-	27,389
Depreciation and amortisation	(3,720)	(323)	(4,381)	(35)	(510)	(8,969)
Share of net surplus of joint ventures	(216)	605	55	-	-	444
Interest revenue	-	-	2	8	10	20
Central administration costs	-	-	-	-	(7,823)	(7,823)
Finance costs	(120)	(147)	(631)	-	(817)	(1,715)
Net surplus after taxation	**12,370**	**5,050**	**(2,185)**	**3,251**	**(9,140)**	**9,346**
Taxation expense	(3,152)	(959)	958	(321)	2,732	(742)
Net surplus after taxation	**9,218**	**4,091**	**(1,227)**	**2,930**	**(6,408)**	**8,604**

Revenue reported above represents revenue generated from external customers. Inter-segment sales, which are eliminated on consolidation, were $5 million for the year ended 31 August 2020 (2019: $3 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 other industrial automation (including robotics). The Group's revenue from external customers by industry is detailed below:

	2020 $'000s	**2019** $'000s
Appliances	20,058	45,489
Materials handling and logistics	51,528	60,542
Meat processing	29,013	34,506
Mining	33,006	30,324
Other industrial automation (including robotics)	52,468	54,232
	186,073	**225,093**

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:

	2020 $'000s	2019 $'000s
New Zealand (country of domicile)	6,651	9,200
Australia and Pacific Islands	32,714	46,633
North America, including Mexico	56,142	69,168
South America	2,975	2,502
Asia	10,088	11,810
Europe	66,919	74,920
Russia and former states	7,035	6,477
Africa and Middle East	3,549	4,383
	186,073	**225,093**

The Group holds $75.3 million of non-current assets in geographical areas outside of New Zealand, the country of domicile (2019: $82.3 million).

Information about major customers

Sales to the Group's largest single customer, who is from the Australasia Manufacturing segment and the Mining industry, accounted for approximately 2.9% of total Group sales (2019: Australasia Manufacturing segment and the Appliance Industry 5.6%).

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.

	2020 $'000s	2019 $'000s
Trade debtors	24,715	40,487
Allowance for expected credit losses	(1,286)	(1,494)
	23,429	**38,993**

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.

Impairment of Financial Assets

In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. 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. It is now no longer 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;

	Australasia		Americas		China		Europe		Group	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
		(restated)								*(restated)*
Debtors										
Current-30 days	5,820	15,730	2,875	4,592	703	578	3,769	8,500	13,167	29,400
31-60 days	2,435	1,481	254	820	186	16	2,450	3,402	5,325	5,719
61-90 days	1,209	1,484	286	193	-	-	607	129	2,102	1,806
Over 91 days	1,512	2,304	477	137	61	348	2,071	773	4,121	3,562
Total debtors	**10,976**	**20,999**	**3,892**	**5,742**	**950**	**942**	**8,897**	**12,804**	**24,715**	**40,487**
Contract assets	16,679	17,748	436	535	1,780	2,487	6,486	9,064	25,381	29,834
Total assets	**27,655**	**38,747**	**4,328**	**6,277**	**2,730**	**3,429**	**15,383**	**21,868**	**50,096**	**70,321**
Allowance based on expected credit loss	-	-	-	-	-	-	-	-	-	-
Expected credit loss on individually assessed balances	(1,132)	(1,393)	(37)	(40)	-	-	(117)	(61)	(1,286)	(1,494)
Credit loss allowance	**(1,132)**	**(1,393)**	**(37)**	**(40)**	**-**	**-**	**(117)**	**(61)**	**(1,286)**	**(1,494)**

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 FY20.

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.

	2020 $'000s	2019 $'000s
Raw materials	10,016	9,385
Work in progress	4,419	1,409
Finished goods	8,247	11,765
	22,682	22,559

Write Downs

The cost of inventories recognised as an expense during the year includes $0.9 million (2019: $0.3 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 long term 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 long term project contracts are balances due to customers under long term 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 long term projects. If the costs incurred to complete the long term contracts differ from the estimates completed by management, the Directors could be over or underestimating 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 long term 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.

	2020 $'000s	2019 $'000s *(restated)*
Contract assets	25,381	29,834
Contract liabilities	(25,313)	(16,050)
Deferred revenue	(3,739)	-
	(3,671)	**13,784**

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 & 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 & vehicles 1 - 13 years

	Freehold Land at Cost $'000s	Freehold Buildings at Cost $'000s	Plant, Equipment & Vehicles at Cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2018	2,432	7,778	25,685	35,895
Acquisitions through business combinations	-	-	39	39
Additions	-	4,657	1,866	6,523
Disposals	-	-	(302)	(302)
As at 31 August 2019	**2,432**	**12,435**	**27,288**	**42,155**
Transfer from PPE Held for Sale	-	-	345	345
Additions	-	330	2,811	3,141
Disposals	-	-	(3,142)	(3,142)
Translation of amounts held in foreign currency	-	(23)	115	92
As at 31 August 2020	**2,432**	**12,742**	**27,417**	**42,591**

	Freehold Land at Cost	Freehold Buildings at Cost	Plant, Equipment & Vehicles at Cost	Total
	$'000s	$'000s	$'000s	$'000s
Accumulated depreciation & impairment				
As at 31 August 2018	-	2,189	16,861	19,050
Disposals	-	-	(299)	(299)
Depreciation expense	-	445	2,700	3,145
As at 31 August 2019	**-**	**2,634**	**19,262**	**21,896**
Disposals	-	-	(1,008)	(1,008)
Depreciation expense	-	399	2,575	2,974
Translation of amounts held in foreign currency	-	(72)	503	431
As at 31 August 2020	**-**	**2,961**	**21,332**	**24,293**
Net book value				
As at 31 August 2019	**2,432**	**9,801**	**8,026**	**20,259**
As at 31 August 2020	**2,432**	**9,781**	**6,085**	**18,298**

The disposals include $1.2 million related to restructuring activities referred to in note E2.

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.

	Note	2020 $'000s	2019 $'000s
Gross Carrying Amount			
Balance at beginning of financial year		57,951	56,561
Additional amounts recognised from business combinations occurring during the period	E1	-	758
Translation of goodwill amounts held in foreign currency		(635)	632
Balance at end of financial year		**57,316**	**57,951**

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 Australasia, Americas or China manufacturing and all three models are supported by historical data where available and the cash flows in the models are conservative in relation to what has been achieved historically.

A heightened degree of focus has been given to the European CGU, due to the lack of historical data from recent acquisitions whilst within the Scott Group, the impacts of Brexit and COVID-19 on Europe, and the German operations which have been restructured in the current year. After taking account of the restructuring of the German operations, the impairment model includes assumptions around the post-Brexit and post-COVID-19 recovery, resulting in an expectation that the European CGU will improve its Earnings Before Interest and Tax (EBIT) by NZ$4.4m in 2022 and then adjusting for annualised growth after that date. The Board consider this a conservative estimate of forecast growth given the changes made to the Europe business in the current year. Sensitivity analysis has showed that if the improvement in the net result from 2022 onwards is NZ$3.5m rather than the NZ$4.4m assumed and no subsequent recovery in earnings is made, the model would result in nil headroom. The Board do not consider this a reasonably possible outcome given the forecast opportunities of the Europe business. The Board is satisfied that the assumptions included in the model are reasonable and the lower level of the sensitivity analysis is unlikely to be realised.

Allocation of Goodwill to Cash-Generating Units

The Group's cash-generating units are:

- Australasia manufacturing
- Americas manufacturing
- Europe manufacturing
- China manufacturing

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

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

During the period, the former Asia and Europe manufacturing cash generating unit (CGU) has been split into Europe manufacturing and China manufacturing CGUs. This is due to these CGU's now having separate management, manufacturing, sales and financing activities.

Goodwill has been allocated for impairment testing purposes to the cash-generating units:

	2020	**2019**
	$'000s	$'000s
Gross Carrying Amount		*(restated)*
Australasia manufacturing	24,370	24,028
Americas manufacturing	14,318	15,324
Europe manufacturing	18,278	18,240
China manufacturing	350	359
	57,316	**57,951**

Goodwill had previously been allocated to the cash-generating unit Europe and Asia. Upon the reorganisation of the CGU's the Goodwill associated with the acquisitions of companies located in each new CGU has been reallocated to align with the CGU that each entity whose acquisition gave rise to the goodwill is now a part of.

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 CGU's have been listed below.

Australasia	2020	2019
Annual growth rate	2.5%	3.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	11.0%	10.6%

Australasia 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 2020 of 2.5% (2019: 3.0%) 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 steady 2.0% p.a. growth rate (2019: 2.0%). The pre-tax discount rate calculated in 2020 is 11.0% (2019: 10.6%).

The Australasian 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 Australasian cash-generating unit.

Americas	2020	2019
Annual growth rate	2.0%	3.0%
Terminal growth rate	1.5%	2.0%
Pre-tax discount rate	10.6%	10.6%

Americas cash flow 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 2020 of 2.0% (2019: 3.0%) 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 steady 1.5% p.a. growth rate (2019: 2.0%). The pre-tax discount rate calculated in 2020 is 10.6% (2019: 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 American cash-generating unit.

Europe	2020	2019
Annual growth rate	1.8%	3.0%
Terminal growth rate	1.3%	2.0%
Pre-tax discount rate	9.7%	10.6%

Europe cashflow projections during the budget and forecast period are based on historical gross margins during the budget and forecast period. The rate of revenue and materials price inflation during 2020 of 1.8% (2019: 3.0%) 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 steady 1.3% p.a. growth rate (2019: 2.0%). The pre-tax discount rate calculated in 2020 is 9.7% (2019: 10.6%).

As noted above, the European CGU has received a heightened degree of focus for the impairment testing due to the lack of historical data that is not easily comparable, the German restructure, Brexit and COVID-19. The key assumptions in the impairment test relate to achieving forecast EBIT. The Board believe the forecast EBIT used in the impairment model is conservative and 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	2020	2019
Annual growth rate	2.5%	3.0%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	13.5%	10.6%

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 2020 of 2.5% (2019: 3.0%) 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 steady 2.0% p.a. growth rate (2019: 2.0%). The pre-tax discount rate calculated in 2020 is 13.5% (2019: 10.6%).

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

SECTION B: ASSETS

B6. INTANGIBLE ASSETS

Policy

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

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

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

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

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

	Conveyor & Palletiser Technology at Cost $000's (restated)	BladeStop Technology at Cost $'000s (restated)	URLs at Cost $'000s (restated)	Non-compete at Cost $'000s (restated)	HTS Technology at Cost $'000s (restated)	Centrifuge Technology at Cost $'000s (restated)	Automated Grading Technology at cost $'000s (restated)	Patents & Other $'000s (restated)	Total $'000s (restated)
Gross carrying amount									
As at 31 August 2018	5,531	11,006	1,955	75	403	300	-	88	19,358
Acquisitions through business combinations	-	-	-	-	-	-	1,585	-	1,585
Additions	704	-	-	-	-	40	-	-	744
Foreign Translation Difference	(1)	(343)	109	4	-	-	41	-	(190)
As at 31 August 2019	**6,234**	**10,663**	**2,064**	**79**	**403**	**340**	**1,626**	**88**	**21,497**
Additions	65	-	-	-	-	-	-	-	65
Disposals	(344)	-	-	-	-	-	-	-	(344)
Foreign Translation Difference	21	270	(135)	(5)	-	-	11	(1)	161
As at 31 August 2020	**5,976**	**10,933**	**1,929**	**74**	**403**	**340**	**1,637**	**87**	**21,379**
Accumulated amortisation and impairment									
As at 31 August 2018	203	2,637	-	28	354	34	-	11	3,267
Amortisation expense	509	1,333	-	6	49	26	62	5	1,990
Foreign Translation Difference	-	(82)	-	2	-	-	-	-	(80)
As at 31 August 2019	**712**	**3,888**	**-**	**36**	**403**	**60**	**62**	**16**	**5,177**
Amortisation expense	746	1,367	-	6	-	26	231	3	2,379
Foreign Translation Difference	5	99	-	(2)	-	-	-	-	102
As at 31 August 2020	**1,463**	**5,354**	**-**	**40**	**403**	**86**	**293**	**19**	**7,658**
Net book value									
As at 31 August 2019	**5,522**	**6,775**	**2,064**	**43**	**-**	**280**	**1,564**	**72**	**16,320**
As at 31 August 2020	4,513	5,579	1,929	34	-	254	1,344	68	13,721

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, is being amortised on a straight line basis over an estimated remaining useful life at the time of purchase of ten years.
- BladeStop bandsaw safety technology purchased in October 2017, 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.
- Intangible assets associated with the RobotWorx non-compete arrangement 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.
- Intellectual Property associated with current leads and flux pumps which were largely acquired on the purchase of HTS-110 Limited are being amortised over an estimated remaining useful life at the time of purchase of eight years.
- Centrifuge technology used in the honey and fish oil industry purchased through the acquisition of the other joint venture partners' interests in Scott Separation Technology Limited in May 2017, is being amortised on a straight line basis over an estimated remaining useful life at the time of purchase of thirteen years.
- Automated grading technology used in the meat industry purchased through the acquisition of Normaclass in May 2019, is being amortised on a straight line basis over an estimated useful life at the time of purchase of ten years.

SECTION B: ASSETS

B7. RESEARCH & 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.
- The ability to measure reliably the expenditure attributable to the asset during the development

SECTION B: ASSETS

B8. IMPAIRMENT OF ASSETS

	Note	2020 $'000s	2019 $'000s
Impairment of Scott LED assets		168	-
Impairment of Investment in Veritide Limited		420	-
Impairment of Scott Dairy development asset	B9	3,370	-
Impairment of other development assets	B9	3,642	-
		7,600	**-**

During the current year the Group has undertaken a restructure and revised its corporate strategy. As a result, certain development and other assets have been deemed not in line with the updated strategy. A decision has been taken to cease work on these developments and other assets and therefore they have been fully impaired.

All of the impaired assets relate to the Australasia segment.

The recoverable amount of each asset after impairment is nil on the basis there is no alternative for sale or residual value in the assets.

Scott LED is a company that sells LED lightbulbs. As a part of a review of the operations of the Group, this business activity has been identified as being non-core to the Scott strategy. As a result, the assets related to Scott LED Limited have been impaired and the business has ceased trading. The total amount of this provision at 31 August 2020 is $0.2m.

Scott holds an investment in Veritide Limited, (Veritide), a research collaboration that provides mobile, handheld scanners to identify visible and non-visible faecal contamination on meat carcasses. As at 31 August 2020, Veritide had not secured any further funding to keep operating and Scott's investment of $0.4m has been impaired as a result.

SECTION B: ASSETS

B9. 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 agreed. The costs incurred are evaluated against the criteria for capitalisation and where appropriate are recognised as development assets on the balance sheet. Any costs not meeting the criteria for capitalisation are expensed as incurred.

In the current year, impairment adjustments have been made to the following development assets:

Scott Dairy is automated milking technology for the dairy industry that has been developed over several years. During the first half of the 2020 financial year, discussions with potential commercialisation partners ceased with no further plans to commercialise this product at this stage. As a result, the total amount of the asset has been written down at 31 August 2020, totalling $3.4m.

Impairment of other development assets is related to one non-performing project based in Australasia. The project related to the development of a pork automation solution. During the current year execution issues led to unexpected additional costs to complete the project and achieve performance objectives. As a consequence, discussions with the commercial partners interested in the development ceased with no further plans to commercialise this product at this stage. All additional costs relating to these projects have been expensed in the 2020 financial statements. This project is also disclosed in note E5.

SECTION C
CAPITAL & FUNDING

C1. SHARE CAPITAL

Policy

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

	2020 Number	2019 Number	2020 $'000s	2019 $'000s
Fully paid ordinary shares at beginning of financial year	77,544,752	75,902,939	80,073	75,647
Issue of shares under dividend reinvestment plan	766,280	1,641,813	1,749	4,426
Balance at end of financial year	78,311,032	77,544,752	81,822	80,073

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 & FUNDING

C2. EARNINGS & NET TANGIBLE ASSETS PER SHARE

Earnings per share from continuing operations

	2020 Cents Per Share	**2019** Cents Per Share
Basic	(22.2)	11.3
Diluted	(22.2)	11.3

	2020 $'000s	**2019** $'000s
Net (loss) / surplus for the year used in the calculation of basic and diluted earnings per share from continuing operations	(17,331)	8,690
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	78,129	76,801

Non-GAAP information

	2020 Cents Per Share	**2019** Cents Per Share
Net tangible assets per ordinary share	20.2	50.4

	Note	**2020** $'000s	**2019** $'000s
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share	C1	78,311	77,545
Net tangible assets (net assets excluding goodwill, intangible assets and deferred tax)		15,838	39,087

SECTION C: CAPITAL & 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.

	2020	2019
	NZD$'000s	NZD$'000s
Current	3,719	4,217
Non-current	7,466	7,450
Total Term Loans	**11,185**	**11,667**
Maturity Profile of non-current portion		
One to two years	5,266	844
Two to three years	1,824	5,014
Three to five years	376	1,592
	7,466	**7,450**

Interest rates applicable to 31 August 2020 on the bank term loans ranged from 1.8% to 8.5% p.a. (2019: 1.2% to 8.5% p.a.)

The carrying amounts of the Group's borrowings are denominated in the following currencies:	2020		2019	
	Facility	**Utilised**	**Facility**	**Utilised**
	NZD$'000s	NZD$'000s	NZD$'000s	NZD$'000s
New Zealand Dollar	14,634	6,635	4,900	4,900
United States Dollar	2,600	2,459	3,176	3,176
European Euros	3,426	1,933	3,843	3,340
Czech Koruna	378	158	751	251
	21,038	**11,185**	**12,670**	**11,667**

The Group also has access to the following working capital facilities:	2020		2019	
	Facility	**Utilised**	**Facility**	**Utilised**
	NZD$'000s	NZD$'000s	NZD$'000s	NZD$'000s
New Zealand Dollar	12,500	7,391	13,000	10,878
United States Dollar	1,484	-	794	-
European Euros	1,943	-	-	-
Czech Koruna	1,078	-	-	-
	17,005	**7,391**	**13,794**	**10,878**

Borrowing Facilities

Borrowings shown above include bank debt, a loan from JBS Australia Pty Ltd, and vehicle financing.

Borrowing facilities include credit card facilities which are included in trade creditors and accruals and bank guarantees and bonds, which are included in contingent liabilities.

The main source of financing for the Group is through ANZ Bank in New Zealand. The Group's facility agreement with ANZ Bank New Zealand Limited is currently being renegotiated. The total of the ANZ Bank New Zealand Limited current facility agreement for borrowings and working capital is NZ$19.7m, of which NZ$5.2m was unutilised at 31 August 2020 (2019: NZ$2.1m unutilised at 31 August 2019).

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 assets 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 3.0m, of which EUR 1.9m was unutilised at 31 August 2020.

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 3.5m.

Other borrowing facilities include a US$1m line of credit from BB&T Bank (not utilised at 31 August 2020), a CZK 10m overdraft facility (not utilised at 31 August 2020) and a CZK 6m bank guarantee line (not utilised at 31 August 2020).

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$10m. The expiry date of this facility is 31 August 2022. At 31 August 2020, NZ$2m has been drawn down from this facility.

SECTION C: CAPITAL & FUNDING

C4. TRADE CREDITORS & ACCRUALS

Policy

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

	2020	2019
	$'000s	$'000s
Trade creditors	15,143	22,420
Accruals	8,890	8,637
	24,033	**31,057**

Terms

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

SECTION C: CAPITAL & FUNDING

C5. LEASES

Policy

The Group assess 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 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 understated.

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 understated.

The Group leases several assets, including buildings, cars and machinery. The average lease term is 3.7 years (2019: 3.7 years).

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

Right-of-use assets

	Buildings	Plant	Vehicles	Group
Cost	$'000s	$'000s	$'000s	$'000s
Balance 31 August 2018	-	-	-	-
Recognised on change of accounting policy	11,465	509	2,747	14,721
Additions	5,156	24	929	6,109
Balance 31 August 2019	**16,621**	**533**	**3,676**	**20,830**
Additions	343	1	545	889
Disposals	(730)	(150)	(503)	(1,383)
Translation of leases held in foreign currency	(134)	(5)	17	(122)
As at 31 August 2020	**16,100**	**379**	**3,735**	**20,214**
Depreciation				
Balance 31 August 2018	-	-	-	-
Depreciation expense	2,469	240	1,125	3,834
Balance 31 August 2019	**2,469**	**240**	**1,125**	**3,834**
Depreciation expense	3,241	160	1,144	4,545
Disposals	(683)	(150)	(445)	(1,278)
Translation of leases held in foreign currency	30	(3)	14	41
As at 31 August 2020	**5,057**	**247**	**1,838**	**7,142**
As at 31 August 2019	14,152	293	2,551	16,996
As at 31 August 2020	11,043	132	1,897	13,072

Amounts recognised in profit and loss and cash flow statement

	2020	2019
	$'000s	$'000s
Total cash outflow for leases	4,176	3,993
Interest expense on lease liabilities	662	518
Expense relating to short-term liabilities	448	959

As at 31 August 2020, the Group is committed to $0.2 million (2019: $1 million) for short-term leases.

Lease liabilities	2020 $'000s	2019 $'000s
Current liability	3,818	4,081
Non-current liability	10,008	13,311
Total	**13,826**	**17,392**

Maturity analysis	2020 $'000s	2019 $'000s
Not later than 1 year	3,818	4,081
Later than 1 year and not later than 5 years	7,189	9,636
Later than 5 years	2,819	3,675
	13,826	**17,392**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

SECTION C: CAPITAL & FUNDING

C6. CASH FLOW HEDGE RESERVE

Policy

See cash flow hedge policy in note D1.

	2020 $'000s	2019 $'000s
Balance at 1 September	-	370
Gain reclassified to profit or loss – hedged item has affected profit or loss	-	(370)
Balance at 31 August	**-**	**-**

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

SECTION C: CAPITAL & FUNDING

C7. 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 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 which 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 & FUNDING

C8. 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.

	2020 $'000s	2019 $'000s
Balance at 1 September	1,546	1,857
Provisions recognised / (derecognised) during the year	328	(311)
Balance at 31 August	**1,874**	**1,546**

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 two years of balance date, however, this timing is uncertain and dependent upon the actual level of after sales service work required.

SECTION C: CAPITAL & FUNDING

C9. SHARE BASED PAYMENT ARRANGEMENTS

Policy

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. 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 a long term bonus scheme for certain executives and senior employees of the Group. In accordance with the terms of the plan, executives and senior employees who remain in employment with the Group at the vesting dates 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. The fair value of the scheme is measured at year end with reference to the share price. At balance date there is a liability of $0.1 million (2019: $0.2 million) included in employee entitlements in the balance sheet. The impact of the movement in the liability on profit for the year was a $0.1 million decrease (2019: $0.2 million increase) and is included in the employee benefits expenses. No shares, or share options, in Scott Technology Limited are issued under the plan.

SECTION C: CAPITAL & FUNDING

C10. 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.

	2020 $'000s	2019 $'000s
Balance at 1 September	4,236	-
Movement recognised in profit or loss	3,463	4,236
Balance at 31 August	**7,699**	**4,236**

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.

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.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, 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, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge 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 purpose.

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 2019.

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

The Group has sufficient liquid assets to fund the operational assets. To the extent that additional working capital funding is required the Group has bank facilities available as disclosed in note 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 risk.

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 are 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	
	2020	**2019**	**2020**	**2019**
	$'000s	$'000s	$'000s	$'000s
United States Dollar	17,275	20,957	8,218	12,073
Euro	13,624	23,722	10,559	25,197
Australian Dollar	8,739	7,523	6,714	8,178
Japanese Yen	-	-	105	-
Great Britain Pound	309	271	64	103
Chinese Yuan	4,512	2,609	674	1,472
Canadian Dollar	-	489	-	-
Czech Koruna	365	137	5,239	6,622
Singaporean Dollar	-	-	165	-
	44,824	**55,708**	**31,738**	**53,645**

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.

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.

	2020	2019
Assets	$'000s	$'000s
At fair value:		
Fair value hedge of open firm commitments	728	1,216
Foreign currency forward contracts held as effective fair value hedges	162	-
Foreign exchange derivatives	146	-
	1,036	**1,216**
Represented by:		
Current financial assets	1,032	1,207
Non current financial assets	4	9
	1,036	**1,216**

	2020	2019
Liabilities	$'000s	$'000s
At fair value:		
Fair value hedge of open firm commitments	162	-
Foreign currency forward contracts held as effective fair value hedges	728	1,216
Foreign exchange derivatives	82	1,334
Interest rate swap contracts	814	960
	1,786	**3,510**
Represented by:		
Current financial liabilities	972	2,541
Non current financial liabilities	814	969
	1,786	**3,510**

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

Outstanding forward foreign currency contracts

	Average Fx Rate		Nominal Value		Fair Value	
			2020	**2019**	**2020**	**2019**
	2020	**2019**	$'000s	$'000s	$'000s	$'000s
Sell US Dollars	0.6491	0.6774	7,981	33,713	20	(1,879)
Sell Australian Dollars	0.9626	0.9424	13,380	9,095	(579)	(63)
Sell British Pounds	0.4914	-	417	-	11	-
Sell Canadian Dollars	0.8812	0.8812	108	1,458	-	(74)
Sell Euro	0.5719	0.5959	1,070	11,629	(17)	(521)
Buy Australian Dollars	0.9747	-	958	-	63	-
Buy Euro	-	0.5692	-	12,175	-	(24)
Buy Japanese Yen	-	75.1300	-	91	-	11
			23,914	**68,161**	**(502)**	**(2,550)**

Outstanding forward foreign currency contracts maturity profile

	Nominal Value		Fair Value	
	2020	**2019**	**2020**	**2019**
	$'000s	$'000s	$'000s	$'000s
0 to 3 months	9,984	55,459	(206)	(1,917)
3 to 6 months	9,062	7,004	(173)	(210)
6 to 9 months	2,801	4,627	(47)	(338)
9 to 12 months	1,854	994	(72)	(80)
Greater than 12 months	213	77	(4)	(5)
	23,914	**68,161**	**(502)**	**(2,550)**

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

	10% Increase in New Zealand Dollar		10% Decrease in New Zealand Dollar	
	2020	**2019**	**2020**	**2019**
	$'000s	$'000s	$'000s	$'000s
United States Dollar	(625)	(76)	625	76
Euro	(253)	147	253	(147)
Australian Dollar	(198)	177	198	(177)
Japanese Yen	10	-	(10)	-
Great Britain Pound	(25)	(17)	25	17
Chinese Yuan	(384)	(114)	384	114
Canadian Dollar	11	3	(11)	(3)
Czech Koruna	487	648	(487)	(648)
Singaporean Dollar	17	-	(17)	-

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, the use of Export Credit Office financing facilities and customer credit checks. The Group, as a result of the industries in which they operate, can be exposed to significant concentrations of credit risk from trade receivables and counterparty risk with the bank in relation to the outstanding forward exchange contracts. They do not require any collateral or security to support financial instruments as these represent deposits with, or loans to, banks and other financial institutions with high credit ratings.

At year end the amount receivable from the five largest trade debtors is $5.7 million (2019: $10.1 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 & 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 reasonable 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. The loan facility is not currently being used.

Outstanding receive floating pay fixed contracts

	Average Contracted Fixed Interest Rate		Notional Principal Amount		Fair Value	
	2020	2019	2020	2019	2020	2019
	%	%	$'000s	$'000s	$'000s	$'000s
5 years +	2.70%	2.70%	3,164	3,263	(814)	(960)

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

The tables include both interest and principal cash flows.

	Weighted Average Effective Interest Rate	On Demand	Less than 1 Year	1-2 Years	2-3 Years	3-5 Years	5+ Years	Total
	%	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
2020 Financial Liabilities								
Lease liabilities	4.32%	-	3,983	2,816	2,324	2,355	2,946	14,424
Term loans	3.44%	-	3,846	5,447	1,887	389	-	11,569
Deferred settlement on purchase of business	-	-	1,376	505	-	-	-	1,881
Payable to joint ventures	-	-	431	-	-	-	-	431
Trade creditors & accruals	-	24,033	-	-	-	-	-	24,033
		24,033	**9,636**	**8,768**	**4,211**	**2,744**	**2,946**	**52,338**
2019 Financial Liabilities								
Finance lease liabilities	4.22%	-	4,253	3,840	2,612	3,590	3,830	18,125
Term loans	3.55%	-	4,367	874	5,192	1,218	471	12,122
Deferred settlement on purchase of business	-	-	2,385	-	-	-	-	2,385
Payable to joint ventures	-	-	393	-	-	-	-	393
Trade creditors & accruals	-	31,057	-	-	-	-	-	31,057
		31,057	**11,398**	**4,714**	**7,804**	**4,808**	**4,301**	**64,082**

The Group has access to financing facilities, of which the total unused amount is $19.5 million at the balance sheet date, (2019: $3.9 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Fair Value Measurements Recognised in the Balance Sheet

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

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

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

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

	Level 1	Level 2	Level 3	Total
	$'000s	$'000s	$'000s	$'000s
2020				
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	728	-	728
Foreign currency forward contracts held as effective fair value hedges	-	162	-	162
Foreign exchange derivatives	-	146	-	146
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(162)	-	(162)
Foreign currency forward contracts held as effective fair value hedges	-	(728)	-	(728)
Foreign exchange derivatives	-	(82)	-	(82)
Interest rate swap contracts	-	(814)	-	(814)
	-	**(750)**	**-**	**(750)**
2019				
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	1,216	-	1,216
Financial liabilities at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	(1,216)	-	(1,216)
Foreign exchange derivatives	-	(1,334)	-	(1,334)
Foreign currency forward contracts held as cash flow hedges	-	-	-	-
Interest rate swap contracts	-	(960)	-	(960)
	-	**(2,294)**	**-**	**(2,294)**

Fair Value

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

SECTION E
GROUP STRUCTURE & SUBSIDIARIES

E1. ACQUISITION OF BUSINESS

Deferred Settlement

	2020	2019
	$'000s	$'000s
Balance at 1 September	2,385	6,275
Deferred consideration on purchase of business	-	858
Payment of deferred consideration	(514)	(4,748)
Movement in balances held in foreign currency	10	-
Balance at 31 August	**1,881**	**2,385**
Current	1,376	2,385
Non-current	505	-
Total Deferred Settlement	**1,881**	**2,385**
Made up of:		
Transbotics	994	1,527
Normaclass	887	858
	1,881	**2,385**

SECTION E: GROUP STRUCTURE & SUBSIDIARIES

E2. RESTRUCTURING EXPENSES

Closure of DC Ross

On 29 November 2019, the proposal to close the operations of DC Ross in Dunedin was announced. A provision of $1.4m to close the facility has been included in the 2020 half year financial statements, primarily related to the write off of fixed assets where the book value of these assets is unlikely to be recovered.

The operations officially closed in April 2020 and all assets were either sold or disposed resulting in $0.1m being recovered from the sale of the assets and as a result, the total expenditure recognised to complete the closure was $1.3m.

Closure of Scott Technology GmbH

On 8 May 2020, the Group announced plans to close the manufacturing operations at Scott Automation GmbH, based in Germany. The manufacturing operations have since been consolidated into other existing facilities within the Scott Group, resulting in $3.0m of expenditure recognised in the second half of FY20. This includes payments for redundancies, legal costs and costs related to exiting the building.

A sales and service team remain in Germany and as a result, the German entity Scott Technology Gmbh remains operational.

SECTION E: GROUP STRUCTURE & SUBSIDIARIES

E3. SUBSIDIARIES

			2020 %	2019 %
Parent Entity				
Scott Technology Limited	31-Aug	New Zealand	n/a	n/a
New Zealand Trading Subsidiaries				
Scott Technology NZ Limited	31-Aug	New Zealand	100	100
Scott Automation Limited	31-Aug	New Zealand	100	100
Scott Technology USA Limited	31-Aug	New Zealand	100	100
QMT General Partner Limited	31-Aug	New Zealand	93	93
QMT New Zealand Limited Partnership	31-Aug	New Zealand	92	92
Scott Technology Americas Limited	31-Aug	New Zealand	100	100
Scott Technology Europe Limited	31-Aug	New Zealand	100	100
New Zealand Non Trading Subsidiaries				
Scott LED Limited	31-Aug	New Zealand	100	100
Rocklabs Limited	31-Aug	New Zealand	100	100
Overseas Subsidiaries				
Scott Technology Australia Pty Ltd	31-Aug	Australia	100	100
Applied Sorting Technologies Pty Ltd	31-Aug	Australia	100	100
Scott Automation & Robotics Pty Ltd	31-Aug	Australia	100	100
Scott Systems International Incorporated	31-Aug	USA	100	100
Scott Systems (Qingdao) Co Limited	31 December (*)	China	95	95
Scott Technology GmbH	31-Aug	Germany	100	100
Scott Technology Belgium bvba	31-Aug	Belgium	100	100
Scott Automation NV	31-Aug	Belgium	100	100
FLS Group bvba	31-Mar	Belgium	100	100
FLS Systems NV	31-Mar	Belgium	100	100
Alvey do Brazil Comercio de Maquinas de Automacao	31 December (*)	Brazil	100	100
Scott Automation a.s.	31-Aug	Czech Republic	100	100
Scott Automation SAS	31-Aug	France	100	100
Scott Automation Limited	31-Aug	United Kingdom	100	100
Normaclass	31-Aug	France	100	100
Rivercan S.A.	31 December (*)	Uruguay	100	100

(*) Determined by local regulatory requirements.

SECTION E: GROUP STRUCTURE & SUBSIDIARIES

E4. 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 2020 %	Ownership Interest 2019 %	2020 $'000s	2019 $'000s
Robotic Technologies Limited (i)	New Zealand	50	50	267	335
Scott Technology Euro Limited (ii)	Ireland	50	50	66	135
Scott Technology S.A. (iii)	Chile	50	50	137	71
Rocklabs Automation Canada Limited (iv)	Canada	50	50	753	830
Balance at 31 August				**1,223**	**1,371**

(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 deficit was $68,000 (2019: share of net deficit $217,000) and RTL paid a dividend to Scott Technology Limited of $Nil (2019: Nil).

(ii) Scott Technology Euro Limited (STEL) is a European sales agency for Scott Technology Limited and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. STEL was formed in 2009 and has a balance date of 31 August. Scott Technology Limited's share of STEL's net deficit was $69,000 (2019: share of net surplus $55,000). STEL is no longer trading and is in the process of being wound up.

(iii) Scott Technology S.A. (STSA) is a joint venture between Scott Technology Limited and Canadian private company STG Holdings Limited. STSA commenced trading in June 2014 and has a balance date of 31 August. STSA is a sales agency for mining equipment in the Americas and is based in Chile. Scott Technology Limited's share of STSA's net surplus was $66,000 (2019: share of net surplus $65,000).

(iv) Rocklabs Automation Canada Limited (RAC) is a joint venture between Scott Technology Limited and Canadian private company, STG Holdings Limited. RAC commenced trading in 2013 and has a balance date of 31 August. RAC is a sales agency for mining equipment in North America. Scott Technology Limited's share of RAC's net surplus was $220,000 (2019 share of net surplus: $541,000) and RAC paid a dividend of $298,000 (2019: $Nil).

Carrying value of equity accounted investments:	2020 $'000s	2019 $'000s
Balance at 1 September	1,372	928
Share of net surplus	149	444
Share of dividends	(298)	-
Balance at 31 August	**1,223**	**1,372**

Summarised statement of comprehensive income of joint ventures from continuing operations	Joint Ventures 2020 $'000s	 2019 $'000s
Income	5,072	6,576
Expenses	(4,774)	(5,688)
Net surplus and total comprehensive income	298	888
Group share of net (loss)/surplus	**149**	**444**

Summarised balance sheets of joint ventures:	Joint Ventures 2020 $'000s	 2019 $'000s
Current assets	3,153	4,474
Non-current assets	996	982
Current liabilities	(1,106)	(1,775)
Non-current liabilities	(801)	(1,127)
Net assets	2,242	2,554
Group share of net assets	**1,121**	**1,277**

RTL, STEL, STSA and RAC do 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 & SUBSIDIARIES

E5. RELATED PARTY TRANSACTIONS

	2020	2019
	$'000s	$'000s
Joint Ventures		
Project work undertaken by the Group for RTL	296	942
Administration, sales and marketing fees charged by the Group to RTL	214	164
Sales revenue received by RTL from the Group	389	982
Advance from RTL to Scott Technology	(426)	(344)
Interest charged by RTL to Scott Technology on advance	101	105
Administration fees charged by the Group to STEL	-	6
Commission received by STEL from the Group	-	211
Advance from STEL to Scott Technology	2	(49)
Project work undertaken by the Group for STSA	424	571
Advance from Scott Technology to STSA	765	1,129
Project work undertaken by the Group for RAC	3,305	1,715
Advance from Scott Technology to RAC	(5)	423

Advances

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

Directors

S J McLauchlan is trustee of the Scott Technology Employee Share Purchase Scheme. The balance of the interest free advance owing to the scheme at 31 August 2020 was $7,694 (2019: $7,110). During the year no shares vested with employees and no shares (2019: no shares) which had not vested with employees were disposed of at market value. As at 31 August 2020 17,779 (2019: 17,779) shares were being held on trust which had vested with the Trustees upon the resignation of employees during the period of the Scheme and are available for sale. These shares have been treated as equity under share capital.

Substantial Shareholders

C C Hopkins is a Director of Oakwood Group Limited, which owns Oakwood Securities Limited, a substantial shareholder of Scott Technology Limited. C C Hopkins received Directors' fees of $4,750 from Oakwood Group Limited during the year (2019: $21,500) whilst a Director of Scott Technology Limited.

JBS Australia Pty Ltd owns a 51.9% shareholding in Scott Technology Limited. The Group has recognised sales to JBS companies of $6.8 million (2019: $6.2 million), the majority of which are sales of BladeStop machines, and has made purchases from JBS Companies of $Nil (2019: $Nil). As at balance date the Group had $1.3 million receivable from JBS Companies (2019: $0.5 million).

The Group has a revolving credit facility with JBS. Refer to C3 for details.

The Group had been working on a development project with the intention of securing a contract for the system with JBS in the USA. The Group has not been able to meet the performance criteria of this project, and as a result, this project was written off during the 2020 financial year. This project is included in the impairment of development assets balance in Note B8 and B9.

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.

	2020 $'000s	2019 $'000s
Net (loss)/surplus for the year	**(17,503)**	**8,604**
Adjustments for non-cash items:		
Depreciation and amortisation	9,898	8,969
Net gain on sale of property, plant and equipment	(328)	(237)
Deferred tax	(6,491)	(1,456)
Share of net loss/(surplus) of joint ventures and associates	(149)	(444)
Movement due to IFRS 15 adjustment	-	(450)
	2,930	**6,382**
Add/(less) movement in working capital:		
Trade debtors	15,564	(1,929)
Other financial assets – derivatives	180	363
Sundry debtors	629	327
Inventories	(123)	265
Contract assets/liabilities	17,455	(13,257)
Development assets	6,786	-
Onerous contract provision	3,463	-
Taxation payable	(126)	(2,520)
Trade creditors and accruals	(7,024)	734
Other financial liabilities – derivatives	(1,724)	1,046
Employee entitlements	(2,726)	(1,692)
Provision for warranty	328	(311)
Interest paid	1,431	1,715
	34,113	**(15,259)**
Movements in working capital disclosed in investing/financing activities:		
Working capital relating to purchase of business and non controlling interest	10	1,011
Movement in foreign exchange translation reserve relating to working capital	13	(12)
Net cash inflow from operating activities	**19,563**	**726**

Reconciliation of Movement in Debt Facilities

	Balance at 1 September	Change in accounting policy	Additions	Disposals	Net Drawings	Net Repayment	Translation of Foreign exchange	Balance at 31 August
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
2020								
Bank Loans	11,667	-	-	-	3,264	(3,574)	(172)	11,185
Lease Liabilities	17,392	-	889	(107)	-	(4,176)	(172)	13,826
	29,059	**-**	**889**	**(107)**	**3,264**	**(7,750)**	**(344)**	**25,011**
2019								
Bank Loans	7,409	-	-		5,000	(742)	-	11,667
Lease Liabilities	346	14,375	6,263		-	(3,592)	-	17,392
	7,755	**14,375**	**6,263**	**-**	**5,000**	**(4,334)**	**-**	**29,059**

SECTION F: OTHER DISCLOSURES

F2. CONTINGENT LIABILITIES

	2020	2019
	$'000s	$'000s
Payment guarantees and performance bonds	26,272	14,339
Stock Exchange bond	75	75
Maximum contract penalty clause exposure	7,041	6,865

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 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

The compensation of the executives, being the key management personnel of the entity, is set out below:

	2020	2019
	$'000s	$'000s
Short term benefits – employees	667	863
Short term benefits – executive Director	524	404
Long term benefits – employees	-	(80)
Long term benefits – executive Director	-	(76)
	1,191	1,111

SECTION F: OTHER DISCLOSURES

F4. COVID-19 AND GOING CONCERN

COVID-19 continues to have a significant impact on the global economy. As a global organisation with operations in multiple jurisdictions, the Group has been impacted in numerous ways and continues to assess the impact on the Group on a regular basis.

The Group took fast and decisive action to protect the health and safety of the employees and the financial integrity of the Group. The actions taken included:

- Putting the health and wellbeing of all employees and their families first,
- Following all Government regulations, including limiting access to sites,
- Enabling employees to work from home where required, possible and viable,
- Deferred all non-essential capital expenditure and limited all discretionary expenditure,
- Accessing available Government support for employees globally,
- Suspended dividend payments,
- Secured an additional funding line from our majority shareholder, JBS Australia Pty Ltd, and
- Released a revised strategy and restructured the Group's global operations to right-size the business and reduce the overall cost base.

The Group has sufficient headroom in its current banking facilities and has also been finalising negotiations with Scott's major banking partner, ANZ Bank New Zealand Limited, to ensure the Group continues to have access to sufficient debt facilities for future investment needs.

COVID-19 continues to provide uncertainties within the day to day operations of the Group and these have been considered in the Group's key estimates and judgements.

The actions that have been taken have resulted in improved underlying performance in the second half of FY20, a stronger cash position and a renewed strategy for future years.

The Board of Directors has reviewed the forecasts of the Group and are satisfied that based on their review, there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group for at least twelve months from signing the financial statements.

The Board believes that the actions taken by the Group, along with the continued support of ANZ Bank New Zealand Limited and JBS Australia Pty Ltd, will ensure Scott continues to be in a good position to manage the on-going impacts from COVID-19.

SECTION F: OTHER DISCLOSURES

F5. SUBSEQUENT EVENTS

There have been no events after balance sheet date which materially affect the information within the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 August 2020

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 2020, 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 24 to 72, present fairly, in all material respects, the consolidated financial position of the Group as at 31 August 2020, 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 $780,000.

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 on Long Term Projects

Key audit matter

The Group's most significant revenue stream relates to long term projects for customers in various industries. Revenue on long term projects 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 long term projects 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.

How our audit addressed the key audit matter

We assessed the group's processes and 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 long term projects during the year to validate the costs and assess whether they have been applied to contracts appropriately.

Goodwill Impairment Assessment

Key audit matter

As at 31 August 2020, there is $57.3 million (2019: $58.0 million) of goodwill included on the balance sheet of the Group as detailed in note B5. The balance is now held across four cash generating units after the reallocation of goodwill to recently separated China and Europe cash generating units due to the changes of the Group's senior management during the year.

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 cash generating units 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 assessments of goodwill as key audit matter due to the significance of the balance to the financial statements and the level of judgements and estimates required in preparing the value in use model.

How our audit addressed the key audit matter

We considered whether the Group's methodology for assessing impairment is compliant with NZ IAS 36. We focused on testing and challenging the suitability of the models and reasonableness of the assumptions used by the Group in conducting their impairment reviews.

Our procedures included, among others:

- Agreeing forecast cash flows to Board approved budgets;
- Challenging the reliability of the Groups 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 cash generating units;
- Assessing reasonableness 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, including the separation of China and Europe in to separate cash generating units in the current year;

We used our internal valuation experts to assist with evaluating the models and challenging the Groups key assumptions. The procedures of the specialist included:

- Evaluating the appropriateness of the models;
- Testing the mathematical integrity of the models; and,
- Comparing the Groups 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. This was most evident for the Europe CGU for which additional disclosure was included in the financial statements.

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

Mike Hawken, Partner
for Deloitte Limited

Dunedin, New Zealand
30 October 2020

Automated order picking system for boxes and plastic crates for Satens Metaalwaren, Belgium

STATEMENT OF CORPORATE GOVERNANCE

For the year ended 31 August 2020

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/investor-relations/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 2020.

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 84 of the Annual Report.

PRINCIPLE 2
BOARD COMPOSITION & PERFORMANCE

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

The primary responsibilities of the Board include:

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

BOARD COMPOSITION AS AT 31 AUGUST 2020

The Board composition reflects the majority shareholding of the company, with 51% held by JBS Australia Pty Ltd. As at 31 August 2020, the Board comprises three Independent Directors, three Directors representing JBS Australia Pty Ltd and one Executive Director. The Chair of the Board is an Independent Director.

During the year, Andre Nogueira and Chris Hopkins resigned as Directors and Alan Byers and John Kippenberger were appointed as Directors.

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

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

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

DIRECTOR APPOINTMENT

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

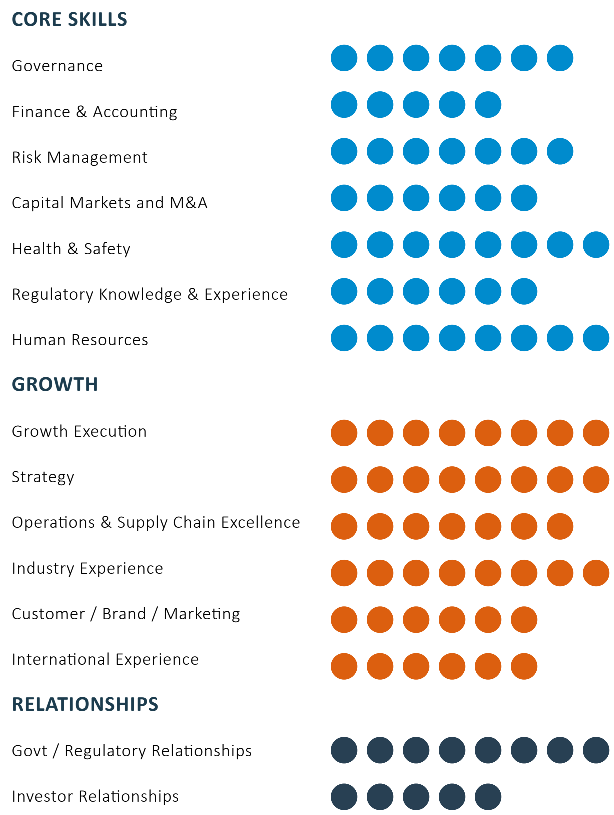
Directors will retire and may stand for re-election by shareholders every three years. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting. The Board asks for Director nominations each year prior to the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

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

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

Skills Matrix and Director Strength

Number of directors with strength in this area



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 informal process, the Board identifies any training opportunities for the individual Directors to ensure they have relevant and up-to-date skills for performing their role.

DIVERSITY

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

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

The Board believes the principles of the Diversity Policy were upheld in FY20, and is working towards setting measurable objectives to supports its focus on diversity and inclusion. The following initiatives are in place to support Scott's diversity plan:

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

As at 31 August 2020, Scott had 613 employees of which 15% were female and 85% were male (31 August 2019: 781 Scott employees, 13% female, 87% male).

	2019		2020	
As at 31 August	Female	Male	Female	Male
Directors, including the CEO	0	8	0	8
Officers*	3	2	3	4

* *Officers include all members of the Executive Team who report to the CEO.*

PRINCIPLE 3
BOARD COMMITTEES

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

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

Audit and Financial Risk Committee	John Thorman (chair) Stuart McLauchlan Edison Alvares
Health& 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 and New Zealand (CAANZ).

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

HEALTH AND SAFETY COMMITTEE

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

GOVERNANCE, REMUNERATION AND NOMINATIONS COMMITTEE

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

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

TREASURY COMMITTEE

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

INDEPENDENT DIRECTORS' COMMITTEE

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

BOARD MEETINGS AND ATTENDANCE

Director attendance at Board and Committee meetings during FY20 was as follows:

	Board	Audit & Financial Risk Committee	Health & Safety Committee	Governance, Remuneration & Nominations Committee
Total Number of Meetings	**7**	**3**	**7**	**1**
Stuart McLauchlan	7	3	7	1
Brent Eastwood	5	1	5	-
Edison Alvares	7	3	7	-
Andre Nogueira[1]	-	-	-	-
Alan Byers[2]	1	-	1	-
John Berry (alternate)	4	-	4	-
John Thorman	7	3	7	1
Derek Charge	7	2	7	1
Chris Hopkins[3]	2	1	2	-
John Kippenberger[4]	6	2	6	-

1. *Andre Nogueira resigned as Director on 7 May 2020*
2. *Alan Byers was appointed as Director on 7 May 2020*
3. *Chris Hopkins resigned as Director on 9 December 2019*
4. *John Kippenberger was appointed as Director on 13 July 2020*
5. *There were no formal meetings of the Treasury committee during FY20.*

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/investor-relations/governance.

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

FINANCIAL REPORTING

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

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

For FY20, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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

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

NON-FINANCIAL REPORTING

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

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

PRINCIPLE 5 REMUNERATION

Scott's remuneration philosophy promotes the Company's shared performance culture with the aim of achieving sustained growth within the business, both in terms of corporate size and the quality of equipment and services provided to our customers. The philosophy also 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 89 of the Annual Report.

The total Director remuneration pool of $300,000 was last approved by shareholders at the 2012 annual meeting. The Board is responsible for the setting of individual Directors' fees in accordance with the permitted pool. Any proposed increases in non-executive Director fees and remuneration are put to shareholders for approval.

In FY20, the approved remuneration for each role was as follows:

	Fees per annum (NZ$)
Board Chair	$105,000
Independent Director	$52,500
Audit & Financial Risk Committee Chair	$10,000
Audit & Financial Risk Committee Member	$5,000
Health & Safety Committee Chair	$10,000
Health & Safety Committee Member	$5,000
Governance, Remuneration & Nominations Committee Chair	$5,000
Governance, Remuneration & Nominations Committee Member	$2,500

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

EXECUTIVE REMUNERATION

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

The short-term incentives are at-risk payments that reward performance. They are designed to motivate and incentivise senior staff in the delivery of performance. The amount payable is determined annually. The payment of 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 89 of the Annual Report.

PRINCIPLE 6
RISK MANAGEMENT

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

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

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

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

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

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

HEALTH AND SAFETY

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

Specific protocols include:

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

Scott's Lost Time Injury Frequency Rate (LTIFR) was 8.68 as at end of September 2020, below industry benchmark for specialised equipment manufacture is 14.5 (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
AUDITORS

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

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

For the financial year ended 31 August 2020, Deloitte was the external auditor for Scott Automation Limited. Deloitte was re-appointed under the Companies Act 1993 at the 2019 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 FY20 are detailed on page 36 of the Annual Report.

The last audit partner rotation was in 2020. Deloitte attends the Company's Annual Meeting.

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

PRINCIPLE 8
SHAREHOLDER RIGHTS AND RELATIONS

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

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

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

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

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

STATUTORY INFORMATION

For the year ended 31 August 2020

DIRECTORS' INTERESTS

The Company maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013.

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

Stuart McLauchlan

Chairman	New Zealand Sports Hall of Fame
Chairman	Analog Digital Instruments Ltd ("Group Instruments")
Chairman	Compass Agribusiness Management Limited
Chairman	Otago Community Hospice
Chairman	The New Zealand Whisky Co. Ltd
Chairman	University of Otago Foundation Studies Ltd
Chairman	Woodworks Southern Ltd
Partner/Director	GS McLauchlan & 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	Scott Technology NZ Ltd
Director	Orari Street Properties Ltd
Director	Rosebery Holdings Ltd
Director	Scott Automation Ltd
Director	B Pac NZ
Director	South Link Education Trust
Board Member & Trustee	Otago Southland Employers Association
Trustee	Scott Technology Employee Share Purchase Scheme

John Kippenberger

Director	Scott Technology Ltd
Director	Scott Technology NZ Ltd

Edison Alvares

Director	JBS Australia Pty Ltd & Associated Companies
Director	Andrews Meat Industries Pty Ltd Director
Director	Premier Beehive NZ Director

John Thorman

Director	Thorman Holdings Ltd
Director	Corporate Services New Zealand Ltd
Director	GoGlobal New Zealand Ltd
Director	Kitaki Nominees Ltd
Director	Healthlink Group Investments Ltd
Director	Konnect Net Investments Ltd
Director	GAP II NZ GP Ltd
Director	Global Outsourcing Team (NZ) Ltd
Director	P A S Holding Ltd
Director	Proactive Software Ltd
Director	Kitaki Ventures GP Ltd

Brent Eastwood

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

Derek Charge

Director	Charge Advisory Ltd
Director	Larooma Farm Holdings Pty Limited

John Berry
(alternate for Brent Eastwood, Edison Alvares & Alan Byers)

Chairman	Australian Meat Processor Corporation Chairman
Director	JBS Australia Pty Ltd & Associated Companies
Director	Andrews Meat Industries Pty Ltd Director
Director	Premier Beehive NZ Director

Alan Byers

Nothing to declare

DIRECTOR APPOINTMENT DATES

The dates below are the first appointment dates for all current Directors. Directors have been re-appointed at Annual Shareholder Meetings, when retiring by rotation.

Stuart McLauchlan	9 October 2007	Brent Eastwood	10 May 2016
John Kippenberger	13 July 2020	Edison Alvares	10 May 2016
John Thorman	1 May 2018	Alan Byers	7 May 2020
Derek Charge	6 March 2019	John Berry	16 February 2017

DIRECTORS' SECURITY HOLDINGS AS AT 31 AUGUST 2020

Securities in the Company in which each Director and associated person of each Director, has a relevant interest, are specified in the table below as at 31 August 2020.

	Beneficially Owned		Non-Beneficially Held * (Jointly)	
	2020	**2019**	**2020**	**2019**
S McLauchlan	404,093	398,360	17,779	17,779
J Kippenberger	43,000	-	-	-
J Thorman	-	-	-	-
D Charge	-	-	-	-
JBS Australia Pty Ltd (Represented by H Eastwood, E Alvares, A Byers and J Berry (Alternate))	-	-	40,612,443	39,912,982
Total	447,093	398,360	40,630,222	39,930,761

* *The non-beneficially held shares that are held by S McLauchlan are in his capacity as trustee for the Scott Technology Employee Share Purchase Scheme.*

SECURITY DEALINGS OF DIRECTORS

The details of disclosures by Directors of acquisitions or disposals of shares Directors held a relevant interest in are shown below.

Director	Number of Shares Acquired	Date	Consideration Paid $'000
JBS Australia Pty Ltd	699,461*	26 November 2019	1,597
S McLauchlan (beneficially)	5,733*	26 November 2019	13
J Kippenberger	32,577	3 December 2019	75
J Kippenberger	9,999	4 December 2019	23
J Kippenberger	424	5 December 2019	1

* *Share acquisitions in relation to the dividend reinvestment plan.*

USE OF COMPANY INFORMATION

The Board of Directors 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 2020.

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 Directors Remuneration section of this report and the remuneration and other benefits of employees totalling NZ$100,000, or more, during the year ended 31 August 2020 are included in the relevant bandings for remuneration on page 90.

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 2020 are as follows:

Subsidiary Company	Directors
Scott Technology NZ Limited	Stuart McLauchlan, John Kippenberger, Chris Steedman
Scott Automation Limited	Stuart McLauchlan, Chris Steedman
Scott Technology USA Limited	Chris Steedman, Kate Rankin
QMT General Partner Limited	Chris Steedman, Kate Rankin
QMT New Zealand Limited Partnership	N/A
Scott Technology Americas Limited	Chris Steedman, Kate Rankin
Scott Technology Europe Limited	Chris Steedman, Kate Rankin
Scott LED Limited	Kate Rankin
Rocklabs Limited	Chris Steedman, Kate Rankin
Scott Technology Australia Pty Ltd	Chris Steedman, Steve Russell
Applied Sorting Technologies Pty Ltd	Chris Steedman, Steve Russell
Scott Automation & Robotics Pty Ltd	Chris Steedman, Steve Russell, Kate Rankin
Scott Systems International Incorporated	Tony Joyce, Kate Rankin
Scott Systems (Qingdao) Co Limited	Chris Hopkins, Henry Pan
Scott Technology GmbH	Aaron Vanwalleghem
Scott Technology Belgium bvba	Aaron Vanwalleghem BV, MEL-ADMI CONSULTING CommV, Kate Rankin
Scott Automation NV	Aaron Vanwalleghem BV, Chris Hopkins, Richard Jenman
FLS Group bvba	Aaron Vanwalleghem BV, Chris Hopkins, Richard Jenman
FLS Systems NV	Aaron Vanwalleghem BV, Chris Hopkins, Richard Jenman, Frederic Hermier
Alvey do Brazil Comercio de Maquinas de Automacao	N/A
Scott Automation a.s.	Aaron Vanwalleghem BV, Chris Hopkins (chairperson), Richard Jenman

SUBSIDIARY COMPANY DIRECTORS CONTINUED

Subsidiary Company	Directors
Scott Automation SAS	Aaron Vanwalleghem BV, Chris Hopkins, Richard Jenman
Scott Automation Limited	Aaron Vanwalleghem BV, Chris Hopkins, Richard Jenman
Normaclass	N/A
Rivercan S.A.	N/A
Normaclass	-
Rivercan S.A.	-

TWENTY LARGEST EQUITY SECURITY SHAREHOLDERS AS AT 30 SEPTEMBER 2020

Rank	Registered Shareholder	Number of Shares	% of Total Shares in the Company
1	JBS Australia Pty Ltd	40,612,443	51.86
2	Oakwood Securities Limited	5,500,000	7.02
3	Russell John Field & Anthony James Palmer	2,000,000	2.55
4	JBWERE (NZ) Nominees Limited	1,670,016	2.13
5	Leveraged Equities Finance Limited	1,512,336	1.93
6	Forsyth Barr Custodians Limited	919,530	1.17
7	Jack William Allan & Helen Lynnette Allan	525,000	0.67
8	Jarden Custodians Limited	479,982	0.61
9	Rosebery Holdings Limited	404,093	0.52
10	Wairahi Investments Limited	400,000	0.51
11	Forsyth Barr Custodians Limited	379,740	0.48
12	Custodial Services Limited	376,324	0.48
13	FNZ Custodians Limited	362,654	0.46
14	GMH 38 Investments Limited	250,000	0.32
15	Robert Wong & Cristein Joe Wong	229,567	0.29
16	Custodial Services Limited	226,829	0.29
17	Custodial Services Limited	219,673	0.28
18	James Ferguson Ring	215,000	0.27
19	Harry McMillan Hearsey Salmon	200,000	0.26
20	New Zealand Depository Nominee	163,345	0.21

SPREAD OF SECURITY HOLDERS AS AT 30 SEPTEMBER 2020

Range	Number of Ordinary Security Holders	% of Issued Capital
1-1,000	818	0.53
1,001-5,000	1,141	3.78
5,001-10,000	427	4.04
10,001-50,000	392	9.86
50,001-100,000	27	2.36
Greater than 100,000	35	79.43
Total Security Holders	**2,840**	**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. As at 31 August 2020, details of the substantial product holders of the Company and their relevant interests in the Company's Shares are as follows:

Name of Substantial Product Holder	Number of Ordinary Voting Securities as at 31 August 2020	% of Issued Capital
JBS Australia Pty Ltd	40,612,443	51.86
Oakwood Securities Limited	5,500,000	7.02

DONATIONS

The Group made no donations during the year (2019: $8,000).

CREDIT RATING

The Company currently does not have a credit rating.

WAIVERS FROM NZX LISTING RULES

No waivers were granted by NZX during the 12 month period ended 31 August 2020.

EXERCISE OF NZX POWERS (LISTING RULE 5.4.2)

NZX did not exercise its powers during the year under Listing Rule 5.4.2.

REMUNERATION

For the year ended 31 August 2020

DIRECTORS' REMUNERATION

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

Non-Executive Director	Directors' Fees FY20 NZ$'000s	Directors' Fees FY19 NZ$'000s
S McLauchlan (Chair)	123	125
J Thorman	68	70
D Charge*	59	33
Total	250	228

* *Derek Charge was appointed as a Director on the 6th of March 2019 and therefore his fees in FY19 represent his involvement in FY19.*

As a result of the impact of COVID-19, all Non-Executive Directors elected to take a 20% reduction in their fees for the month of April 2020. Therefore the actual fees paid to the Non-Executive Directors during FY20 was less than the total fees they were eligible to be paid.

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;
- A long term incentive (LTI) programme which 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	Short Term Incentive	Long Term Incentive	Total Remuneration
FY20				
John Kippenberger (29 November 2019 to 31 August 2020)	524	-	-	524
Chris Hopkins[1] (1 September 2019 to 28 November 2019)	104	-	-	104
FY19				
Chris Hopkins	388	16	(76)	328

1. The CEO remuneration table includes Chris Hopkins' remuneration whilst holding the CEO position. The remainder of his remuneration as an employee is included in the employee remuneration table.

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 (STI) that are linked directly to individual and company performance.
- A long term incentive (LTI) programme which 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 period ended 31 August 2020 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	44
$110,001 - $120,000	39
$120,001 - $130,000	28
$130,001 - $140,000	35
$140,001 - $150,000	28
$150,001 - $160,000	12
$160,001 - $170,000	30
$170,001 - $180,000	10
$180,001 - $190,000	12
$190,001 - $200,000	6
$200,001 - $210,000	5
$210,001- $220,000	4

Salary Range	Number of Employees
$220,001- $230,000	4
$230,001- $240,000	4
$240,001- $250,000	5
$250,001- $260,000	3
$260,001- $270,000	2
$270,001- $280,000	2
$290,001- $300,000	1
$340,001- $350,000	1
$350,001- $360,000	1
$370,001- $380,000	2
$600,001- $610,000	1

The Group operates in Australasia, Europe, China and the United States where market remuneration levels differ. Of the employees noted in the table above, 80% are employed by the Group outside New Zealand. The offshore remuneration amounts are converted into New Zealand dollars.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which present fairly, in all material respects, the consolidated financial position of Scott Technology Limited and its subsidiaries ("the Group") as at 31 August 2020 and the results of their operations and cash flows for the year ended 31 August 2020.

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

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

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

The Directors present the financial statements of Scott Technology Limited for the year ended 31 August 2020.

These financial statements are dated 30 October 2020 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 behalf of the Directors

Stuart McLauchlan
Chairman & Independent Director

John Kippenberger
Chief Executive Officer

DIRECTORY

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Chairman & Independent Director
Stuart McLauchlan

Independent Directors
John Thorman
Derek Charge

Directors Representing JBS Australia Pty Ltd (non Independent Directors)
Alan Byers
Brent Eastwood
Edison Alvares
John Berry (Alternate Director)

Chief Executive Officer
John Kippenberger

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ENGINEERING SCOTT TO HIGH PERFORMANCE