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HIGHLIGHTS



Positive operating cash flow of \$6.1million

Second highest annual result for the company

Upgraded and refurbished Auckland building

Increased global marketing activities

Continued investment in research and development of meat robotics

FINANCIAL CALENDAR

Annual Meeting

Thursday 2nd December 2004 at 4.00 pm
at Christchurch Netball Centre,
455 Hagley Avenue (South Hagley Park),
Christchurch

Proxies Close

Tuesday 30th November 2004 at 4.00 pm

Final Dividend

7 cents fully imputed

Record date 19th November 2004

Payable 25th November 2004



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The Directors of Scott Technology Ltd are pleased to report that the company earned an audited operating surplus before tax of \$5,526,000 on sales of \$35.8 million for the year ended 31 August 2004. This is the second highest annual result for the company and reflects the growing diversification of Scott's global markets. This operating surplus before tax compares to the exceptional result for the year ended 31 August 2003 of \$8,443,000 achieved on total sales of \$47.5 million.

Scott Technology's core business is the design, manufacture and installation of high technology production lines for the global appliance industry. Using this base the company's more recent development of robotics for the meat industry at its Dunedin Technology Centre and the development of the food and beverage handling robotics at its Auckland Technology Centre, has greatly widened the scope of Scott's global marketing opportunities.

Total shareholder equity further increased to \$17.2 million at 31 August 2004, compared to \$16.9 million at 31 August 2003. Operating cash flows were a record \$6.1 million for the year, which enabled the company to invest in and finance its diversification activities and still maintain the overall strength of its balance sheet. At balance date the company had no long term debt and cash on hand of \$1.9 million.

Dividend

In line with the Directors' commitment to maintain a relatively high dividend pay out, a final dividend of 7 cents per share has been declared, bringing the total dividend for the year to 13 cents per share. This total dividend is payable on the capital increased by last year's one for eight bonus dividend, whereas last year only the final dividend of 8 cents per share was paid on the increased capital. The total dollar dividend paid to shareholders this year remains at a similar level to that paid in respect of the year to 31 August 2003. The dividend will be fully imputed and a supplementary dividend will apply to overseas shareholders.



Company Strategy

The company's strategic move to diversify its markets geographically is producing real benefits with major contracts completed or currently being built for customers in China and the recent \$8.0 million contract for appliance line equipment for a major appliance manufacturer in Turkey. The project for Turkey has been supported by a financing guarantee provided by the New Zealand Government's Export Credit Office.

The company's marketing branches in Dallas U.S.A., Shanghai China, and Sydney Australia enable the company to effectively market on a global basis.

Scott Technology is in an excellent position to pursue profitable growth with a strong balance sheet reflecting no debt, significant cash and valuable freehold properties in Christchurch and Auckland.

The company has been successful in its strategic move to diversify into other markets, with its range of robotics, and in particular, within the food and beverage and meat processing industries. The Directors are committed to investing for the future and the company has again expensed significant research and development costs during the year. The joint venture with PPCS, the giant New Zealand meat processing and marketing company, is an important element of our diversification strategy and also features strongly in PPCS' own drive for smart technologies.

Scott Automation's Auckland business unit continues to move up the high technology scale and has recently completed the design, build and installation of a major robotic automated warehouse system which will provide a valuable reference site for our automated storage and retrieval solutions programme. A License Agreement with an American company, AFT Inc., has recently been signed to enable Scott to market their automated systems throughout New Zealand, Australia and Asia.



Director

Your Directors are pleased to advise that Mr Mark Waller, Managing Director, EBOS Group Limited, has been appointed a non executive Director of Scott Technology Ltd, with effect from 1 November 2004. Mr Waller, who is based in Christchurch, has been responsible for the development of EBOS as a very successful listed company.

Outlook

During the year the company achieved a good result, produced a record operating cash flow, strengthened its balance sheet, completed development of the Auckland freehold property, invested substantially in research and development in meat robotics and paid \$3.5 million in dividends to shareholders, whilst preserving its cash position.

The company enters the year ahead having made significant advances in its diversification goal and with substantial forward work and a strong level of enquiries from customers. The Directors currently expect another successful year and confirm its commitment to the pursuit of growth and increased efficiency to provide sustainable rewards to all stakeholders.

Finally, I would like to thank our employees who are the most important part of Scott Technology, and my fellow Directors for their continued support and wise counsel.

Graeme J. Marsh .

Graeme J. Marsh
Chairman



The year ended 31 August 2004 was a year of consolidation, firstly in our drive to expand our geographical markets and secondly, in the development of our meat processing technology. Throughout this Scott Technology has continued to focus the business on our core appliance production systems. The success we achieve from these core activities provides us with a solid base from which to invest in our future and we have done this by investing in both the robotic meat systems and our infrastructure in Auckland.

Our geographic marketing diversification is reflected in work in progress for customers in China and Turkey. Success in the meat robotics is progressing as the company undertakes further production trials at PPCS' Silverstream plant. Wider commercialisation of the meat robotics is targeted to commence in early 2005.

Our team of dedicated staff strive for excellence and help make Scott a leading global technology and automation company. The Scott group has been structured into three primary divisions – Appliance Manufacturing Systems operating as Scott Technology in Christchurch, Robotic & Factory Automation operating as Scott Automation in Dunedin and fully automated Package Handling operating as Scott Automation in Auckland.

Appliance Manufacturing Systems

Following on from an exceptional 2003 year the challenge for Scott Technology was to maintain momentum and develop smart manufacturing techniques to ensure that we meet the challenge of shorter delivery times. During the year the company shipped its third production line into China which will be installed before December 2004. In addition, a strategic contract for three production lines has commenced for a significant listed company in Turkey. This, along with several other major projects, provides a substantial forward work load to be delivered before the end of our next financial year.



With worldwide demand for shorter delivery times, the company is now developing techniques to meet these requirements. This has the flow on effect of increasing the total number of production lines able to be undertaken in a year. With this accelerated level of activity, the company is expanding its capacity, both internally and through effective out sourcing in New Zealand and off shore. As the company grows, so does the number of dedicated, highly skilled staff. The company is also successfully developing its management team to provide a breadth and depth of experience to carry it into the future.

Robotic & Factory Automation

Much of what was noted for the appliance manufacturing systems also applies to the robotic and factory automation business. Contribution from the robotic and factory automation business is to increase as the company implements its strategic plan for the future of robotics in the meat industry. Research and development work consumes significant resources and comes at a substantial cost, both directly through investment, and indirectly through opportunity cost, but this is a positive investment to increase our future potential earnings. The current target for commercialisation of selected meat robotic systems is mid 2005.

Scott Automation's vision for meat processing shared by PPCS Ltd, our joint venture partner, is to develop "the fully automated meat processing solution".

The company also has a close working relationship with Meat & Livestock Australia ('MLA') who represent and invest in the red meat industry in Australia. Scott, in conjunction with PPCS Ltd and MLA, has several robotic meat processing development projects underway.

In conjunction, and in parallel to the meat robotics, the company also undertakes other process automation projects that benefit from our expertise and contribute to our success and reputation in the industry.



Package Handling

During 2004 the major upgrade to our Auckland complex was completed. This provides an outstanding platform and environment for our Auckland based package handling division. This division continues to grow in technical complexity and customer response. In addition to numerous palletising, de-palletising and package handling systems completed during the year, a major project was also undertaken to design and build an expansive automated warehouse solution in Auckland. This facility is now completed and in full operation and is proving an excellent reference site for this division of the business.

To ensure that Scott stays focused on its core high tech manufacturing business, the company has entered into an agreement to sell its indent winery equipment business to the senior management of the wine division. The purchasers will continue to work closely with Scott to provide turn key single source responsibility for the wine industry, and in return they will market Scott manufactured winery equipment. By working together in this way the overall effectiveness of the organisation of both companies can be improved, and at the same time, provide an increased level of service to our customers in the wine industry.

Outlook

We enter the 2005 year with an extensive order book. This work has been secured in a very competitive environment and provides management with a single minded focus – to be smart and effective in the way we design and build these systems, to meet project schedules and to maintain profit expectations.

The company's achievements represent the cumulative achievements of all staff and I take this opportunity to thank all our employees who have contributed so much to the success of the company this year. The management team of Scott Technology Ltd believe Scott's future and opportunities are exciting and look forward to building on the results achieved to date.

Kevin Kilpatrick
Chief Executive Officer

BOARD OF DIRECTORS

GRAEME J. MARSH

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

Dunedin, Chairman of Directors
Appointed Director 1969

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



TREVOR D. SCOTT

BCom, FCA (PP), FNZIM

Dunedin, Appointed Director
1997

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



EION S. EDGAR

CNZM, BCom, FCA, ACCM

Dunedin, Appointed Director
1997

Mr Edgar is Chairman of Forsyth Barr Group Ltd, Queenstown Resort College, Sinclair Investments Ltd, and a Director of Accident Compensation Corporation, Martinborough Vineyards Estates Ltd, Mobile Surgical Services Ltd, Mr Chips Holdings Ltd and Structureflex Group Ltd. He is Trustee of Arts Foundation of New Zealand, The Halberg Trust, Project K Foundation, President of N.Z. Olympic Committee, Chairman Dunedin Indoor Sports Venue Trust, President NZ Soccer and Honorary Consul for Finland.



GRAHAM W. BATTS

CEng., FIPENZ, NZCE

Dunedin, Appointed Director
1969

Mr Batts joined the company in 1956 and was Managing Director from 1969 to 1999. He spent a further 18 months in an executive role based in London assessing the European market. Since retirement from his executive role in October 2000, Mr Batts has remained a Consultant to the Company and is Chairman of the wholly owned subsidiary, Scott Automation Limited.



KEVIN J. KILPATRICK

FNZIM, NZCE

Christchurch, Chief Executive
Officer, Appointed Director 2001

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



CHRIS C. HOPKINS

BCom, CA

Dunedin, Chief Financial Officer,
Appointed Director 2001

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

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

1. Ethical standards

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

The code of conduct covers such matters as;

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

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

2. Board composition and performance

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

3. Board Committees

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

Audit Committee

The Audit Committee oversees internal controls and financial reporting and reviews the company's financial accounts, in conjunction with the company's auditors. They review the annual and interim reports prior to approval by the Board and deal with the appointment of external auditors. The Audit Committee comprises the four non-executive Directors and Chris Hopkins.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of the four non-executive Directors. The purpose of the committee is to ensure that the company's Directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance. Due to the size and level of activity of this committee, it also includes the role of recommending Director appointments to the Board.

Treasury Committee

The Treasury Committee oversees the company's treasury practices, including foreign exchange cover and short term cash investments. The Treasury Committee comprises Trevor Scott and Chris Hopkins.

4. Reporting and disclosure

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

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

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

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

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

5. Remuneration

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

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

6. Risk Management

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

7. Audit

The Board, through the Audit Committee, has ensured the quality and independence of the external audit process is maintained. To maintain auditor independence, our auditor, Deloitte, have changed the audit partner this year and the position will be rotated at intervals not exceeding 5 years. Audit fees and other services, primarily tax advice, performed by Deloitte are disclosed on page 14 of the financial statements.

8. Shareholder relations

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

9. Stakeholder interests

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

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

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 AUGUST 2004

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

	Note	Consolidated		Parent Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Group sales		35,789	47,490	22,229	30,879
Operating surplus before tax	1	5,526	8,443	4,909	7,926
Income tax charge	2	(1,810)	(2,809)	(1,611)	(2,611)
Net surplus for the year		3,716	5,634	3,298	5,315

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2004

	Note	Consolidated		Parent Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Equity at 1 September 2003		16,932	13,480	15,582	12,449
Surplus and Revaluations					
Net surplus for the year		3,716	5,634	3,298	5,315
Revaluation of land and buildings		-	527	-	527
		3,716	6,161	3,298	5,842
Other movements					
Contributions from owners	3	-	189	-	189
Dividends paid to owners - prior year final		(1,997)	(1,567)	(1,997)	(1,567)
- current year interim		(1,498)	(1,331)	(1,498)	(1,331)
		(3,495)	(2,709)	(3,495)	(2,709)
Equity at 31 August 2004		17,153	16,932	15,385	15,582

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2004

	Note	Consolidated		Parent Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Equity					
Share capital	3	7,629	7,629	7,629	7,629
Capital reserves	4	1,203	1,203	1,203	1,203
Revenue reserves	4	8,321	8,100	6,553	6,750
Total shareholders' equity		17,153	16,932	15,385	15,582
Current liabilities					
Trade creditors		2,984	1,269	2,167	917
Sundry creditors and accruals		424	772	242	531
Employee entitlements		1,206	1,693	1,006	1,488
Provision for warranty	6	200	500	200	200
Provision for tax		-	239	-	226
		4,814	4,473	3,615	3,362
		21,967	21,405	19,000	18,944
Non current assets					
Property, plant and equipment	5	9,932	8,655	8,129	6,896
Investments					
Subsidiary companies	7	-	-	3,826	3,867
Investments in associates	8	7	-	-	-
Other investments		88	133	88	172
		95	133	3,914	4,039
Deferred tax benefit	9	383	501	383	501
Current assets					
Cash and bank	10	1,869	1,561	1,570	1,208
Trade debtors		6,015	5,923	3,045	4,623
Finance lease receivable	11	243	-	-	-
Sundry debtors and prepayments		61	449	134	294
Inventories	12	354	217	147	135
Contract work in progress (net)	13	2,904	3,966	1,562	1,248
Tax refund due		111	-	116	-
		11,557	12,116	6,574	7,508
		21,967	21,405	19,000	18,944

For and on behalf of the Board of Directors, which authorised the issue of the financial report on 13 October 2004.



G. J. Marsh
Director



K. J. Kilpatrick
Director

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2004

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

	Note	Consolidated		Parent Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash flows from operating activities					
Cash was provided from:					
Receipts from operations		37,149	40,627	24,178	25,740
Interest received		104	261	85	261
		37,253	40,888	24,263	26,001
Cash was applied to:					
Payments to suppliers and employees		29,044	38,221	16,481	24,431
Interest paid		49	54	44	43
Company taxes paid		2,042	3,035	2,015	3,039
		31,135	41,310	18,540	27,513
Net cash from/(used in) operating activities	14	6,118	(422)	5,723	(1,512)
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		238	72	3	60
Sale of investments		45	99	84	60
		283	171	87	120
Cash was applied to:					
Purchase of associate	8	10	-	-	-
Purchase of property, plant and equipment		2,580	1,868	1,953	1,469
		2,590	1,868	1,953	1,469
Net cash used in investing activities		(2,307)	(1,697)	(1,866)	(1,349)
Cash flows from financing activities					
Cash was applied to:					
Dividends paid		3,495	2,898	3,495	2,898
Net cash used in financing activities		(3,495)	(2,898)	(3,495)	(2,898)
Net movement in bank position		316	(5,017)	362	(5,759)
Less effect of exchange rate change on foreign currency balance		(8)	(3)	-	-
Opening bank position		1,561	6,581	1,208	6,967
Closing bank position		1,869	1,561	1,570	1,208
Represented by:					
Cash and bank		1,869	1,561	1,570	1,208

Reporting Entity

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

Measurement base

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

Specific accounting policies

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

1. Basis of consolidation

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

2. Valuation of assets**2.1 Land and buildings**

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

2.2 Plant, equipment and vehicles

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

2.3 Investments

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

2.4 Debtors

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

2.5 Inventories

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

2.6 Contract work in progress

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

3. Income recognition**3.1 Long-term contracts**

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

3.2 Depreciation

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

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

4. Taxation

Tax allocation accounting procedures are followed whereby the income tax expense is matched with the accounting profit after allowance for permanent differences. Income tax on net cumulative timing differences is set aside to the deferred taxation account at current rates using the partial liability method. Deferred tax is not accounted for on buildings as these are expected to be held long-term.

5. Financial instruments

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

6. Foreign currencies

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

7. Cash flows

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

Changes in accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2004

		Consolidated		Parent Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000
1. Operating surplus					
<i>The operating surplus is stated after charging:</i>					
Auditor's remuneration - audit services		30	28	30	28
- other services/ taxation services		11	52	11	8
Depreciation - freehold buildings		107	99	107	99
- leasehold buildings		33	33	-	-
- plant, equipment and vehicles		979	997	613	608
Directors' fees		100	100	100	100
Foreign exchange translation		59	105	-	-
Interest - bank overdraft		49	54	44	43
Leasing and rental costs		248	285	183	183
Share of associates' net deficit		3	-	-	-
<i>and after crediting:</i>					
Interest received		104	261	85	261
Foreign exchange gains		632	627	685	688
Gain on sale of property, plant and equipment		54	19	2	16
2. Income tax charge					
Operating surplus before tax		5,526	8,443	4,909	7,926
Prima facie tax at 33%		1,824	2,786	1,620	2,616
Tax effect of permanent differences		(14)	23	(9)	(5)
		1,810	2,809	1,611	2,611
Represented by:					
Current tax		1,691	3,153	1,492	2,956
Deferred tax		119	(345)	119	(345)
		1,810	2,808	1,611	2,611
Under/(Over) provision prior years - current tax		1	11	1	10
- deferred tax		(1)	(10)	(1)	(10)
		1,810	2,809	1,611	2,611
3. Share capital					
	No:				
Fully paid shares as at 1 September 2003	22,190,155	7,629	7,440	7,629	7,440
Issued to staff share purchase scheme	-	-	189	-	189
Bonus issue (1 for 8) - November 2003	2,774,038	-	-	-	-
Fully paid shares as at 31 August 2004	24,964,193	7,629	7,629	7,629	7,629

	Consolidated		Parent Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
4. Movements in reserves				
(a) Capital reserves				
Asset revaluation reserve				
Balance 1 September 2003	1,203	676	1,203	676
Revaluation of land and buildings	-	527	-	527
Balance 31 August 2004	1,203	1,203	1,203	1,203
(b) Revenue reserves				
Balance 1 September 2003	8,100	5,364	6,750	4,333
Net surplus for the year	3,716	5,634	3,298	5,315
Dividend paid from revenue reserves	(3,495)	(2,898)	(3,495)	(2,898)
Balance 31 August 2004	8,321	8,100	6,553	6,750
5. Property, plant and equipment				
Freehold land				
At cost	144	144	144	144
At valuation	515	515	515	515
	659	659	659	659
Freehold buildings				
At cost	2,250	756	2,250	756
At valuation	3,035	3,035	3,035	3,035
Accumulated depreciation	(124)	(17)	(124)	(17)
	5,161	3,774	5,161	3,774
Leasehold buildings				
At cost	429	429	-	-
Accumulated depreciation	(381)	(348)	-	-
	48	81	-	-
Plant, equipment and vehicles				
At cost	7,463	6,874	3,697	3,323
At valuation	5,349	5,349	4,466	4,466
Accumulated depreciation	(8,748)	(8,082)	(5,854)	(5,326)
	4,064	4,141	2,309	2,463
	9,932	8,655	8,129	6,896

Properties are valued in accordance with valuation reports of independent registered valuers dated August 2003. The valuers used are Ford Baker Valuation who are members of the New Zealand Institute of Valuers.

Auckland freehold property was renovated during the current year and recorded at cost. In accordance with accounting policy 2.1, this property will be revalued with the company's land and buildings in 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2004

	Consolidated		Parent Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
6. Provision for warranty				
Balance 1 September 2003	500	150	200	150
Expensed during the year	(403)	(23)	(76)	(20)
Increase in provision	103	373	76	70
Balance 31 August 2004	200	500	200	200

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

The provision for warranty was decreased during the year after due consideration of past experience and the assessed risk involved in the work in progress recorded at 31 August 2004.

7. Investments in subsidiary companies

(a) The parent company's investment in subsidiary companies comprised				
Shares at cost			1,002	1,002
Amounts owing from subsidiary companies			2,824	2,865
			3,826	3,867

(b) Scott Systems International Inc and Scott Automation Ltd are the principal trading subsidiaries, and are 100% owned. All subsidiary companies have 31 August as their balance date.

8. Investments in Associates

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

Carrying value of Associate

Balance 1 September 2003	-	-	-	-
Investment	10			
Share of net deficit	(3)	-	-	-
Balance 31 August 2004	7	-	-	-

Associates' share of net deficit

Share of deficit before tax	(3)	-	-	-
Share of tax	-	-	-	-
Share of net deficit	(3)	-	-	-

9. Deferred tax benefit

Balance 1 September 2003	501	146	501	146
Current year timing differences	(119)	345	(119)	345
Prior year adjustment	1	10	1	10
Balance 31 August 2004	383	501	383	501

Consolidated		Parent Company	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

10. Bank facilities

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

11. Finance lease receivables

Receivable from leases	279	-	-	-
Unearned interest	(36)	-	-	-
	243	-	-	-

12. Inventories

The major categories are:

Raw materials	225	175	32	30
Other work in progress	129	42	115	105
	354	217	147	135

13. Contract work in progress (net)

Costs incurred and estimated earnings on uncompleted contracts	43,023	53,131	30,144	42,259
Progress claims receivable	(40,119)	(49,165)	(28,582)	(41,011)
	2,904	3,966	1,562	1,248

14. Reconciliation of net surplus for the year to net cash from operating activities

Net surplus for the year	3,716	5,634	3,298	5,315
Add/(less) non cash items				
Depreciation	1,119	1,129	719	707
Deferred tax benefit	118	(355)	118	(355)
Share of associates' net deficit	3	-	-	-
Net (gain)/loss on foreign currency balance	8	3	-	-
	1,248	777	837	352
Add/(less) movements in working capital items				
Debtors, prepayments and finance lease receivables	53	271	1,738	304
Inventories	(137)	205	(12)	41
Contract work in progress	1,062	(7,978)	(314)	(6,193)
Creditors, accruals and provisions	580	559	479	331
Tax refund due	(350)	129	(342)	108
Inter-company advances	-	-	41	(1,754)
	1,208	(6,814)	1,590	(7,163)
Less items classified as investing				
Gain on sale of property, plant and equipment	(54)	(19)	(2)	(16)
Net cash from /(used in) operating activities	6,118	(422)	5,723	(1,512)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2004

	Consolidated		Parent Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
15. Imputation credits				
Balance 1 September 2003	2,943	1,329	2,943	1,329
Taxation payments (net)	2,014	3,041	2,014	3,041
Imputation credits attached to dividends paid	(1,721)	(1,427)	(1,721)	(1,427)
Balance 31 August 2004	3,236	2,943	3,236	2,943

16. Contingent liabilities				
Payment guarantees	1,576	-	1,576	-
Stock exchange bond	75	75	75	75
	1,651	75	1,651	75

The parent company guarantees the obligations of subsidiary companies.

17. Lease commitments				
Lease liabilities at balance date are classified as due:				
Within 1 year	183	183	183	183
Within 1 - 2 years	183	183	183	183
Within 2 - 5 years	550	550	550	550
Beyond 5 years	-	183	-	183
	916	1,099	916	1,099

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

19. Related party transactions				
The Group rents premises and has purchased vehicles from interests associated with Mr. G.J. Marsh. Such transactions have been conducted on an arm's length basis as follows:				
Purchase of vehicles	25	281	25	220
Rental of premises	183	183	183	183

20. Segment information	
The Group operates in the engineering industry within New Zealand although sales and service centres are operated in Dallas USA, Sydney Australia and Shanghai China.	

21. Financial instruments

The estimated fair values of financial instruments for the Group at 31 August 2004 were :

	2004		2003	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
On balance sheet financial instruments				
Cash and short term deposits	1,869	1,869	1,561	1,561
Trade debtors	6,015	6,015	5,923	5,923
Trade creditors	2,984	2,984	1,269	1,269

	2004		2003	
	Face value \$000	Fair value \$000	Face value \$000	Fair value \$000
Off balance sheet financial instruments				
Foreign currency forward exchange contracts with external banks				
Group sells foreign currency	24,882	23,186	23,422	19,172

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

On balance sheet financial instruments

The carrying amount is equivalent to the fair value.

Off balance sheet financial instruments

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

Collateral or other security to support financial instruments with credit risk is generally required. Scott Technology Limited is not exposed to any concentration of credit risk other than the counterparty risk with the bank in relation to the outstanding forward exchange contracts.

Currency and interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2004

22. Employee share purchase plan

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

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

	2004	2003
Shares held by trustees 1 September 2003	156,758	-
Shares advanced to the trustees	-	145,300
Bonus issue 1:8 - November 2003 (December 2002)	19,596	18,210
Distribution to beneficiaries	-	(6,752)
Shares held by trustees 31 August 2004	176,354	156,758

At 31 August 2004 all shares have been allocated to staff.

The balance of loans owing by the scheme at 31 August 2004 was \$83,828 (2003: \$129,233).

TREND STATEMENT

	2004 \$000	2003 \$000	2002 \$000	2001 \$000	2000 \$000
Export sales	25,776	40,271	24,671	16,301	30,673
New Zealand domestic sales	10,013	7,219	4,521	328	-
Total group sales	35,789	47,490	29,192	16,629	30,673
Earnings					
Operating surplus before tax	5,526	8,443	3,671	646	5,320
Income tax	1,810	2,809	1,238	231	1,746
Net surplus attributable to Scott Technology Limited shareholders	3,716	5,634	2,433	415	3,574
Dividends paid or payable	3,495	2,898	979	294	2,154
Funds employed					
Share capital	7,629	7,629	7,440	7,440	7,440
Reserves and retained earnings	9,524	9,303	6,040	4,586	4,465
Shareholders' equity	17,153	16,932	13,480	12,026	11,905
Total liabilities	4,814	4,473	7,797	1,905	3,906
Total assets	21,967	21,405	21,277	13,931	15,811

Statistics

Restated net asset backing per share (note 1)	cents	69	68	54	48	48
Restated earnings per share (note 1)	cents	15	23	11	2	14
Earning rate on average shareholders' equity	%	22	37	19	3	32
Earning rate on average total assets	%	17	26	14	3	22
Capital ratio (equity as % of total assets)	%	78	79	63	86	75

Notes

1. For 2003 and prior years the net asset backing and earnings per share have been restated based on the shares on issue as at 31 August 2004. No adjustments have been made to the earnings, equity or total assets as a result of the increase in share capital which occurred in 2003 in conjunction with the increase in the number of shares issued.

SHAREHOLDER INFORMATION

Substantial shareholders

The following information is given in accordance with section 26 of the Securities Amendment Act 1988.

Names of substantial security holder	Number of shares in which a relevant interest was held as at 8 October 2004	
1. Silveracres Nominees Limited	4,431,645	17.8%
2. James Ian Urquhart	2,200,000	8.8%

The total number of issued voting securities of the company as at 8 October 2004 was 24,964,193 ordinary shares.

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

Distribution of shares by holding size	Number	% of Total	Shares	% of Total
1 - 1,000	1,245	30.8	604,587	2.4
1,001 - 5,000	1,893	46.8	4,453,187	17.8
5,001 - 10,000	537	13.3	3,697,185	14.8
10,001 - 100,000	351	8.7	7,077,751	28.4
100,001 and over	16	0.4	9,131,483	36.6
Total and percentage	4,042	100.0	24,964,193	100.0

Top 20 shareholders as at 8 October 2004

	Shares	%
1 Silveracres Nominees Limited	4,431,645	17.75
2 James Ian Urquhart	2,200,000	8.81
3 AMP Life Limited	548,297	2.20
4 NZGT Nominees Ltd - AIF Equity fund	283,602	1.14
5 Joseph Scanlen Underdown	278,819	1.12
6 Graham William Batts	190,109	0.76
7 Kevin James Kilpatrick & Shireen Kilpatrick	170,006	0.68
8 Alice Mary Orr McKellar	141,842	0.57
9 PCS Investment Nominees Ltd	124,946	0.50
10 Custodial Services Limited	122,140	0.49
11 Graeme James Marsh	113,626	0.46
12 Hamish Heathcote McCrostie	112,500	0.45
13 Cogent Nominees Ltd	108,522	0.43
14 National Nominees New Zealand Ltd	105,044	0.42
15 Lloyd James Christie	100,375	0.40
16 Harry McMillan H Salmon	100,010	0.40
17 McMillan Nominees Limited	93,228	0.37
18 Gordon Bruce Hill	93,075	0.37
19 Eunice Marsh	92,153	0.37
20 Catherine Smith & David Dew	89,588	0.36
	9,499,527	38.05

Employee remuneration

Remuneration and other benefits of \$100,000 per annum or more, received or receivable by employees in their capacity as employees were:

Salary range	Number of employees
\$100,001 - \$110,000	2
\$120,001 - \$130,000	1
\$130,001 - \$140,000	1
\$180,001 - \$190,000	1

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

The market surveillance panel of the New Zealand Stock Exchange has granted an ongoing waiver in respect of the remuneration of the executive directors and other officers of Scott Technology Limited for services as employees (Listing Rule 9.2.1). The waiver is provided on the basis that the remuneration paid is not out of line with general market trends. Certificates to this effect are required to be provided by the company to the New Zealand Stock Exchange.

DIRECTORS' INTERESTS

Directors' shareholding as at 31 August 2004

	Beneficially owned		Held by associated persons		Non-beneficially held	
	2004	2003	2004	2003	2004	2003
G.W. Batts	190,109	168,986	-	11,250	-	-
E.S. Edgar	15,821	14,063	22,500	11,250	-	-
C.C. Hopkins	5,885	5,231	8,037	7,144	176,354	156,758
K.J. Kilpatrick	170,006	144,716	5,443	4,838	-	-
G.J. Marsh	113,626	101,001	4,532,977	4,029,312	176,354	156,758
T.D. Scott	17,403	15,469	-	-	-	-
	512,850	449,466	4,568,957	4,063,794		

Directors' share dealings

The details of disclosures by directors of acquisitions or disposals of shares directors held a relevant interest in were:

	Number of shares acquired	Date	Consideration paid
K.J. Kilpatrick	6,400	November 2003	\$21,120

The director's shareholdings at 31 August 2004 reflect the 1:8 bonus issue made in November 2003.

Use of company information

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

Disclosures of interests by directors

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

E.S. Edgar

Chairman Forsyth Barr Group Ltd.
 Chairman Queenstown Resort College Ltd.
 Chairman Sinclair Investments Ltd.
 Director Accident Compensation Corporation
 Director Martinborough Vineyards Estates Ltd.
 Director Mobile Surgical Services Ltd.
 Director Mr Chips Holdings Ltd.
 Director Structureflex Group Ltd.
 President NZ Olympic Committee.

G.J. Marsh

Chairman Oakwood Securities Ltd.
 Chairman Oakwood Properties Ltd.
 Chairman Cooke Howlison Ltd.
 Chairman Blackwell Motors Ltd.

C.C. Hopkins

Director United Tooling Solutions Ltd.
 Director Robotic Technologies Ltd.
 Director Our Planit Ltd.

G.W. Batts

Director Premidée Ltd.

K.J. Kilpatrick

Director Kilmoreland Vineyards Ltd.
 Director Robotic Technologies Ltd.

T.D. Scott

Chairman Harraway & Sons Ltd.
 Chairman Mercy Hospital Dunedin Ltd.
 Chairman C.G. Surgical Ltd.
 Chairman Tamahine Holdings Ltd.
 Chairman Zenoderm Ltd.
 Chairman Arthur Barnett Ltd.
 Chairman Pacific Edge Biotechnology Ltd.
 Chairman Otago Innovation Ltd.
 Chairman Blis Technology Ltd.
 Consultant T D Scott Chartered Accountants
 Director New Zealand Light Leathers Ltd.
 Director Oakwood Securities Ltd.
 Director Scenic Circle Group of Companies
 Director New Zealand Seed Fund
 Director Endocrinz Ltd.
 Director Hirequip New Zealand Ltd.
 Councillor University of Otago
 Member Marsh Limited Advisory Board.

Remuneration of directors

During the year to 31 August 2004, the total remuneration and other benefits attributed to the directors of the company were as follows:

	Director's Fees	Other Remuneration	Total
G.W. Batts	20,000	10,128	30,128
E.S. Edgar	20,000	-	20,000
C.C. Hopkins	-	196,609	196,609
K.J. Kilpatrick	-	277,513	277,513
G.J. Marsh	40,000	-	40,000
T.D. Scott	20,000	-	20,000

Directors' indemnity and insurance

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



We have audited the financial report on pages 10 to 20. The financial report provides information about the past financial performance and financial position of the Company and of the Group as at 31 August, 2004. This information is stated in accordance with the accounting policies set out on page 13.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of a financial report which gives a true and fair view of the financial position of the Company and of the Group as at 31 August, 2004 and of the results of their operations and cash flows for the year ended 31 August, 2004.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Board of Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial report, and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than in our capacity as auditors and the provision of taxation and other assurance services, we have no relationship with or interests in the Company or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial report on pages 10 to 20:
 - complies with generally accepted accounting practice in New Zealand;
 - gives a true and fair view of the financial position of the Company and the Group as at 31 August, 2004 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 13 October 2004 and our unqualified opinion is expressed as at that date.

Deloitte
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