

Chairman's Address

The financial year to 31st August 2013 produced an after tax profit of \$5.14 million on revenue of \$60 million. Although slightly behind the 2012 result this was a pleasing result for the company.

At last year's Annual Meeting in Christchurch I was able to announce contracts totalling NZ\$11.0 million for the delivery of two major meat projects into Australia.

This year I am happy to announce the successful confirmation of additional forward work of NZ\$15.1 million for the appliance manufacturing division. This work once completed is destined for China and the United States.

We are also close to securing further meat projects in Australia to build on the earlier sales made this year.

Once again the majority of our revenues, 86%, were derived outside New Zealand and this is despite the head winds caused by the unfavourable economic settings we are experiencing with an unfavourable currency and skill shortages throughout the economy.

The re-balancing of the economy has been very slow with house prices rising and a number of commentators suggesting we have a housing bubble which if not slowed down could have major consequences for the New Zealand economy.

This imbalance is resulting in high private debt which is being used for consumption rather than paying down borrowings and adding to the country's savings pool. The productive sector needs further investment to drive foreign exchange earnings so the country is able to pay its way in the world.

The world economy in which we operate is showing improvement on where it was twelve months ago. The US market, our largest, is showing very positive signs with one of our long standing customers having committed to over \$20 million in orders.

The Euro zone has now enjoyed six months of relative calm. Commentators are now expecting more stagnation over the next year rather than outright recession. One immediate beneficiary of greater European stability is the UK which may finally be on the recovery path.

The Chinese economy grew at an annualised rate of 7.8% in Quarter 3 in line with market expectations and with the opening up of the economy. This bodes well for our Chinese Investment.

With our diversification policy over the past few years this has sheltered the effects of being too reliant on any one geographic area and Chris will elaborate further in his managing director's address.

The Board is actively looking at a number of investment opportunities at present but these must fit into one of our existing core areas of expertise. We have a very disciplined approach to analysing the potential benefits these acquisitions may bring to Scott Technology.

The company is now entering its second century with a very solid order book which is a testament to the respect that Scott Technology has with its customers around the globe.

I would like to thank Chris Hopkins and all the Scott employees for their dedication and hard work.

To my fellow Directors, I would like to thank you for your support and oversight that you provide, not only around the board table, but also to management when required.

Finally, to our shareholders, we appreciate your support which is now being rewarded with consistent dividends including the centenary supplement of 2 cents per share which shows confidence by your directors of the future prospects of Scott Technology as we start a new financial year.

I now formally move that the Annual Report, including the Director's Report, Financial Statement and Audit Report of Scott Technology for the year ending 31st August be adopted and I invite our Managing Director, Chris Hopkins, to address you and second the motion.

Thank you.