

SCOTT



SCOTT CORPORATION LIMITED

(ABN 74 003 707 499)

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
(ASX APPENDIX 4E)**

Preliminary Final Report for the Year Ended 30 June 2008

Provided in accordance with ASX Listing Rule 4.3A.

Previous corresponding period – Year Ended 30 June 2007

ASX CODE: SCC
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INTERNET: These results will be available on the Company's Internet site www.scottcorp.com.au from 5pm AEST 28 August 2008

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Managing Director's Review of Operations

2008 has been a year of two contrasting six month periods. In the first half of the year both operating divisions exceeded the previous corresponding period revenue and earnings results. In the second half, management had to contend with three significant developments:

- Fuel – the rising price of fuel is not a new development, but what was surprising was the extent of the volatility in the period January 2008 to June 2008. During this time the average price of diesel rose \$0.30 per litre which represented a 25% increase. The volatility was particularly accentuated in the last quarter. This required management to reconsider the adequacy of the recovery mechanisms that we had been using, and with some contracted positions meant that there was a lag effect in our recovery.
- Lower coal volumes – revenue from the Southern Bulkhaulage (SBH) division which is primarily engaged in the transport of coal in the Illawarra region of New South Wales fell from \$24.9m in the first half to \$18.7m in the second half. This was due to production at a colliery in the Illawarra coal fields being temporarily scaled back because of delays in the preparation of the next mining area.
- Higher repairs & maintenance – there was a total of \$10.5m spent on maintaining the company fleet across the Group. This was \$4.5m greater than the previous year, and was most noticeable in our SBH fleet and the older equipment deployed in the Chemtrans network.

Despite the challenges in the second half, Scott Corporation has achieved some significant milestones in 2008. I have listed the headlines below:

Financial

- Sales are up \$16.18m or 13% on the previous year.
- Profit before interest and tax is up \$0.4m or 8.0% on the previous year.
- Net profit after tax of \$2.72m is steady with the previous year, despite the negative impacts of fuel, lower coal volumes, higher repairs & maintenance and the rising cost of borrowings.
- A \$0.01 per share fully franked interim dividend, and a \$0.01 per share fully franked final dividend.

Contract Renewal

- Our biggest single contract which is with BHPB Illawarra Coal was renewed for 4 years effective from January 2009.

Integration of Acquisition

- The Hyde Park Tank repair & cleaning business which was acquired in October 2007 has performed above expectations and contributed \$2.9m in sales during the year.

New Business

- Chemtrans has been successful in winning a new contract that will commence in the 2008/09 financial year:

Maxam Australia – this new contract will commence on 1 December 2008 for a 5 year term. It will involve a capital investment of \$1.5m which will be debt funded and will generate sales revenue of \$2m in the first full year of operation. The scope of the services requires us to provide three truck and b-double tanker combinations to transport ammonium nitrate emulsion along the east coast of Australia.

- Bulktrans has recently been selected as the preferred supplier for two new haulage contracts which are expected to commence in the 2008/09 financial year. This new work is subject to agreement on the final terms and conditions. Further details will be made available upon execution of the relevant contracts.

Information Technology

- The roll out of our new Translogix front end and general ledger has been completed.
- A full review of our IT infrastructure was completed during 2008, and in the first quarter of 2008/09 we will be implementing all recommended changes.

Financial and Operational Review

The Group finished the year with revenue from continuing operations of \$140.96m (up \$16.18m on last year) and net profit after tax from continuing operations of \$2.72m (up \$0.05m on last year).

Interest and borrowing expenses were a total of \$1.48m, (up \$0.16m on the previous year). The increase is the dual effect that the net interest bearing liabilities have risen to \$16.96m (up \$5.97m on the previous year), and the higher cost of debt funds in the market place.

During the year, there was a total of \$12.9m invested in maintenance (replacement) capital and development capital. The majority of this was for our Chemtrans division.

Bulktrans

The Bulktrans division caters to the bulk solid material transport sector. Products handled by this business include coal, coal wash, metal scrap, mineral concentrates, construction materials, excavated material, fertiliser, grain and waste. It is comprised of three business units:- Southern Bulkhaulage (SBH), Regional Bulkhaulage (RBH) and Warehousing & Distribution (W&D).

Divisional revenue was \$62.1m, which is up \$1.76m on the previous year. The SBH business unit experienced strong coal volumes in the first half, but as outlined in the introduction, this did not flow through to the second half of the year. Full year sales of \$43.6m were \$0.74m higher than last year. The company owned prime mover fleet reached its second anniversary in the April to June 2008 quarter, and with that we encountered a much greater exposure to repairs and maintenance expenditure. In fact these costs were \$1.1m more than last year. Increasing the gross weights from 62.5 tonne to the higher mass limit of 68 tonne has come at a trade off to greater wear and tear.

At the end of year two the prime movers have a substantially reduced warranty coverage which results in the Group being charged for items that previously had been covered by manufacturer's warranty.

The SBH business unit has historically operated prime movers over a three year life cycle, but this is under review for the future. Mt Ousley is one of the toughest areas to operate transport equipment in Australia, and as we have increased mass and the duty cycle we are reassessing the life span economics. There is a strong likelihood that we will replace a proportion of the existing prime mover fleet in early 2009, ahead of the 3 year term.

We are planning to undertake a major refurbishment of the trailers in the SBH division in the first half of the 2009 financial year. The refurbishments are being capitalised and written off over the extended term of the new BHPB contract. This campaign will be completed by Christmas 2008, and is expected to reduce the maintenance costs associated with the trailer fleet after that time.

The W&D business unit posted revenue of \$11.27m, which is up \$0.4m on last year. The biggest contract for this business unit involves metal scrap transport between Brisbane and New South

Wales. Volumes on this contract were higher this year, and there have also been numerous spot jobs develop around the emerging shipping activities in Port Kembla which have benefited the scale and diversity of this business unit. The metal scrap contract has been extended until June 2009. I am pleased to report that following a market tender that W&D's second most significant contract work which involves specialised manufactured steel plate distribution was retained at improved rates for a further 3 years.

The RBH business unit has also started to grow after several years of contraction. Sales were \$7.28m (up \$0.49m on the previous year). The provision of care taker services at Angus Place colliery has accounted for part of the growth. It is also noticeable that the agricultural opportunities have increased for the first time in 4 to 5 years.

The Bulktrans division will encounter similar trading conditions in the first quarter of 2009 financial year to how it ended 2008. Coal volumes are expected to start ramping up from September 2008, maintenance costs should subside in the second half and revenue from the new contracts should also come on line in the second half. For Bulktrans the year ahead will again be a tale of two halves, but this time in the reverse order.

Chemtrans

Chemtrans is the national bulk chemical and fertiliser transport specialist which currently operates through five state branches in Melbourne, Sydney, Brisbane, Perth and Darwin. Other regional operations exist in Gladstone, Townsville, Port Kembla, Bundaberg, Newcastle and Adelaide.

Revenue for the year was \$75.6m, which is up \$11.3m on the previous year. The Hyde Park Tank (HPT) cleaning & repair business unit reports through to the Chemtrans General Manager, and it has generated an additional \$2.99m in sales during the 9 months of ownership. The new contracts involving acid transport in Darwin, aluminium bauxite haulage in Newcastle and chemical distribution in Perth have contributed \$5.03m in revenue.

This business division has capitalised on the increased demand for dangerous liquids used by the mining and manufacturing sectors. This is partly the reason our Queensland and Western Australian business's have posted sales which are \$3.24m above the previous year.

Chemtrans has been hit harder by the impact of fuel volatility as some of the clients have been on recovery mechanisms that vary quarterly, which is too protracted in a rapidly escalating price market. Repairs & maintenance has been the other cost category which has exceeded our projections. Despite our ongoing capital investment program this division still has 21% of prime movers and 48% of trailers which are over 8 years old. The products we transport are highly corrosive and we are susceptible in the older trailers to having to complete unplanned repairs to barrels, linings, valves and plumbing. The extra demand for our services has meant that we are also working the equipment at a greater utilisation level. The repairs & maintenance spend this year was \$3.2m more than last year.

These cost outcomes have exerted pressure on Chemtrans' earnings yield. This business unit has posted a third straight year of quantum increases in profit before interest & tax.

Chemtrans' single biggest client is embarking on a market tender of a parcel of work which represents about 60% of their annual spend with us. The tender outcomes are expected to be known late in the 2008 calendar year. Irrespective of these outcomes the component that we service is contracted until July 2009. There are aspects of this work where we will be pursuing rate improvement as the current returns fall short of our investment benchmark.

Group Administration

Once again our finance, administration, information technology and human resources teams made a valuable contribution to the Company throughout the year. Following the successful implementation of the new base transport operations and finance system, the team worked hard to roll out a number of new initiatives, reporting and functionality to assist the business units to effectively manage their operations.

During the year we welcomed Ross Pavey to the Company as the new Information Technology Manager. Ross has significant transport and project management experience and has proved to be an invaluable addition to the team. Within the short time that Ross has been with the Company, the IT department has undertaken a review of the infrastructure platform and develop a strategy to significantly improve the information systems capability of the Company. Stage one of that project is to overhaul the network infrastructure and replace all desktop PC's, which will be completed by September 2008. Following the stabilisation of the network, the Company will be undertaking a series of projects looking at such opportunities as web-enabled customer reporting, enhanced vehicle tracking and hand held PDA's to improve our overall service offering.

The Group Administration team continued to contribute to the financial performance of the Company by extending its cost review initiatives programs, which has resulted in further cost savings in areas such as printing photocopying and stationary, telecommunications, passenger fleet management and insurance. Whilst these savings are enjoyed by all divisions within the business it's worth noting that the cost of the "Group Administration" division in 2008 remains less than 2006, despite the usual cost escalation pressures and enhancements to the team.

Safety, Health and Environment ("SHE")

Our plans on how to best manage the increased regulation that is happening, and will come on line further over the next 12 months in both the transport and the dangerous goods industries has been to bolster our compliance and training resources nationally. This has taken two forms of action:

- 1.) The appointment of full time Compliance Officers in the biggest operational states of New South Wales, Queensland, Victoria and Western Australia; and
- 2.) The training of a number of drivers across our network to a Certificate 4 competency level. This allows the branch's to become more self-sufficient in completing training and assessment tasks.

We have been focusing on not only the reduction of workplace injuries, but also the severity related to an injury. This is measured in the average number of days lost per injury. The last 3 years statistics are listed below:

2005/06	33.4
2006/07	17.6
2007/08	10.4

A National Health Care provider has been appointed to assist us in achieving a uniform national standard in injury management and rehabilitation.

Treasury & Finance

2008 proved to be an expansionary year for Scott Corporation as shown by the acquisition of the Hyde Park Tank Depot business, the investment in replacement and maintenance capital through the Company and the increase in the revenue base. However such expansion requires capital and during the year the Company increased its net borrowings from \$11.01m to \$16.96m. Such expansion does place increased pressure on the working capital management of the business and management are continuing to focus on maintaining a disciplined approach to cash management.

Total assets for the Group increased by \$8.23m from \$52.78m to \$61.01m in 2008. This increase is largely represented by an increase of \$6.01m in property, plant and equipment and an increase of \$2.09m in cash and trade debtors.

Operating cashflow for the 2008 financial year was a positive \$8.17m. Total cashflow including financing and investing activities was a negative \$1.48m. The negative cashflow reflects the fact that the acquisition of Hyde Park Tank Depot was funded by cash, the Company invested heavily in new capital, the working capital base increased with the expansion of the revenue base and the Company commenced paying quarterly instalments of income tax during the year.

Management and the Board are closely monitoring the extent of our borrowings. The new business growth that we are experiencing (which is largely debt funded) is pushing us towards a more highly geared balance sheet than has been the case over the last couple of years.

Because there are further opportunities to expand the business in the year ahead we will consider the use of the capital management options.

Outlook

We are on track to reach our stated goal of \$150m in revenue per annum in the foreseeable future, and our plans now embrace a further 3 year journey to get to \$200m a year.

Growth must be accompanied by profit improvement and strong cash flow. Management has developed enhanced strategies around fleet maintenance and replacement, cash collection and fuel recovery/ efficiency for the year ahead.

We still have a reliance on large key clients in the coal and chemical industries, whose volumes can change upwards and downwards with little notice; hence why we are reluctant to provide guidance on future year's earnings.

Management has demonstrated this year that we are able to maintain respectable earnings results through volume cycles and unplanned cost pressures. This has translated into a more consistent ability to pay our shareholders dividends. The growth we are generating will diversify the business reliance, and sure up the resilience of our business earnings. Prudent capital management will be required to maintain the growth momentum.

I would like to take this opportunity to thank our employees, shareholders, customers, financiers, and suppliers for their valuable contribution during the year.



David Keane
Managing Director

Results For Announcement To The Market For the Year Ended 30 June 2008

Name of Entity: Scott Corporation Limited
ABN: 74 003 707 499

Revenue and Net Profit

		Percentage Change		Amount \$ 000
Revenues	Up	12.97%	to	140,959
Profit after income tax expense from continuing operations	Up	1.87%	to	2,718
Net profit attributable to members	Up	1.87%	to	2,718

Dividends (Distribution)	Amount Per Security	Franked Amount Per Security
Final dividend	1c	1c
Interim dividend	1c	1c
Previous corresponding period	1c	Nil

Record date for determining entitlement to dividend

26-Sep-08

Explanation of Revenue

The Company finished the year with revenue of \$140.96m (up \$16.18m on last year). The growth in revenue can be attributed to the acquisition of the business assets of the Hyde Park Tank Depot business, new contracts won during the year and an expansion of work for existing customers.

Explanation of Profit

The net profit after tax was \$2.72m (up \$0.05m on 2007 results). Unfortunately whilst the increased revenue delivered satisfactory profit returns to the Company, these gains in profitability were substantially offset by increases in repairs and maintenance, interest and fuel costs within the business.

Income Statement

For The Year Ended 30 June 2008

	Note	Consolidated	
		2008 \$ 000	2007 \$ 000
Revenue	4(a)	140,959	124,778
Other income	4(b)	310	507
Raw materials and consumables used		(29,868)	(25,027)
Sub contractor expenses		(48,174)	(44,246)
Depreciation and amortisation expense	4(e)	(8,474)	(7,157)
Borrowing cost expense	4(d)	(1,481)	(1,319)
Employee benefits expense	4(g)	(34,845)	(30,241)
Other expenses	4(c)	(14,578)	(13,681)
Total expenses		(137,420)	(121,671)
Profit before income tax expense		3,849	3,614
Income tax expense		(1,131)	(946)
Profit after income tax expense		2,718	2,668
Net profit attributable to members for the period		2,718	2,668
Earnings per share (cents per share)			
Basic EPS for profit for the year attributable to ordinary holders of the parent		4.5	4.7
Diluted EPS for profit for the year attributable to ordinary holders of the parent		4.5	4.7
Interim dividend		1.0	2.0
Final dividend		1.0	1.0
Total dividends per share (cents per share)		2.0	3.0

Balance Sheet

As at 30 June 2008

	Note	Consolidated	
		2008 \$ 000	2007 \$ 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	4,848	6,327
Trade and other receivables	9	16,634	13,061
Inventories	10	642	478
Prepayments	13	1,472	1,203
TOTAL CURRENT ASSETS		23,596	21,069
NON CURRENT ASSETS			
Property, plant and equipment	12	35,987	29,980
Deferred tax assets	5	1,276	1,436
Prepayments	13	147	297
TOTAL NON CURRENT ASSETS		37,410	31,713
TOTAL ASSETS		61,006	52,782
CURRENT LIABILITIES			
Trade and other payables	14	12,520	12,243
Interest bearing loans and borrowings	15	7,201	6,143
Provisions	16	4,117	2,866
TOTAL CURRENT LIABILITIES		23,838	21,252
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings	15	14,607	11,192
Provisions	16	128	97
Deferred tax liabilities	5	1,912	2,248
TOTAL NON CURRENT LIABILITIES		16,647	13,537
TOTAL LIABILITIES		40,485	34,789
NET ASSETS		20,521	17,993
EQUITY			
Contributed equity	17	28,080	27,080
Accumulated losses		(7,559)	(9,087)
TOTAL EQUITY		20,521	17,993

Statement of Changes in Equity For the Year Ended 30 June 2008

Consolidated	Issued Capital \$000s	Accumulated Losses \$000s	Total \$000s
At 1 July 2006	26,167	(10,628)	15,539
Total income and expense for the year recognised directly in equity	-	-	-
Profit for the year ended 30 June 2007	-	2,668	2,668
Total income and expense for the year	-	2,668	2,668
Payment of dividends	-	(1,127)	(1,127)
Issued capital via DRP following dividends	913	-	913
At 30 June 2007	27,080	(9,087)	17,993
Total income and expense for the year recognised directly in equity			
Profit for the year ended 30 June 2008	-	2,718	2,718
Total income and expense for the year	-	2,718	2,718
Payment of dividends	-	(1,190)	(1,190)
Issued capital via DRP following interim dividend	1,000	-	1,000
As at 30 June 2008	28,080	(7,559)	20,521

Cash Flow Statement

For the Year Ended 30 June 2008

	Note	Consolidated	
		2008	2007
		\$ 000	\$ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		151,541	137,540
Payments to suppliers and employees		(140,699)	(122,612)
Net amount remitted to ATO for GST		(820)	(3,115)
Income taxes paid		(370)	-
Interest costs paid		(1,481)	(1,299)
Net cash provided by operating activities	8	8,171	10,514
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,632	2,396
Interest received		238	126
Purchase of property, plant and equipment		(15,804)	(9,464)
Net cash (used in) / provided by investing activities		(13,934)	(6,942)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		11,528	9,324
Repayment of finance lease liabilities		(1,418)	(1,404)
Repayment of borrowings		(5,636)	(7,111)
Net dividends paid to equity holders	7	(190)	(214)
Net cash (used in) / provided by financing activities		4,284	595
Net increase / (decrease) in cash held		(1,479)	4,167
Cash at the beginning of the financial period		6,327	2,160
Cash at the end of the financial period	8	4,848	6,327

Notes to the Financial Statements for the Financial Year Ended 30 June 2008

NOTE 1: CORPORATE INFORMATION

The financial report of Scott Corporation Limited ("the Company") for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 28 August 2008.

Scott Corporation Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange. Scott Corporation Limited and its controlled entities are herein referred to as "the Group".

The nature of the operations and principal activities of the Group are described in Note 3.

Scott Corporation Limited and its subsidiaries' registered office is:

Registered Office
55 Davies Road
PADSTOW NSW 2211

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Financial Report is a general purpose Financial Report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. The Financial Report covers the Group of Scott Corporation Limited and controlled entities.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Accounting standards issued but not yet applicable are summarised in the following table:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

a) Statement of compliance (cont)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group has a defined benefit pension plan and as such this interpretation may have an impact on the Group's financial report. However, the Group has not yet determined the extent of the impact, if any.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

a) Statement of compliance (cont)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

a) Statement of compliance (cont)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

a) Statement of compliance (cont)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-7	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to AASB127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	<p>Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.</p> <p>In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.</p>	1 July 2009
AASB 2008-5 and AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p>	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	<p>This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.</p>	1 January 2009	The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

a) Statement of compliance (cont)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009
Amendments to International Financial Reporting Standards	Eligible Hedged Items	To clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

(b) Basis of preparation

The Financial Report has been prepared on the basis of historical cost and does not take into account changing money values or current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The Financial Report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class order 98/100. The Company is an entity to which the class order applies.

(c) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from their sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

In the process of applying the Group's accounting policies, management has made the following judgements and estimations, which have a significant effect on the amounts recognised in the financial statements:

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(c) Critical accounting judgments and key sources of estimation uncertainty (cont)

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include performance, technology, economic and political environments and future expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key assumptions.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Make good provisions

Provision is made for the anticipated costs of future restoration of leased plant and equipment. The provision includes future cost estimates associated with repairing equipment to the specifications outlined in the lease agreements. The calculation of this provision requires assumptions such as estimated mechanical repairs.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. This assessment is completed on a debtor by debtor basis by the relevant branch manager and divisional manager with a recommendation provided to the Chief Financial Officer and Managing Director for consideration and approval.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles, prime movers and some trailing equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to the useful life are made when considered necessary.

(d) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operation and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**(e) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue is recognised upon delivery of the service to a customer.

(iii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Rental income

Revenue is recognised on owned properties and is accounted for on a straight-line basis over the lease term.

(v) Dividend revenue

Revenue is recognised when the right to receive a dividend has been established.

(g) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected life of the relevant asset by equal annual instalments.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**(h) Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

(i) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownerships of the leased asset, including property leases, are operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with banks or financial institution with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables, which generally have 30 day terms are recognised and carried at original invoice amount, less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(l) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Spare parts – purchase cost on a weighted average cost basis;
Fuel stocks – quantity on hand at the monthly weighted average cost base.

(m) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

▪ Buildings	2.5%
▪ Plant and equipment	9%-20%
▪ Leased plant and equipment	9%-20%
▪ Leasehold improvements	10-20%

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and at each reporting date.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

If any such indication exists that the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater 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 pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(n) Other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale investments, as appropriate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**(n) Other financial assets (cont)**

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established, generally by regulation or convention in the marketplace.

(i) Other unlisted investments

All other unlisted investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments are valued at cost less any impairment. The gains or loss on disposal are included in other income in the Income Statement.

(o) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset, or cash generating unit, exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount (in which case, the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**(p) Trade and other payables**

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group, prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Share-based payment transactions

The Group may provide benefits to employees (including Executive Directors) of the Group, in the form of share based payment transactions, whereby employees render services in exchange for shares, or rights over shares, ('equity settled transactions').

There is currently one plan in place to provide such benefits; the Group's Management Option Plan.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions').

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors, will ultimately vest.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**(s) Share-based payment transactions (cont)**

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(t) Superannuation and other post-employment benefits

Contributions made by the Group to employee superannuation funds are charged as an expense when incurred. As these funds are based on a defined employer contribution, the Group has no contingent liability for benefits payable by the funds.

(u) Employee leave benefits*(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in other payables, in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash flows.

(v) Income tax*(i) Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable 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 the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**(v) Income tax (cont)**

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. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probably that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(iv) Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Scott Corporation Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and other members of the tax-consolidated group in accordance with the arrangement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**(v) Income tax (cont)**

Further information about the tax funding arrangement is detailed in note 5. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(w) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the year plus the weighted average of ordinary shares that would be issued on the conversion of all dilutive potential shares into ordinary shares.

NOTE 3: SEGMENT INFORMATION

Industry Segment

The Group currently operates within one industry segment being bulk and specialised materials transport and related services.

Geographical Segment

The Group currently operates within one geographical segment, being Australia, and hence does not separately disclose an analysis of geographical segmentation.

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000

NOTE 4: REVENUE AND EXPENSES

a) Revenue

Rendering of services	138,749	124,210
Other revenue	355	363
Sale of goods	56	40
Bank interest received	238	126
Rental income	1,561	39
Total revenue	140,959	124,778

b) Other income

Net gains on disposal of property, plant and equipment	310	507
	310	507

c) Other expenses

Bad and doubtful debts	(59)	83
Insurance	1,097	904
Legal expenses	19	169
Other expenses	5,580	4,097
Registration expenses	1,608	1,685
Rental operating leases	6,333	6,743
Total other expenses	14,578	13,681

d) Finance costs

Bank loans and overdrafts	45	186
Finance charges payable under finance and hire purchase contracts	1,436	1,133
Total finance costs	1,481	1,319

NOTE 4: REVENUE AND EXPENSES (cont)

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
e) Depreciation and amortisation		
Included in depreciation and amortisation expense:		
Buildings	6	6
Plant and equipment	7,296	5,303
Leased plant and equipment	1,046	1,289
	<u>8,348</u>	<u>6,598</u>
Amortisation of leasehold improvements	126	559
Total depreciation and amortisation	<u>8,474</u>	<u>7,157</u>
f) Lease payments included in other expenses		
Included in other expenses:		
Minimum lease payments – operating leases	1,494	2,740
Equipment hire	2,389	1,765
Property rental expense	2,450	2,238
Total lease payments	<u>6,333</u>	<u>6,743</u>
g) Employee benefits expense		
Wages and salaries	27,345	24,049
Workers' compensation costs	988	894
Superannuation benefits	1,722	1,587
Other employee costs	4,790	3,711
Total	<u>34,845</u>	<u>30,241</u>

NOTE 5: INCOME TAX

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000

The major components of income tax are:

Income Statement

Current income tax		
Current income tax charge	1,307	1,891
Deferred income tax		
Relating to origination and reversal of temporary differences	(176)	(945)
Income tax expense reported in the income statement	1,131	946

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before tax	3,849	3,614
At the Group's statutory income rate 30% (2007:30%)	1,154	1,084
Expenditure not allowable for income tax purposes	14	14
Other allowable items	(37)	(152)
	1,131	946
Income tax reported in the consolidated income statement	1,131	946

NOTE 5: INCOME TAX (cont)

	Balance Sheet	Balance Sheet	Income Statement	Income Statement
	2008	2007	2008	2007
	\$ 000	\$ 000	\$ 000	\$ 000

Deferred Income tax

Deferred income tax as at 30 June relates to the following:

Consolidated
Deferred tax liabilities

Accelerated depreciation for tax purposes	(1,020)	(1,475)	(455)	34
Finance lease deductions for tax purposes	(89)	(139)	(50)	(437)
Prepayment deductions for tax purposes	(349)	(321)	28	21
Other: current asset and liabilities timing differences	(454)	(313)	141	44
	(1,912)	(2,248)		

Deferred tax assets

Losses available for offset against future taxable income	-	156	156	1,430
Employee entitlements not currently deductible	955	856	(99)	12
Other liabilities non deductible	321	424	103	(159)
Gross deferred tax assets	1,276	1,436		-
Deferred tax income / (benefit)			(176)	(945)

Tax Consolidation

Scott Corporation Limited and its wholly owned entities formed a consolidated tax group from 1 July 2003. The Australian Taxation Office has been notified of this election. The head entity within the tax consolidated group for the purposes of the tax consolidation system is Scott Corporation Limited. Members of the Group have entered into a tax-sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement requires members of the tax consolidated group to make contributions to the head company for tax liabilities and deferred tax balances arising from transactions occurring after the implementation of tax consolidation. Contributions are payable following the payment of tax liabilities by Scott Corporation Limited. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense or benefit. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or upon leaving the Group.

NOTE 6: EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average of ordinary shares that would be issued on the conversion of all dilutive potential shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	Consolidated
	2008	2007
	\$000	\$000
Basic Earnings per Share		
Net profit attributable to ordinary equity holders of the parent from continuing operations	2,718	2,668
Net profit attributable to equity holders of the parent	2,718	2,668
Weighted average number of ordinary shares for basic earnings per share	60,084	56,849
Effect of dilution	-	-
Share options	-	-
Weighted average number of ordinary shares adjusted for dilution	60,084	56,849

NOTE 7: DIVIDENDS PAID AND PROPOSED

	Consolidated	Consolidated
	2008	2007
	\$000	\$000
(a) Recognised amounts		
Interim dividend – 1 cent per ordinary share declared in February 2008 and paid in April 2008 (2007: 2 cents)	601	1,127
Proposed final 2008 dividend – 1 cent per ordinary share (2007: 1 cent)	618	589
Total	1,219	1,716
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
<ul style="list-style-type: none"> • Franking account balance as at the end of the financial year at 30% (2007: 30%) • Franking credits that will arise from the payment of income tax payable as at the end of the financial year • Franking debits that will arise from the payment of dividends as at the end of the financial year (a) 	262	-
	2,186	-
	-	-
	2,448	-
The amount of franking credits available for future reporting periods:		
<ul style="list-style-type: none"> • Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period (a) 	(618)	-
	1,830	-

(a) AASB 112 requires the relevant dividend to be recognised as a liability at reporting date. As Scott Corporation Limited has not recognised the subsequent declaration of the year end dividend as a liability, the related franking debits have not been included.

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated	Consolidated
	2008	2007
	\$000	\$000
Cash at bank and in hand	4,524	5,743
Short term deposits	324	584
	4,848	6,327

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and they earn interest at the respective short term deposit rates.

NOTE 8: CASH AND CASH EQUIVALENTS (Cont)

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	2,718	2,668
Adjustment for:		
Depreciation and amortisation	8,474	7,157
Net profit on sale of property plant and equipment	(310)	(507)
Interest received	(238)	(126)
Changes in assets and liabilities:		
Decrease / (increase) in inventory	(164)	62
Decrease / (increase) in trade and other receivables	(3,573)	468
(Increase)/decrease in prepayments	(119)	(221)
(Increase)/decrease in deferred tax assets	160	1,283
Increase/ (decrease) in trade creditors and accruals	277	8
(Decrease) / increase in provisions	1,282	60
(Decrease) / increase in deferred tax liability	(336)	(338)
Net cash flow from operating activities	8,171	10,514

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Trade receivables (i)	15,402	11,337
Allowances for doubtful debts (v)	(42)	(101)
	15,360	11,236
Related party receivables		
- Amounts due from associate	45	2
Other receivables	1,229	1,823
	16,634	13,061
Ageing of past due but not impaired		
60-90 days	515	325
90-180 days	529	299
180+ days	172	141
	1,216	765
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	(101)	(46)
Impairment losses recognised	-	(55)
Uncollectable amounts written off	-	-
Impairment losses reversed	59	-
Balance at the end of the year	(42)	(101)
Ageing of impaired trade receivables		
60-90 days	-	-
90-180 days	25	22
180+ days	17	79
	42	101

- (i) The average credit period on sales of goods and rendering of services is 30 days. No interest is charged on the trade receivables for the first 60 days from the date of invoice. Thereafter interest may be charged at a rate of 2% per month on the outstanding balance. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience. The Group has provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience.

NOTE 9: TRADE AND OTHER RECEIVABLES (cont)

- (ii) Before accepting any new customers, the Group undertakes a credit assessment process which includes sourcing credit reference data from an external supplier, contacting trade references and undertaking analysis of financial information provided or available publicly. All credit applications are compiled and reviewed by accounts staff before referral to relevant manager for approval prior to entering into the system. All customers are allocated a credit limit which is generally based on 60 days average sales for that customer. Of the trade receivables balance at the end of the year, \$1.0m (2007: \$1.2m) is due from the Group's largest customer and \$4.0m (2007: \$2.6m) is due from the Group's second largest customer. Only one other customer represented more than 5% of the total balance of trade receivables, which was the Group's third largest customer - \$1.1m (2007: \$0.8m).
- (iii) Included in the Group's trade receivable balance are debtors with a carrying amount of \$1.22m (2007: \$0.77m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 113 days. (2007: 151 days)
- (iv) In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and the two major customers being large unrelated public companies. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.
- (v) Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$0.04m (2007:\$0.1m). The impairment loss recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

NOTE 10: INVENTORIES

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Raw materials (at cost)	366	278
Consumable stores (at cost)	276	200
	642	478

NOTE 11: OTHER FINANCIAL ASSETS

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Unlisted investment at cost		
Shares in Permo Drive Technologies Ltd, a research and development Group. Percentage owned 0.21%. (i)	-	-
	-	-

(i) The shares in Permo Drive Technologies Limited are still held as at 30 June 2008, however the carrying value has been written back to nil following the receipt of information from Permo Drive Technologies Limited suggesting that due to their inability to secure substantial contracts and adequate funding lines the prospects realising any value from the disposal of the shares in the future are virtually nil.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT
2008
Consolidated

	Freehold Land \$ 000	Buildings \$ 000	Leasehold Improvements \$ 000	Plant and Equipment \$ 000	Leased Plant and Equipment \$ 000	Total \$ 000
Gross carrying amount at cost						
Balance at 1 July 2007	439	259	1,346	51,085	6,441	59,570
Additions	-	-	1,219	14,554	31	15,804
Disposals	-	(4)	-	(2,633)	(1,460)	(4,097)
Transfers	-	-	1	27	(28)	-
Balance at 30 June 2008	439	255	2,566	63,032	4,984	71,276
Accumulated depreciation/amortisation						
Balance at 1 July 2007	-	(58)	(1,245)	(24,961)	(3,326)	(29,590)
Depreciation	-	(6)	(126)	(7,296)	(1,046)	(8,474)
Disposals	-	4	-	2,061	709	2,775
Transfers	-	-	(4)	(158)	162	-
Balance at 30 June 2008	-	(60)	(1,374)	(30,354)	(3,501)	(35,289)
Net book value						
Balance as 30 June 2007	439	201	101	26,124	3,115	29,980
Balance as 30 June 2008	439	195	1,192	32,678	1,483	35,987

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (cont)
2007
Consolidated

	Freehold Land \$ 000	Buildings \$ 000	Leasehold Improvements \$ 000	Plant and Equipment \$ 000	Leased Plant and Equipment \$ 000	Total \$ 000
Gross carrying amount at cost						
Balance at 1 July 2006	439	264	1,276	46,435	9,098	57,512
Additions	-	-	82	9,286	96	9,464
Disposals	-	(5)	(12)	(6,912)	(477)	(7,406)
Transfers	-	-	-	2,276	(2,276)	-
Balance at 30 June 2007	439	259	1,346	51,085	6,441	59,570
Accumulated depreciation/amortisation						
Balance at 1 July 2006	-	(57)	(698)	(23,709)	(3,486)	(27,950)
Depreciation	-	(6)	(559)	(5,303)	(1,289)	(7,157)
Disposals	-	5	12	5,211	289	5,517
Transfers	-	-	-	(1,160)	1,160	-
Balance at 30 June 2007	-	(58)	(1,245)	(24,961)	(3,326)	(29,590)
Net book value						
Balance as 30 June 2006	439	207	578	22,726	5,612	29,562
Balance as 30 June 2007	439	201	101	26,124	3,115	29,980

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (cont)

Valuation of Freehold Land and Buildings

The Directors have obtained independent valuations with respect to the freehold land and buildings which are measured at cost within the financial statements.

A valuation of the North Queensland property was undertaken by independent valuer, Collins and Easles, as at 17 May 2006. The valuation was made on the basis of current market value, which was assessed at \$1,700,000 (including GST).

A market appraisal of the Lithgow property was undertaken by First National as at 17 September 2003. The appraisal was made on the basis of current market value, which was assessed at \$150,000.

The Group has not adopted the revalued amounts.

Plant and Equipment pledged as security for liabilities

Leased assets and hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. Plant and equipment are pledged as security for current and non current liabilities as disclosed in Note 15.

NOTE 13: PREPAYMENTS

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Current		
Prepayments	1,472	1,203
Non current		
Prepayments	147	297

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Trade and subcontractor payables (i)	11,475	11,577
Accrued expenses	868	661
Related party payables (ii)		
Associate	177	5
	12,520	12,243

(i) Trade and subcontractor payables are settled between 14-60 day terms

(ii) Related party transactions are settled between 14-60 day terms. These balances relate to AA Scott Pty Limited.

For information regarding the effective interest rates and credit risk of current payables these are set out in Note 19.

NOTE 15: INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Current		
Obligation under finance lease and hire purchase contracts (Note 20)	7,201	6,143
	<hr/> 7,201	<hr/> 6,143
Non Current		
Obligation under finance lease and hire purchase contracts (Note 20)	14,607	11,192
Other loans:		
Bank bill facility	-	-
	<hr/> 14,607	<hr/> 11,192

The loans and some lease liabilities are secured by a registered equitable mortgage over the whole of the assets and undertakings of the Group, the current market value of which exceeds the value of loans and lease liabilities.

All other lease liabilities and hire purchases liabilities are secured by a charge over the assets which are subject to the specific lease or hire purchase contract, the current market value of which exceeds the value of the lease and hire purchase liabilities.

Commercial Bank Bill Facility

This \$6m facility is secured by a fixed and floating charge over the assets of the Group and has a 24 month maturity, with effective variable interest rates of between 8.3% and 9.1%.

Financing Facility Available

At the reporting date, the following financing facilities have been negotiated and were available:

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Total facilities:		
Commercial bank bill facility	6,000	6,000
Finance lease and hire purchase facilities	31,360	26,800
Total facilities	<hr/> 37,360	<hr/> 32,800

NOTE 15: INTEREST BEARING LOANS AND BORROWINGS (cont)

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Total facilities used at reporting date:		
Commercial bank bill facility	-	-
Finance lease and hire purchase facilities	21,808	17,335
Total facilities used	21,808	17,335
Total facilities unused at reporting date:		
Commercial bank bills	6,000	6,000
Finance lease and hire purchase facilities	9,552	9,465
Total facilities unused	15,552	15,465
Total facilities	37,360	32,800
Facilities used at reporting date	(21,808)	(17,335)
Facilities unused at reporting date	15,552	15,465
Assets pledged as security		
Current		
Floating charge		
Cash and cash equivalents	4,848	6,327
Receivables	15,405	11,236
Total current assets pledged	20,253	17,563
Non-current		
Floating charge		
Land	439	439
Plant and equipment	32,678	26,124
	33,117	26,563
Fixed Charge		
Finance lease		
- Leased plant and equipment	1,483	3,115
Total non current assets pledged	34,600	29,678
Total assets pledged as security	54,853	47,241

NOTE 16: PROVISIONS

	Employee Entitlements	Income Tax	Make good provision	Total
Consolidated				
At 1 July 2007	2,854	-	109	2,963
Arising during the year	328	937	17	1,282
Utilised	-	-	-	-
At 30 June 2008	3,182	937	126	4,245
Current 2008	3,054	937	126	4,117
Non current 2008	128	-	-	128
	3,182	937	126	4,245
Current 2007	2,757	-	109	2,866
Non current 2007	97	-	-	97
	2,854	-	109	2,963

Make good provisions

A provision was recognised for the restoration costs of the vehicles under operating lease agreement with SG Fleet (formerly National Australia Bank) for the use of 33 vehicles for a period of 36 months. This agreement was conditional on the make good requirement relating to fair, wear and tear. The provision was based on average costs of 2006 truck returns, and was adjusted for future value and then discounted.

	Consolidated 2008 \$ 000	Consolidated 2007 \$ 000

NOTE 17: CONTRIBUTED EQUITY

Ordinary shares (i)	28,080	27,080
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Ordinary shares:

- (i) Ordinary shares are issued and fully paid.
Fully paid ordinary shares carry one vote per share and carry the right to dividends.
Effective 1 July 1998, the Corporations Legislation abolished the concept of authorised capital and par value shares. Accordingly the Company does not have authorised capital, nor par value in respect of its issued capital.

	2008 Thousands	2008 \$ 000	2007 Thousands	2007 \$ 000
As at 1 July 2007	58,867	27,080	58,867	27,080
As at 30 June 2008	61,751	28,080	58,867	27,080

Share options:

The Group has a Management Option Plan which authorises the Board to grant options to selected senior employees. As at 30 June 2008 there were no un-issued ordinary shares in the Company under option.

NOTE 18: PENSION BENEFIT PLAN

A superannuation plan has been established by the Group for the provision of benefits to employees on retirement, death or permanent disability. Benefits provided under the plan are based on accumulation contributions made by the Group for each employee.

NOTE 19: FINANCIAL INSTRUMENTS

The Group's principal financial instruments are equipment finance, being hire purchase and finance lease liabilities. Other operations are financed by commercial bank bill facilities as required from time to time. The main purpose of these facilities is to raise finance for the Group operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables which arise directly from operations. The Group manages the interest rate exposure through the use of fixed term borrowings that are locked at the most competitive rates at the time of acquisition. The main risks arising from the Group financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and basis on which income and expenses are recognised in respect to financial assets and liabilities are disclosed in Note 2 to the financial statements.

(a) Cash flow interest rate risk

The Group exposure to interest rate risk, which is the risk that the financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 June 2008	Weighted Average Effective Interest rates %	<1year \$ 000	>1year <2 years \$ 000	>2years <3 years \$ 000	>3years <4 years \$ 000	>4years <5 years \$ 000	Total
CONSOLIDATED							
Floating rate							
Financial assets							
Cash on deposit	6.3%	324	-	-	-	-	324
Cash at bank	5.4%	4,524	-	-	-	-	4,524
Total financial assets		4,848	-	-	-	-	4,848
Fixed rate							
Financial liabilities							
Hire purchase liabilities	7.5%	6,053	5,091	4,546	3,739	1,193	20,622
Lease liabilities	7.6%	1,148	38	-	-	-	1,186
Total financial liabilities		7,201	5,129	4,546	3,739	1,193	21,808

NOTE 19: FINANCIAL INSTRUMENTS (cont)

30 June 2007	Weighted Average Effective Interest rates	<1year \$ 000	>1year <2 years \$ 000	>2years <3 years \$ 000	>3years <4 years \$ 000	>4years <5 years \$ 000	Total
CONSOLIDATED							
Floating rate							
Financial assets							
Cash on deposit	5.5%	584	-	-	-	-	584
Cash at bank	4.6%	5,743	-	-	-	-	5,743
Total financial assets		6,327	-	-	-	-	6,327
Fixed rate							
Financial liabilities							
Hire purchase liabilities	7.3%	4,778	3,885	2,842	2,142	1,129	14,776
Lease liabilities	7.6%	1,365	1,152	42	-	-	2,559
Total financial liabilities		6,143	5,037	2,884	2,142	1,129	17,335

(b) Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence as at the balance sheet date.

As at 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Consolidated				
+1% (100 basis points)	25	1	25	1
- 0.5% (50 basis points)	10	(9)	10	(9)

The movement in profits are due to higher/(lower) interest costs from variable rate debt and cash balances. The movement in equity is as a result of the increase/(decrease) in net profit after tax. Given the majority of debt is under fixed interest rate hire purchase and finance lease agreements, any movement in interest rate has no impact on existing facilities, but will impact future facilities drawn down.

NOTE 19: FINANCIAL INSTRUMENTS (cont)**(c) Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date is the carrying amount; net of any provisions for doubtful debts as disclosed in the balance sheet.

It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant (see Note 9).

(d) Net Fair Values

The net fair values of receivables, bank overdraft, trade creditors, accruals, lease liabilities, hire purchase liabilities, credit facilities and other loans, approximates their book value. The net fair value of unlisted investments where there is no organised financial market has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment. This value approximates the book value.

For other assets and liabilities the net fair value approximates their book value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

(e) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of Bank commercial bills, finance leases, hire purchase liabilities and operating leases. At 30 June 2008, 33% of the Group's debt will expire within 12 months (2007: 35%).

NOTE 20: COMMITMENTS AND CONTINGENCIES

(a) Finance Lease Commitments - Group as lessee

Finance leases and hire purchase liabilities relate to plant and equipment with lease terms of between three and five years. The Group has options to purchase certain equipment for a nominal amount at the end of the lease period.

Future minimum lease payments under finance and hire purchase contracts together with the present value of the net minimum lease payments are as follows.

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Payable:		
Within one year	8,581	7,190
After one year but not more than five years	16,353	11,200
Later than five years	-	1,156
Minimum lease and hire purchase payments	24,934	19,546
Less amounts representing finance charges	(3,126)	(2,211)
Present value of minimum lease payments	21,808	17,335

b) Operating lease commitments - Group as lessee

Operating leases relate to the leasing of property, plant and equipment with terms of between three and seven years. The Group has options to renew specified leases, however, the Group does not have an option to purchase the leased asset at the end of the lease period.

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
Within one year	3,187	2,836
After one year but not more than five years	6,509	6,342
Later than five years	910	-
Minimum lease and hire purchase payments	10,606	9,178

c) Capital Expenditure Commitments

At 30 June 2008, the Group has commitments of \$3.27m (2006:\$5.55m) principally related to the new prime movers and trailing equipment required as a result of the acquisition of new work with new customers due to commence in the first 6 months of the 2009 financial year.

	Consolidated	Consolidated
	2008	2007
	\$ 000	\$ 000
(Including related finance charges where applicable.)		
Plant and equipment purchases	3,272	5,551
Payable: Not later than one year	3,272	5,551

d) Legal claim

As at 30 June 2008 there were no material legal matters outstanding.

e) Guarantees

Scott Corporation Limited has the following guarantees at 30 June 2008:

- The Company was guaranteed by AA Scott Pty limited on 7 July 2005 for \$5m of the lease facility with Bank SA. This is a portion of the overall lease facility with Bank SA.
- The Company has guaranteed Bank SA a rental bond of \$155,000 (2007: \$155,000) on 22 November 2002, payable to Sand Producers Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of \$122,000 (2007: \$122,000) on 1 December 2003, payable to Taras Nominees Pty Limited for a commercial property lease.

Cross guarantees given by Scott Corporation Limited, Chemtrans Pty Limited, Bulktrans Pty Limited and HBL Services Pty Limited are described in Note 21.

NOTE 21: RELATED PARTY DISCLOSURES

The consolidated financial statements included the financial statements of Scott Corporation Limited and its subsidiaries, listed in the following table:

Parent Entity:	Country of incorporation	% Equity interest 2008	% Equity interest 2007
Scott Corporation Limited (i)	Australia		
Controlled entities of Scott Corporation Limited:			
Chemtrans Pty Limited (ii)	Australia	100	100
Bulktrans Pty Limited (ii)	Australia	100	100
HBL Services Pty Limited (ii)	Australia	100	100

- (i) Scott Corporation Limited is the head entity within the Group
- (ii) These wholly owned controlled entities have entered into a deed of cross guarantee with Scott Corporation Limited, pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare, audit and lodge a financial report. These entities became a party to the deed of cross guarantee on 21 June 2002.

NOTE 21: RELATED PARTY DISCLOSURES (cont)

The Income Statement and Balance Sheet of entities which are party to the deed of cross guarantee are reflected in the Group's results.

The following table provides the total amount of transactions entered into with related parties for the relevant financial year (for information regarding the outstanding balances at year-end, refer to Note 9 and Note 14).

Related party		Sales to Related Parties \$	Purchases from Related Parties \$	Amounts Owed by Related Parties \$	Amounts Owing to Related Parties \$
CONSOLIDATED					
AA Scott Pty Limited	2008	1,017,413	1,305,517	45,495	177,195
	2007	196,279	241,633	1,670	5,421
K&S Corporation Limited	2008	182,463	50,772	34,796	1,644
	2007	191,513	50,907	14,185	-
Johnson Winter & Slattery	2008	-	3,074	-	-
	2007	-	7,756	-	-

Terms and conditions of transactions with related parties

Sales and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash.

Guarantees provided or received for any related party receivables and/or payables have been disclosed in Note 20.

For the year ended 30 June 2008, the Group has not made any allowance for doubtful debts relating to amounts owing by related parties as the payment history has been within terms (2007: Nil).

NOTE 22: EVENTS SUBSEQUENT TO BALANCE DATE

Other than matters referred to within this annual report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

NOTE 23: AUDITOR'S REMUNERATION

	Consolidated 2008 \$	Consolidated 2007 \$
Audit Services:		
Amount due and receivable by Ernst & Young (Australia) for:		
- An audit or review of the financial report and any other entity in the consolidated Group	91,235	90,500
Other services in relation to the entity and any other entity in the consolidated Group	-	-
	91,235	90,500

NOTE 24: DIRECTORS' AND EXECUTIVES' REMUNERATION

a) Details of Key Management Personnel

(i) Directors

A.F. Johnson (Chairman, Non-Executive Director)
 B.C. Grubb (Non-executive)
 D.B. Keane (Managing Director)
 B.S. Johnson (Non-executive Director)

(ii) Executives

K.E. Cope (Chief Financial Officer and Company Secretary)
 D.K. Laidlaw (General Manager Chemtrans)

There were no changes of the CEO or key management personnel after the reporting date and to the date the financial report was authorised for issue.

b) Compensation by Category: Key Management Personnel

	Consolidated 2008 \$	Consolidated 2007 \$
Short Term	827,688	958,340
Post employment	113,233	120,914
Share based payments	-	-
	940,921	1,079,254

*

Note: 2007 included the Co-Company Secretary, Mr Richard Sheridan's total remuneration of \$161,693.

NOTE 24: DIRECTORS' AND EXECUTIVES' REMUNERATION (cont)

c) Option Holdings of Key Management Personnel

Vesting at 30 June 2008						
30 June 2008	Balance at beginning of period 01-Jul-2007	Net Change Other	Balance at end of period 30-Jun-2008	Total	Exercisable	Not Exercisable
Directors						
D.B. Keane (i)	-	-	-	-	-	-
	-	-	-	-	-	-
(i)	Mr. D.B. Keane's net other changes were in respect to options that expired and were not exercised.					

Vesting at 30 June 2007						
30 June 2007	Balance at beginning of period 01-Jul-2006	Net Change Other	Balance at end of period 30-Jun-2007	Total	Exercisable	Not Exercisable
Directors						
D.B. Keane (i)	200,000	(200,000)	-	-	-	-
	200,000	(200,000)	-	-	-	-
(i)	Mr. D.B. Keane's net other changes were in respect to options that expired and were not exercised.					

d) Shareholding of Key Management Personnel

30 June 2008	Balance at 1 July 2007	Granted as Remuneration	Received as Exercised Options	Net Other Change	Balance at 30 June 08
	Ord	Ord	Ord	Ord	Ord
	No.	No.	No.	No.	No.
Directors					
A.F. Johnson	105,555	-	-	6,163	111,718
D.B. Keane	63,333	-	-	3,698	67,031
B.C. Grubb	182,517	-	-	10,657	193,174
B.S. Johnson	25,000	-	-	1,459	26,459
	376,405	-	-	21,977	398,382
Directors					
30 June 2007	Balance at 1 July 2006	Granted as Remuneration	Received as exercised options	Net Other Change	Balance at 30 June 2007
	Ord	Ord	Ord	Ord	Ord
	No.	No.	No.	No.	No.
A.F. Johnson	99,121	-	-	6,434	105,555
D.B. Keane	60,000	-	-	3,333	63,333
B.C. Grubb	92,912	-	-	89,605	182,517
B.S. Johnson	25,000	-	-	-	25,000
	277,033	-	-	99,372	376,405

All equity transactions with key management personnel have been entered into under terms no more favorable than those the Group would have adopted if dealing at arm's length.

NOTE 25: AUDIT/REVIEW OF ACCOUNTS UPON WHICH THIS REPORT IS BASED

The report is based on accounts to which one of the following applies.

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have not yet been audited or reviewed.



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Karl Cope
Company Secretary
28 August 2008