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DIRECTORS' REPORT

Financial Commentary

The Group's unaudited result for the six months ended 28 February 2009 was a loss of \$474,000, compared to an unaudited loss of \$836,000 for the six months ended 29 February 2008. Group sales for the six months were \$13.5 million, compared to Group sales of \$8.3 million for the six months ended 29 February 2008. The current six months includes sales and contribution from Rocklabs Limited, which was acquired on 1 April 2008.

Review of Operations

The addition of Rocklabs increased both sales and contribution from operations and assisted the Group's overall performance.

In early 2008 we reported that the global economic situation had seen many international customers deferring new capital projects, and that this would affect the level of sales for both the Appliance and Automation Divisions. Since then, the global economic recession deepened and the events around the globe that directly affect our markets are unprecedented since the Great Depression of the 1930's.

In late 2008 the Group was successful in securing two significant orders, one from an appliance manufacturer in North America and the other from a major mining company, and we saw the opportunity to rebuild momentum with these projects. However, before these projects advanced beyond the engineering concept stage, they were cancelled due to the global economic crisis and the momentum was lost.

The early success in winning a contract for a sophisticated automation project in the mining sector provided significant confidence in our strategic direction of developing automation systems for the mining sector. In this area we seek to combine the best of Rocklabs with Scott's process automation expertise. These opportunities still exist, however the timing is likely to be dependent on broader economic recovery.

Despite the current difficult macro economic environment, the Group has continued to invest in research and development in our meat processing technology and in several other areas that will maintain us as world leaders in automation.

Given the nature of our research and development, the Group has been conservative and expensed close to \$1 million in this half year. The Group has now registered eleven patents, three of which are granted and eight pending.

Also included in the half year result are significant costs and disruption due to the relocation of our Dunedin operation to our new purpose built facility, and we are confident that operational efficiencies will be obtained as a result of this shift.

Through the Group's joint venture, Robotic Technologies Limited, we successfully installed and commissioned our first commercial automated system for the meat processing sector and we expect further commercial sales in the second half of 2009.

During this half year we completed automation systems destined for China, North America and Europe, as well as Australia and New Zealand.

The Group's European subsidiary, Scott Euro, assisted in the winning of a major project from Europe that has the potential to not only provide work for the coming year, but the agreement also provides the customer with

options to purchase similar equipment for Turkey, Poland and Russia, with a timetable extending through to 2012.

The Group's global service provider, Scott Service International, continues its strong growth and has been a strong contributor since its inception in 2007.

Rocklabs, which operates in the worldwide mineral sector providing sample preparation equipment to mine laboratories and commercial laboratories, has been impacted by the downturn in the mining sector. However, with 80% of its business in the more buoyant gold mining sector, Rocklabs' performance has been, and will continue to be, positive.

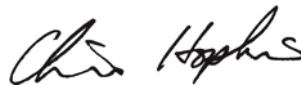
Current development opportunities, and a recent increase in our forward work, provide confidence and encouragement for the medium term future.

The Directors have decided not to pay an interim dividend and will focus on improving the operating performance and cashflow to return the Group to profit and to enable it to resume paying dividends.

The current economic conditions are difficult for us as a manufacturer and exporter of capital equipment. We have great skills, expertise and experience which we are using to develop a range of opportunities for future income streams. This, combined with a strong balance sheet, provides the Directors and management with confidence that the Group can work through the current economic situation and look forward to future profitable growth.



Stuart J McLauchlan
Chairman



Christopher C Hopkins
Managing Director

SCOTT TECHNOLOGY LIMITED
INCOME STATEMENT
For the Six Months Ended 28 February 2009

	6 mths 28 Feb 09 (Unaudited) \$'000s	6 mths 29 Feb 08 (Unaudited) \$'000s	12 mths 31 Aug 08 (Audited) \$'000s
Revenue	13,453	8,300	25,017
Other income	16	98	166
Raw materials & consumables used	(5,680)	(2,885)	(9,453)
Employee benefits expense	(5,533)	(5,144)	(11,477)
Depreciation	(426)	(379)	(797)
Finance costs	(304)	(24)	(275)
Other expenses	(2,274)	(1,170)	(4,358)
NET DEFICIT BEFORE TAXATION	(748)	(1,204)	(1,177)
Taxation benefit	274	368	359
NET DEFICIT FOR THE PERIOD	(474)	(836)	(818)
Net deficit attributable to:			
Members of the parent entity	(397)	(836)	(763)
Minority interest	(77)	-	(55)
	(474)	(836)	(818)
Deficit per share from continuing operations:			
Basic (cents per share)	(1.4)	(3.3)	(3.0)
Diluted (cents per share)	(1.4)	(3.3)	(3.0)
Net tangible assets per ordinary share:			
Basic (cents per share)	41.5	59.3	43.2
Diluted (cents per share)	41.5	59.3	43.2

STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the Six Months Ended 28 February 2009

Translation of foreign operations exchange differences taken to equity	(12)	-	-
Net deficit for the period attributable to:			
Members of the parent entity	(397)	(836)	(763)
Minority interest	(77)	-	(55)
TOTAL RECOGNISED INCOME AND EXPENSE	(486)	(836)	(818)

STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 28 February 2009

Equity at beginning of the period	18,821	17,131	17,131
Issue of shares in part settlement of acquisition of the Rocklabs business	-	-	4,000
Total recognised income and expense	(486)	(836)	(818)
Dividends	-	(1,498)	(1,496)
Minority interest share of net assets on formation	-	-	4
EQUITY AT END OF PERIOD	18,335	14,797	18,821

SCOTT TECHNOLOGY LIMITED
BALANCE SHEET
As at 28 February 2009

	6 mths 28 Feb 09 (Unaudited) \$'000s	6 mths 29 Feb 08 (Unaudited) \$'000s	12 mths 31 Aug 08 (Audited) \$'000s
CURRENT ASSETS			
Cash and cash equivalents	-	1,200	1,160
Trade debtors	4,087	2,232	4,984
Finance lease receivables	49	137	72
Other financial assets	2,265	839	257
Sundry debtors and prepayments	160	74	427
Inventories	4,672	143	4,160
Net contract work in progress	-	2,751	-
Taxation receivable	23	223	17
Property settlement receivable	-	600	-
Advances to associates	2,445	1,463	1,702
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	13,701	9,662	12,779
NON CURRENT ASSETS			
Property, plant and equipment	10,631	8,226	9,832
Investment in associates	16	10	16
Other financial assets	292	507	414
Goodwill	6,607	-	6,607
Deferred tax asset	809	543	535
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	18,355	9,286	17,404
TOTAL ASSETS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	32,056	18,948	30,183
CURRENT LIABILITIES			
Net overdraft	866	-	-
Trade creditors and accruals	3,349	1,518	3,610
Finance lease payable	13	83	49
Other financial liabilities	2,802	839	475
Employee entitlements	699	793	1,109
Provision for warranty	350	200	350
Bank loans – current portion	518	-	494
Net contract progress claims	402	-	206
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	8,999	3,433	6,293
NON CURRENT LIABILITIES			
Other financial liabilities	281	464	371
Employee entitlements	238	254	228
Bank loans – non current portion	4,203	-	4,470
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	4,722	718	5,069
OWNERS EQUITY			
Share capital	11,629	7,629	11,629
Reserves	6,834	7,168	7,243
Minority interest	(128)	-	(51)
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	18,335	14,797	18,821
TOTAL LIABILITIES & OWNERS EQUITY	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	32,056	18,948	30,183

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CASHFLOWS
For the Six Months Ended 28 February 2009

	Notes	6 mths 28 Feb 09 (Unaudited) \$'000s	6 mths 29 Feb 08 (Unaudited) \$'000s	12 mths 31 Aug 08 (Audited) \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to):				
Receipts from operations		14,912	9,186	27,867
Interest received		16	98	139
Net GST received/(paid)		306	50	(181)
Payments to suppliers and employees		(14,674)	(10,244)	(26,261)
Interest paid		(315)	(24)	(229)
Taxation paid		(6)	(298)	(93)
Net cash inflow (outflow) from operating activities	2	239	(1,232)	1,242
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to):				
Purchase of property, plant and equipment		(1,255)	(326)	(2,121)
Sale of property, plant and equipment		17	600	1,218
Advances to associates		(743)	220	(18)
Purchase of business		-	-	(6,042)
Net cash inflow (outflow) from investing activities		(1,981)	494	(6,963)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from (applied to)				
Vehicle finance lease		(35)	(32)	(66)
Proceeds from borrowings		-	-	5,000
Repayment of borrowings		(243)	-	(37)
Dividends paid		-	(1,498)	(1,496)
Issue of share capital to minority interests		-	-	4
Net cash inflow (outflow) from financing activities		(278)	(1,530)	3,405
Net increase/(decrease) in cash held		(2,020)	(2,268)	(2,316)
Add cash and cash equivalents at start of period		1,160	3,476	3,476
Effect of exchange rate changes on the balance of cash held in foreign currencies		(6)	(8)	-
Balance at end of period		(866)	1,200	1,160
Comprised of:				
Cash and cash balances		1,144	1,200	1,847
Bank overdraft		(410)	-	(87)
Short term money market borrowings		(1,600)	-	(600)
Cash and cash equivalents/(net overdraft)		(866)	1,200	1,160

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 28 February 2009

1. FINANCIAL STATEMENTS

Statement of Compliance

The unaudited interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standard 34 ("NZ IAS-34") "Interim Financial Reporting" and other applicable financial reporting standards as appropriate for profit orientated entities. Compliance with NZ IAS-34 ensures compliance with International Accounting Standard 34 "Interim Financial Reporting".

These financial statements have been prepared using the same accounting policies as the previously published annual financial statements as at 31 August 2008. These interim financial statements should be read in conjunction with the policies disclosed in the annual financial statements.

2. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH NET CASHFLOWS FROM OPERATING ACTIVITIES

	6 mths 28 Feb 09 (Unaudited) \$'000s	6 mths 29 Feb 08 (Unaudited) \$'000s	12 mths 31 Aug 08 (Audited) \$'000s
Net surplus (deficit) for the period	(474)	(836)	(818)
Adjustments for non-cash items:			
Depreciation	426	379	797
Net loss on foreign currency balance	6	8	-
Deferred tax	(274)	(319)	(311)
Share of net loss/(surplus) of associate	-	-	(6)
Add (less) movement in working capital:			
Trade debtors	897	(1,457)	(4,209)
Finance lease receivables	23	111	176
Other financial assets	(1,886)	(68)	702
Sundry debtors and prepayments	267	40	(313)
Inventories	(512)	(123)	(4,140)
Contract work in progress	196	2,092	5,049
Taxation receivable	(6)	(223)	(141)
Trade creditors and accruals	(261)	(130)	1,962
Other financial liabilities	2,237	68	(484)
Employee entitlements	(400)	(650)	(361)
Warranty provision	-	-	150
Taxation payable	-	(124)	-
Add items classified as investing activities:			
Movement in working capital related to business purchase	-	-	3,189
Net cash inflow (outflow) from operating activities	<u>239</u>	<u>(1,232)</u>	<u>1,242</u>

Under certain debtor financing arrangements entered into by the Group, cashflows are receipted directly by the third party financier to the arrangement. Consequently the Balance Sheet movement related to financial assets and financial liabilities excludes the movements as a result of these non cash transactions.

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 28 February 2009

3. CONTINGENT LIABILITIES

	6 mths 28 Feb 09 (Unaudited) \$'000s	6 mths 29 Feb 08 (Unaudited) \$'000s	12 mths 31 Aug 08 (Audited) \$'000s
Standby letter of credit	800	-	800
Payment guarantees	4,213	1,288	-
Stock exchange bond	75	75	75
Maximum contract penalty clause exposure	730	511	1,064

Payment guarantees and the standby letter of credit have been provided to customers in respect of advance payments received by the Group for contract work in progress.

Scott Technology Limited has a payment bond to the value of \$75,000 in place with ANZ National Bank Limited in favour of the New Zealand Stock Exchange.

The Group has exposure to penalty clauses on its projects. These clauses relate to delivery criteria and are becoming increasingly common in international contractual agreements. There is a clearly defined sequence of events that need to occur before penalty clauses are imposed.

4. CAPITAL COMMITMENTS

Commitments for future capital expenditure resulting from contracts entered into for:

Construction of the Dunedin engineering facility	-	2,136	925
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5. INVESTMENTS IN ASSOCIATES

Name of Entity	Country of Incorporation	Ownership Interest			Fair Value		
		28 Feb 09 %	29 Feb 08 %	31 Aug 08 %	28 Feb 09 \$'000	29 Feb 08 \$'000	31 Aug 08 \$'000
Associates							
Robotic Technologies Limited (i)	New Zealand	50	50	50	16	10	16
Scott Technology Euro Limited (ii)	Ireland	50	-	50	-	-	-

(i) Scott Technology Limited's joint venture with Silver Fern Farms Limited, Robotic Technologies Limited (RTL), was formed in October 2003 and has a balance date of 31 August. RTL's principal activity is the marketing and development of meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of RTL's net surplus was \$Nil for the six months ended 28 February 2009 (six months ended 29 February 2008: \$Nil).

(ii) Scott Technology Euro Limited is Scott Technology Limited's European sales agency and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. Scott Technology Euro Limited was formed in 2008 and has a balance date of 31 August. Scott Technology Limited's share of Scott Technology Euro Limited's net deficit was \$53,000 for the six months ended 28 February 2009, (six months ended 29 February 2008: \$Nil).