



SCOTT

Scott Technology Limited
Half Year Report

For the six months ended 28 February 2007

highlights...

- \$3.3 million turnaround in operating profit
- Government grant for research and development
- Enhanced service offering to customers
- Fully imputed dividend of 3 cents per share



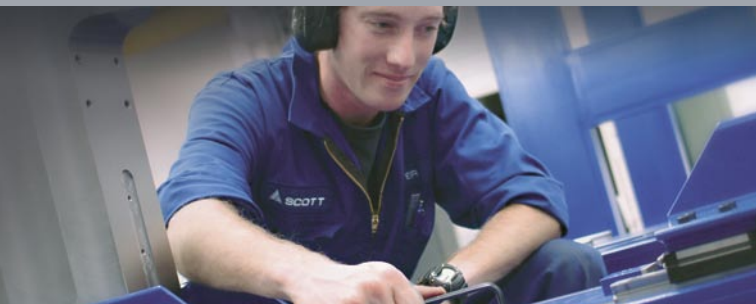
DIRECTORS' REPORT

Financial Commentary

The Directors of Scott Technology Limited are pleased to report that the unaudited result for the six months ended 28 February 2007 was an operating surplus before tax of \$1,872,000, compared to an unaudited loss for the six months ended 28 February 2006 of \$1,407,000, a turnaround of \$3,279,000.

Scott Technology Limited group operating revenue for the six months was \$14,484,000, compared to \$12,272,000 in the previous half year. The net profit of \$1,200,000 was after providing for taxation of \$672,000.

directors' report_{cont.}



Dividend

With the return to profitability and a balance sheet that remains very strong, with no debt, the Directors have declared an interim dividend of 3 cents per share. The share register will close for the dividend calculation on 27 April 2007. The dividend will be payable on 3 May 2007 and will be fully imputed with a supplementary dividend being applied to overseas shareholders.

Review of Operations

Sales of appliance systems have been a significant contributor to the company's profitability improvement and as noted at this time last year, much of the work undertaken over the last 12 months was on contracts secured when the New Zealand dollar was at more favourable exchange rates than the current US 0.71 cents. The current high level of the New Zealand dollar, and in particular the volatility of the dollar, is providing a challenge to management who are addressing it through greater manufacturing efficiencies and the ongoing development of new technology.

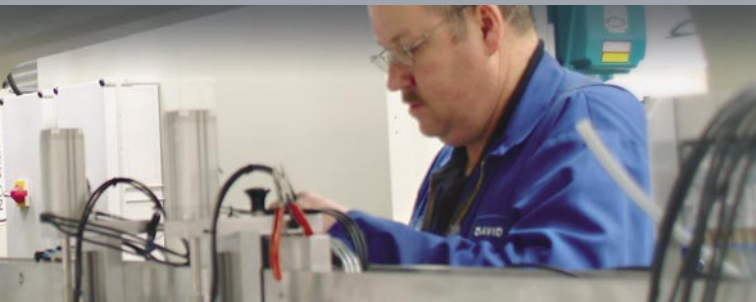
directors' report_{cont.}



To enhance our service we have established a subsidiary company to focus on providing equipment upgrades to existing customers, and service and support to both existing and new customers. This company, although based in New Zealand, will primarily focus on our international customer base. In addition, and as part of our ongoing focus on improving manufacturing efficiency and effectiveness, the company is strengthening its global position by relocating a senior executive of the company to China.

The meat processing work undertaken through our joint venture with PPCS has continued through this period and has seen the successful trialling of an automated primal cutting system at a meat processing plant in Australia. Scott's research and development expenditure continues to be expensed as incurred and our capabilities and experience in this field continue to expand. Management expect to have a number of automated systems available for commercialisation within the next 12 months.

directors' report_{cont.}



The Company's joint venture, Robotic Technologies Limited (RTL) has received a commitment from the New Zealand Government through the Foundation for Research Science & Technology for up to \$3.5 million for research and development in the meat processing sector. The research and development is programmed to be undertaken in several stages over the next three to four years. Scott Technology will undertake the manufacturing and research and development for RTL.

The Directors believe that being at the forefront of technology and a leading innovator in our chosen fields of appliance manufacturing and meat automation, will underpin the continued growth and profitability of the company.

A handwritten signature in white ink that reads "Graeme J. Marsh".

Graeme J Marsh
Chairman of Directors

A handwritten signature in white ink that reads "Chris Hopkins".

Chris Hopkins
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

		<i>For the 6 months to</i>	<i>12 Months to</i>
		<i>28 Feb 07</i>	<i>28 Feb 06</i>
		<i>\$000</i>	<i>\$000</i>
	<i>Note</i>	<i>unaudited</i>	<i>unaudited</i>
			<i>31 Aug 06</i>
			<i>\$000</i>
			<i>audited</i>
Operating revenue	3(a)	14,484	12,272
Operating surplus/ (deficit) before tax	3(b)	1,872	(1,407)
Income tax (charge)/benefit		(672)	474
Net surplus/(deficit) after tax		1,200	(933)
			242

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

		<i>For the 6 months to</i>	<i>12 Months to</i>
		<i>28 Feb 07</i>	<i>28 Feb 06</i>
		<i>\$000</i>	<i>\$000</i>
		<i>unaudited</i>	<i>unaudited</i>
			<i>31 Aug 06</i>
			<i>\$000</i>
			<i>audited</i>
Equity at beginning of period		16,416	14,722
Net surplus/(deficit) after tax		1,200	(933)
Revaluation of land and buildings		-	-
Total recognised revenue and expenses		1,200	(933)
Dividends paid to owners - prior year final		(748)	-
Equity at end of period		16,868	13,789
			16,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>As at 28 Feb 07 \$000 unaudited</i>	<i>As at 28 Feb 06 \$000 unaudited</i>	<i>As at 31 Aug 06 \$000 audited</i>
EQUITY			
Share capital	7,629	7,629	7,629
Capital reserves	2,655	1,203	2,655
Revenue reserves	6,584	4,957	6,132
Total shareholders' equity	16,868	13,789	16,416
CURRENT LIABILITIES			
Bank overdraft (secured)	-	4,651	-
Contract work in progress (net)	-	19	-
Trade creditors	988	847	1,249
Sundry creditors and accruals	763	1,093	702
Employee entitlements	834	883	919
Provision for warranty	200	200	200
Provision for tax	144	-	-
	2,929	7,693	3,070
	19,797	21,482	19,486
NON-CURRENT ASSETS			
Property, plant and equipment	7,012	8,955	7,387
Investments in associates	10	10	10
Other investments	43	43	43
Property settlement receivable	1,200	-	1,200
Deferred tax benefit	620	957	583
	8,885	9,965	9,223
CURRENT ASSETS			
Cash and bank	2,699	-	6,216
Trade debtors	2,813	10,471	2,855
Finance lease receivable	349	342	469
Sundry debtors and prepayments	303	25	304
Inventories	160	421	187
Contract work in progress (net)	4,588	-	215
Tax refund due	-	258	17
	10,912	11,517	10,263
	19,797	21,482	19,486

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>For the 6 months to</i>	<i>12 Months to</i>	
	<i>28 Feb 07</i>	<i>28 Feb 06</i>	<i>31 Aug 06</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<i>Note</i>	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>
Cash flows from operating activities			
Cash was provided from:			
Receipts from operations	10,048	12,297	34,589
Interest received	197	40	169
Company taxes refunded	-	439	431
	10,245	12,776	35,189
Cash was applied to:			
Payments to suppliers and employees	12,341	14,100	27,047
Interest paid	1	217	258
Company taxes paid	547	-	-
	12,889	14,317	27,305
Net cash used in operating activities	4 (2,644)	(1,541)	7,884
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment	14	5	1,493
Sale of Investments	-	5	5
	14	10	1,498
Cash was applied to:			
Purchase of property, plant and equipment	130	27	73
	130	27	73
Net cash used in investing activities	(116)	(17)	1,425
Cash flows from financing activities			
Cash was applied to:			
Dividends paid	748	-	-
Net cash used in financing activities	(748)	-	-
Net movement in bank position	(3,508)	(1,558)	9,309
Effect of exchange rate on foreign currency balance	(9)	-	-
Opening bank position	6,216	(3,093)	(3,093)
Closing bank position	2,699	(4,651)	6,216

NOTES TO THE FINANCIAL STATEMENTS

1 Financial statements

These interim financial statements have been prepared in accordance with Financial Reporting Standard No. 24 and generally accepted accounting practice and should be read in conjunction with the 2006 annual report.

The half year financial statements are unaudited, however the 31 August 2006 comparatives have been extracted from audited financial statements.

2 Accounting policies

There have been no changes to the accounting policies, as disclosed in the 2006 annual report, in the preparation of these interim financial statements.

3 Operating revenue and Operating surplus/(deficit)

	<i>For the 6 months to</i> 28 Feb 07 \$000 <i>unaudited</i>	<i>28 Feb 06</i> \$000 <i>unaudited</i>	<i>12 Months to</i> 31 Aug 06 \$000 <i>audited</i>
(a) Operating revenue			
Sales revenue	14,287	12,232	27,310
Interest received	197	40	169
	14,484	12,272	27,479
(b) Operating surplus/(deficit) includes			
Interest - bank overdraft	1	217	258

4 Reconciliation of net surplus/(deficit) after tax to net cash used in operating activities

Net surplus/(deficit) for the period	1,200	(933)	242
Add/(less) non cash items			
Depreciation	471	494	917
Deferred tax benefit	(37)	(471)	(97)
Net loss on foreign currency balance	9	-	-
	443	23	820
Add/(less) movements in working capital items			
Debtors, prepayments and finance lease receivables	163	(5,999)	1,211
Inventories	27	(253)	(19)
Contract work in progress	(4,373)	5,939	5,705
Creditors, accruals and provisions	(285)	(750)	(703)
Tax refund due	161	437	678
	(4,307)	(626)	6,872
Less items classified as investing			
Loss/(gain) on sale of property, plant and equipment	20	(5)	(50)
Net cash used in operating activities	(2,644)	(1,541)	7,884

NOTES TO THE FINANCIAL STATEMENTS Cont.

5 Adoption of International Financial Reporting Standards

In December 2002, the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities will be required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for periods beginning on or after 1 January 2007, with the option to adopt early for periods beginning on or after 1 January 2005. The Group's first annual financial statements prepared under NZ IFRS will be for the year ended 31 August 2008.

The company is managing the transition to NZ IFRS by undertaking an analysis of the key impacts.

This transition plan has been implemented during the 2006 financial year and further analysis and work will be completed in the 2007 financial year so that the company is in a position to calculate its opening balance sheet effective 1 September 2006.

Key differences in accounting policies that are expected from adopting NZ IFRS include the calculation of deferred taxation, provisions and financial instruments. The impact of these differences, and the verification of any other differences will be assessed as part of the company's NZ IFRS transition plan. At this stage the company is unable to quantify the impact on the financial statements.

The actual impact of adopting NZ IFRS may vary from the information presented and this variation may be material.

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