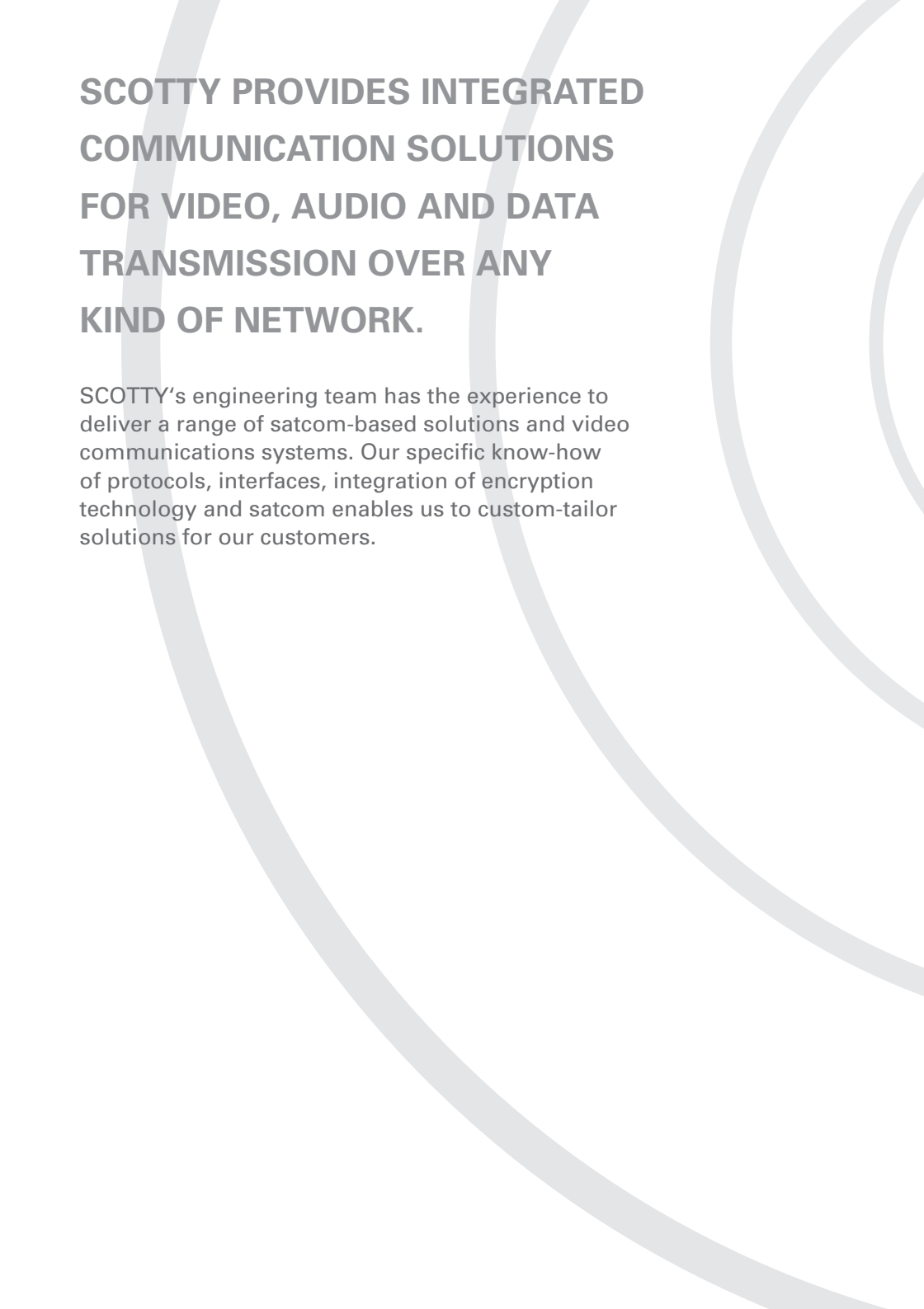




SCOTTY™

SCOTTY Group plc / Interim Report 2009

LOOK. LISTEN. COMMUNICATE.



**SCOTTY PROVIDES INTEGRATED
COMMUNICATION SOLUTIONS
FOR VIDEO, AUDIO AND DATA
TRANSMISSION OVER ANY
KIND OF NETWORK.**

SCOTTY's engineering team has the experience to deliver a range of satcom-based solutions and video communications systems. Our specific know-how of protocols, interfaces, integration of encryption technology and satcom enables us to custom-tailor solutions for our customers.

CHAIRMAN'S STATEMENT

I am pleased to report the half-year results of SCOTTY Group plc for the six months to 31 January 2009. During the period the Group's trading activity was profitable, with positive cash flow, and we continued to build momentum in the government, military and aviation markets. We are seeing a steady increase in the number of projects in the negotiation and planning stages, and have signed further significant co-operation agreements with major aerospace and defence companies.

Results and cash flow

The result for the first half-year was a pre-tax profit of £89,000, compared with a pre-tax profit of £304,000 in the corresponding period last year.

Turnover for the first half-year was £2,652,000, compared with £2,459,000 for the corresponding period last year. Gross profit reduced from £1,813,000 to £1,689,000, reflecting a lower proportion of higher-margin research and development revenue compared with the corresponding period last year. Administration expenses in the half-year increased to £1,859,000 from £1,751,000 in the first half of 2008, including the costs of the share consolidation in September.

Earnings per share were 0.33p compared with 1.29p in the corresponding period last year, after adjusting for the 1 for 50 share consolidation that was approved by shareholders in September 2008.

Your Directors are unable to recommend payment of a dividend at this stage in the Group's development.

Cash flow during the half-year period was positive with cash balances at 31 January 2009 amounting to £620,000, compared with £569,000 at 31 July 2008, and £60,000 at 31 January 2008.

Review of Government aviation and military market

As stated in our 2008 results announced in November, this six months period has shown modest growth in revenue terms, compared with the same period last year, despite some projects being delayed into the second half-year and, in some cases, the next financial year.

The first half-year included continued revenue from the Eurocopter PV research and development contract, which is progressing well, together with deliveries of the further rack systems and fixed provisions for Eurocopter announced in June 2008. Additional revenue has stemmed from ancillary equipment connected with the deliveries to Diamond Airborne Sensing, for Venezuela and Niger, in the previous financial year, together with a number of smaller projects utilising our land/maritime communications systems.

CHAIRMAN'S STATEMENT – CONTINUED

These smaller projects are significant, in that they are steadily widening our customer base, together with the range of applications for which our products are suitable. On 1 December 2008, we announced our involvement in five such projects: surveillance systems for tankers operating in hostile offshore environments; video/data links for German navy onboard hospitals; mobile communications packages for the Chinese national railways system; a Blue Force Tracking multi-channel package for the German army, which allows a ground station to track up to eight aircraft via a satcom link; and supply of video-codecs.

Outlook

As we commented at the time of our Annual General Meeting in January, we have seen some evidence of slowdown in approvals of some government projects. Conversely, the political pressures associated with projects to improve homeland security and military personnel communications equipment lead to projects being allocated to fast-track budgets for urgently required equipment.

The potential for new projects continues to broaden, with a further increase since January in the portfolio of projects advancing through the planning and negotiation phases, prior to being converted into firm orders. In part, this reflects the momentum generated by our successful installations of mission gear equipment for Eurocopter helicopters and Diamond fixed wing aircraft, whilst it also reflects our strategy of developing co-operation agreements with major aerospace and defence corporations. In October 2008, we announced an agreement with Thales Avionics Limited and then in February of this year, a further agreement, with Hawker Beechcraft Corporation, a leading manufacturer of piston, turboprop and jet aircraft for personal, business and special mission applications.

A number of significant projects are now approaching the firm order stage. In particular, we anticipate that in the course of the next few weeks we shall be able to announce a major order that will benefit the financial year commencing 1 August 2009 and subsequent two years.

In summary, I am pleased with the progress we have made in the first half-year. SCOTTY's equipment is becoming sought after in an increasing number of applications and the Company's customer base is broadening as a result. I said in our trading update in January that these trends augur well for SCOTTY's future and I remain firmly of that view.

Rt Hon The Lord Trefgarne PC
Chairman

30 April 2009

CONSOLIDATED INCOME STATEMENT

for the half year ended 31 January 2009

	<i>Half year ended 31 January 2009</i>	<i>Half year ended 31 January 2008</i>	<i>Year ended 31 July 2008</i>
	<i>Note (unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Revenue	2,652	2,459	6,789
Cost of sales	(963)	(646)	(2,185)
Gross profit	1,689	1,813	4,604
Administration expenses	(1,859)	(1,751)	(4,233)
Other operating income	262	282	569
Operating profit	92	344	940
Finance costs	(3)	(40)	(13)
Profit before tax	89	304	927
Income tax charge	(23)	(43)	(326)
Profit for the period	66	261	601
Earnings per share (basic and diluted)	2 0.33p	1.29p	2.97p

The above results all derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE

for the half year ended 31 January 2009

	<i>Half year ended 31 January 2009</i>	<i>Half year ended 31 January 2008</i>	<i>Year ended 31 July 2008</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Currency translation differences on foreign currency investments	194	28	479
Profit for the period	66	261	601
Total recognised income and expense for the period	260	289	1,080

CONSOLIDATED BALANCE SHEET

at 31 January 2009

	31 January 2009 (unaudited) £000	31 January 2008 (unaudited) £000	31 July 2008 (audited) £000
Note			
Non-current assets			
Goodwill	6,000	6,000	6,000
Other intangible assets	267	84	75
Property, plant and equipment	189	356	192
Investments	188	188	188
	<u>6,644</u>	<u>6,628</u>	<u>6,455</u>
Current assets			
Inventories	756	443	630
Trade and other receivables	1,194	1,054	2,053
Cash and cash equivalents	620	60	569
	<u>2,570</u>	<u>1,557</u>	<u>3,252</u>
Total assets	<u>9,214</u>	<u>8,185</u>	<u>9,707</u>
Current liabilities			
Trade and other payables	(1,518)	(2,068)	(2,305)
Current tax liabilities	(148)	(11)	(96)
Obligations under finance leases	(37)	(5)	(41)
	<u>(1,703)</u>	<u>(2,084)</u>	<u>(2,442)</u>
Net current assets/(liabilities)	<u>867</u>	<u>(527)</u>	<u>810</u>
Non-current liabilities			
Deferred tax liabilities	(407)	(200)	(436)
Long term provisions	(103)	–	(83)
Accruals and deferred income	(12)	(42)	(9)
Obligations under finance leases	(39)	–	(47)
	<u>(561)</u>	<u>(242)</u>	<u>(575)</u>
Total liabilities	<u>(2,264)</u>	<u>(2,326)</u>	<u>(3,017)</u>
Net assets	<u>6,950</u>	<u>5,859</u>	<u>6,690</u>
Capital and reserves			
Called up share capital	10,106	10,106	10,106
Share premium account	37,385	37,385	37,385
Capital redemption reserve	183	183	183
Share option valuation reserve	100	60	100
Profit and loss account	(40,824)	(41,875)	(41,084)
Total shareholders' funds	3 <u>6,950</u>	<u>5,859</u>	<u>6,690</u>

CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 31 January 2009

	<i>Half year ended 31 January 2009 (unaudited) £000</i>	<i>Half year ended 31 January 2008 (unaudited) £000</i>	<i>Year ended 31 July 2008 (audited) £000</i>
Net cash from operating activities	114	151	75
Additions to property, plant and equipment	(65)	(217)	(177)
Additions to intangible assets	(193)	(35)	(24)
Proceeds on disposal of property, plant and equipment	13	9	9
Net cash used in investing activities	(245)	(243)	(192)
Other financing cash flows (net)	(12)	(4)	79
Net cash used in financing activities	(12)	(4)	79
Net decrease in cash and cash equivalents	(143)	(96)	(38)
Cash and cash equivalents at start of period	569	128	128
Effect of foreign exchange rate changes	194	28	479
Cash and cash equivalents at end of period	620	60	569

	<i>Half year ended 31 January 2009 (unaudited) £000</i>	<i>Half year ended 31 January 2008 (unaudited) £000</i>	<i>Year ended 31 July 2008 (audited) £000</i>
Reconciliation of profit for the period to net cash from operating activities			
Profit for the period	66	261	601
Amortisation of intangible assets	1	20	18
Depreciation of property, plant and equipment	50	73	188
Loss/(profit) on disposal of property, plant and equipment	5	(9)	–
IFRS 2 share-based payments charge	–	10	50
Increase in inventories	(126)	(61)	(248)
Decrease/(increase) in trade and other receivables	859	285	(714)
(Decrease)/increase in trade and other payables	(741)	(428)	180
Net cash from operating activities	114	151	75

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements, which are neither audited nor reviewed, have been prepared under accounting policies consistent with International Financial Reporting Standards ("IFRS"), as set out in the Group's Annual Report for the year ended 31 July 2008. The financial information in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The Directors have formed a judgement, at the time of approving the interim financial statements, that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

The financial statements of the overseas subsidiary companies are translated into sterling at the closing rate of exchange and the differences arising on the opening net investment and on inter-company loans, at the closing rate, are taken directly to reserves.

The comparative figures for the year ended 31 July 2008 are an abridged version of the Group's published financial statements which were prepared in accordance with IFRS, and have been filed with the Registrar of Companies. They received an unqualified audit report, did not contain reference to matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit after taxation for the period and the weighted average number of shares in issue during the period.

None of the share options give rise to a dilution in the loss per share due to the current level of the Company's share price. As a result, the basic and diluted earnings per share are the same.

The profit for the period and the weighted average number of shares used in the calculations are set out below:

	<i>Half year ended 31 January 2009 (unaudited) £000</i>	<i>Half year ended 31 January 2008 (unaudited) £000</i>	<i>Year ended 31 July 2008 (audited) £000</i>
Profit attributable to ordinary shareholders	66	261	601
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of shares	20,212,937	20,212,937	20,212,937
Earnings per share (pence)	0.33p	1.29p	2.97p

NOTES TO THE INTERIM FINANCIAL STATEMENTS – CONTINUED

On 12 September 2008 the Company effected a share consolidation, in which one new ordinary share of 50p was issued for every fifty old ordinary shares of 1p held by shareholders at the close of business on 11 September 2008. The number of shares shown above has been adjusted for the prior periods, to reflect this consolidation.

3. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS IN RESERVES

	<i>Half year ended 31 January 2009 (unaudited)</i>					<i>Total 31 January 2009 (audited)</i>	<i>Year ended 31 July 2008 (audited)</i>
	<i>Called up share capital £000</i>	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Share option valuation reserve £000</i>	<i>Profit and loss account £000</i>		
At start of period	10,106	37,385	183	100	(41,084)	6,690	5,560
Exchange gains	–	–	–	–	194	194	479
IFRS 2 share-based payment charge for current year	–	–	–	–	–	–	50
Profit for the period	–	–	–	–	66	66	601
At end of period	10,106	37,385	183	100	(40,824)	6,950	6,690

4. DISTRIBUTION OF INTERIM REPORT

Copies of this Interim Report are being sent to shareholders. Further copies are available from the Company's United Kingdom office at Building A, Trinity Court, Wokingham Road, Bracknell, Berkshire RG42 1PL.

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	Rt Hon The Lord Trefgarne PC (Chairman) Dr H P Sauerzopf (Non-executive Director) K Kerschhat (Chief Executive Officer) H F Edmonds, FCA (Finance Director) F B Smart, FCA (Non-executive Director) Dr E Wustinger (Non-executive Director)
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AUDITORS	Deloitte LLP Reading
FINANCIAL PUBLIC RELATIONS	Threadneedle Communications Limited 5 th Floor 7 Ludgate Broadway London EC4V 6DX

