Hartest Holdings Plc

('Hartest', the 'Group' or the 'Company')

Preliminary Results for the year ended 31 March 2009

Hartest Holdings plc, the supplier of specialist instrumentation and medical equipment, announces its Preliminary Results for the year ended 31 March 2009.

Highlights:

- Group revenue £20.7 million (2008: £21.7 million)
- Group operating profit before non-recurring costs £334,000 (2008: £1,033,000)
- Non-recurring costs of £1,117,000 primarily represent business relocation expenses and redundancy and employment contract severance costs
- Loss before tax £865,000 (2008: profit before tax £884,000)
- Nil net debt position maintained
- Business operations soundly based and profitable

BUSINESS REVIEW
CHAIRMAN'S STATEMENT

Following the changes to our Board structure in March 2009, I have accepted the appointment as Executive Chairman, in addition to my existing function as Chief Executive, and I am now writing to shareholders to present the results for 2009.

Results

In line with many other companies in our industry, we have experienced a number of challenges in the business environment this year. However, the Group was able to react in a timely manner, and implement changes in the operational structure and staffing levels at both subsidiary and parent company level. Concurrently, we are continuing to implement the pre-planned and necessary relocation of two subsidiaries.

Group revenue for the period was £20.67 million (2008: £21.72 million), and we achieved a profit for the year on operations before non-recurring costs amounting to £0.33 million (2008: £1.0 million).

Gross margins held firm at 34.0% compared with 34.4% in the prior year, despite the pressure on our trading businesses from the deteriorating domestic and international economy, and particularly by the extreme volatility in currency exchange rates and the significant weakening during the year of the Pound Sterling against both the US Dollar and the Euro. Overall, Group losses before tax amounted to £0.87 million (2008: pre-tax profit £0.88 million). Operational overheads totalled £6.70 million compared to £6.44 million last year; however, the restructuring that occurred towards the end of the period should ensure that significant and sustainable reductions in overheads are achieved in the current business year.

A significant level of non-recurring and exceptional costs has been incurred during the year, totalling £1.12 million (2008: £nil). The costs were primarily in respect of business relocation expenses, and redundancy and employment contract severance costs. An explanation of these non-recurring items is given in the Operational and Financial Review below, but shareholders can be reassured that, apart from future costs of £0.4 million (as previously indicated, in respect of our subsidiary relocations over the next two years), we do not anticipate any further non-recurring or exceptional items.

Cash resources remain well controlled and we maintained our nil net debt position at both the beginning and the end of the financial year.

Dividend

In view of the requirement to fund the business relocations, the Group decided in December 2008 that it could best serve the interest of Hartest and its shareholders by pursuing a prudent policy of suspending dividend payments, and no dividend was declared at the interim stage. Although the Board has confidence in future prospects, it has decided that, for the time being, cash resources should continue to be directed towards operational requirements, and so the Board does not propose a final dividend. (2008: final, 1 penny per share; interim, 0.67 pence per share).

Directorate Changes

The last twelve months have seen a number of Board changes. We welcomed Jan Holmström to the Board as a non-executive director on 10 December 2008. On 20 March 2009, the Board announced a restructuring in order to accommodate the changing focus of our operations and reduce central costs by a significant sum, and Peter Ward (Chairman), Robert Porter (Group Finance Director) and Max Dyer Bartlett (Non-Executive Director and Company Secretary) stepped down from their directorships. At the same time, I took on the additional role of Executive Chairman, David Kempton was appointed Deputy Chairman and Senior Independent Non-Executive Director, and Jan Holmström was appointed as Company Secretary. We believe that the new Board structure represents a tight and manageable unit, which is appropriate for the business in the changed economic environment. We thank Peter, Robert and Max for their significant contributions during their respective periods in office.

Employees

I would like to extend my personal thanks to all of our employees, upon whose dedication and hard work the Group relies. We are grateful for the commitment they provide to our operations on a daily basis.

Prospects

The Group is soundly and broadly based with a solid balance sheet, tight operating costs and no net debt. In the last year, we have borne the cost of moving two of our operations into a new and greatly enhanced facility, which is already showing a significant improvement in our efficiencies. Our management teams are performing well as we exploit our wide markets and comprehensive product ranges, and we have plans to continue the positive performance and profit growth of our operations in the months to come.

Geoff Spink
Executive Chairman
17 June 2009

BUSINESS REVIEW
OPERATIONAL AND FINANCIAL REVIEW

Overview

The resilience of our operations has been put to the test during the last year, with the widely reported deterioration in the global economic climate, and a period of extreme volatility in currency exchange rates generally coupled with a significant weakening in the value of the Pound Sterling against both the US Dollar and the Euro. Inevitably, this has had an impact upon a number of our trading operations, with reduced demand from some sectors and reduced margins due to higher import costs in other sectors. However, performance in many of our business activities has remained strong and we also incurred non-recurring costs in order to restructure operations and reduce operating costs in some areas in order to lower our cost base. The individual circumstances in our separate business operations are explained in more detail in the paragraphs that follow.

We operate in technically specialist markets world-wide with strong positions in a number of niche markets, which limits our exposure to any one particular sector. This provides a sound platform for the continuing development of the Group.

Instrumentation Division

The Instrumentation Division manufactures sells and distributes a range of specialist instruments and supplies for use in testing, measurement, performance improvement, and research around the world. Our brands cover surface coatings (Sheen Instruments), rubber testing (Wallace Instruments), temperature measurement (ASL), ophthalmic testing (Tinsley Ophthalmic and Henson), underwater cable fault location, and electrical impulse testing (Tinsley), power management systems for specialist vehicles (Carnation Designs), and equipment and consumables for use with electron microscopes (Agar Scientific).

The four operations of Sheen, Wallace, ASL and Tinsley operate jointly within one company, **Hartest Precision Instruments Limited** ('Hartest Precision'), and we have completed a number of initiatives to unify the branding formerly operated by the four separate businesses, without any dilution to their individual identities. Hartest Precision was previously based at two separate locations in South London, namely Kingston and Croydon, and business operations were inefficient and unwieldy, with significant levels of duplicated costs. Management had planned to relocate the operation onto a single site during the forthcoming year, but the early identification of suitable premises allowed us to accelerate this plan, enabling an early delivery of improved operational efficiencies and cost savings; the relocation was accomplished in a successful move to a single site at Redhill, Surrey, in early March 2009. The lease of the Kingston property has now expired, and we are seeking to dispose of the freehold of the Croydon property. Hartest Precision also has a profitable and expanding business in Delhi, India.

Looking at the year under review, all four Hartest Precision operations began well, but in the later months, Sheen products experienced reduced demand from the automotive and general decorative sectors. Similarly, demand was lower for the Wallace products from the US Dollar-linked rubber and synthetic materials sectors. Sales prospects are encouraging for the Henson ophthalmic vision field analysers and macular pigment measurement devices, and the company anticipates significant growth in future demand by promoting public awareness of the possibilities for use of the Henson MPOD in treating macular deficiencies in the eye. Hartest Precision Instruments India had a good year, supplying equipment predominantly to the India power generating business, producing strong results.

Carnation Designs Limited ('Carnation') enjoyed continuing success during the year in the marketing and sale of 'genisys', the company's intelligent programmable vehicle management system, which offers advantages to both end users and converters of specialist vehicles. Carnation continues its strong business in the ambulance and vehicle recovery sectors, with encouraging prospects developing in police, local authority and industrial sectors.

We had another positive year at **Agar Scientific Limited** (‘Agar’), although there was considerable pressure on margins resulting from the higher costs of importing specialist microscopy instrumentation due to the hardening of the US Dollar and Euro. Agar has reached the end of its lease on the existing facility in Stansted, Essex, and after a considerable effort to find alternative available premises close to the existing site, the company has now leased new premises on the outskirts of Stansted. The facility is currently undergoing adaptation and fit-out, and Agar intends to relocate within the next few months.

Medical Services Division

The Medical Services Division trades under the names of **Qados** and **Cross Technologies**, acting as a distributor in the business areas of specialist medical and healthcare equipment, in both the public and private sectors throughout the United Kingdom and Ireland. In addition to the sale of medical equipment, the Division also has an active service and consumables operation, and is engaged in the distribution of radiopharmaceuticals. Aiming to offer the latest technology, it acts as distributor rather than manufacturer; in the nature of such a wide portfolio business, there are constant adjustments to product offerings, and the Division both gains and loses franchises.

We announced last year that a long-term supplier, Candela Corporation of the US, was withdrawing the franchise for its range of specialist lasers for aesthetic treatment and hair removal, leading to a significant reduction of revenue within the Medical Services Division. The Division initially planned to continue its laser sales and service activities with other suppliers, but as this did not prove viable, the laser activity was closed during the summer of 2008, leading to redundancy payments and inventory write-down.

As a specialist import and distribution operation, selling largely to the UK public health sector, the Medical Services Division is not always able to secure variable pricing terms with its customers, and therefore suffered significant pressure on margins during the current year as the import costs of instruments and devices purchased in US Dollar and Euro currencies increased significantly and at short notice.

The Medical Services Division continues to operate a number of attractive and promising franchises, whilst there are also a number of initiatives to develop new business lines. In addition, action has been taken to reduce overhead costs in a number of areas within the business.

Group Development

Over recent years, we have stabilised the various businesses in the Group, and each one now contributes profit and cash flow to our operations. As we move forward, we place increasing emphasis on the continuing development and growth of our activities.

Financial Performance

Overall, gross margins across the Group held firm at 34.0% compared with 34.4% last year, despite the effect of the currency fluctuations referred to in the preceding paragraphs.

Operating overheads amounted in aggregate to £6.70 million compared to £6.44 million in the previous year. However, the sustainable level of recurring overheads will be considerably lower in the coming year as a result of both close control and also the restructuring initiatives referred to above.

Within the Instrumentation Division, revenue reduced by 1.5% to £13.87 million and operating profits before non-recurring costs reduced by 22.9% to £0.96 million, although Hartest Precision India gave another strong contribution. In the Medical Services Division revenue fell by 11.0% to £6.80 million, and operating profits before non-recurring costs were reduced from £0.35 million to a small operating loss of £0.03 million. Across the Group, we achieved a profit on operations before non-recurring costs for the year of £0.33 million (2008: £1.0 million).

Non-recurring costs

During the year, a number of special and exceptional costs have been incurred, largely with the objective of improving operating performance or reducing the level of continuing overhead costs for the future. These are summarised below

	£'000
Relocation of operations at Hartest Precision and Agar Scientific	562
Restructuring costs, including redundancy and employment severance – parent company	138
Restructuring costs, including redundancy and employment severance – trading operations	273
Impairment in value of property held for disposal	98
Write off of abortive transaction costs	46
Total non-recurring costs	1,117

Financial Monitoring and Management

The Board reviews Group performance against budget on a monthly basis. The key performance indicators regularly monitored by the Board include revenue, gross margin and overhead expenditure trends at each Group company. Working capital utilisation is also closely monitored by regular review of stock holding periods and debtor / creditor days. Business prospects are assessed by reviewing rolling 3 month forecasts and order book levels supported by order intake trends.

Liquidity

We have maintained good control over cash flows during the year, and the debt-free position at 31 March 2008 was maintained at 30 September 2008 and 31 March 2009 respectively.

Tight control of working capital, and in particular significant reductions in inventories at Hartest Precision, ensured that cash was available to meet non-recurring costs and capital expenditure in a challenging year, with two relocations underway.

<u>Reconciliation of Net Cash Flow to Movement in Net Cash / ('Net Debt')</u>

	2009	2008
	£'000	£'000
(Reduction) / Increase in cash in the year	**(155)**	555
Cash flow from reduced debt and finance leases	**76**	482
Change in net debt resulting from cash flows	**(79)**	1,037
Net cash / (debt) at the beginning of the year	**90**	(947)
Net cash / (debt) at end of the year	**11**	90

Taxation and Earnings per Share

The tax deductible nature of much of the non-recurring costs will generate entitlement to refunds of taxation paid previously and generate tax losses that can be claimed against future trading profits, in respect of which we have assumed a deferred tax asset. After provision for payment of overseas taxation on our Indian operations, there is a net credit for taxation of £0.10 million (2008 tax charge £0.11 million).

The resulting figure of loss per share of 8.9 pence, compares with the earnings per share of 9.0 pence in the comparative period.

Geoff Spink
Executive Chairman
17 June 2009

Hartest Holdings plc

Group Consolidated Income Statement

Year ended 31 March 2009

	2009	2008
	£'000	£'000
Revenue	**20,671**	21,724
Cost of sales	**(13,635)**	(14,248)
Gross profit	**7,036**	7,476
Operating expenses		
Overheads	**(6,702)**	(6,443)
Operating profit before non-recurring costs	**334**	1,033
Non-recurring costs	**(1,117)**	-
Total operating expenses	**(7,819)**	(6,433)
Operating (loss) / profit after non-recurring costs	**(783)**	1,033
Finance income	**12**	29
Finance costs	**(94)**	(178)
Net financing cost	**(82)**	(149)
(Loss) / Profit before tax	**(865)**	884
Taxation	**103**	(113)
(Loss) / Profit for the year attributable to equity shareholders of the parent company	**(762)**	771
Attributable to:		
Equity shareholders of Hartest Holdings Plc	**(762)**	771
Earnings per share (pence):		
– basic	**(8.85)**	8.96
– diluted	**(8.85)**	7.99
Dividends declared and paid in the year (£'000)	**86**	144

All of the results above arose from continuing operations.

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Share capital	Share premium	Other distributable reserve	Revaluation reserve	Foreign Exchange reserve	Retained earnings	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April 2007	2,097	2,928	116	81	—	3,077	**8,299**
Profit for the period	—	—	—	—	—	771	**771**
Employee share-based compensation	—	—	35	—	—	—	**35**
Dividend paid	—	—	—	—	—	(144)	**(144)**
At 31 March 2008	2,097	2,928	151	81	—	3,704	**8,961**
Loss for the period	—	—	—	—	—	(762)	**(762)**
Write back of revaluation reserve	—	—	—	(81)	—	—	**(81)**
Exchange rate movement of net assets	—	—	—	—	34	—	**34**
Employee share-based compensation	—	—	10	—	—	—	**10**
Dividend paid	—	—	—	—	—	(86)	**(86)**
At 31 March 2009	2,097	2,928	161	—	34	2,856	**8,076**

Hartest Holdings plc

Group Consolidated Balance Sheet

As at 31 March 2009

	2009	2008
	£'000	£'000
Assets		
Non-current assets		
Goodwill and intangible assets	**4,061**	4,083
Property, plant and equipment	**833**	1,652
Deferred income tax asset	**141**	9
	5,035	5,744
Current assets		
Asset classified as held for resale	**750**	-
Inventories	**3,042**	3,855
Trade and other receivables	**4,489**	4,570
Cash and cash equivalents	**410**	565
	8,691	8,990
Total assets	**13,726**	14,734
Equity		
Share capital	**2,097**	2,097
Share premium	**2,928**	2,928
Retained earnings	**2,856**	3,704
Other reserves	**195**	232
Total equity attributable to the Company's equity holders	**8,076**	8,961
Liabilities		
Non-current liabilities		
Borrowings	**323**	399
Deferred income tax liabilities	**20**	36
Provisions	**239**	-
	582	435
Current liabilities		
Trade and other payables	**4,861**	5,032
Current income tax liabilities	**131**	230
Borrowings	**76**	76
	5,068	5,338
Total liabilities	**5,650**	5,773
Total equity and liabilities	**13,726**	14,734

Hartest Holdings plc

Group Consolidated Cash Flow Statement

Year ended 31 March 2009

	Group	
	2009	2008
	£'000	£'000
(Loss) / Profit for the year	**(762)**	771
Adjustments for:		
Finance costs	**82**	149
Tax	**(103)**	113
Depreciation	**384**	246
Amortisation of intangible assets	**75**	60
Share-based payments cost	**10**	35
Profit on sale of fixed assets	**(8)**	(58)
Decrease / (Increase) in inventory	**813**	(441)
Decrease in trade and other receivables	**141**	294
Decrease in trade and other payables	**(167)**	(75)
Increase in provisions	**239**	-
Net cash generated from operating activities before interest and tax	**704**	1,094
Interest paid	**(98)**	(181)
Income tax paid	**(204)**	(85)
Net cash generated from operating activities	**402**	828
Cash flows from investing activities		
Purchases of property, plant and equipment ('PPE')	**(411)**	(322)
Proceeds from sale of investment property	**-**	763
Proceeds from sale of PPE	**21**	3
Purchases of intangible assets	**(53)**	(121)
Interest received	**12**	29
Net cash (employed) / generated in investing activities	**(431)**	352
Cash flows from financing activities		
Repayments of borrowings	**(76)**	(481)
Equity dividends paid	**(86)**	(144)
Net cash (employed) in financing activities	**(162)**	(625)
Effect of exchange rate fluctuation on foreign balances	**36**	-
Net (decrease) / increase in cash and cash equivalents and bank overdrafts	**(155)**	555
Cash, cash equivalents and bank overdrafts at beginning of year	**565**	10
Cash, cash equivalents and bank overdrafts at end of year	**410**	565

1. Basis of Preparation

The financial information presented in this Preliminary Announcement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 31 March 2009. The information presented does not constitute statutory accounts of the Group or of the Company within the meaning of section 240 of the Companies Act 1985. The financial statements for the year ended 31 March 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors' report on those financial statements is unqualified and does not contain any statement under section 237 of the Companies Act 1985.

The group's audited financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

2. Segmental Information

At 31 March 2009 the Group is organised into two main primary business segments:

- Instrumentation – The Instrumentation Division manufactures, sells and distributes a range of specialist instruments and supplies for use in testing, measurement, performance improvement and research around the world.

- Medical Services – The Medical Services Division acts as a distributor of equipment in the business areas of medical treatment and healthcare.

The segment results for the year ended 31 March 2009 are as follows:

	Instrumentation £'000	Medical Services £'000	Central costs £'000	Group £'000
Revenue				
Total revenue	**13,870**	**6,801**	**—**	**20,671**
Operating profit / segment result before Non-recurring costs	959	(31)	(594)	334
Non-recurring costs (see below)	(621)	(215)	(281)	(1,117)
Finance cost – net	(49)	(14)	(19)	(82)
(Loss) / Profit before income tax	**289**	**(260)**	**(894)**	**(865)**
Segmented operating assets	7,727	4,114	1,885	13,726
Total operating assets	7,727	4,114	1,885	13,726
Segmented operating liabilities	(2,524)	(2,390)	(736)	(5,650)
Total operating liabilities	(2,524)	(2,390)	(736)	(5,650)
Capital additions	418	46	—	464
Depreciation, amortisation and impairment	375	84	-	459
Write-back of Revaluation Reserve	81	-	-	81

Geographical Segments for the Year Ended 31 March 2009

	United Kingdom £'000	Europe £'000	Rest of World £'000	Total £'000
Revenue	**11,760**	**3,421**	**5,490**	**20,671**

Comparative Figures for the Year Ended 31 March 2008:

	Instrumentation £'000	Medical Services £'000	Central costs £'000	Group £'000
Revenue				
Total revenue	**14,082**	**7,642**	**—**	**21,724**
Operating profit / segment result	1,244	349	(560)	1,033
Finance cost – net	(103)	(26)	(20)	(149)
Profit / (Loss) before income tax	**1,141**	**323**	**(580)**	**884**
Segmented operating assets	8,493	4,425	752	13,670
Total operating assets	8,493	4,425	752	13,670
Segmented operating liabilities	(3,603)	(2,711)	(276)	(6,590)
Total operating liabilities	(3,603)	(2,711)	(276)	(6,590)
Capital additions	373	80	—	453
Depreciation and amortisation	252	54	—	306

Geographical Segments for the Year Ended 31 March 2008:

	United Kingdom £'000	Europe £'000	Rest of World £'000	Total £'000
Revenue	12,595	3,650	5,479	21,724

Non-recurring costs

	2009 £'000	**2008** £'000
Relocation of operations	562	—
Restructuring costs – Group	138	—
Restructuring costs – Other	273	—
Impairment in value of property held for disposal	98	—
Write off of abortive transaction costs	46	—
Total non-recurring costs	**1,117**	—

-Ends-

For Further Information:

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