



HARTEST

Interim Results for the 6 months ended 30 September 2004

Highlights:

- Sales £8.8 million
- Operating profit £292,000
- Good start by Medical Division
- Restructuring and changes are beginning to show their potential
- New Group Finance Director appointed October 2004

CHAIRMAN'S STATEMENT

I am pleased to present the Interim Report for the six months ended 30 September 2004. Steady progress has followed the substantial consolidation and restructuring of the group carried out in the period ended 31 March 2004. Further work remains to be done, but group operations are now benefiting from the changes and are beginning to show their potential.

Operating profit before exceptional items and goodwill for the period was £292,000 compared with £710,000 for the thirteen months to 31 March 2004, and £473,000 for the six months to 31 August 2003. Planned restructuring carried out in the first half resulted in an exceptional charge of £231,000 spread across both trading divisions.

The reinvigorated Medical Services Division has made a good start to the year. The operation has been successful in securing orders for sophisticated equipment across its product range for use in both medical and cosmetic markets. A number of these sales have benefited from the weak US dollar, helping to improve margins on goods imported into the UK. A sustained weakness of the US currency would allow us to continue to be competitive in these important markets.

Conversely the Instrumentation Division has experienced slower conditions and strong currency-based competition in its export markets, particularly with the Sheen and Wallace brands. We are about to launch several new products under the Tinsley and ASL brands, in the optical, temperature and testing markets which should redress this situation, and compensate for the weakness of the underwater testing market. Agar and Carnation continue to perform steadily.

Following the appointment of Geoff Spink as Group Chief Executive in May 2004, Alasdair Culshaw was appointed as Group Finance Director in October 2004. I am pleased to welcome him to the Board. He is based, with Geoff Spink, at the Sandhurst offices of the Medical Services Division.

In line with the policy outlined in my Statement in the Annual Report, the Board will not be declaring an interim dividend for the first half.

The consolidation and restructuring of Group operations is substantially completed and while the necessity to take further steps is not ruled out, we remain confident that the Group outcome for the full year will be in line with expectations.

David Leeming
Chairman
16 December 2004

Consolidated Profit and Loss Account

	<u>6 months to 30 September</u>			6 months to 31 August 2003 £'000	<u>13 months to 31 March 2004</u>		
	Normal £'000	Exceptional £'000	2004 £'000		Normal £'000	Exceptional £'000	Total £'000
Turnover							
Continuing operations	8,774	-	8,774	9,635	20,084	-	20,084
Cost of sales	(5,579)	-	(5,579)	(6,048)	(13,021)	-	(13,021)
Gross Profit	3,195	-	3,195	3,587	7,063	-	7,063
Net Operating Expenses – normal - goodwill	(2,903) (126)	(231) -	(3,134) (126)	(3,114) (144)	(6,353) (268)	(1,183) (1,173)	(7,536) (1,441)
	(3,029)	(231)	(3,260)	(3,258)	(6,621)	(2,356)	(8,977)
Operating Profit/(Loss) before finance charges							
Continuing Operations	166	(231)	(65)	329	442	(2,356)	(1,914)
Net interest payable			(76)	(70)			(171)
(Loss) / Profit before taxation			(141)	259			(2,085)
Tax			(2)	(100)			178
(Loss) / Profit for the Period			(143)	159			(1,907)
Dividends			-	(149)			(181)
Retained (Loss)/Profit for the Period			(143)	10			(2,088)
Earnings per share – basic and fully diluted			(0.104)p	0.133p			(1.55)p
Earnings per share before goodwill amortisation and exceptional loss			0.156p	0.254p			0.580p
Dividends per share			0.00p	0.125p			0.125p

Group Balance Sheet

	30 September	31 August	31 March
	2004	2003	2004
	£'000	£'000	£'000
Fixed Assets			
Development costs, patents and trademarks	-	162	-
Goodwill	4,279	5,611	4,405
Intangible	4,279	5,773	4,405
Tangible	2,269	2,587	2,371
	<u>6,548</u>	<u>8,360</u>	<u>6,776</u>
Current Assets			
Stock	3,185	3,006	3,159
Debtors due within one year	3,321	3,970	4,194
Debtors due after one year	475	600	500
Cash at bank and in hand	10	-	205
	<u>6,991</u>	<u>7,576</u>	<u>8,058</u>
Creditors			
Creditors falling due within 1 year	(5,757)	(6,453)	(6,402)
	<u>1,234</u>	<u>1,123</u>	<u>1,656</u>
Net Current Assets			
	<u>1,234</u>	<u>1,123</u>	<u>1,656</u>
Total assets less current Liabilities	7,782	9,483	8,432
Creditors			
Creditors falling due after more than 1 year including convertibles	(1,730)	(1,545)	(1,937)
Provision for liabilities and charges	-	(300)	(300)
Net Assets	6,052	7,638	6,195
Capital and reserves			
Called up share capital	1,374	1,194	1,374
Share Premium	475	-	475
Revaluation Reserve	81	81	81
Profit & Loss account	4,122	6,363	4,265
Shareholders' Funds	6,052	7,638	6,195

Group Cash Flow Statement

	6 months to September 2004 £'000	6 months to August 2003 £'000	13 months to 31 March 2004 £'000
Net Cash Inflow from Operating activities	107	1,024	1,032
Interest received	32	3	55
Interest paid	(64)	(70)	(215)
Finance lease interest paid	(9)	(21)	(38)
Net cash outflow from returns on investments and servicing of finance	(41)	(88)	(198)
Taxation	(172)	-	(16)
Capital Expenditure and financial investment			
Purchase of tangible fixed assets	(31)	(69)	(283)
Sale of tangible fixed assets	38	19	76
Purchase of intangible fixed assets	-	(59)	(229)
Net cash outflow from capital expenditure and financial investment	7	(109)	(436)
Equity dividends paid	(172)	-	(298)
Net Cash (Outflow)/Inflow before financing	(271)	827	84
Financing			
Issue of shares	-	-	705
(Repayment of)/New Loans	(782)	(332)	26
Capital Element of Finance leases / rentals	(173)	(60)	(170)
New finance leases undertaken	58	(90)	(101)
Expenses in connection with share issue	-	-	(50)
Net Cash (Outflow)/Inflow from Financing	(897)	(482)	410
(Decrease) / Increase in cash	(1,168)	345	494

Consolidated statement of total recognised gains and losses

	6 months to September 2004 £'000	6 months to August 2003 £'000	13 months to 31 March 2004 £'000
(Loss) / Profit on ordinary activities after taxation	(143)	159	(1,907)
Surplus arising on the revaluation of fixed assets	-	81	-
Total recognised gains and losses since last financial statements	(143)	240	(1,907)

Support Note for Cash Flow

Net cash flow from operating activities

	6 months to September 2004 £'000	6 months to August 2003 £'000	13 months to 31 March 2004 £'000
Operating Profit	(65)	329	(1,914)
Depreciation	93	211	622
Amortisation	126	147	1,664
(Loss) on sale of Fixed Assets	2	(9)	(14)
(Increase)/decrease in stock	(26)	(136)	(289)
(Increase)/decrease in debtors	883	1,152	1,166
Increase/(decrease) in creditors	(906)	(670)	(203)
Net cash inflow/(outflow) from operating activities	<u>107</u>	<u>1,024</u>	<u>1,032</u>

Notes:

1. The financial information in this statement does not constitute statutory accounts. The financial information in respect of the year ended 31 March 2004 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 of the Companies Act 1985.
2. The interim financial information has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 March 2004. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.
3. The calculation of earnings per share is based upon the loss attributable to ordinary shareholders of £143,000 divided by 137,359,543, being the number of shares in issue throughout the period.
4. During the previous financial year the company's accounting reference date was changed from 28 February to 31 March and consequently the comparative figures shown are for the six months to August 2003.