



Preliminary Results for the year ended 31 March 2006

Hartest Holdings plc, the specialist supplier of instrumentation and medical equipment, announces its Preliminary Results for the year ended 31 March 2006

Highlights:

- Group Turnover up by 7% at £19.63 million
- Operating Profit before exceptional items and goodwill amortisation up by 55% at £0.84 million
- Operating Loss after exceptional items contained at £0.27 million
- Turnaround on track
- Successful re-financing
- Cash flow positive
- Group gearing reduced to 18% from 64%
- Dividend Restored – Proposed at 0.01 pence per share

CHAIRMAN'S STATEMENT

I am pleased to be able to report that the Group has made significant progress towards the objectives identified at the time of the refinancing in April 2005. The underlying financial performance of our operations has improved considerably, and we anticipate further improvement in the coming year.

Results

Group turnover for the period was £19.63 million, up by 7% on the total of £18.31 million in the previous year, with sales growth accelerating in the second half of the year. At Hartest Precision Instruments this was driven by the benefit of new product development. Our distribution businesses at Agar Scientific and Cross Technologies both saw organic growth, and Carnation Designs, where an anticipated major contract was initially delayed during the first half of the year, subsequently achieved much better sales during the final quarter. Combined order books at the year end were significantly ahead of last year.

Group operating profit before exceptional items and goodwill amortisation was £842,000, an increase of more than 55% against the comparable figure for 2005 of £541,000. Group operating loss after exceptional items was £270,000 compared with £285,000 in the previous year.

Exceptional Items

Debt write-off - Lab Furnishings Limited

As reported last December, the Group was notified in late September 2005 that Administrators had been appointed to Lab Furnishings Limited, the company that had undertaken a management buyout in April 2003 of the former Laboratory Furniture division of Hartest. The Board decided to make full provision against all loans, rent and interest due from Lab Furnishings. This is shown as an exceptional charge in the Profit & Loss account amounting to £650,000. We believe that the write-off will not impair the prospects or the financial stability of the Group.

Stock write-off – Carnation Designs Limited

Major changes in the senior management team at Carnation Designs have been combined with a review of product development strategy and manufacturing methods. The Board has agreed to invest £250,000 in a new generation of products which are technologically more advanced, and capable of meeting the future requirements of the specialist vehicle manufacturing market. As a consequence of this, we are making a write-down of the historical value of stock amounting to £208,000, to cover items which are unlikely to be realised in the future due to the application of the new technology.

Share Issue

The fund-raising launched in March 2005 was successfully completed at the beginning of the period under review, raising a total of £3.14 million (net of costs). This cash injection has been used to reduce Group borrowing, pay the loan notes due as final consideration on the acquisitions of Agar and Tinsley, reduce pressure on working capital resources, and support ongoing operations.

Dividend

Shareholders will be aware that the Group suspended dividend payments in 2004. The Board has formed the view that we now have sustainable and increasing profits and cash flow. We are therefore recommending the resumption of a dividend, for approval by Shareholders at our forthcoming Annual General Meeting. The final dividend proposed for 2006 is 0.01 pence per share, which will be paid on 15 September 2006 to shareholders on the register on 18 August 2006. It is the intention of the Board to make a further distribution early in 2007, based upon our financial performance in the half-year to 30 September 2006.

The introduction of a new Accounting Standard "FRS 21: Events after the Balance sheet date" has changed the timing of recognition of dividends. As a result the final dividend proposed is not recognised as a liability or in the profit and loss account until a legal right to receive it exists, which will be after it is approved by the Shareholders.

Finance Director

It was with great sadness that we announced the sudden and untimely death of our Finance Director, Alasdair Culshaw, on 8 March 2006. Alasdair made a huge contribution to the conduct and management of the Group's finances during the short period since he joined us in September 2004. He will be sorely missed both as a colleague and as a member of the management team.

We are indebted to Robert Porter for the immediate support which he has provided as Interim Financial Controller. We expect to be in a position to announce the appointment of a new Finance Director in the early autumn.

Employees

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

Prospects

We believe that the fortunes of the Group are now set fair, with strong order books and real underlying growth in operating profits and cash flow. We have strengthened our management teams, and we anticipate further improvements in financial performance in the coming year.

David Leeming

Chairman

21 June 2006

CHIEF EXECUTIVE'S REVIEW

We have made positive progress during the year in implementing the restructuring and turnaround of the Group. Inevitably, not everything has progressed as rapidly as hoped for, but overall there have been real achievements by the operating companies, which are delivering the planned improvements in financial performance, and positive cash flow at the ongoing operational level.

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 (Henson division of Tinsley), 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 now operate jointly within one company, **Hartest Precision Instruments Limited** ('Hartest Precision'), from two locations in the Greater London area; Kingston and Croydon. There have been a number of initiatives during the year to harmonise these businesses, notably the recruitment of a company-wide Sales and Marketing Director, and work with consultants in order to modernise and unify the branding adopted by the four separate business units.

Hartest Precision has seen encouraging demand in a number of its markets, with new and recovering levels of interest in the requirements for cable fault location equipment. Sales of ASL's sophisticated temperature measurement equipment dipped during the year; however new product development continues apace. The previous new product development effort on Henson ophthalmic vision field analysers and macular pigment measurement units has started to show in rising sales. Work continues on integrating and streamlining the production and manufacturing systems as well as the accounting and management reporting systems. We expect to see further improvements in the performance of Hartest Precision in the coming year.

The product design and manufacturing processes at **Carnation Designs** ('Carnation') have undergone a fundamental review during the year, as it has become increasingly clear that the previous approach to production of the company's power management systems is no longer appropriate to customers' requirements for increased flexibility. As a result, we are developing, with consultants, a standard programmable control system which will allow rapid response to customer requirements and enable access to a much broader potential market both in the UK and overseas, with lower utilisation of manufacturing resources. This initiative is likely to entail consultancy design fees of approximately £250,000. We have also found it necessary to reconsider the carrying value of items held in stock and work in progress totalling a further £208,000, which will not be supported by Carnation's future requirements. There have been a number of major changes in the internal management structure of Carnation during the year, and we are very confident that the new team will be able to take the business forward and generate appropriate levels of return on the investment which we are making in the business.

Carnation continues to hold a substantial proportion of the market for supply of power management systems for use in ambulances. The new management team is now following an intensive programme to expand the sale of power management systems into commercial, utility and other public service vehicles. These initiatives have generated encouraging levels of initial success and we are confident of further progress.

Agar Scientific has had a good year with increased profitability and sales growth of over 11%. Development of the management team has seen the recruitment of a new Sales and Marketing Manager in order to deal with the succession arising from the forthcoming retirement of the existing executive.

Medical Services Division

The Medical Services Division operates under the trading names of Cross Technologies and Qados, and acts as a distributor of specialist healthcare and medical equipment in both the public and private sectors throughout the United Kingdom and Ireland. This is a vibrant and growing business which continues to identify new product franchises and potential new sales opportunities, in both existing and allied markets.

A number of sectors have performed particularly well in the Medical Services Division this year, with increased sales of lasers for cosmetic and aesthetic customers, dosimetry and radiation monitoring equipment, and x-ray and electrical testing devices. We have also secured an order for Swissray ddr x-ray equipment valued in total at £249,000 for delivery in the current financial year, and we are seeing continuing demand for these products.

Financial

Operating profits before exceptional items and goodwill amortisation increased by more than 55% to £842,000 from £541,000.

Gross margins weakened slightly across the Group, caused by higher purchase costs resulting from a lower exchange rate between the Pound Sterling and the US Dollar compared with the previous year. Overheads were kept under tight control, despite some increases in business development expenditure in several of the companies.

Overall, cash resources increased by £1.9 million.

The cash flow for the year was augmented by the Placing and Open Offer, which was launched in mid March 2005 and raised £3.14 million (net of costs) in April 2005. Net cash outflow from operations amounted to £56,000 but within this, an element of the fundraising from the Placing and Open Offer was used to reduce excess levels of liabilities to suppliers amounting to £819,000.

Group borrowing (net debt) at 31 March 2006 was £1.5m representing gearing of 18%, considerably lower than the comparable figure of £3.6m million, representing gearing of 64%.

Geoff Spink

Chief Executive

21 June 2006

Hartest Holdings plc

Group Profit and Loss Account

Year ended 31 March 2006

	Note	2006	2006	2006	2005	2005	2005
		£'000	Exceptional £'000	Total £'000	£'000	Exceptional £'000	Total £'000
Turnover							
Continuing operations	1&2	19,625	–	19,625	18,308	–	18,308
Cost of sales		(13,480)	(208)	(13,688)	(12,377)	(200)	(12,577)
Gross profit		6,145	(208)	5,937	5,931	(200)	5,731
Net operating expenses – overheads	1	(5,303)	(650)	(5,953)	(5,390)	(365)	(5,755)
goodwill		(254)	--	(254)	(261)	--	(261)
Operating Expenses	3&4	(5,557)	(650)	(6,207)	(5,651)	(365)	(6,016)
Operating profit / (loss)		588	(858)	(270)	280	(565)	(285)
Net interest payable				(134)			(224)
(Loss) before taxation				(404)			(509)
Taxation				(170)			(21)
Retained (loss) for the year				(574)			(530)
Loss per share – basic and fully diluted				(0.07)p			(0.39p)

There are no recognised gains or losses for either financial year other than the results shown above, which arose from continuing operations.

Hartest Holdings plc

Group Balance Sheet

as at 31 March 2006

	2006	2005
	£'000	£'000
Fixed assets		
Intangible - goodwill	3,890	4,144
Tangible	2,266	2,343
	<hr/> 6,156	<hr/> 6,487
Current assets		
Stock	3,387	3,233
Debtors due within one year	4,452	4,915
Debtors due after one year	-	400
Cash at bank and in hand	159	59
	<hr/> 7,998	<hr/> 8,607
Creditors		
Creditors falling due within one year	(5,085)	(8,442)
	<hr/> 2,913	<hr/> 165
Net current assets		
	<hr/> 9,069	<hr/> 6,652
Total assets less current liabilities		
	<hr/> (831)	<hr/> (987)
Creditors		
Creditors falling due after more than one year	(831)	(987)
	<hr/> (4)	<hr/> -
Provision for liabilities and charges		
	<hr/> 8,234	<hr/> 5,665
Net assets		
	<hr/> 2,090	<hr/> 1,374
Capital and reserves		
Called up share capital	2,090	1,374
Share premium	2,902	475
Revaluation reserve	81	81
Profit & loss account	3,161	3,735
	<hr/> 8,234	<hr/> 5,665
Shareholders' funds		

Hartest Holdings plc

Company Balance Sheet

as at 31 March 2006

	2006	2005
	£'000	£'000
Fixed assets		
Investments	4,249	4,249
Current assets		
Debtors – amounts falling due within one year	19	261
Debtors – amounts falling due after one year	7,383	5,048
Cash at bank and in hand	28	-
	7,430	5,309
Current liabilities		
Creditors – amounts falling due within one year	(2,585)	(3,198)
Net current assets	4,845	2,111
Total assets less current liabilities	9,094	6,360
Net assets	9,094	6,360
Capital and reserves		
Called up share capital	2,090	1,374
Share premium account	2,902	475
Profit and loss account	4,102	4,511
Shareholders' funds	9,094	6,360

Hartest Holdings plc

Group Cash Flow Statement

year ended 31 March 2006

	2006	2005
	£'000	£'000
Net cash (outflow) from operating activities	(56)	(115)
Returns on investments and servicing of finance		
Interest received	45	50
Interest paid	(180)	(229)
Finance lease interest paid	(20)	(20)
Net cash outflow from returns on investment and servicing of finance	(155)	(199)
Taxation	(3)	(149)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(123)	(219)
Sale of tangible fixed assets	14	81
Purchase of intangible fixed assets	-	-
Net cash outflow from capital expenditure and financial investment	(109)	(138)
Equity dividends paid	-	(172)
Net cash (outflow) before financing	(323)	(773)
Financing		
Issue of shares	3,144	-
New loans	(814)	(741)
Capital element of finance lease rentals	(76)	(154)
New finance leases undertaken	-	-
Other	-	-
Net cash inflow / (outflow) from financing	2,254	(895)
Increase / (Decrease) in cash	1,931	(1,668)

Hartest Holdings plc

Notes to the Financial Statements

1. Trading Analysis

	£'000	2006 Exceptional £'000	Total £'000
Sales	19,625	–	19,625
Cost of sales	(13,480)	(208)	(13,688)
Gross margin	6,145	(208)	5,937
Overheads – administration	(4,662)	(650)	(5,312)
– distribution	(641)	–	(641)
Goodwill	(5,303)	(650)	(5,953)
	(254)	–	(254)
Operating profit/(loss)	588	(858)	(270)

	£'000	2005 Exceptional £'000	Total £'000
Sales	18,308	–	18,308
Cost of sales	(12,377)	(200)	(12,577)
Gross margin	5,931	(200)	5,731
Overheads – administration	(4,796)	(365)	(5,161)
– distribution	(594)	–	(594)
Goodwill	(5,390)	(365)	(5,755)
	(261)	–	(261)
Operating profit/(loss)	280	(565)	(285)

2. Turnover analysis

Turnover, all of which is to external parties, is attributed to the following activities

	2006 £'000	2005 £'000
Instrumentation	12,030	11,492
Medical Services	7,595	6,816
	19,625	18,308

Analysis of turnover by geographical market

	2006 £'000	2005 £'000
United Kingdom	11,618	11,082
Rest of the world	8,007	7,226
	19,625	18,308

All turnover is supplied from the United Kingdom. Included in 'Medical Services' turnover is an amount of £242,147 (2005: £170,000) in respect of rentals receivable in the United Kingdom from assets leased to third parties under operating leases and similar agreements.

3. Analysis of operating profit and operating net assets by division

Operating Profit	2006			2005		
	£'000	Exceptional £'000	Total £'000	£'000	Exceptional £'000	Total £'000
Instrumentation	547	(208)	339	408	(421)	(13)
Medical Services	548	-	548	413	(144)	269
Central costs	(507)	(650)	(1,157)	(541)	-	(541)
	<u>588</u>	<u>(858)</u>	<u>(270)</u>	<u>280</u>	<u>(565)</u>	<u>(285)</u>

Operating net assets	2006 £'000	2005 £'000
Instrumentation	1,637	3,252
Medical Services	2,077	994
Parent company	(263)	(419)
	<u>3,451</u>	<u>3,827</u>

4. Exceptional operating expenses

Exceptional operating expenses	2006 £'000	2005 £'000
Instrumentation	208	421
Medical Services	-	144
Group	650	-
	<u>858</u>	<u>565</u>

Exceptional operating expenses

- I. Cost of Sales £208,000 At Carnation Designs Limited, the Board has agreed to invest £250,000 in a new generation of products which are technologically advanced and capable of meeting the requirements of specialist vehicle manufacturers in the future. As a consequence of this, an exceptional write-down has been made to the historical value of stock amounting to £208,000, to cover items which are unlikely to be realised in the future due to the application of the new technology.
- II. Debt Write-off £650,000 As reported last December, the Group was notified in late September 2005 that Administrators had been appointed to Lab Furnishings Limited, the company that had undertaken a management buyout in April 2003 of the former Laboratory Furniture division of Hartest. The Board decided to make full provision against all loans, rent and interest due from Lab Furnishings. This is shown as an exceptional charge in the Profit & Loss account amounting to £650,000.

The exceptional operating expenses in the year ended 31 March 2005 include employment termination costs of £232,000 arising from the reorganisation and restructuring carried out in the thirteen months to 31 March 2004 but incurred in the year. The balance of £333,000 arose from a revision to the terms of agreement for the payment of royalties and the purchase of inventory on the acquisition of ASL in 2003.

5. 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 31st March 2006. 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 31st March 2006 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

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For Further Information:

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