

Hartest Holdings Plc Annual Report and Accounts 2009



## At a Glance Instrumentation

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Based in Stansted, Essex, Agar Scientific is a leading international supplier of consumables, accessories and specialist equipment for all disciplines of microscopy.



Carnation Designs produces integrated electrical solutions and power management systems for specialist vehicles at its factory at Heckmondwike, Yorkshire.



Hartest Precision Instruments now operates from a dedicated facility in Redhill, Surrey. The Company manufactures, sells and distributes a range of specialist instruments and supplies for use in testing, measurement, performance improvement and research around the world. Hartest Precision also has a profitable and expanding business in Delhi, India. The Company has the following separate branded activities:



Manufacturer and supplier of a full range of temperature metrology and temperature calibration equipment for engineers and metrologists around the world.



Manufacturer and supplier of quality testing instruments used in the paint and coatings industry.



Manufacturer of precision measurement and cable fault location equipment. Tinsley also produces the Henson range of ophthalmic and vision analysis instrumentation for use by optometrists.



Manufacturer of quality control and test equipment to evaluate the physical properties of rubber and other polymeric materials for the rubber and plastics industries.

## At a Glance Medical Services

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Cross Technologies operates from facilities in Sandhurst, Berkshire and is engaged in the distribution of specialist healthcare and medical equipment in both the public and private sectors throughout the UK and Ireland. The Company trades under two separate brand names:



Supplier of a wide range of specialist quality assurance and dosimetry equipment for radiotherapy, diagnostics, radiation detection, x-ray imaging and electrical testing devices, and also service and consumable supplies including distribution of radiopharmaceuticals.



Supplier of x-ray imaging and ancillary devices and also service and consumable supplies for x-ray equipment and lasers.

## The companies within Hartest Holdings Plc supply instrumentation and medical equipment.

The Group specialises in delivering well recognised product and service brands into niche markets both at home and abroad.

### Our Year In Review

- 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

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## Business Review/Chairman's Statement

### Summary of Chairman's Statement

- 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.
- 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).
- 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.

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).

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

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 on pages 4 to 7, 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 12 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

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We believe that the new Board structure represents a tight and manageable unit, which is appropriate for the business in the changed economic environment.

## Business Review/Operational and Financial Review

### Summary of Operational and Financial Review

- 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.
- 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.
- 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.

### 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).

Hartest Precision Instruments India had a good year, supplying equipment predominantly to the India power generating business, producing strong results.

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.

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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.

## Business Review/Operational and Financial Review Continued

### Medical Services Division (continued)

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
<b>Total non-recurring costs</b>	<b>1,117</b>

**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 three 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.

**Reconciliation of Net Cash Flow to Movement in Net Cash/('Net Debt')**

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

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.

## Directors and Advisers

### Geoff Spink – Age 60

#### Executive Chairman

Geoff Spink is a chartered accountant and has some 25 years of leadership experience in UK listed companies, venture capital backed and private companies, including more than ten years as Group Managing Director of Protean plc. Protean plc was a main market listed group specialising in scientific equipment and consumables, whose annual sales grew from £10 million to £82 million under his tenure. Following its sale in 1998 to a US acquirer, Geoff left Protean plc and became chief executive of Trident Analytical Limited, a private equity backed company in the specialist instrumentation sector. Geoff is responsible for the day-to-day running of the Group's affairs.

### David Kempton – Age 67

#### Deputy Chairman

#### Non-executive director

Having qualified as an engineer at Manchester University, David formed the engineering company, Kemray Engineering Limited, which was sold in 1988 to Adia SA, a Swiss service operating company. In 1991 David purchased 50% of Endoscopy Services Limited, a medical instrumentation company which was subsequently sold to General Electric Inc. in 1999. Previously a director of Merseyside & Cheshire NHS Ambulance Trust, David is a member of the boards of Impax OEIC (Ireland), AimVarc Investment Trust plc, EGS Ltd and a number of private companies.

### Jan Holmström – Age 56

#### Non-executive director

#### Company Secretary

Jan Holmström has an economics degree and has spent his career in insurance and operational management, and gained further experience working in the Far East. More recently he has worked with a number of industrial and commercial businesses. Jan is managing director of Browallia AB and a director of Browallia Holdings Limited, both subsidiaries of Bronsstadet AB. He is also Chairman of Densitron Technologies PLC and a non-executive director of Dawson International PLC, Union Discount Company of London Limited and Johnson & Starley Limited. Jan is also Company Secretary of Hartest Holdings Plc.

#### Head Office

5 Lakeside Business Park  
Swan Lane  
Sandhurst  
Berkshire GU47 9DN

#### Company Secretary and Registered Office

Jan G Holmström  
5 Lakeside Business Park  
Swan Lane  
Sandhurst  
Berkshire GU47 9DN

#### Company Number

3690966

#### Stockbrokers and Advisers

Astaire Securities plc  
30 Old Broad Street  
London EC2N 1HT

#### Solicitors

CMS Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London EC1A 4DD

#### Auditors

KPMG Audit Plc  
Arlington Business Park  
Theale  
Berkshire RG7 4SD

#### Bankers

HSBC Bank plc  
Apex Plaza  
Reading  
Berkshire RG1 1AX

#### Registrars and Transfer Office

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

## Corporate Governance

Whilst there is no requirement for Alternative Investment Market ('AIM') companies to comply with the Combined Code and the Turnbull Committee's guidance on Internal Control, the Company is committed to high standards of corporate governance throughout the Group. However, many of these guidelines are intended primarily for larger companies, and management of the cost and overhead base to preserve shareholders' assets is a real concern to a smaller company. In view of this, there are a number of areas where compromise has been called for. At present the main areas of compliance are as follows:

### Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decisions. Management supply the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new directors and other directors as necessary.

During the year under review the Board consisted of two executive directors, who held the key operational positions in the Company, together with the Chairman and three other non-executive directors, who brought a breadth of experience and knowledge. This arrangement was altered in March 2009 in order to reflect the changing management focus of the Group, and reduce central costs. The Chairman of the Board is Geoff Spink and the Deputy Chairman is David Kempton. The Board has named David Kempton as the Senior Non-executive Director. The Board members are listed on page 8.

All directors are subject to re-election every three years and, on appointment, at the first Annual General Meeting after appointment. No director has a service contract in excess of one year.

### Relations with Shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore holds regular Meetings with its major shareholders to discuss objectives.

The Annual General Meeting is used to communicate with private investors and they are encouraged to participate.

The Chairmen of the Audit and Remuneration Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

### Accountability and Audit

The Board presents a balanced and understandable assessment of the Company's position and prospects in all interim and price-sensitive reports and in all reports to regulators as well as in the information required to be presented by statutory requirements.

The Audit Committee comprises two non-executive directors – David Kempton (Chairman of the Audit Committee) and Jan Holmström. The terms of reference of the Committee include keeping under review the scope and results of external audits and their cost-effectiveness. The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Company, seeking to balance objectivity and value for money.

### Internal Controls

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

The Board has reviewed its risk management and identified areas where procedures need to be changed or installed. The Company has established the procedures necessary to implement the guidance 'Internal Control: Guidance for Directors on the Combined Code'. The Board has undertaken a full risk and control assessment and has considered the need for an internal audit function but has decided the size of the Company does not justify it at present. However, it will keep the decision under annual review. The Board has reviewed the operation and effectiveness of the Group's system of internal financial control for the financial year and the period up to the date of approval of the Financial Statements. The directors are responsible for the Group's system of internal financial control and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. It is also designed to manage rather than eliminate the risk of failure to achieve business objectives.

## Corporate Governance Continued

### Internal Controls (continued)

The key features of the Group's system of internal financial control are as follows:

#### Steps Taken to Ensure an Appropriate Control Environment

The Board, acting through the Audit Committee, has put into place an organisational structure with clearly defined responsibilities for internal financial control.

#### Process Used to Identify Major Business Risks and to Evaluate their Financial Implications

The identification of major business risks is carried out in conjunction with operational management and steps are taken to mitigate or manage these risks where possible.

#### Major Information Systems that are in Place

There are comprehensive financial management reporting systems in place which involve the preparation of detailed annual budgets by all Group companies and longer-term Group financial forecasting at a Group level. The budgets are generated by responsible members of each subsidiary company management team and passed to the Group for consolidation and submission to the Board for approval. Performance against budget is monitored on a monthly basis by the Board.

In addition to the forecasts the Board reviews all major lending decisions, rates of return, debt arrears, borrowing covenants and the Group's liquidity position on a monthly basis.

#### Main Control Procedures which Address the Financial Implications of the Major Business Risks

Each subsidiary maintains financial controls and procedures appropriate to the business environment, conforming to overall standards and guidelines which are set by the Board.

#### Monitoring System the Board Uses to Check the System is Operating Effectively

The Audit Committee receives and considers reports on the system of internal financial control from management. The external auditors review the control procedures to the extent necessary for expressing their audit opinion and report on any weakness arising during the course of their audit work.

The Board has reviewed the operation and effectiveness of the Group's system of internal financial control for the financial year and for the period up to the date of the approval of these Financial Statements.

### Going Concern

Having reviewed the Group's plans and available financial facilities, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements for both the Group and the parent company.

On behalf of the Board

**Jan G Holmström**

Company Secretary  
17 June 2009

## Report of the Remuneration Committee

### Introduction

The rules relating to securities traded on the Alternative Investment Market ('AIM') do not require AIM companies to report in accordance with the Combined Code appended to the London Stock Exchange Listing Rules. However, the Board believes in the principles of good corporate governance and accordingly presents its report on the remuneration of the directors to the shareholders of the Company.

### Directors' Remuneration

The Board recognises that directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Company operates within a competitive environment and its performance depends on the individual contributions of the directors and employees. It believes in rewarding vision and innovation.

### Policy on Executive Directors' Remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration should also reflect the directors' responsibilities and contain incentives to deliver the Company's objectives.

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's general policy on remuneration and also specific packages for individual directors and senior executives. It carries out the policy on behalf of the Board.

The Remuneration Committee comprises two non-executive directors – Jan Holmström (Chairman of the Remuneration Committee), and David Kempton.

Both are non-executive directors; they have no personal financial interest in the matters to be decided (other than as a shareholder), potential conflicts of interest arising from cross-directorships, nor any day-to-day involvement in running the business.

The Committee normally meets once a year and determines salaries, bonus, pension and option arrangements.

### Main Elements of Remuneration

There are four main elements of the executive directors' remuneration package:

- i basic annual salary;
- ii annual bonus arrangements;
- iii pension arrangements; and
- iv share options.

### Basic Annual Salary

The executive directors' basic salary is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration the Committee believes that the Company should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies as well as internal factors such as performance. The executive directors' salaries were last reviewed in March 2008.

### Annual Bonus Arrangements

Individual bonus arrangements are put in place for the executive directors, which may result in payments of up to 50% of annual salary on achievement of pre-determined performance targets. These performance targets are reviewed and set annually and are linked to the Group's performance.

### Non-executive Directorships

With the permission of the Board the executive directors may accept appointments as non-executive directors. Any fees related to such employment may be retained by the director concerned.

### Pension Arrangements

Geoff Spink has a personal pension scheme into which the Group makes contributions, based upon basic annual salary. Apart from the resignation of Robert Porter, there have been no changes in the terms of the directors' pension entitlements during the year.

## Report of the Remuneration Committee Continued

### Share Options

Details of the directors' participation in the Company's share option schemes are set out on page 13.

### Non-executive Directors

The remuneration of the non-executive directors is determined by the executive directors within the limits set out in the Articles of Association. Non-executive directors are not eligible to join the Company's pension scheme.

### Details of Directors' Remuneration and Share Options

#### Directors' Emoluments

	Basic remuneration £'000	Benefits £'000	Bonuses £'000	Severance £'000	Total 2009 £'000	Total 2008 £'000	Pensions 2009 £'000	Pensions 2008 £'000
<b>Executives:</b>								
G Spink	117	2	—	—	<b>119</b>	130	<b>18</b>	17
RC Porter (resigned 20 March 2009)	104	2	—	102	<b>208</b>	105	<b>17</b>	15
<b>Non-executives:</b>								
PT Ward (appointed 19 October 2007; resigned 20 March 2009)	45	—	—	23	<b>68</b>	15	—	—
M Dyer Bartlett (resigned 20 March 2009)	20	—	—	5	<b>25</b>	20	—	—
DL Kempton	20	—	—	—	<b>20</b>	20	—	—
JG Holmström (appointed 10 December 2008)	1	—	—	—	<b>1</b>	—	—	—
DR Leeming (retired 31 December 2007)	—	—	—	—	—	29	—	—
JR Whitfield (retired 31 March 2008)	—	—	—	—	—	20	—	—
<b>Total 2009</b>	<b>307</b>	<b>4</b>	<b>—</b>	<b>130</b>	<b>441</b>		<b>35</b>	
Total 2008	303	6	30	—		339		32

Benefits incorporate all assessable tax benefits arising from employment by the Company, which relate in the main to the provision of health insurance.

The figures above represent emoluments earned as directors during the relevant financial year. Such emoluments are paid in the same financial year with the exception of bonuses, which are paid in the year following that in which they are earned but are charged in the year to which they relate.

At the Balance Sheet date, pension benefits were accruing under personal pension schemes into which the Company has contributed in respect of one director (2008: two directors).

### Directors' Interests

The beneficial interests of the directors holding office at 31 March 2009 in the shares of the Company at that date are set out below. The directors do not have any non-beneficial interests.

	15 June 2009 Ordinary shares of 10 pence	31 March 2009 Ordinary shares of 10 pence	31 March 2008 Ordinary shares of 10 pence
G Spink	<b>56,350</b>	<b>56,350</b>	46,350
DL Kempton	<b>49,166</b>	<b>49,166</b>	49,166
JG Holmström	—	—	—
	<b>105,516</b>	<b>105,516</b>	95,516

**Details of Directors' Remuneration and Share Options (continued)**  
**Directors' Interests (continued)**

At 31 March 2009 the directors held the following share options:

**Approved Share Option Schemes**

Exercise period		Date option granted	Exercise price per share pence	Number of options outstanding	
				2009	2008
15 April 2008 to 14 April 2015	G Spink	15 April 2005	50	<b>60,000</b>	60,000
				<b>60,000</b>	60,000

**Unapproved Share Option Schemes**

Exercise period		Date option granted	Exercise price per share pence	Number of options outstanding	
				2009	2008
14 April 2008 to 15 April 2015	G Spink	15 April 2005	50	<b>367,061</b>	367,061
				<b>367,061</b>	367,061

**EMI Option Schemes**

Exercise period		Date option granted	Exercise price per share pence	Number of options outstanding	
				2009	2008
29 July 2007 to 28 July 2014	G Spink	29 July 2004	400	<b>15,000</b>	15,000
29 July 2008 to 28 July 2014	G Spink	29 July 2004	400	<b>7,500</b>	7,500
29 July 2009 to 28 July 2014	G Spink	29 July 2004	400	<b>2,500</b>	2,500
				<b>25,000</b>	25,000

Following the capital reorganisation, on 15 April 2005 the Company granted 60,000 options under the Approved Share Option Scheme and 367,061 unapproved options under the new EMI Option Scheme to Geoff Spink and the options were granted at 50 pence. All of these options are generally exercisable in accordance with the following conditions:

- 20% exercisable immediately following grant;
- 10% exercisable if the option holder remains in employment with the Group at 1 April 2006;
- 10% exercisable if the option holder remains in employment with the Group at 1 April 2007;
- 20% exercisable if the Company's average share price exceeds 100 pence over a period of at least 20 consecutive working days;
- 20% exercisable if the Company's average share price exceeds 150 pence over a period of at least 20 consecutive working days; and
- 20% exercisable if between 1 April 2008 and 31 March 2009 the Company's average share price exceeds 200 pence over a period of at least 20 consecutive working days.

By order of the Board

**Jan G Holmström**

Chairman – Remuneration Committee  
17 June 2009

## Report of the Directors

The directors of Hartest Holdings Plc present their report together with Audited Financial Statements for the year ended 31 March 2009.

### Principal Activities and Business Review

The principal activities of the Group during the year were the manufacture and sale of specialist scientific instrumentation together with the distribution of specialist healthcare equipment. The Group is a public listed company incorporated and domiciled in the United Kingdom.

A further review of the business and likely future developments of the Group is given in the Chairman's Statement on pages 2 and 3 and in the Operational and Financial Review on pages 4 to 7.

The Group has a wide spread of products and markets, across a spectrum of highly sophisticated niche markets, both nationally and internationally. This substantially lowers the Group's risk profile, and further, the mix of imported medical equipment and exported instrumentation moderates Group exposure to major currency fluctuation.

### Results and Dividends

The loss for the financial year after taxation amounted to £762,000 (2008: profit £771,000).

A final dividend relating to the financial year ended 31 March 2008 of 1 penny per share was paid on 22 September 2008 and no interim dividend was paid in March 2009 (2008: interim dividend 0.67 pence per share).

The directors do not recommend a final dividend (2008: 1 penny per share).

### Directors

The directors of the Company are detailed on page 8 and their interests in the shares of the Company are set out in the Report of the Remuneration Committee on pages 11 to 13.

### Substantial Shareholdings

The directors are aware of the following interests, as at 15 June 2009, amounting to 3% or more of the issued share capital of the Company at that date:

	Shares	%
Bronsstadet AB	2,577,309	29.9
Elektron Plc	1,992,722	23.2
Chelverton Growth Trust Plc	340,000	4.0

### Share Capital

Details of changes in share capital are given in note 17 to the Financial Statements.

### Research and Development

The directors consider that research and development continues to play a vital role in maintaining and increasing the Group's competitive position in the market. Details are set out in the accounting policies and note 11.

### Supplier Payment Policy

The Group applies a policy of agreeing the terms of payment as part of the commercial arrangement negotiated with suppliers.

It is Group policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. The average creditor days in the year for the Group were 66 and for the Company were 78.

### Employees

All employees receive equal opportunities for training and career development. The sole criterion for selection and promotion is the individual's suitability for the position of employment offered. The Group supports the employment of disabled persons wherever appropriate. Each individual operating company within the Group operates its own communication and consultation programmes relevant to its own particular workforce.

**Directors' and Officers' Insurance**

The Group insures its directors and officers for any loss for claims made against them during the period they are in office and for any wrongful act committed by them in their capacity as directors or officers of the Group. This excludes any dishonest or fraudulent act, or omission, or any willful violation of law.

**Principal Risks and Uncertainties**

The Board has overall responsibility for managing the risks across the Group. Policies and procedures are in place to manage and eliminate the risk wherever possible. The Group's financial risk management policies are discussed in more detail in note 27.

**Disclosure of Information to Auditors**

The directors who held office at the date of approval of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Jan G Holmström**

Company Secretary  
17 June 2009

## Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent company Financial Statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company Financial Statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

The parent company Financial Statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## Independent Auditors' Report to the members of Hartest Holdings Plc

**KPMG Audit Plc**  
Arlington Business Park  
Theale  
Reading RG7 4SD

We have audited the Group and parent company Financial Statements (the "Financial Statements") of Hartest Holdings Plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the Group Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 16.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Operating and Financial Review that is cross referred from the Principal Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

### Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditors  
17 June 2009

## Consolidated Income Statement

for the year ended 31 March

	Note	2009 £'000	2008 £'000
Revenue	4	20,671	21,724
Cost of sales		(13,635)	(14,248)
<b>Gross profit</b>		<b>7,036</b>	7,476
<b>Operating expenses</b>			
Overheads		(6,702)	(6,443)
<b>Operating profit before non-recurring costs</b>	7	<b>334</b>	1,033
Non-recurring costs	7	(1,117)	—
Total operating expenses		(7,819)	(6,443)
<b>Operating (loss)/profit after non-recurring costs</b>	7	<b>(783)</b>	1,033
Finance income	5	12	29
Finance costs	6	(94)	(178)
<b>Net financing cost</b>		<b>(82)</b>	(149)
<b>(Loss)/Profit before tax</b>		<b>(865)</b>	884
Taxation	9	103	(113)
<b>(Loss)/Profit for the year attributable to equity shareholders of the parent company</b>		<b>(762)</b>	771
<b>Attributable to:</b>			
Equity shareholders of Hartest Holdings Plc		(762)	771
<b>(Loss)/Earnings per share (pence):</b>			
– basic	24	(8.85)	8.96
– diluted	24	(8.85)	7.99
Dividends declared and paid in the year (£'000)	10	86	144

## Consolidated Statement of Changes in Equity for the year ended 31 March

	Note	Share capital £'000	Share premium £'000	Other distributable reserve £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2007</b>		2,097	2,928	116	81	—	3,077	8,299
Profit for the period		—	—	—	—	—	771	771
Employee share-based compensation	19	—	—	35	—	—	—	35
Dividend paid	10	—	—	—	—	—	(144)	(144)
<b>At 31 March 2008</b>		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	19	—	—	10	—	—	—	10
Dividend paid	10	—	—	—	—	—	(86)	(86)
<b>At 31 March 2009</b>		<b>2,097</b>	<b>2,928</b>	<b>161</b>	<b>—</b>	<b>34</b>	<b>2,856</b>	<b>8,076</b>

**Consolidated Balance Sheet**  
at 31 March

	Note	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill and intangible assets	11	4,061	4,083
Property, plant and equipment	12	833	1,652
Deferred income tax asset	22	141	9
		<b>5,035</b>	5,744
<b>Current assets</b>			
Asset classified as held for sale	12	750	—
Inventories	14	3,042	3,855
Trade and other receivables	15	4,489	4,570
Cash and cash equivalents		410	565
		<b>8,691</b>	8,990
<b>Total assets</b>		<b>13,726</b>	14,734
<b>Equity</b>			
Share capital	17	2,097	2,097
Share premium	18	2,928	2,928
Retained earnings	18	2,856	3,704
Other reserves	18	195	232
<b>Total equity attributable to the Company's equity holders</b>		<b>8,076</b>	8,961
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Borrowings	21	323	399
Deferred income tax liabilities	22	20	36
Provisions	23	239	—
		<b>582</b>	435
<b>Current liabilities</b>			
Trade and other payables	20	4,861	5,032
Current income tax liabilities		131	230
Borrowings	21	76	76
		<b>5,068</b>	5,338
<b>Total liabilities</b>		<b>5,650</b>	5,773
<b>Total equity and liabilities</b>		<b>13,726</b>	14,734

The Financial Statements were approved by the Board of directors and signed on its behalf on 17 June 2009.

**Geoff Spink**

Executive Chairman

The accompanying accounting policies and notes form an integral part of these Financial Statements.

## Consolidated Cash Flow Statement for the year ended 31 March

	Group	
	2009 £'000	2008 £'000
<b>(Loss)/Profit for the year</b>	<b>(762)</b>	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	—
<b>Net cash generated from operating activities before interest and tax</b>	<b>704</b>	1,094
Interest paid	(98)	(181)
Income tax paid	(204)	(85)
<b>Net cash generated from operating activities</b>	<b>402</b>	828
<b>Cash flows from investing activities</b>		
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
<b>Net cash (employed)/generated in investing activities</b>	<b>(431)</b>	352
<b>Cash flows from financing activities</b>		
Repayments of borrowings	(76)	(481)
Equity dividends paid	(86)	(144)
<b>Net cash employed in financing activities</b>	<b>(162)</b>	(625)
<b>Effect of exchange rate fluctuation on foreign balances</b>	<b>36</b>	—
<b>Net (decrease)/increase in cash and cash equivalents and bank overdrafts</b>	<b>(155)</b>	555
Cash, cash equivalents and bank overdrafts at beginning of year	565	10
<b>Cash, cash equivalents and bank overdrafts at end of year*</b>	<b>410</b>	565

\* Cash and cash equivalents at 31 March 2009 comprises cash balances of £990,000 (2008: £565,000) and bank overdraft balances of £580,000 (2008: £nil).

The accompanying accounting policies and notes form an integral part of these Financial Statements.

## Notes to the Consolidated Financial Statements

### 1 Accounting Policies

The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Statement of Compliance

Hartest Holdings Plc is a Company incorporated and domiciled in the UK and is listed on the London Stock Exchange's Alternative Investment Market ('AIM'). The Group's consolidated Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). The Company has elected to prepare its parent company Financial Statements in accordance with UK GAAP; these are presented on pages 39 to 42.

#### 1.2 Basis of Preparation

The Group Financial Statements are presented in pounds sterling, rounded to the nearest thousand. The Financial Statements are prepared on the historical cost basis except where assets or liabilities are required to be stated at their fair value.

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The parent company Financial Statements present information about the Company as a separate entity and not about its Group.

Having reviewed the Group's plans and available financial facilities, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements for both the Group and the parent company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group Financial Statements.

These consolidated Financial Statements have been prepared under the historical cost convention with the exception of derivative financial instruments and share-based payments which are recognised at fair value. A summary of the more important Group accounting policies adopted in the preparation of the consolidated Financial Statements is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new Accounting Standards in the financial year. These policies have been consistently applied to all the years presented, unless otherwise stated.

The following standards or interpretations issued by the IASB or the IFRIC have been adopted by the EU but only become effective for accounting periods commencing after 31 March 2009. No other significant changes are expected to apply to the year ended 31 March 2010:

- IFRS 8, 'Operating Segments', is effective for annual periods beginning on or after 1 January 2009 and the Group plans to apply it from 1 April 2009. The standard requires the presentation of segmental information based on internal reports used by the Group's Board in order to allocate resources and make decisions about operating matters. The Group does not believe the adoption of this standard will have a significant effect either on the consolidated results or financial position of the Group or on disclosures.
- IAS 1 (Amendment), 'Presentation of Financial Statements: A Revised Presentation' is effective for annual periods beginning on or after 1 January 2009. The revised standard will impact on the presentation of the Group Financial Statements requiring that all items of income and expense (including those currently recognised through equity) are presented in either a single statement (a 'statement of comprehensive income') or in two statements (a separate 'Income Statement' and 'statement of comprehensive income'). In the limited circumstances where an accounting policy is retrospectively applied or an item is reclassified, an additional Balance Sheet (statement of financial position) for the beginning of the earliest comparative period will be required. The statement of changes in equity, currently presented as a note, will be presented as a separate financial statement. The Group will apply IAS 1 (Amendment) from 1 April 2009.
- IFRS 2 (Amendment) 'Share-based Payment: Vesting Conditions and Cancellations', is effective for annual periods beginning on or after 1 January 2009 with retrospective application to share plans in issue at that time. The amendment to the standard clarifies the definition of vesting conditions and the accounting treatment of cancellations. The Group does not anticipate this amendment will have a significant effect on the Financial Statements.

The preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, actual results ultimately may differ from those estimates. Judgements made by management in the application of Adopted IFRSs that have significant effect on the Group Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes to these consolidated Financial Statements.

## 1 Accounting Policies (continued)

### 1.3 Basis of Consolidation

The Consolidated Financial Statements incorporate the results of the Company and each of its subsidiaries for the financial year ended 31 March 2009. Subsidiaries are entities controlled by the Group where control is deemed to exist when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated Financial Statements from the date the control commences until the date that control ceases.

Intra group balances and transactions are eliminated on consolidation.

### 1.4 Revenue Recognition

Revenue comprises amounts charged by Group companies for goods and services provided to customers and the value of work carried out during the year, excluding sales taxes and intercompany sales. Sales of goods are recognised when title to the goods has passed. Service income is recognised at the time a service is provided or spread on a time basis over the term of the contract; this may result in deferred income at the Balance Sheet date.

### 1.5 Segment Reporting

The Group's primary format for segment reporting is business segments and the secondary format is geographical segments. This reflects the fact that the risks and returns of the Group's operations are primarily based on its business activities rather than the geographical location of the Group's operations.

### 1.6 Property, Plant and Equipment

All property, plant and equipment is shown at cost less depreciation, except for land which is shown at cost. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives.

The periods/rates generally applicable are:

Freehold buildings	– 2% straight-line
Short leasehold property	– over the term of the lease
Plant and machinery	– 12.5% to 25% straight-line
Motor vehicles	– 25% straight-line

### 1.7 Intangibles – Patents and Trademarks

Patents and trademarks are carried forward on the Balance Sheet and amortised over the useful economic life of the asset, estimated to be five years, and carry no residual value.

### 1.8 Intangibles – Goodwill

Goodwill arising prior to 31 March 2006 was capitalised, classified as an asset, and amortised over its useful economic life of 20 years. From 1 April 2006 goodwill is recognised as an intangible asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the Income Statement and may not subsequently be reversed. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating-units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the present value of future cash flows expected to arise from the cash-generating-unit at a discount rate that reflects current market conditions in order to calculate the present value.

Goodwill arising on consolidation or purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised. On transition to adopted IFRSs on 1 April 2006 amortisation ceases to be charged. Annual impairment reviews are therefore performed to test for annual impairment. Impairment tests have been carried out for goodwill at 31 March 2008 and 31 March 2009.

The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 April 2006 transition date.

## Notes to the Consolidated Financial Statements Continued

### 1 Accounting Policies (continued)

#### 1.9 Intangibles – Other

##### (a) Research and Development Costs

Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty when the criteria of IAS 38 are met and amortised on a straight-line basis in line with the expected useful life of the project. All other research and development costs are written off in the year of expenditure.

##### (b) Software

Software expenditure purchased which has the capacity to generate economic benefits which can be separately identified is capitalised as an intangible asset. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives.

Development costs – 3 to 10 years

Software – 3 to 10 years

#### 1.10 Impairment

The carrying amount of the Group's assets other than inventories and deferred tax assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash-generating-unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

#### 1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct expenditure and where appropriate, production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

#### 1.12 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call and term. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of cash flows and are shown within trade and other payables on the Balance Sheet.

#### 1.13 Share Capital

Share capital comprises Ordinary shares with a nominal value of 10 pence each. The number of Ordinary shares called up at fully paid at 31 March 2009 was 8,605,289, (31 March 2008: 8,605,289).

#### 1.14 Trade and Other Receivables

Trade and other receivables are stated at their fair value on initial recognition and subsequently at amortised cost, less any impairment losses.

#### 1.15 Trade and Other Payables

Trade and other payables are stated at fair value at initial recognition and subsequently at amortised cost.

#### 1.16 Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

#### 1.17 Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to Pounds Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on such translation are recognised in the Income Statement.

The assets and liabilities of foreign operations are translated to the Group's functional currency, Pounds Sterling, at foreign exchange rates ruling at the Balance Sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of transactions. This revaluation is recognised directly in equity.

#### 1.18 Employee Benefits

The Group pays defined contributions into employees' personal pension schemes and stakeholder pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. Obligations for contributions to these pension schemes are recognised as an expense in the Income Statement as incurred.

## 1 Accounting Policies (continued)

### 1.19 Current and Deferred Income Tax

Income tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will reverse in the foreseeable future. In addition, deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities who intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 1.20 Derivative Financial Instruments and Hedge Accounting

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts to hedge foreign exchange exposures. These financial instruments are included in the Balance Sheet as assets or liabilities at fair values. The Group does not use financial instruments for speculative purposes and its financial instruments do not qualify for hedge accounting and therefore changes in their fair value are recognised in the Income Statement as they arise. Interest payable is accrued and charged to the Income Statement in the period to which it relates.

### 1.21 Share-based Payments

The share option programme allows executives and employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 that had not yet vested as at 1 April 2006 are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is spread over the vesting period.

Assumptions used in the calculations are given below:

- historic volatility at date of grant;
- assumed average holding period of six years;
- dividend yield of 2%; and
- the current estimate of the probability of achieving performance targets.

Further details of share options are included in note 19.

### 1.22 Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows.

### 1.23 Leases

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The outstanding future lease payments are shown in other payables. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Income Statement over the period of the lease.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Income Statement on a straight-line basis over the period of the lease. Lease incentives received are spread over the lease term.

### 1.24 Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved.

## Notes to the Consolidated Financial Statements Continued

### 2 Financial Risk Management

#### 2.1 Financial Risk Factors

- Currency risk
- Credit risk
- Interest rate risk
- Liquidity risk

The Group's activities expose it to certain financial risks. The Group monitors these risks but does not consider it necessary to use derivative financial instruments to hedge these risks other than in relation to foreign exchange risk. More detailed risk management activities are explained in note 27.

### 3 Significant Accounting Estimates and Judgements

#### Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash-generating-units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate future cash flows expected to arise from the cash-generating-unit at a suitable discount rate in order to calculate present value.

#### Share-based Payments

Share options are granted on a discretionary basis (see note 19). The fair value of the Company's equity-settled share-based payments granted is determined using a binomial model which requires a number of estimates and assumptions. The significant inputs into the model are share price at grant date, historic volatility, exercise price and expected life of the option. Assumptions are generally based on publicly available information and reflect market expectations and advice taken from qualified personnel.

#### Provision for Obsolete and Slow-Moving Inventory

Determining the level of provision necessary for obsolete and slow-moving inventory requires management to make judgements in estimating the net realisable value of the Group's inventory based upon stock revenue statistics and management's knowledge of market changes.

#### Trade Receivables

Trade receivables are stated net of any impairment. Impairment is based on the Group's best estimate of the likelihood of recovery on a specific basis.

#### Deferred Taxation

A deferred tax asset is recognised where the Group considers it probable that a tax credit will be received in the future. Judgement specifically applies to tax losses in determining the likelihood whether tax losses can be utilised in the foreseeable future.

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

**4 Segmental Information (continued)**

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

	Instrumentation £'000	Medical Services £'000	Central costs £'000	Group £'000
<b>Revenue</b>	<b>13,870</b>	<b>6,801</b>	<b>—</b>	<b>20,671</b>
Operating profit/(loss) segment result before non-recurring costs	959	(31)	(594)	334
Non-recurring costs	(621)	(215)	(281)	(1,117)
Finance cost – net	(49)	(14)	(19)	(82)
<b>Profit/(loss) before income tax</b>	<b>289</b>	<b>(260)</b>	<b>(894)</b>	<b>(865)</b>
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
<b>Revenue</b>	<b>11,760</b>	<b>3,421</b>	<b>5,490</b>	<b>20,671</b>

**Comparative Figures for the Year Ended 31 March 2008**

	Instrumentation £'000	Medical Services £'000	Central costs £'000	Group £'000
<b>Revenue</b>	<b>14,082</b>	<b>7,642</b>	<b>—</b>	<b>21,724</b>
Operating profit/(loss) segment result	1,244	349	(560)	1,033
Finance cost – net	(103)	(26)	(20)	(149)
<b>Profit/(loss) before income tax</b>	<b>1,141</b>	<b>323</b>	<b>(580)</b>	<b>884</b>
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
<b>Revenue</b>	<b>12,595</b>	<b>3,650</b>	<b>5,479</b>	<b>21,724</b>

**5 Finance Income**

	2009 £'000	2008 £'000
Interest on bank deposits	12	29
Total interest receivable and similar income	12	29

## Notes to the Consolidated Financial Statements Continued

**6 Finance Costs**

	2009 £'000	2008 £'000
Interest payable on bank borrowings	40	64
Other finance costs including invoice discounting costs	54	114
<b>Total interest payable and similar charges</b>	<b>94</b>	<b>178</b>

**7 (Loss)/Profit Before Taxation**

Operating profit is stated after charging:

	2009 £'000	2008 £'000
Auditors' remuneration – audit of these Financial Statements	41	35
– audit of Financial Statements of subsidiaries	64	66
– non audit services	90	22
Depreciation – owned assets	286	246
Impairment of asset held for resale	98	—
Intangibles amortisation	75	60
Share-based payment cost	10	35
Difference on foreign exchange	(107)	85
Operating lease rentals – land and buildings	263	173
Operating lease rentals – other	110	95
Research and development	338	316
Non-recurring costs – see below	1,117	—

Non audit services charged to operating profit consist of £65,000 for taxation services (2008: £22,000), and £25,000 for abortive transaction costs (2008: £nil).

Audit fees charged to operating profit of the Company were £41,000 (2008: £35,000).

**Non-recurring costs**

Relocation of operations	562	—
Restructuring costs – Group	138	—
– Other	273	—
Impairment in value of property held for disposal	98	—
Write-off of abortive transaction costs	46	—
<b>Total non-recurring costs</b>	<b>1,117</b>	<b>—</b>

**8 Directors and Employees**

	2009 £'000	2008 £'000
Wages and salaries	4,532	4,444
Social security costs	482	523
Other pension costs	205	228
Share-based payment cost	10	35
	<b>5,229</b>	<b>5,230</b>

The average number of employees (including executive directors) of the Group during the year was as follows:

	2009	2008
Selling and distribution	44	45
Production	65	75
Administration	45	41
	<b>154</b>	<b>161</b>

**8 Directors and Employees (continued)**

The emoluments of the directors, including pension contributions, were as follows:

	2009 £'000	2008 £'000
Basic remuneration	307	303
Performance-related bonuses	—	30
Pension contributions and benefits in kind	39	38
Severance	130	—
	<b>476</b>	<b>371</b>

**Key Management Compensation**

	2009 £'000	2008 £'000
Wages and salaries	1,287	989
Pension costs	104	69
Share-based payments cost	10	35
	<b>1,401</b>	<b>1,093</b>

The key management personnel are the Board of directors and the directors of each of the Group's business segments.

The aggregate emoluments excluding severance pay of the highest paid director were £119,000 (2008: £130,000). Details of directors' remuneration and share options are disclosed in the Report of the Remuneration Committee on pages 11 to 13.

**9 Income Tax Expenses****(a) Analysis of Charge in the Year**

	2009 £'000	2008 £'000
Current taxation:		
UK corporation tax on (loss)/profit for the year	(68)	135
Overseas taxation on profit for the year	131	92
Adjustments in respect of previous periods	(18)	(114)
Total current taxation	45	113
Deferred taxation:		
Origination and reversal of timing differences	(154)	45
Adjustments in respect of previous periods	6	(43)
Corporation tax rate change	—	(2)
Total deferred taxation	(148)	—
Taxation (credit)/charge	(103)	113

**(b) Factors Affecting Taxation Charge for the Year**

The taxation charge for the year is different from the standard rate of corporation tax in the UK (28%).

The differences are explained below:

	2009 £'000	2008 £'000
(Loss)/Profit before taxation	(865)	884
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	(242)	265
Effects of:		
Expenses not allowable or deductible for tax purposes	87	45
Research and development claim	(22)	(30)
Overseas tax rate difference	60	66
Losses not recognised	26	(73)
Adjustment to taxation charge in respect of previous periods	(12)	(160)
Income tax (credit)/expense	(103)	113

## Notes to the Consolidated Financial Statements Continued

## 10 Dividends

	2009 £'000	2008 £'000
<b>Equity dividends</b>		
Interim dividend paid of £nil (2008: 0.67 pence per Ordinary share)	—	58
Final dividend paid of 1 penny for the year ended 31 March 2008 and 31 March 2007	<b>86</b>	86
	<b>86</b>	144

## 11 Goodwill and Other Intangible Assets

2009 movements	Goodwill £'000	Development costs £'000	Purchased software £'000	Total £'000
<b>Cost</b>				
At 1 April 2008	3,890	75	239	4,204
Additions acquired	—	—	53	53
<b>At 31 March 2009</b>	<b>3,890</b>	<b>75</b>	<b>292</b>	<b>4,257</b>
<b>Amortisation:</b>				
At 1 April 2008	—	25	96	121
Charge for the year	—	25	50	75
<b>At 31 March 2009</b>	<b>—</b>	<b>50</b>	<b>146</b>	<b>196</b>
<b>Net book value at 31 March 2009</b>	<b>3,890</b>	<b>25</b>	<b>146</b>	<b>4,061</b>
2008 movements	Goodwill £'000	Development costs £'000	Purchased software £'000	Total £'000
<b>Cost</b>				
At 1 April 2007	3,890	75	118	4,083
Additions acquired	—	—	121	121
<b>At 31 March 2008</b>	<b>3,890</b>	<b>75</b>	<b>239</b>	<b>4,204</b>
<b>Amortisation:</b>				
At 1 April 2007	—	—	61	61
Charge for the year	—	25	35	60
<b>At 31 March 2008</b>	<b>—</b>	<b>25</b>	<b>96</b>	<b>121</b>
<b>Net book value at 31 March 2008</b>	<b>3,890</b>	<b>50</b>	<b>143</b>	<b>4,083</b>
<b>Net book value at 31 March 2007</b>	<b>3,890</b>	<b>75</b>	<b>57</b>	<b>4,022</b>

In accordance with the requirements of IAS 36, Impairment of Assets, goodwill is allocated to the Group's cash-generating-units represented by each of the Group's major businesses. The most significant elements of the Group's total consolidated goodwill of £3,890,000 at 31 March 2008 are allocated to Cross Technologies plc (£1.685 million); Hartest Precision Instruments Limited (£1.167 million) and Agar Scientific Limited (£0.746 million). There have been no indications of impairment in the year ended 31 March 2009.

The Group tests goodwill for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts of the cash-generating-units are determined from cash flow forecasts. The key assumptions are the discount rate used for future cash flows and the anticipated future changes in revenue, direct costs and indirect costs. The management uses the Group's weighted average interest rate as at the testing date to discount future cash flows expected to arise from the cash-generating-units. The rate used for impairment tests at 31 March 2009 was 10%.

The Group prepares cash flow forecasts based on the most recent financial budgets approved by management and extrapolates these forward for the next ten years. Changes in revenue and direct costs are based on past experience and expectations of future changes in the market derived from the most recent financial budgets, which cover a three-year period, and extended to a further seven future financial periods on the assumption that they remain unchanged from year three.

The amortisation charges for development cost and software above £75,000 (2008: £60,000) are recognised in the Income Statement within operating expenses. Software has an average remaining useful life of four years.

**12 Property, Plant and Equipment**

	Freehold land and buildings £'000	Short leasehold property £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2008	936	161	169	1,840	3,106
Additions	—	249	34	128	411
Transfer to property held for disposal	(936)	—	—	—	(936)
Disposals	—	(161)	(37)	(272)	(470)
<b>At 31 March 2009</b>	<b>—</b>	<b>249</b>	<b>166</b>	<b>1,696</b>	<b>2,111</b>
<b>Depreciation and impairment</b>					
At 1 April 2008	62	91	144	1,157	1,454
Charge for the year	10	1	10	265	286
Transfer to property held for disposal	(72)	—	—	—	(72)
Eliminated on disposal	—	(87)	(35)	(268)	(390)
<b>At 31 March 2009</b>	<b>—</b>	<b>5</b>	<b>119</b>	<b>1,154</b>	<b>1,278</b>
<b>Net book value at 31 March 2009</b>	<b>—</b>	<b>244</b>	<b>47</b>	<b>542</b>	<b>833</b>

During the year the freehold land and buildings was transferred to property held for disposal as the Group actively marketed the property. The book value was written down to £750,000 representing the anticipated net proceeds by the directors, after recognition of an impairment of £179,000, of which £81,000 was offset by the release of a related revaluation reserve from prior years. This asset relates to the instrumentation segment.

The freehold land and buildings remain pledged as security for the related bank borrowings.

	Freehold investment property £'000	Freehold land and buildings £'000	Short leasehold property £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost or valuation</b>						
At 1 April 2007	705	936	161	177	1,609	3,588
Additions	—	—	—	—	332	332
Disposals	(705)	—	—	(8)	(101)	(814)
<b>At 31 March 2008</b>	<b>—</b>	<b>936</b>	<b>161</b>	<b>169</b>	<b>1,840</b>	<b>3,106</b>
<b>Depreciation and impairment</b>						
At 1 April 2007	—	52	84	132	1,037	1,305
Charge for the year	—	10	7	21	208	246
Eliminated on disposal	—	—	—	(9)	(88)	(97)
<b>At 31 March 2008</b>	<b>—</b>	<b>62</b>	<b>91</b>	<b>144</b>	<b>1,157</b>	<b>1,454</b>
<b>Net book value at 31 March 2008</b>	<b>—</b>	<b>874</b>	<b>70</b>	<b>25</b>	<b>683</b>	<b>1,652</b>

**13 Subsidiary Undertakings**

The following principal trading subsidiary undertakings are wholly owned and operated primarily in the country of incorporation during the year:

<b>The Company</b>	Nature of business	Country of incorporation
Agar Scientific Limited	Instrumentation	England and Wales
Carnation Designs Limited	Instrumentation	England and Wales
Cross Technologies plc	Medical Services	England and Wales
H Tinsley & Co Limited	Instrumentation	England and Wales
Hartest Precision Instruments Limited*	Instrumentation	England and Wales
Hartest Precision Instruments India Private Limited**	Instrumentation	India

\* Hartest Precision Instruments Limited also operates through a branch in India established under the Indian Foreign Exchange Regulation Act 1973.

\*\* Hartest Precision Instruments India Private Limited is held via Hartest Precision Instruments Limited.

## Notes to the Consolidated Financial Statements Continued

**14 Inventories**

The Group	2009 £'000	2008 £'000
Raw materials	1,258	964
Work in progress	381	569
Finished goods	1,403	2,322
	<b>3,042</b>	<b>3,855</b>

At 31 March 2009 inventories are shown net of provisions of £695,000 (2008: £583,000).

**15 Trade and Other Receivables**

The Group	2009 £'000	2008 £'000
Trade receivables	3,922	4,286
Other receivables	122	161
Prepayments and accrued income	385	123
Current income tax recoverable	60	—
Current	<b>4,489</b>	<b>4,570</b>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value and represents the maximum exposure to credit risk.

No customer represented more than 5% of the total balance of the net trade receivables at the year end.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

The Group only provides for doubtful debts where in the opinion of management, the amount is no longer recoverable. The amount of the provision is management's estimate of the irrecoverable amount.

**Ageing of Past Due but not Impaired Receivables**

	2009 £'000	2008 £'000
30 to 90 days	678	772
Over 90 days	215	62
	<b>893</b>	<b>834</b>

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2009 £'000	2008 £'000
Pounds Sterling	3,164	3,191
Euro	235	505
US Dollar	77	184
Indian Rupee	446	406
	<b>3,922</b>	<b>4,286</b>

**16 Cash and Cash Equivalents**

	2009 £'000	2008 £'000
Cash and cash equivalents	410	565

Cash and cash equivalents comprise cash held by the Group. The carrying amount of these assets represents sterling and foreign currency balances which have been converted at the year end exchange rate.

**17 Share Capital**

The Group	2009		2008	
	Number	£'000	Number	£'000
<b>Authorised:</b> 13,637,641 Ordinary shares of 10 pence each				
<b>Called up, allotted and fully paid:</b> Ordinary shares of 10 pence each	<b>8,605,289</b>	<b>2,097</b>	8,605,289	2,097

The authorised share capital consists of 13,637,641 Ordinary shares of 10 pence each (2008: 13,637,641 Ordinary shares of 10 pence each) of which 8,605,289 Ordinary shares of 10 pence (2008: 8,605,289) were allotted, called up and fully paid as at 31 March 2009.

**18 Reconciliation of the Movement in Capital and Reserves**

	Share capital £'000	Share premium £'000	Other distributable reserve £'000	Revaluation reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000
Balance at 1 April 2007	2,097	2,928	116	81	—	3,077
Profit for the year	—	—	35	—	—	771
Dividends	—	—	—	—	—	(144)
Balance at 31 March 2008	2,097	2,928	151	81	—	3,704
Effect of exchange rate on translation of foreign operations	—	—	—	—	34	—
Profit for the year	—	—	10	(81)	—	(762)
Dividends	—	—	—	—	—	(86)
<b>Balance at 31 March 2009</b>	<b>2,097</b>	<b>2,928</b>	<b>161</b>	<b>—</b>	<b>34</b>	<b>2,856</b>

**Other Distributable Reserve**

The other distributable reserve comprises the charge to profit and loss resulting from share-based payments.

**Revaluation Reserve**

The revaluation reserve related to a revaluation of property carried out in 2003. This property was impaired by £179,000 during the financial year and this impairment charge has been offset against the related revaluation reserve in the first instance with the balance of £98,000 being charged through the Income Statement.

**Foreign Exchange Reserve**

The foreign exchange reserve arises on the translation of foreign operations.

**19 Share Options**

Administrative expenses include a charge of £10,000 (2008: £35,000) in respect of the cost of providing share options. The cost is calculated (using a binomial valuation model) by estimating the fair value of the options granted after 7 November 2002 that were unvested as of 1 April 2006 and is expensed on a straight-line basis over the vesting period. All the share options are related to equity-settled share-based payment transactions. Assumptions used in the calculations are given below:

- historic volatility at date of grant;
- assumed average holding period of six years;
- dividend yield of 2%; and
- the current estimate of the probability of achieving performance targets.

The options granted vest immediately other than those issued to executive directors for which the vesting conditions are listed in the Report of the Remuneration Committee (pages 11 to 13).

## Notes to the Consolidated Financial Statements Continued

## 19 Share Options (continued)

The following options to subscribe for Ordinary shares were outstanding at the Balance Sheet date. Share options are normally forfeited if the employee leaves the Group.

Period granted	Number of share options			
	Exercise price per share (pence)	Exercise period	2009	2008
<b>Unapproved Option Scheme</b>				
1999	100	2009	<b>6,970</b>	6,970
2001	750	2011	—	5,000
2005	50	2008	—	256,240
2005	50	2015	<b>367,061</b>	367,061
<b>Approved Option Scheme</b>				
1999	1,350	2009	<b>1,000</b>	1,000
2001	750	2011	<b>3,000</b>	3,000
2005	50	2015	<b>60,000</b>	60,000
<b>EMI Option Scheme</b>				
2003	750	2011	<b>1,000</b>	1,000
2003	550	2013	<b>3,000</b>	3,000
2004	400	2014	<b>25,000</b>	25,000
<b>New EMI Option Scheme</b>				
2005	50–56	2015	<b>52,500</b>	52,500
2006	62–64	2016	<b>44,000</b>	193,474
2007	68.5	2017	<b>53,000</b>	53,000
2008	57.5	2018	<b>48,000</b>	—
			<b>664,531</b>	1,027,245

Following the share consolidation approved at the Annual General Meeting held on 8 August 2007 every 100 Ordinary shares of 0.1 pence each were converted to one Ordinary share of 10 pence each nominal value. All share options have been rebased accordingly.

	2009		2008	
	Number of share options 000's	Weighted average exercise price (pence)	Number of share options 000's	Weighted average exercise price (pence)
Outstanding at beginning of year	<b>1,027</b>	<b>71.3</b>	1,007	86
Granted during year	<b>48</b>	<b>57.5</b>	55	68.5
Exercised during year	—	—	—	—
Lapsed or expired during year	<b>(411)</b>	<b>62.9</b>	(35)	483
Outstanding at 31 March	<b>664</b>	<b>65.9</b>	1,027	71.3
Exercisable at 31 March	<b>297</b>	<b>97.5</b>	498	75.9

The highest share price during the year was 62.5 pence and the lowest was 15.0 pence with the average being 37.4 pence. The closing share price at 31 March 2009 was 17.5 pence (2008: 50.5 pence).

## 20 Trade and Other Payables

The Group	2009 £'000	2008 £'000
Trade payables	<b>3,191</b>	3,625
Social security and other taxes	<b>321</b>	277
Other payables	<b>27</b>	72
Accruals and deferred income	<b>1,322</b>	1,058
	<b>4,861</b>	5,032

**20 Trade and Other Payables (continued)**

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. No supplier charges interest on outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The directors consider that the carrying amount of trade payables approximates to their fair value.

**21 Borrowings**

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Group.

The Group	2009 £'000	2008 £'000
<b>Current</b>		
Bank loans and overdrafts	76	76
<b>Non current</b>		
Bank loans	323	399

The borrowing relates to a mortgage, which is repayable in quarterly instalments. An amount of £19,000 (2008: £95,000) is repayable after more than five years. The mortgage bears interest at 1.75% above the base rate.

**22 Deferred Tax Asset and Liabilities**

Deferred tax assets and liabilities are attributable to the following:

The Group	Assets		Liabilities	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Property, plant and equipment	3	(4)	17	36
Tax value of loss carry forwards	(144)	(5)	3	—
Net tax (assets)/liabilities	(141)	(9)	20	36

Deferred tax assets relating to losses carried forward have been recognised to the extent that management believe they will be recoverable in the foreseeable future.

Management have considered the future cash flows of the subsidiaries holding tax losses when determining the amount of the deferred tax asset that should be recognised. On the basis of this, deferred tax assets of £88,000 (2008: £82,000) have not been recognised in respect of certain trading losses carried forward due to the uncertainty of timing of utilisation of these losses.

**Movement in Deferred Tax During the Year**

	1 April 2008 £'000	Recognised in income £'000	31 March 2009 £'000
Property, plant and equipment	32	(12)	20
Tax value of loss carry forwards	(5)	(136)	(141)

**Movement in Deferred Tax During the Prior Year**

	1 April 2007 £'000	Recognised in income £'000	31 March 2008 £'000
Property, plant and equipment	36	(4)	32
Tax value of loss carry forwards	(9)	4	(5)

## Notes to the Consolidated Financial Statements Continued

## 23 Provisions

	2009 £'000	2008 £'000
Balance at the beginning of the year	—	—
Acquired on acquisition of leasehold property	257	—
Utilised in the year	(18)	—
Balance at end of the year	239	—

The provision relates to the potential liability to restore leasehold buildings to their original state at the end of the rental period when the properties are vacated. Management consider periodically the need to adjust the provision based on the condition of the relevant buildings.

## 24 Earnings Per Share

The calculation of (loss)/earnings per share is based upon (loss)/earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of fully diluted (loss)/earnings per share is based on the basic (loss)/earnings per share adjusted to allow for the issue of shares and the post-tax effect of dividends on the assumed conversion of all dilutive options and other dilutive potential Ordinary shares. For the year ended 31 March 2009, the conversion of potential Ordinary shares would have an antidilutive effect in decreasing the loss per share. Therefore, in accordance with IAS 33, the calculation of diluted loss per share for the year does not assume the conversion of any share options.

The calculation of (loss)/earnings is based upon the Group loss/profit after taxation and is set out below:

	2009			2008		
	Loss for the financial year £'000	Weighted average number of shares 000s	Pence per share	Profit for the financial year £'000	Weighted average number of shares 000s	Pence per share
<b>Basic (loss)/earnings per share:</b>						
Ordinary shareholders	(762)	8,605	(8.85)	771	8,605	8.96
<b>Dilutive effect of securities:</b>						
Share options		—			1,048	
<b>Diluted (loss)/earnings per share</b>	(762)	8,605	(8.85)	771	9,653	7.99

## 25 Leasing Commitments

At 31 March 2009 the Group had operating lease commitments which expire:

The Group	Land and buildings		Other	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
In one year or less	367	144	83	120
Between two and five years	1,262	464	60	90
More than five years	588	198	—	—
	2,217	806	143	210

The increase in operating lease commitments relates to the new sites in Redhill and Stansted.

## 26 Employee Benefits

## Defined Contribution Scheme

The Group pays into employee personal pension schemes and stakeholder pension schemes.

Pension contributions paid by the Group during the year amounted to £190,000 (2008: £228,000). There were no amounts outstanding at the year end.

The amounts included in accruals relating to accrued holiday pay and other employee benefit obligations were as follows:

The Group	2009 £'000	2008 £'000
Holiday pay and other employee benefit liabilities	60	50

## 27 Financial Instruments

### Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group consists of debt, which includes the borrowings (note 21), cash and cash equivalents (note 16) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings (notes 17 and 18).

### Gearing

The Board has focused on reducing Group borrowing in recent years and as a consequence net debt has been eliminated at 31 March 2009 (2008: £nil). Net debt is defined as long and short-term borrowings less cash and cash equivalents.

### Externally Imposed Capital Requirement

As part of the conditions of the Group bank facilities the Group is required to operate within covenant limits set by the bank. The Group has complied with these externally imposed capital requirements throughout the period.

### Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the Financial Statements.

### Categories of Financial Instruments

	Carrying value	
	2009 £'000	2008 £'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>4,899</b>	5,135
<b>Financial liabilities</b>		
Loans and payables	<b>5,630</b>	5,507

### Financial Risk Management Objectives

The Group's activities expose it to certain financial risks. The Group monitors these risks but does not consider it necessary to use any derivative financial instruments to manage these risks.

### Market Risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory in US Dollars.

### Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Euro	<b>365</b>	730	<b>235</b>	508
US Dollar	<b>696</b>	342	<b>77</b>	185
Indian Rupee	<b>249</b>	171	<b>446</b>	598

The Group is mainly exposed to fluctuations in the US Dollar, Euro and Indian Rupee against Pounds Sterling. The following table details the Group's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where Pounds Sterling strengthens against the relevant currency. For a 10% weakening in Pounds Sterling against the foreign currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

## Notes to the Consolidated Financial Statements Continued

**27 Financial Instruments (continued)****Foreign Currency Risk Management (continued)**

	Euro currency impact		US Dollar currency impact		Indian Rupee currency impact	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Profit/(loss)	<b>13</b>	22	<b>62</b>	16	<b>(15)</b>	(43)

During the year the Group entered into forward exchange contracts to cover its exposure to fluctuations in the US Dollar exchange rate. Typically the Group would purchase US Dollars between one and 12 months forward to cover anticipated US Dollar purchases in the period. These contracts are not designated in a hedge accounting relationship and are classified as held for trading. At 31 March 2009 the Group had no such commitments under non cancellable forward contracts (2008: US\$600,000 on fixed dates between April 2008 and March 2009 at a fixed £/\$ exchange rate of £/\$2.03).

**Interest Rate Risk Management**

The Group is exposed to interest rate risk on its bank borrowings which are at variable interest rates linked to LIBOR.

The Group has assessed the likely consequences of any possible change in interest rates resulting from an increase or decrease in LIBOR, and the Group sensitivity to a change of 0.5% in LIBOR. In view of the relatively low level of Group borrowings, and the weighting effect of likely cash flow movements during the year, management does not consider that there would be any material exposure to such a change.

**Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only extending credit to creditworthy counterparties as a means of mitigating risk of financial loss from defaults. The Group obtains credit checks from independent rating agencies and other publicly available financial information to rate its significant customers. The Group's exposure and credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty credit limits that are reviewed and approved.

Trade receivables consist of a large number of customers, spread across diverse industries.

**Borrowing Facilities**

The Group had undrawn loans and overdraft facilities at 31 March 2009 of £1,589,000 (2008: £2,166,000).

**Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Board of directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate banking facilities.

**Maturity of Financial Liabilities**

The following table details the Group's remaining contractual maturity for its non derivative financial liabilities. The maturity of financial liabilities table has been drawn up and based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2009 £'000	2008 £'000
In one year or less	<b>5,307</b>	5,108
Between one and two years	<b>76</b>	76
Between two and five years	<b>228</b>	228
After five years	<b>19</b>	95
	<b>5,630</b>	5,507

The fair values of the Group's financial instruments are considered equal to book value.

**28 Related Party Transactions****Subsidiaries**

Transactions between the Company and its subsidiaries are eliminated on consolidation and therefore not disclosed. Amounts owed by subsidiaries are interest-free and are repayable on demand.

There were no other related party transactions.

## Company Balance Sheet at 31 March

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Investments	3	4,249	4,249
<b>Current assets</b>			
Debtors: amounts falling due within one year	5	16	37
Debtors: amounts falling due after one year	5	7,312	7,337
Cash at bank and in hand		216	404
		<b>7,544</b>	7,778
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	6	281	192
Creditors: amounts falling due after one year	6	2,827	2,870
<b>Net current assets</b>		<b>4,436</b>	4,716
<b>Net assets</b>		<b>8,685</b>	8,965
<b>Capital and reserves</b>			
Called up share capital	8	2,097	2,097
Share premium account	7	2,928	2,928
Other distributable reserve	7	161	151
Profit and loss account	7	3,499	3,789
<b>Shareholders' funds</b>		<b>8,685</b>	8,965

The Financial Statements on pages 39 to 42 were approved by the Board of directors and signed on its behalf on 17 June 2009.

### Geoff Spink

Executive Chairman

The accompanying accounting policies and notes form an integral part of these Financial Statements.

The Company has elected to take the exemption under Section 230 of the Companies Act 1985 to not present the parent company Profit and Loss Account.

## Notes to the Company Financial Statements

### 1 Significant Accounting Policies Applied to the Individual Entity Financial Statements of the Company

#### Basis of Preparation

The Financial Statements have been prepared in accordance with applicable Accounting Standards under the historical cost accounting rules modified to include the revaluation of certain land and buildings.

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own Profit and Loss Account.

Having reviewed the Company's plans and available financial facilities, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements for the Company.

Under Financial Reporting Standard (FRS) 1 the Company is also exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated Financial Statements.

As the Company's voting rights are controlled within the Group headed by Hartest Holdings Plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated Financial Statements of Hartest Holdings Plc, within which this Company is included, can be obtained from the registered office at the address noted on page 8.

The principal accounting policies which have been applied consistently throughout the year and the preceding year are summarised below:

#### Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are stated at cost less provisions for any impairment.

#### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the Balance Sheet date, except as otherwise required by FRS 19.

#### Dividends

In accordance with FRS 21 'Events After the Balance Sheet Date' a dividend is only recognised as a liability or in the Profit and Loss Account when the legal right to receive it exists.

#### Finance Leases and Hire Purchase Agreements

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The outstanding future lease payments are shown in creditors. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

#### Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Profit and Loss Account on a straight-line basis over the period of the lease.

Operating lease income is recognised on a straight-line basis over the term of the lease.

#### Pensions

The Group pays defined contributions into employees' personal pension schemes and stakeholder pension schemes. Contributions are charged to the Profit and Loss Account as they become payable. The assets of the schemes are held separately from those of the Group in independently administered funds.

#### Share-based Payments

The share option programme allows executives and employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at 1 April 2006 are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is spread over the vesting period.

Assumptions used in the calculations are given below:

- historic volatility at date of grant;
- assumed average holding period of six years;
- dividend yield of 2%; and
- the current estimate of the probability of achieving performance targets.

Full details are provided in note 19 of the Consolidated Financial Statements.

## 2 Profit for the Financial Year

The Company has taken advantage of Section 230(3) of the Companies Act 1985 and has not included its own Profit and Loss Account in these Financial Statements. The Company result for the year includes losses of £354,000 (2008: losses of £180,000) which are dealt with in the Financial Statements of the Group.

## 3 Investments

The following principal trading subsidiary undertakings are wholly owned and operated primarily in the country of incorporation during the year:

The Company	Nature of business	Country of incorporation
Agar Scientific Limited	Instrumentation	England and Wales
Carnation Designs Limited	Instrumentation	England and Wales
Cross Technologies plc	Medical Services	England and Wales
H Tinsley & Co Limited	Instrumentation	England and Wales
Hartest Precision Instruments Limited*	Instrumentation	England and Wales
Hartest Precision Instruments India Private Limited**	Instrumentation	India

\* Hartest Precision Instruments Limited also operates through a branch in India established under the Indian Foreign Exchange Regulation Act 1973.

\*\* Hartest Precision Instruments India Private Limited is held via Hartest Precision Instruments Limited.

## 4 Stock

The Company held no stock at 31 March 2009 or 31 March 2008.

## 5 Debtors

The Company	2009 £'000	2008 £'000
Debtors	—	18
Prepayments	16	10
Deferred tax asset	—	9
Debtors due within one year	16	37
Amounts due from Group undertakings	7,312	7,337
Debtors due in more than one year	7,312	7,337
	7,328	7,374

Deferred tax assets are attributable to the following:

The Company	2009 £'000	2008 £'000
Tax value of loss carry forwards	—	9
Net tax assets	—	9

## Movement in Deferred Tax During the Year

	31 March 2009 £'000	Recognised in profit and loss account £'000	1 April 2008 £'000
Tax value of loss carry forwards	—	(9)	9
Total	—	(9)	9

## Notes to the Company Financial Statements Continued

**6 Creditors and Other Payables**

The Company	2009 £'000	2008 £'000
Amounts due to Group undertakings	2,827	2,870
Creditors	70	49
Social security and other taxes	19	33
Other creditors	4	32
Accruals and deferred income	186	78
Current income tax liabilities	2	—
	<b>3,108</b>	<b>3,062</b>

**7 Reconciliation of the Movement in Capital and Reserves**

	Share capital £'000	Share premium £'000	Other distributable reserve £'000	Profit and loss account £'000
Balance at 1 April 2007	2,097	2,928	116	3,848
Loss for the year	—	—	35	(215)
Dividends received	—	—	—	300
Dividends paid	—	—	—	(144)
Balance at 31 March 2008	2,097	2,928	151	3,789
Loss for the year	—	—	10	(354)
Dividends received	—	—	—	150
Dividends paid	—	—	—	(86)
<b>Balance at 31 March 2009</b>	<b>2,097</b>	<b>2,928</b>	<b>161</b>	<b>3,499</b>

**Other Distributable Reserve**

The other distributable reserve comprises the charge to Profit and Loss resulting from share-based payments.

**8 Share Capital**

The Company	2009		2008	
	Number	£'000	Number	£'000
<b>Authorised:</b>				
13,637,641 Ordinary shares of 10 pence each				
<b>Called up, allotted and fully paid:</b>				
Ordinary shares of 10 pence each	8,605,289	2,097	8,605,289	2,097

The authorised share capital consists of 13,637,641 Ordinary shares of 10 pence each (2008: 13,637,641 Ordinary shares of 10 pence each) of which 8,605,289 Ordinary shares of 10 pence (2008: 8,605,289) were allotted, called up and fully paid as at 31 March 2009.

**9 Contingent Liabilities**

The company has given an unlimited multilateral cross guarantee in favour of group companies against any amounts that may fall due in respect of group banking facilities. The maximum amount of indebtedness under this guarantee at 31 March 2009 was £102,541 (2008: £109,004).

## Notice of Annual General Meeting

The Annual General Meeting of the Hartest Holdings Plc (the 'Company') will be held at the offices of CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London EC1A 4DD at 10.00 am on 4 September 2009 for the transaction of the following business, with resolutions 1 to 5 being proposed as ordinary resolutions.

### Ordinary Resolutions

To consider and, if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

1. To approve and consider the Directors' Report and Audited Financial Statements for the year ended 31 March 2009 together with the Auditors' Report thereon.
2. To reappoint as a director Mr G Spink.
3. To reappoint as a director Mr JG Holmström.
4. To reappoint KPMG Audit Plc as auditors, to hold office until the conclusion of the next Annual General Meeting of the Company.
5. To authorise the directors to determine KPMG Audit Plc's remuneration as auditors of the Company.

To deal with any other matters proper to be dealt with at the Meeting not being special business.

By order of the Board

### Jan G Holmström

Company Secretary  
17 June 2009

### Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
2. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
3. To be valid, the enclosed reply-paid form of proxy, together, if appropriate, with the power of attorney or the authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited at the offices of Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the holding of the Meeting or adjourned Meeting.
4. The return of a completed proxy form or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
5. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 18.00 hours on the date which is two days before the time of the Meeting or adjourned Meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
6. As at 28 July 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 8,605,289 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 28 July 2009 are 8,605,289.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA 10) not less than 48 hours before the time appointed for the holding of the Meeting or adjourned Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

## Notice of Annual General Meeting Continued

### Notes (continued)

#### 7. (continued)

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:
- (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to in the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

### Inspection of Documents

The following documents will be available for inspection at 5 Lakeside Business Park, Swan Lane, Sandhurst, Berkshire GU47 9DN until the time of the Annual General Meeting and at the Annual General Meeting location from 15 minutes before the Annual General Meeting until it ends:

- copies of the executive directors' service contracts; and
- copies of letters of appointment of the non-executive directors.

### Explanatory Notes to the Notice of Annual General Meeting

The notice of the Annual General Meeting of the Company to be held on 4 September 2009 is set out on pages 43 to 44 of the annual report and accounts. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders.

Resolutions 1 to 5 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

#### Resolution 1: Directors' Report and Audited Financial Statements

The directors must present to shareholders at the Annual General Meeting the Directors' Report and Audited Financial Statements and the Auditors' Report for the year ended 31 March 2009.

#### Resolutions 2 and 3: Reappointment of Directors

The Company's Articles of Association require that:

- (a) directors appointed since the last Annual General Meeting; and
- (b) the greater of one third of the directors (or if their number is not a multiple of three, the number nearest to, but not greater than, one third of the directors) or that number of directors who shall not have retired from the office in the preceding three years, shall retire from office by rotation.

Accordingly, Geoff Spink, who retires by rotation, is offering himself for reappointment by the shareholders.

Jan Holmström, who was appointed subsequent to the last Annual General Meeting, is seeking reappointment in accordance with the provisions of the Company's Articles of Association.

#### Resolution 4: Reappointment of Auditors

The Companies Act 2006 requires that auditors of the Company must be reappointed at each General Meeting at which accounts are presented. The directors propose to reappoint KPMG Audit Plc as auditors of the Company.

#### Resolution 5: Auditors' Remuneration

This resolution gives the directors the authority to determine the remuneration of the auditors for the audit work to be carried out by them in the next financial year.



**Hartest Holdings Plc**

5 Lakeside Business Park  
Swan Lane, Sandhurst  
Berkshire GU47 9DN, UK  
T: +44 (0) 1252 749 530  
F: +44 (0) 1252 877 288  
E: [info@hartest-holdings.com](mailto:info@hartest-holdings.com)

**[www.hartest-holdings.com](http://www.hartest-holdings.com)**