

Embargoed Release: 07:00hrs Thursday 14 December 2006

Hartest Holdings Plc
(‘Hartest or ‘the Group’)

Unaudited Interim Results for the 6 months ended 30 September 2006

Highlights:

- **Group turnover up 16.6% at £10.7 million**
- **Operating profit before goodwill, share option cost, exceptional and significant non-recurring items, up 130% at £428,000**
- **Operating profit before goodwill, share option cost, and exceptional items, up 38% at £258,000**
- **Interim dividend proposed at 0.0067 pence per share (2005: Nil)**
- **Group on track at half year stage**

Chairman’s Statement

I am pleased to be able to report that the Group continues to make progress towards its objectives, with the growth in trading for the first half of the financial year in line with our planned targets.

Results

Group turnover for the period was £10.69 million, up by 16.6% on the total of £9.17 million for the corresponding period. Group operating profit before goodwill, share option cost, and exceptional items, after deducting £170,000 of significant non-recurring costs, was £258,000 against £186,000 for the comparative period.

Trading

Both the Instrumentation and Medical divisions showed encouraging organic sales growth. In the Instrumentation division, sales of Henson ophthalmic products were buoyant, Carnation Designs had a very strong first half performance and our Indian operation also started the year with significant sales growth. At the same time, the Medical division enjoyed noteworthy increases in sales of x-ray and dosimetry equipment.

Gross margins have held up well across the Group and overheads in the operating divisions were kept under close control. An element of the initial costs incurred in the project for the development of a new generation of programmable control systems at Carnation (referred to in my last statement), amounting to £105,000, has been written off immediately. This, together with the additional costs of interim financial management incurred following the untimely death of Alasdair Culshaw in March 2006 amounting to £65,000, comprises the significant non-recurring costs referred to above. In addition the Group has incurred a small exceptional item of £53,000 under the Group’s contingent liability for the guarantee of the lease of the former subsidiary Lab Furnishings Limited.

Net debt at 30 September 2006 amounted to £1.75 million (31 March 2006 £1.51 million).

Share Option Cost

The Board has considered the implications of Financial Reporting Standard Number 20 ('FRS 20'): Accounting for Share Based Payments, and as a result, we have made a provision in the accounts to cover the estimated fair value of employee share options, using an option pricing model, in the amount of £25,000 in respect of the six months to 30 September 2006, and we have restated the accounts for the year ended 31 March 2006 to include an additional provision of £60,000. These adjustments are more fully explained in Note 4 to the attached Financial Statements.

Dividend

Based upon our improved financial performance, the group resumed dividend payments in the Summer of 2006 with the payment of a final dividend of 0.01 pence per share. The Board is now proposing to pay an interim dividend of 0.0067 pence per share, which will be paid on 14 March 2007 to shareholders on the register on 16 February 2007.

Finance Director

The Board welcomed Robert Porter in his appointment as Group Finance Director on 1 August 2006. Robert had previously provided support as Interim Financial Controller since March 2006 and we are very pleased that he has now joined the executive management of the Group.

Prospects

The Group continues to invest heavily in the development of new Instrumentation products which will, in the medium term, not only continue the sales improvements but begin to show enhanced margins. New radiopharmaceutical distribution business in the Medical division will also deliver further growth.

The board therefore looks forward to continuing steady progress in the months ahead.

David Leeming

Chairman
14 December 2006

Consolidated Profit and Loss Account (Unaudited)

For the half year ended 30 September 2006

	<i>Notes</i>	2006 Half year	2005 Half year	2006 Full year (Audited) Restated
		£'000	Restated £'000	£'000
Turnover				
Continuing operations		10,692	9,170	19,625
Cost of sales excluding exceptional costs		(7,278)	(6,067)	(13,480)
Exceptional cost of sales		–	–	(208)
Total cost of sales		(7,278)	(6,067)	(13,688)
Gross profit		3,414	3,103	5,937
Operating expenses excluding exceptional costs and share option costs		(3,156)	(2,917)	(5,303)
Exceptional operating expenses	3	(53)	(650)	(650)
Share option cost	4	(25)	(41)	(60)
Goodwill		(126)	(127)	(254)
Net operating expenses		(3,360)	(3,735)	(6,267)
Operating profit / (loss) before finance charges	4	54	(632)	(330)
Net interest payable		(58)	(40)	(134)
Loss before taxation		(4)	(672)	(464)
Tax	5	(35)	1	(170)
Loss for the period		(39)	(671)	(634)
Dividends	6	(85)	–	–
Retained loss for the period		(124)	(671)	(634)
Loss per share	7	(0.00)p	(0.09)p	(0.08)p
Dividends paid per share		0.01p	–	–

Group Balance Sheet (Unaudited)

As at 30 September 2006

	<i>Notes</i>	30 September 2006 £'000	30 September Restated 2005 £'000	31 March (Audited) Restated 2006 £'000
Fixed assets				
Intangible - goodwill		3,764	4,017	3,890
Tangible		2,237	2,303	2,265
		<hr/> 6,001	<hr/> 6,320	<hr/> 6,156
Current assets				
Stock		3,570	3,389	3,387
Debtors due within one year		3,638	3,360	4,452
Debtors due after one year		-	-	-
Cash at bank and in hand		9	11	159
		<hr/> 7,217	<hr/> 6,760	<hr/> 7,998
Creditors				
Creditors falling due within one year		(4,296)	(3,978)	(5,085)
		<hr/> 2,921	<hr/> 2,782	<hr/> 2,913
Net current assets				
		<hr/> 8,922	<hr/> 9,102	<hr/> 9,069
Creditors				
Creditors falling due after more than one year including convertibles		(783)	(924)	(831)
Provisions for liabilities and charges		(4)	-	(4)
		<hr/> 8,135	<hr/> 8,178	<hr/> 8,234
Net assets				
		<hr/> 8,135	<hr/> 8,178	<hr/> 8,234
Capital and reserves				
Called up share capital		2,090	854	2,090
Share premium		2,902	2,902	2,902
Capital reserve		-	1,236	-
Other distributable reserve	4	85	41	60
Revaluation reserve		81	81	81
Profit & loss account		2,977	3,064	3,101
		<hr/> 8,135	<hr/> 8,178	<hr/> 8,234
Equity shareholders' funds				
		<hr/> 8,135	<hr/> 8,178	<hr/> 8,234

Group Cash Flow Statement (Unaudited)

Six months ended 30 September 2006

	2006 Half year £'000	2005 Half year £'000	2006 Full year (Audited) £'000
Net cash outflow from operating activities	(6)	(771)	(56)
Interest received	3	32	45
Interest (paid)	(61)	(82)	(180)
Finance lease interest paid	-	-	(20)
Net cash outflow from returns on investments and servicing of finance	(58)	(50)	(155)
Taxation paid	(26)	1	(3)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(70)	(51)	(123)
Sale of tangible fixed assets	9	4	14
Net cash outflow from capital expenditure and financial investment	(61)	(47)	(109)
Equity dividends paid	(85)	-	(-)
Net cash outflow before financing	(236)	(867)	(323)
Financing			
Issue of shares (net of costs)	-	3,143	3,143
Loan repayments	(58)	(57)	(814)
Capital element of finance lease rentals	(26)	(34)	(75)
Net cash (outflow) / inflow from financing	(84)	3,053	2,254
(Decrease)/increase in cash	(320)	2,186	1,931

Support Note for Cash Flow

Net cash flow from operating activities

	2006 Half year £'000	2005 Half year Restated £'000	2006 Full year Restated £'000
Operating profit / (loss)	54	(632)	(330)
Depreciation	87	88	185
Share option cost	25	41	60
Amortisation	126	127	254
Loss on sale of fixed assets	3	(1)	-
(Increase) in stock	(184)	(156)	(152)
Decrease in debtors	814	1,954	746
Decrease in creditors	(931)	(2,192)	(819)
Net cash outflow from operating activities	(6)	(771)	(56)

Reconciliation of Movement in Shareholders' Funds (Unaudited)

Six months ended 30 September 2006

	2006 Half year	2005 Half year Restated	2006 Full year Restated
	£'000	£'000	£'000
Retained loss for the period	(124)	(671)	(634)
Share option costs	25	41	60
New share capital subscribed (net of costs)	-	3,143	3,143
	<hr/>	<hr/>	<hr/>
Net increase / (reduction) in Shareholders' Funds	(99)	2,513	2,569
Opening Shareholders' Funds	8,234	5,665	5,665
	<hr/>	<hr/>	<hr/>
Closing Shareholders' Funds	8,135	8,178	8,234
	<hr/>	<hr/>	<hr/>

Notes:

- The financial information in this statement does not constitute statutory accounts. The financial information in respect of the year ended 31 March 2006 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 of the Companies Act 1985.
- The interim financial information has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 March 2006. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.
- The exceptional operating cost in the six months to 30 September 2006 of £53,000 represents expense during the period in respect of the industrial property in Hull previously occupied by Lab Furnishings Limited. The company had a contingent liability for unpaid rent due under the lease and the liability has now crystallised under the terms of the guarantee.
- Share Option Cost.** The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of FRS 20 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Comparative figures for the six months ended 30 September 2005 and the year ended 31 March 2006 have been restated to apply the provisions of FRS 20, increasing the administrative expenses and increasing the operating loss for those periods as follows:

	2005 Half year Unaudited £'000	2006 Full year Audited £'000
Operating loss as previously stated	(591)	(270)
FRS 20 share option cost	(41)	(60)
	<hr/>	<hr/>
Operating loss as restated	(632)	(330)
	<hr/>	<hr/>

The share option cost of £60,000 for the year ended 31 March 2006 and the £25,000 for the period ended 30 September 2006 represent a movement from the Profit and Loss reserve to the Other Distributable Reserve amounting to the sum of £85,000.

- The taxation charge for the six months to 30 September 2006 is based on an estimate of the effective rate of taxation (19%) for the current year and incorporates a provision for overseas tax liability.

6. An interim dividend of 0.0067 pence per share has been proposed by the board in respect of the six months to 30 September 2006. FRS 21: 'Events after the balance sheet date' has changed the timing of recognition of dividends. As a result the proposed interim dividend is not recognised as a liability or in the Profit and Loss account. A final dividend of 0.01 pence per share amounting to £85,000 was paid relating to the year 31 March 2006 following approval at the Annual General Meeting held on 9 August 2006 and this is reported within the Profit and Loss Account for the period ended 30 September 2006.
7. The calculation of loss per share is based upon the loss attributable to ordinary shareholders of £39,000 divided by 854.12 million, being the weighted average number of 0.1p ordinary shares in issue throughout the period.