

*Embargoed Release: 07:00hrs Thursday 13 December 2007*

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

*Unaudited Interim Results for the Six months ended 30 September 2007*

*First time adoption of International Financial Reporting Standards as adopted in the EU (‘adopted IFRS’)*

**Highlights:**

- **Group revenue at £ 9.8 million (2006: £10.7 million)**
- **Operating profit £175,000 (2006: £179,000)**
- **Interim dividend proposed at 0.67 pence per share (2006: 0.67 pence per share)**
- **Appointment of new Chairman – Peter Ward**

**Chairman’s Statement**

I am pleased to present the interim report for Hartest Holdings plc for the six months to 30 September 2007.

**Results**

The Group consolidated revenue for the period was £9.81 million (2006: £10.69 million). The shortfall compared to 2006 obscures reasonable revenue growth in the Instrumentation Division, as the Medical Division, traditionally second half biased, suffered from slow deliveries at the start of the year.

However, improved gross margins and tight control of overheads have to some extent compensated for lower revenues.

Encouragingly the operating profit is £175,000 (2006: restated operating profit after non-recurring items £179,000).

**Trading**

The continuing organic growth in the Instrumentation division was satisfying. The recently launched Tinsley ophthalmic products and Carnation ‘genisys’ vehicle power management systems, together with a particularly strong first half performance at Agar Scientific, all contributed to the improvement. The Group has made investments in staff resources and computer systems to underpin the growth in the Instrumentation division.

NHS procurement delays and some changes in supplier franchises contributed to the slow start to the year in the Medical Division, which acts as distributor rather than manufacturer. In the nature of such a wide portfolio business, there are constant adjustments to product offerings, with both gains and losses which affect the timing of deliveries.

Net financial liabilities at 30 September 2007 amounted to £1.15 million (31 March 2007; £0.95 million; 30 September 2006; £1.75 million) with the increase from 31 March 2007 largely resulting from capital expenditure at the beginning of the period.

**Board Changes**

I will be retiring as Chairman, and from the Board, on 31 December 2007. I am delighted to confirm that Peter Ward has agreed to accept the appointment as Chairman of Hartest from 1 January 2008. Peter joined us on 19 October 2007 and brings a wealth of experience in both executive and non-executive roles across a broad range of companies in the UK and overseas.

**Dividend**

The Board is proposing to pay an interim dividend of 0.67 pence per share (2006: 0.67 pence per share), which will be paid on 13 March 2008 to shareholders on the register on 15 February 2008.

**Share Consolidation**

Shareholders will be aware that at the Group’s Annual General Meeting on 8 August 2007, a resolution was passed to consolidate every one hundred Ordinary Shares of 0.1 pence nominal value into one Ordinary Share of 10 pence nominal value.

### **International Financial Reporting Standards**

We have produced this interim reporting statement on the basis of the recognition and measurement requirements of adopted IFRS and have provided comparative information under adopted IFRS for the information at 31 March 2007 and 30 September 2006. This statement incorporates the transition statement explaining the impact of adopted IFRS, which is an increase in pre-tax profits in all periods primarily resulting from changing from annual amortization to annual impairment testing of intangible assets (goodwill).

### **Prospects**

Our Group performance is typically weighted towards the second half of the year and, despite harsh market conditions, we anticipate continuing progress in our operations during the balance of the financial year.

### **David Leeming**

Chairman  
13 December 2007

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**Interim Consolidated Income Statement (unaudited)**

For the half year ended 30 September 2007

	Notes	<b>2007 Half Year</b>	<b>2006 Half Year (restated)</b>	<b>2007 Full Year</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>		<b>9,815</b>	10,692	21,720
Cost of sales		<b>(6,551)</b>	(7,218)	(14,658)
<b>Gross profit</b>		<b>3,264</b>	3,474	7,062
Operating expenses excluding non-recurring costs		<b>(3,089)</b>	(3,242)	(6,413)
Non-recurring operating expenses	4	<b>0</b>	(53)	(102)
Net operating expenses		<b>(3,089)</b>	(3,295)	(6,515)
<b>Operating profit</b>	4	<b>175</b>	179	547
Interest income		<b>2</b>	3	5
Interest expense		<b>(92)</b>	(61)	(173)
<b>Profit before taxation</b>		<b>85</b>	121	379
Taxation	5	<b>(30)</b>	(35)	(214)
<b>Profit for the period attributable to the holders of the company</b>		<b>55</b>	86	165
Earnings per share - pence				
Basic earnings per share	8	<b>0.01</b>	0.01	0.02
Diluted earnings per share	8	<b>0.01</b>	0.01	0.02

**Interim Consolidated Balance Sheet (Unaudited)**

As at 30 September 2007

	Notes	30 Sept 2007	30 Sept 2006	31 March 2007
<b>Assets</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>				
Intangible - goodwill		3,890	3,890	3,890
- other		200	63	133
Property, plant and equipment		2,302	2,174	2,283
		<u>6,392</u>	<u>6,127</u>	<u>6,306</u>
<b>Current assets</b>				
Inventories		3,692	3,570	3,414
Trade and other receivables		3,477	3,638	4,865
Cash and cash equivalents		268	9	287
		<u>7,437</u>	<u>7,217</u>	<u>8,566</u>
<b>Total assets</b>		<u><b>13,829</b></u>	<u>13,344</u>	<u>14,872</u>
<b>Equity and liabilities</b>				
Share capital		2,097	2,090	2,097
Share premium		2,928	2,902	2,928
Retained earnings		3,259	3,227	3,273
<b>Total Equity attributable to the equity holders of the company</b>		<u><b>8,284</b></u>	<u>8,219</u>	<u>8,298</u>
<b>Non-current liabilities</b>				
Bank loans		758	783	824
Deferred taxation		28	4	28
<b>Current liabilities</b>				
Trade and other payables		4,564	4,279	5,596
Income taxes		195	59	126
<b>Total Liabilities</b>		<u><b>5,545</b></u>	<u>5,125</u>	<u>6,574</u>
<b>Total Equity and Liabilities</b>		<u><b>13,829</b></u>	<u>13,344</u>	<u>14,872</u>

## Interim Group Cash Flow Statement (Unaudited)

Six months ended 30 September 2007

	Notes	30 Sept 2007 £'000	30 Sept 2006 £'000	31 March 2007 £'000
<b>Profit before tax</b>		<b>85</b>	121	379
Amortisation / depreciation		157	87	186
Finance cost		90	58	168
Share based payments		17	25	52
Profit on sale of fixed assets		-	3	7
		<b>349</b>	294	792
<b>Operating profit before changes in working capital</b>				
(Increase) / decrease in trade and other receivables		1,388	814	(413)
(Increase) in inventories		(279)	(184)	(26)
Increase / (decrease) in current liabilities		(1,202)	(930)	877
		<b>256</b>	(6)	1,230
Net interest paid		(90)	(58)	(172)
Income tax paid		(37)	(26)	(40)
<b>Net cash from operating activities</b>		<b>129</b>	(90)	1,018
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(147)	(70)	(268)
Proceeds from disposal of property, plant and equipment		-	9	-
Purchase of intangible assets		(96)	-	(75)
<b>Net cash used in investing activities</b>		<b>(243)</b>	(61)	(343)
<b>Cash flows from financing activities</b>				
Capital element of finance lease rentals		-	(26)	(42)
Equity dividends paid		(86)	(85)	(143)
Loan repayments		(66)	(58)	(119)
New loans		-	-	130
Proceeds from issue of share capital		-	-	32
<b>Net cash used in financing activities</b>		<b>(152)</b>	(169)	(142)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(266)</b>	(320)	533
Cash and cash equivalents at beginning of period		10	(523)	(523)
<b>Cash and cash equivalents at end of period</b>		<b>(256)</b>	(843)	10

## Group Interim Statement of Change in Shareholder Equity (Unaudited)

	Share Capital £'000	Share Premium £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2006</b>	<b>2,090</b>	<b>2,902</b>	<b>3,201</b>	<b>8,193</b>
Profit for the period			111	111
Dividend			(85)	(85)
<b>Balance at 30 September 2006</b>	<b>2,090</b>	<b>2,902</b>	<b>3,227</b>	<b>8,219</b>
Profit for the period	-	-	104	104
Shares issued for cash consideration	7	26	-	33
Dividend	-	-	(58)	(58)
<b>Balance at 31 March 2007</b>	<b>2,097</b>	<b>2,928</b>	<b>3,273</b>	<b>8,298</b>
Profit for the period	-	-	72	72
Dividend	-	-	(86)	(86)
<b>Balance at 30 September 2007</b>	<b>2,097</b>	<b>2,928</b>	<b>3,259</b>	<b>8,284</b>

### Notes:

#### 1. Introduction

Hartest Holdings plc ('The Group') has historically prepared its audited annual accounts and unaudited interim results in accordance with UK generally accepted accounting practice (UK GAAP).

The Group has adopted the appropriate International Financial Reporting Standards ('adopted IFRS') with effect from 1 April 2007 and the transition date was 1 April 2006 as this was the start date of the earliest period for which the Group will present full comparative information under adopted IFRS in our financial statements for the year ending 31 March 2008.

To explain how the Group's reported performance and financial position are affected by this change, information previously presented under UK GAAP is restated under adopted IFRS in the financial statements and is explained in the following notes which include:

- Adopted IFRS accounting policies
- Financial information on an IFRS basis for the 6 months ended 30 September 2007, the 6 months ended 30 September 2006 and the year ended 31 March 2007;
- Reconciliations of consolidated income statement and consolidated balance sheet for the 6 months ended 30 September 2006 with explanations of the adjustments made;
- Reconciliations of consolidated income statement and consolidated balance sheet for the year ended 31 March 2007 with explanations of the adjustments made;
- Reconciliation of the consolidated balance sheet at 1 April 2006 with explanations of the adjustments made.

This unaudited financial information has been prepared on the basis of adopted IFRS expected to be applicable at 31 March 2008. These are subject to ongoing review and endorsement by the EU or possible amendment by interpretive guidance from the IASB and are therefore still subject to change.

The adoption of adopted IFRS has an impact on the presentation of the Group's accounts but does not change the underlying business performance. There are no changes to the business model, strategy, risk management processes or cash flows.

#### 2. Principal accounting policies

##### 2.1 Basis of preparation

This interim financial information has been prepared on the historical cost basis for recognition and measurement requirements of adopted IFRS as at 30 September 2007 that are effective (or available for early adoption) for the year ending 31 March 2008, the Group's first annual reporting date that it is required to use adopted IFRS. Based on these adopted IFRS, the directors have applied the accounting policies, as set out

below, which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 31 March 2008.

However, the adopted IFRS that will be effective ( or available for early adoption ) in the annual financial statements for the year ending 31 March 2008 are still subject to change and to additional interpretations and therefore can not be determined with certainty. Accordingly, the accounting policies for the annual period will be determined finally only when the annual statements are prepared for the year ending 31 March 2008.

The policies set out below have been consistently applied to all the years and periods presented. Reconciliations and descriptions of the effect of the transition from UK GAAP to adopted IFRS on the Group's equity and its net income are provided in the attached schedules, referred to in note 3. The IFRS cash flow statement is presented in a different format to that previously reported under UK GAAP with cash flows split into three categories – operating activities, investing activities and financing activities. The reconciling items between the two reporting formats have no net impact on cash flows generated.

The comparative figures for the financial year ended 31 March 2007 are not the company's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP have been reported on by the company's auditors and delivered to the registrar of companies. The report by the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

## **2.2 Basis of consolidation**

The Group's interim financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 30 September 2007.

On acquisition of a subsidiary, all of the subsidiaries assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

## **2.3 Revenue**

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 inter-company 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.

## **2.4 Property, plant and equipment**

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment over their expected useful lives.

The periods/rates generally applicable are:

Freehold buildings	–	2% straight line
Long leasehold property	–	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

The Group's freehold investment property is included in the balance sheet at its open market value. Any change in the valuation will be recognised through the Income Statement.

## **2.5 Intangible assets**

### ***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 suitable discount rate 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 IFRS 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 1 April 2006 and 31 March 2007.

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.

## **Other intangible assets**

### ***Research and development***

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 in line with expected sales arising from the project. All research and other development costs are written off in the year of expenditure.

### ***Software***

Software expenditure, which can be separately identified is capitalised as an intangible asset. Costs of acquisition and development are amortised over their estimated useful economic lives of between 3 and 10 years.

## **2.6 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.

## **2.7 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 purpose of cash flows and are shown within trade and other payables on the balance sheet.

## **2.8 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 and jointly controlled entities 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, but they 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.

## **2.9 Dividends**

A dividend is recognised as a liability only when the legal obligation to pay it exists.

## 2.10 Share based payments

Executive and employee share option arrangements are assessed at the date of granting the option and a charge is made to the income statement for the fair value of the options at the date of grant and spreading the amount 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.

## 2.11 Pensions

The Group pays defined contributions into employees' personal pension schemes and stakeholder pension schemes. Contributions are charged to the income statement as they become payable.

## 2.12 Financial Instruments

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 but 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.

## 3. Transition to adopted IFRS

Application of IFRS 1 'First time adoption of IFRS'

The Group's financial statements for the year ended 31 March 2008 will be the first annual financial statements that comply with adopted IFRS. This financial information has been described in note 2. The Group has applied IFRS 1 in preparing this consolidated financial information. The Group's transition date is 1 April 2006 and the Group prepared its opening balance sheet at that date. The reporting date of these interim reporting consolidated financial statements is 30 September 2007.

In preparing this consolidated financial statement in accordance with IFRS 1, the Group has taken advantage of certain of the transitional exemptions from full retrospective application of adopted IFRS.

IFRS 3 'Business Combinations'

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. Goodwill represents the amount recognised under the Group's previous accounting framework.

Effect of transition

### Reconciliations between UK GAAP and adopted IFRS

The analysis below explains in detail the significant accounting adjustments arising on transition to adopted IFRS, as presented in the subsequent reconciliations.

#### a) Goodwill

Under UK GAAP, goodwill arising on the acquisition of businesses was capitalised and amortised over its useful economic life of 20 years.

Under adopted IFRS, IAS 38 requires impairment tests to be carried out on the value carried on transition date (1 April 2006) and the impairment tests carried out then and at 31 March 2007 have shown that there was no impairment. The impact of this difference on the profit before tax for the year ended 31 March 2007 and net assets at 31 March 2007 is an increase of £256,000 due to the reversal of the amortisation charge for that year. The impact of the adjustment for the period ended 30 September 2006 is an increase in profit before tax and total assets of £126,000 due to the reversal of the amortisation charge for the period.

#### b) Computer software

Previously, computer software and computer software licences were included as a component of property, plant and equipment. These have been reclassified as an intangible asset under adopted IFRS. The net book value of the reclassification at transition is £61,000; and at 30 September 2006 and 31 March 2007 were £63,000 and £58,000 respectively.

- c) Holiday pay  
IAS 19 Employee Benefits requires the recognition of a liability to reflect future cash outflows in relation to services rendered to reporting date. Previously these costs were expensed when paid. As a result an accrual of £42,000 has been recognised for holiday pay at transition date. For the periods ended 30 September 2006 and 31 March 2007 the impact of the movement in accrual on profit before tax were £nil and a decrease of £5,000 respectively.

The transition to adopted IFRS has no effect on cash flows of the Group but there are certain presentational differences in the cash flow statement under adopted IFRS and UK GAAP.

The following reconciliations provide a quantification of the effect of the transition from adopted IFRS:

- equity at 1 April 2006
- equity at 30 September 2006
- equity at 31 March 2007
- net income for the period to 30 September 2006
- net income for the period to 31 March 2007

- a) Reconciliation of equity at 1 April 2006:

	Notes	UK GAAP £'000	Intangibles - other £'000	Holiday pay £'000	IFRS £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible - goodwill		3,890			3,890
- other	3b	-	61		61
Property, plant and equipment	3b	2,266	(61)		2,205
		<u>6,156</u>	<u>-</u>		<u>6,156</u>
<b>Current assets</b>					
Inventories		3,387			3,387
Trade and other receivables		4,452			4,452
Cash and cash equivalents		159			159
		<u>7,998</u>			<u>7,998</u>
<b>Total assets</b>		<u>14,154</u>			<u>14,154</u>
<b>Equity and liabilities</b>					
Share capital		2,090			2,090
Share premium		2,902			2,902
Retained earnings	3c	3,242		(42)	3,200
<b>Total Equity attributable to the equity holders of the company</b>		<u>8,234</u>		<u>(42)</u>	<u>8,192</u>
<b>Non-current liabilities</b>					
Bank loans		831			831
Deferred taxation		4			4
<b>Current liabilities</b>					
Trade and other payables	3c	5,035		42	5,077
Income taxes		50			50
<b>Total Liabilities</b>		<u>5,920</u>		<u>42</u>	<u>5,962</u>
<b>Total Equity and Liabilities</b>		<u>14,154</u>		<u>-</u>	<u>14,154</u>

b) Reconciliation of equity at 30 September 2006

	Notes	UK GAAP	Intangibles - Goodwill	Holiday Pay	Intangibles - Other	IFRS
		£'000	£'000	£'000	£'000	£'000
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible - goodwill	3a	3,764	126			3,890
- other	3b	-			63	63
Property, plant and equipment	3b	2,237			(63)	2,174
		<u>6,001</u>	<u>126</u>			<u>6,127</u>
<b>Current assets</b>						
Inventories		3,570				3,570
Trade and other receivables		3,638				3,638
Cash and cash equivalents		9				9
		<u>7,217</u>				<u>7,217</u>
<b>Total assets</b>		<u>13,218</u>	<u>126</u>			<u>13,344</u>
<b>Equity and liabilities</b>						
Share capital		2,090				2,090
Share premium		2,902				2,902
Retained earnings	3a&c	3,143	126	(42)		3,227
<b>Total Equity attributable to the equity holders of the company</b>		<u>8,135</u>	<u>126</u>	<u>(42)</u>		<u>8,219</u>
<b>Non-current liabilities</b>						
Bank loans		783				783
Deferred taxation		4				4
<b>Current liabilities</b>						
Trade and other payables	3c	4,237		42		4,279
Income tax		59				59
<b>Total Liabilities</b>		<u>5,083</u>		<u>42</u>		<u>5,125</u>
<b>Total Equity and Liabilities</b>		<u>13,218</u>	<u>126</u>	<u>-</u>		<u>13,344</u>

c) Reconciliation of equity at 31 March 2007

	Notes	UK GAAP	Intangibles - Goodwill	Holiday Pay	Intangibles - Other	IFRS
		£'000	£'000	£'000	£'000	£'000
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible - goodwill	3a	3,634	256			3,890
- other	3b	75			58	133
Property, plant and equipment	3b	2,341			(58)	2,283
		<u>6,050</u>	<u>256</u>	<u></u>	<u>-</u>	<u>6,306</u>
<b>Current assets</b>						
Inventories		3,414				3,414
Trade and other receivables		4,865				4,865
Cash and cash equivalents		287				287
		<u>8,566</u>	<u></u>	<u></u>	<u></u>	<u>8,566</u>
<b>Total assets</b>		<u>14,616</u>	<u>256</u>	<u></u>	<u></u>	<u>14,872</u>
<b>Equity and liabilities</b>						
Share capital		2,097				2,097
Share premium		2,928				2,928
Retained earnings	3a&c	3,065	256	(47)		3,274
<b>Total Equity attributable to the equity holders of the company</b>		<u>8,090</u>	<u>256</u>	<u>(47)</u>	<u>-</u>	<u>8,299</u>
<b>Non-current liabilities</b>						
Bank loans		824				824
Deferred taxation		27				27
<b>Current liabilities</b>						
Trade and other payables	3c	5,549		47		5,596
Income tax		126				126
<b>Total Liabilities</b>		<u>6,526</u>	<u></u>	<u>47</u>	<u></u>	<u>6,573</u>
<b>Total Equity and Liabilities</b>		<u>14,616</u>	<u>256</u>	<u>-</u>	<u>-</u>	<u>14,872</u>

d) Reconciliation of net income for the 6 months to 30 September 2006

	Notes	UK GAAP (restated) £'000	Intangibles - Goodwill £'000	Adopted IFRS £'000
<b>Revenue</b>		<b>10,692</b>		<b>10,692</b>
Cost of sales		<u>(7,218)</u>		<u>(7,218)</u>
<b>Gross Profit</b>		<b>3,474</b>		<b>3,474</b>
Operating expenses excluding non-recurring costs		<b>(3,242)</b>		<b>(3,242)</b>
Non-recurring operating expenses		<b>(53)</b>		<b>(53)</b>
Goodwill	3a	<b>(126)</b>	126	-
<b>Net operating expenses</b>		<b>(3,421)</b>	126	<b>(3,295)</b>
<b>Operating profit before finance charges</b>		<b>53</b>	126	<b>179</b>
Net interest payable		<b>(58)</b>		<b>(58)</b>
<b>(Loss) / profit before taxation</b>		<b>(5)</b>	126	<b>121</b>
Taxation		<b>(35)</b>		<b>(35)</b>
<b>(Loss) / profit for the period</b>		<b>(40)</b>	126	<b>86</b>

e) Reconciliation of net income for the year to 31 March 2007

	Notes	UK GAAP £'000	Intangibles - Goodwill £'000	Holiday Pay £'000	Adopted IFRS £'000
<b>Revenue</b>		<b>21,720</b>			21,720
Cost of sales		<u>(14,658)</u>			<u>(14,658)</u>
<b>Gross Profit</b>		<b>7,062</b>			7,062
Operating expenses excluding non-recurring costs	3c	<b>(6,408)</b>		(5)	(6,413)
Non-recurring operating expenses		<b>(102)</b>			(102)
Goodwill	3a	<b>(256)</b>	256		-
<b>Net operating expenses</b>		<b>(6,766)</b>	256	(5)	6,515
<b>Operating profit</b>		<b>296</b>	256	(5)	547
Net interest payable		<b>(168)</b>			(168)
<b>Profit before taxation</b>		<b>128</b>	256	(5)	379
Taxation		<b>(214)</b>			(214)
<b>(Loss)/profit for the period</b>		<b>(86)</b>	256	(5)	165

4. The non-recurring operating expenses in the six months to 30 September 2006 of £53,000, and the year to 31 March 2007 of £102,000, represents expenses during the period in respect of the industrial property in Hull previously occupied by Lab Furnishings Limited, a former subsidiary of the group now in administration. 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. The property was sub-let with effect from 1 April 2007.
5. The taxation charge for the six months to 30 September 2007 is based on an estimate of the effective rate of taxation (20%) for the current year and incorporates a provision for overseas tax liability.
6. The Company carried out a consolidation of its share capital following approval at the AGM held on 8 August 2007 so that 100 shares of 0.1 pence nominal value were consolidated into 1 share of 10 pence each nominal value. The number of ordinary shares called up at fully paid at 30 September were 8,605,208 (31 March 2007 – 860,528,896 prior to share consolidation.)
7. An interim dividend of 0.67 pence per share has been proposed by the board in respect of the six months to 30 September 2007. The proposed dividend is not shown as a liability in the balance sheet. A final dividend of 0.01 pence per share (equivalent to 1 pence per share following the consolidation of shares) amounting to £86,000 was paid relating to the year ended 31 March 2007 following approval at the Annual General Meeting held on 8 August 2007.
8. Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average of ordinary shares in issue during the year. For diluted earnings, the weighted average of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Following the consolidation of shares, which was approved at the Annual General Meeting held on 8 August 2007, the EPS calculation for the prior periods reported has been restated for comparison purposes.

### **Interim Report**

The board approved the interim statement on 12 December 2007. Copies of the statement will be available for a period of one month to members of the public free of charge, from the Company’s registered office, or can be downloaded from the website - [www.hartest-holdings.com](http://www.hartest-holdings.com).