Cross Technologies plc

Directors' Report &
Financial Statements
Registered number 3910212
Year ended 31 March 2006

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Principal activities

The company's principal activity is the distribution of specialist radiotherapy, healthcare and medical research equipment.

The directors are satisfied with the results for the year and the state of affairs of the company at the balance sheet date.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

G Spink
AD Culshaw *(deceased 8 March 2006)*
MA Sweeney *(resigned 14 February 2006)*
S Pender
DRM Dyer Bartlett
DR Leeming
D Broadhead *(appointed 22 March 2006)*
N Rowan *(appointed 22 March 2006)*

The company is a wholly owned subsidiary of Hartest Holdings plc. The interests of M Dyer Bartlett, DR Leeming and G Spink in the shares of Hartest Holdings plc are disclosed in the directors' report of the parent company. S Pender, D Broadhead and N Rowan have no interest in the shares of the Company or its ultimate parent undertaking.

Donations

No political or charitable donations were made by the company during the year (2005: £nil).

Disclosure of information to auditors

The directors who held office during at the date of approval of this director's 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 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.

Directors' report *(continued)*

Auditors

KPMG Audit Plc have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the board

S Pender
Secretary

275 King Henry's Drive
New Addington
Croydon
CR0 0AE

21 June 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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 company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsibly for preparing a Directors' Report that complies with the law.

KPMG Audit Plc

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Independent auditors' report to the members of Cross Technologies plc

We have audited the financial statements of Cross Technologies plc for the year ended 31st March 2006 which comprise the Profit and Loss Account, the Balance Sheet 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 auditor's 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Independent auditors' report to the members of Cross Technologies plc *(continued)*

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2006 and of its profit for the year then ended; and
- 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28th July 2006

Profit and loss account

Year ended 31 March 2006

	Note	2006 £	2005 £
Turnover	2	**7,594,765**	6,816,414
Cost of sales		**(4,801,211)**	(4,391,677)
Gross profit		**2,793,554**	2,424,737
Distribution costs		-	-
Administrative expenses excluding exceptional costs	4	**(2,352,813)**	(2,137,543)
Exceptional costs	3	-	(144,000)
Administrative expenses	4	**(2,352,813)**	(2,281,543)
Other operating income		**545**	35,173
Operating profit	3-6	**441,286**	178,367
Interest payable	7	**(13,074)**	(54,870)
Profit on ordinary activities before taxation		**428,212**	123,497
Tax on profit on ordinary activities	8	**(135,324)**	(54,201)
Profit for the financial year		**292,888**	69,296
Retained profit brought forward		**69,296**	-
Dividend	9	**(150,000)**	-
Retained profit for the year	18	**212,184**	69,296

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

The notes on pages 8 to 18 form part of these financial statements.

Balance sheet

at 31 March 2006

	Note	2006 £	£	2005 £	£
Fixed assets					
Intangible assets	10		**1,684,501**		1,788,967
Tangible assets	11		**152,062**		174,273
			1,836,563		1,963,240
Current assets					
Stocks	12	**695,774**		623,964	
Debtors	13	**3,650,916**		4,010,953	
		4,346,690		4,634,917	
Creditors: amounts falling due within one year (including convertible debt)	14	**(5,921,069)**		(6,463,792)	
Net current (liabilities)/assets			**(1,574,379)**		(1,828,875)
Total assets plus current liabilities			**262,184**		134,365
Creditors: amounts falling due after more than one year	15		**-**		(15,069)
			262,184		119,296
Capital and reserves					
Called up equity share capital	17		**50,000**		50,000
Profit and loss account			**212,184**		69,296
Shareholders' funds	18		**262,184**		119,296

These financial statements were approved by the board of directors on 21 June 2006 and were signed on its behalf by:

G Spink
Director

DRM Dyer Bartlett
Director

The notes on pages 8 to 18 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently, apart from in relation to the adoption of new standards noted below, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. In addition the financial statements have been prepared on a going concern basis as the ultimate parent company, Hartest Holdings plc, has indicated that it intends to provide such funds as are necessary for the company to meet its liabilities as they fall due for the foreseeable future.

In these financial statements the following new standards have been adopted for the first time, and there have been no change in comparative numbers in respect of the adoption:

- FRS 21 'Events after the balance sheet date'. The adoption of FRS 21 had no effect on the company's loss or net liabilities;
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'. The adoption of the presentational requirements of FRS 25 had no effect on the company's loss and liabilities; and
- FRS 28 'Corresponding amounts'. The adoption of FRS 28 had no material effect on the company's loss or net liabilities as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Cash flow statement

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published financial statements.

Goodwill

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 and is amortised on a straight line basis over its estimated useful economic life.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Medical Equipment	- over 7 years
Fixtures & Fittings	- 20% p.a. on a straight line basis
Motor Vehicles	- 25% p.a. on a straight line basis
Computer equipment	- 20% p.a. on a straight line basis

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and are depreciated over their useful lives. The interest element of the obligation is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of repayments outstanding. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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. Deferred tax assets are not recognised unless it is considered that it is more likely than not they will be recovered.

Turnover

Turnover comprises amounts charged by the Company for goods and services provided to customers and is stated after trade discounts and excluding sales taxes.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

2 Analysis of turnover

	2006 £	2005 £
United Kingdom	**6,945,094**	6,487,497
Rest of World	**649,671**	328,917
	7,594,765	6,816,414

3 Exceptional administration costs

The exceptional costs consist of employment termination costs in respect of restructuring the management of the business in the year ended 31 March 2005

4 Profit on ordinary activities before taxation

	2006 £	2005 £
***Profit on ordinary activities before taxation is stated* after charging/(crediting)**		
Auditors' remuneration:		
Audit	21,775	12,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	34,707	35,833
Hire purchase agreements	8,088	18,300
Amortisation of goodwill	104,466	104,195
Hire of land and buildings - rentals payable under operating leases	78,500	77,995
Hire of vehicles - rentals payable under operating leases	85,739	55,285
Net loss on foreign currency translation	68,001	18,436
Profit on sale of fixed assets	(545)	(28,323)
Other income	-	(6,850)

5 Remuneration of directors

	2006 £	2005 £
Directors' emoluments	159,405	205,989
Company contributions to money purchase pension schemes	13,500	25,184
	172,905	231,173

The emoluments of the highest paid director are paid by the Company's parent, Hartest Holdings Plc, and are disclosed in the Annual Report and Accounts of that company.

Notes *(continued)*

	Number of directors 2006	2005
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	2

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2006	2005
Selling and distribution	**10**	19
Administration	**25**	28
	35	47

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£	£
Wages and salaries	**1,065,930**	1,457,471
Social security costs	**128,648**	173,583
Other pension costs	**31,864**	66,378
	1,226,442	1,697,432

7 Interest payable and similar charges

	2006	2005
	£	£
On bank loans and overdrafts	**10,004**	41,088
Finance charges payable in respect of finance leases and hire purchase contracts	**3,535**	14,262
Other interest receivable	**(465)**	(480)
	13,704	54,870

Notes *(continued)*

8 Taxation

Analysis of charge in period

	2006 £	2005 £
UK corporation tax		
Current tax on income for the year	**115,302**	–
Adjustments in respect of prior years	-	(829)
Total current tax	**115,302**	(829)
Deferred tax (see note 16)	**20,022**	55,030
Tax on profit on ordinary activities	**135,324**	54,201

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (2006: 30%, 2005: 30%). The differences are explained below.

	2006 £	2005 £
Current tax reconciliation		
Profit on ordinary activities before tax	**428,212**	123,497
Current tax at 30% (2005: 30%)	**128,464**	37,049
Effects of:		
Expenses not deductible for tax purposes	**31,095**	38,679
Capital allowances for period in excess of depreciation	**(14,621)**	(29,774)
Adjustments to tax charge in respect of previous periods	-	(829)
Group relief claimed	**(120,403)**	(45,954)
Payment for group losses	**94,411**	-
Marginal Relief	**(3,644)**	-
Total current tax charge (see above)	**115,302**	(829)

9 Dividends

The aggregate amount of dividends comprises:

	2006 £	2005 £
Interim dividends paid in respect of the current year	**150,000**	-

Notes *(continued)*

10 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 April 2005	2,083,919
At 31 March 2006	**2,083,919**
Amortisation	
At 1 April 2005	294,952
Charged in year	104,466
At 31 March 2006	**399,418**
Net book value	
At 31 March 2006	**1,684,501**
At 31 March 2005	1,788,967

Notes *(continued)*

11 Tangible fixed assets

	Plant & Machinery £	Motor Vehicles £	Total £
Cost			
At 1 April 2005	438,506	40,961	479,467
Additions	23,838	-	23,838
Disposals	(142,255)	(25,990)	(168,245)
At 31 March 2006	320,089	14,971	335,060
Depreciation			
At 1 April 2005	271,845	33,349	305,194
Charge for year	38,527	4,268	42,795
On disposals	(142,255)	(22,736)	(164,991)
At 31 March 2006	168,117	14,881	182,998
Net book value			
At 31 March 2006	**151,972**	**90**	**152,062**
At 31 March 2005	**166,661**	**7,612**	**174,273**

	2006 £	2005 £
Net book value of assets held under hire purchase	**36,152**	74,090

Finance lease assets:

Included with the cost of plant and machinery is £nil (2005 - £170,917) relating to assets held for use under finance leases. The corresponding accumulated depreciation was of £nil (2005 - £158,917).

12 Stocks

	2006 £	2005 £
Finished goods and goods for resale	**695,774**	623,964

Notes *(continued)*

13 Debtors

	2006 £	2005 £
Trade debtors	**1,853,644**	2,260,978
Amounts owed by other group companies	**1,656,868**	1,656,868
Other debtors	**22,928**	39,717
Prepayments and accrued income	**101,877**	17,769
Deferred taxation	**15,599**	35,621
	3,650,916	4,010,953

All debtors are due within one year.

14 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	**197,248**	1,181,568
Finance leases and hire purchase	**15,405**	30,054
Trade creditors	**1,255,213**	1,191,035
Amounts owed to group undertakings	**3,559,326**	2,351,267
Taxation and social security	**194,957**	418,800
Other creditors	**12,054**	72,771
Accruals and deferred income	**686,866**	1,218,297
	5,921,069	6,463,792

15 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Hire purchase agreements	**-**	15,069

16 Deferred taxation

Deferred taxation has been fully provided for in the year and comprises:

	2006 £	2005 £
Other debtor at start of the year	**(35,621)**	–
Acquired	**-**	(90,651)
Deferred tax credit in profit and loss account for the year	**20,022**	55,030
Other debtor at end of year	**(15,599)**	(35,621)

The deferred tax asset at 31 March 2006 relates to the difference between depreciation and capital allowances on fixed assets.

Notes *(continued)*

17 Called up share capital

	2006 £	2005 £
Authorised		
50,000 ordinary shares of £1 each	**50,000**	50,000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50,000**	50,000

18 Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Profit for the financial year	**387,299**	69,296
Opening shareholders' funds	**119,296**	50,000
Dividend	**(150,000)**	
Closing shareholders' funds	**356,595**	119,296

19 Contingent liabilities

The company has given an unlimited multilateral cross guarantee to HSBC Bank plc, in favour of group companies, against any amounts that may fall due. The maximum amount of indebtedness at 31 March 2006 was £1,626,967 *(2005: £3,572,092).*

20 Commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2006 £	2005 £
Operating leases which expire within one year :	**4,348**	
In the second to fifth years inclusive	**38,500**	78,500

Future commitments under hire purchase agreements are as follows:

	2006 £	2005 £
Amounts payable within 1 year	**15,405**	30,054
Amounts payable between 2 to 5 years	-	15,069
	15,405	45,123

21 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £31,864 (2005:£66,378).

22 Related parties

The Company has taken advantage of the exemption in paragraph 3c of FRS8 from disclosing transactions with related parties that are part of the Hartest Holdings plc group.

23 Transactions with directors

During the year, the Company has paid rental expenses of £38,500 (2005: £35,875) to a pensions fund of which M Sweeney is a beneficiary.

24 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly-owned subsidiary undertaking of Hartest Holdings plc, which is the ultimate parent company.

The largest group in which the results of the company are consolidated is that headed by Hartest Holdings plc. The consolidated accounts of this company are available to the public and may be obtained from 275 King Henry's Drive, New Addington, Croydon, CR0 0AE. No other group accounts include the results of the company.