

Cross Technologies plc

Directors' report and financial statements

Registered number 3910212

Year ended 31 March 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities

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

On 31 March 2004, the company purchased the trade, assets and liabilities of two fellow subsidiary undertakings, Cross Medical Limited and Qados Limited.

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 (*appointed 27 July 2004*)
AD Culshaw (*appointed 1 April 2005*)
MA Sweeney (*appointed 1 August 2004*)
S Pender
M Dyer Bartlett
DR Leeming
DC Whelan (*resigned on 31 May 2004*)

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

Donations

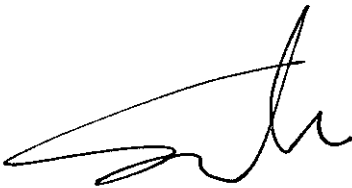
No political or charitable donations were made by the company during the year (2004: £nil).

Directors' report *(continued)*

Auditors

KPMG Audit Plc were appointed as auditors to fill a casual vacancy following the resignation of the previous auditors, Bright Grahame Murray. A resolution to re-appoint KPMG Audit Plc as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

By order of the board



S Pender
Secretary

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

23 June 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



KPMG Audit Plc

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Report of the independent auditors to the members of Cross Technologies plc

We have audited the financial statements on pages 5 to 17.

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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 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 financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14th July 2005

Profit and loss account

Year ended 31 March 2005

	Note	2005 £	2004 £
Turnover	2,3	6,816,414	—
Cost of sales		(4,391,677)	—
Gross profit	3	2,424,737	—
Distribution costs		(124,438)	—
Administrative expenses excluding exceptional costs	4	(2,013,105)	—
Exceptional costs	5	(144,000)	—
Administrative expenses	4	(2,157,105)	—
Other operating income		35,173	—
Operating profit	3-6	178,367	—
Interest payable	7	(54,870)	—
Profit on ordinary activities before taxation		123,497	—
Tax on profit on ordinary activities	8	(54,201)	—
Profit for the financial year		69,296	—
Retained profit brought forward		—	—
Retained profit for the year	17	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 7 to 17 form part of these financial statements.

Balance sheet

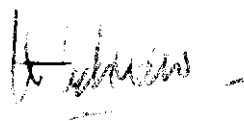
at 31 March 2005

	Note	31 Mar 05 £	£	30 Mar 04 £	£
Fixed assets					
Intangible assets	9	1,788,967		-	
Tangible assets	10	174,273		-	
		1,963,240		-	
Current assets					
Stocks	11	623,964		-	
Debtors	12	4,010,953		49,998	
Cash at bank and in hand		-		2	
		4,634,917		50,000	
Creditors: amounts falling due within one year (including convertible debt)	13	(6,463,792)		-	
Net current (liabilities)/assets		(1,828,875)		50,000	
Total assets plus current liabilities		134,365		50,000	
Creditors: amounts falling due after more than one year	14	(15,069)		-	
		119,296		50,000	
Capital and reserves					
Called up equity share capital	16	50,000		50,000	
Profit and loss account		69,296		-	
Shareholders' funds	17	119,296		50,000	

These financial statements were approved by the board of directors on 23 June 2005 and were signed on its behalf by:



G Spink
Director



AD Culshaw
Director

The notes on pages 7 to 17 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently 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.

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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

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.

2 Analysis of turnover

	2005	2004
	£	£
United Kingdom	6,487,497	—
Rest of World	328,917	—
	<hr/>	<hr/>
	6,816,414	—
	<hr/>	<hr/>

3 Exceptional administration costs

The exceptional costs consist of employment termination costs in respect of restructuring the management of the business.

Notes (continued)

4 Profit on ordinary activities before taxation

	2005 £	2004 £
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration:		
Audit	12,000	—
Depreciation and other amounts written off tangible fixed assets:		
Owned	35,833	—
Hire purchase agreements	18,300	—
Amortisation of goodwill	104,195	—
Hire of land and buildings - rentals payable under operating leases	77,995	—
Hire of vehicles - rentals payable under operating leases	55,285	—
Net loss on foreign currency translation	18,436	—
Profit on sale of fixed assets	(28,323)	—
Other income	(6,850)	—
	<u> </u>	<u> </u>

5 Remuneration of directors

	2005 £	2004 £
Directors' emoluments	205,989	—
Company contributions to money purchase pension schemes	25,184	—
	<u>231,173</u>	<u> </u>

The emoluments of the highest paid director including termination payments were £88,035 (2004: £nil) and the company paid pension contributions on his behalf of £16,333 (2004: £nil).

Number of directors
2005 2004

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	<u>2</u>	<u>—</u>
------------------------	----------	----------

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	
	2005	2004
Selling and distribution	19	—
Administration	28	—
	<hr/>	<hr/>
	47	—
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	1,457,471	—
Social security costs	173,583	—
Other pension costs	66,378	—
	<hr/>	<hr/>
	1,697,432	—
	<hr/>	<hr/>

7 Interest payable and similar charges

	2005	2004
	£	£
On bank loans and overdrafts	41,088	—
Finance charges payable in respect of finance leases and hire purchase contracts	14,262	—
Other interest receivable	(480)	—
	<hr/>	<hr/>
	54,870	—
	<hr/>	<hr/>

Notes (continued)

8 Taxation

Analysis of charge in period

	2005 £	2004 £
<i>UK corporation tax</i>		
Current tax on income for the year	—	—
Adjustments in respect of prior years	(829)	—
	<hr/>	<hr/>
Total current tax	(829)	—
Deferred tax (see note 15)	55,030	—
	<hr/>	<hr/>
Tax on profit on ordinary activities	54,201	—
	<hr/> <hr/>	<hr/> <hr/>

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 (30%, 2004: 30%). The differences are explained below.

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	123,497	—
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	37,049	—
<i>Effects of:</i>		
Expenses not deductible for tax purposes	38,679	—
Capital allowances for period in excess of depreciation	(29,774)	—
Adjustments to tax charge in respect of previous periods	(829)	—
Group relief claimed	(45,954)	—
	<hr/>	<hr/>
Total current tax charge (see above)	(829)	—
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

9 Intangible fixed assets

	Goodwill £
Cost	
At 31 March 2004	—
Additions	2,083,919
	<hr/>
At 31 March 2005	2,083,919
	<hr/>
Amortisation	
At 31 March 2004	—
Additions	190,757
Charged in year	104,195
	<hr/>
At 31 March 2005	294,952
	<hr/>
Net book value	
At 31 March 2005	1,788,967
	<hr/>
At 30 March 2004	—
	<hr/>

Notes (continued)

10 Tangible fixed assets

	Plant & Machinery £	Motor Vehicles £	Total £
Cost			
At 31 March 2004	—	—	—
Acquisitions	412,433	118,006	530,439
Additions	32,072	—	32,072
Disposals	(6,000)	(77,045)	(83,045)
	<hr/>	<hr/>	<hr/>
At 31 March 2005	438,505	40,961	479,466
	<hr/>	<hr/>	<hr/>
Depreciation			
At 31 March 2004	—	—	—
Acquisitions	230,926	75,932	306,858
Charge for year	40,919	13,214	54,133
On disposals	—	(55,798)	(55,798)
	<hr/>	<hr/>	<hr/>
At 31 March 2005	271,845	33,348	305,193
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2005	166,660	7,613	174,273
	<hr/>	<hr/>	<hr/>
At 31 March 2004	—	—	—
	<hr/>	<hr/>	<hr/>
		2005	2004
		£	£
Net book value of assets held under finance leases		74,090	—
		<hr/>	<hr/>

Operating lease assets:

Included with the cost of plant and machinery is £170,917 (2004 - £nil) relating to assets held for use in operating leases. The corresponding accumulated depreciation was of £158,917 (2004 - £nil).

11 Stocks

	31 Mar 05 £	30 Mar 04 £
Finished goods and goods for resale	623,964	—
	<hr/>	<hr/>

Notes (continued)

12 Debtors

	31 Mar 05 £	30 Mar 04 £
Trade debtors	2,260,978	—
Amounts owed by other group companies	1,656,868	49,998
Other debtors	39,717	—
Prepayments and accrued income	17,769	—
Deferred taxation	35,621	—
	<u>4,010,953</u>	<u>49,998</u>

All debtors are due within one year.

13 Creditors: amounts falling due within one year

	31 Mar 05 £	30 Mar 04 £
Bank loans and overdrafts	1,181,568	—
Finance leases	30,054	—
Trade creditors	1,191,035	—
Amounts owed to group undertakings	2,351,267	—
Taxation and social security	418,800	—
Other creditors	72,771	—
Accruals and deferred income	1,218,297	—
	<u>6,463,792</u>	<u>—</u>

14 Creditors: amounts falling due after more than one year

	31 Mar 05 £	30 Mar 04 £
Hire purchase agreements	15,069	—
	<u>15,069</u>	<u>—</u>

15 Deferred taxation

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

	31 Mar 05 £	30 Mar 04 £
Other debtor at start of the year	—	—
Acquired	(90,651)	—
Deferred tax credit in profit and loss account for the year	55,030	—
	<u>(35,621)</u>	<u>—</u>
Other debtor at end of year	(35,621)	—

The deferred tax asset at 31 March 2005 relates to the difference between depreciation and capital allowances on fixed assets.

Notes *(continued)*

16 Called up share capital

	31 Mar 05 £	30 Mar 04 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>

17 Reconciliation of movement in shareholders' funds

	31 Mar 05 £	30 Mar 04 £
Profit for the financial year	69,296	—
Opening shareholders' funds	50,000	50,000
	<hr/>	<hr/>
Closing shareholders' funds	119,296	50,000
	<hr/>	<hr/>

Notes (continued)

18 Acquisitions

On 31 March 2004 the Company acquired the business, assets and liabilities of Cross Medical Limited and Qados Limited, both owned by a fellow subsidiary company. Cross Medical Limited and Qados Limited were engaged in the business of the distribution of specialist radiotherapy, health care and medical research equipment. The consideration for the acquisition of £1.6 million was satisfied through the intercompany accounts. The assets and liabilities of the businesses acquired were as follows.

	£
Fixed assets	
Tangible	223,581
Current assets	
Stocks	457,954
Debtors	1,459,071
Bank and cash	179,787
	<u>2,096,812</u>
Liabilities	
Other loans	240,000
Bank overdraft	17,749
Finance leases and hire purchase contracts	194,438
Trade creditors	936,029
Other creditors and accruals	1,190,469
	<u>2,578,685</u>
Total liabilities	<u>2,578,685</u>
Net assets	(258,292)
Purchased goodwill	1,893,162
	<u>1,634,870</u>
Satisfied by:	
Intercompany transfers	<u>1,634,870</u>

All assets are stated at their fair values on acquisition. No adjustments were made to the values of assets acquired. The directors consider the economic useful life of the goodwill acquired to be 20 years.

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 2005 was £3,572,092 (2004: £2,653,004 to Royal Bank of Scotland).

Notes (continued)

20 Commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	31 Mar 05	30 Mar 04
	£	£
Operating leases which expire:		
In the second to fifth years inclusive	78,500	—
	<u> </u>	<u> </u>

Future commitments under hire purchase agreements are as follows:

	31 Mar 05	30 Mar 04
	£	£
Amounts payable within 1 year	30,054	—
Amounts payable between 2 to 5 years	15,069	—
	<u> </u>	<u> </u>
	45,123	—
	<u> </u>	<u> </u>

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 £66,378 (2004:£nil).

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 £35,875 (2004: £nil) 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.