

RTS Innovation Limited

Directors' report and financial
statements

Registered number 4109440

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The company's principal activity is nuclear engineering with particular emphasis on decontamination techniques.

The directors are satisfied with the results for the year and believe further progress can be achieved during the current period.

Charitable and political contributions

During the year the company made charitable contributions of £300. There were no political contributions.

Directors and directors' interests

The directors of the company during the year and their beneficial in the ordinary share capital of the ultimate parent company, Robotic Technology Systems PLC, were as follows:

	Option price pence	Number of share options held			
		Issued by Company		Issued by ARF	
		31 December 2002	1 January 2002	31 December 2002	1 January 2002
P B Johnson	160	40,000	40,000	-	-
	160	120,000	120,000		
	95.5	494,000	494,000		
A Moore	160	9,000	9,000	136,000	136,000
	107	30,000	30,000		
D P Timmins	160	93,600	93,600	-	-
	160	26,400	26,400		
	95.5	290,000	290,000		
S J McGowan	160	9,000	9,000	136,000	136,000
	107	30,000	30,000		
G J Mellor	160	9,000	9,000	-	-
	93	30,000	30,000		

The interest of Mr D P Timmins and Mr P B Johnson, who are directors of the ultimate parent undertaking, Robotic Technology Systems PLC, are shown in the annual report of that company.

The Advanced Robotics Foundation ("ARF") granted option on 2 July 2000, over the above shares that it owns to the directors of the company. The options are exercisable in five equal tranches over a period of 50 months. All options issued by the ultimate parent company are exercisable in five equal tranches over a period of 60 months and be exercised within seven years of date of grant. On 9 April 2003 Mr Moore and Mr McGowan waived all share options granted by ARF.

Directors' report *(continued)*

Directors and directors' interests *(continued)*


On 9 April 2003 Mr Moore and Mr McGowan were each granted options over 50,000 ordinary shares in the parent company and Mr Mellor was granted options over 15,000 ordinary shares in the parent company exercisable at 32 pence per share. Mr Timmins and Mr Johnson were each granted options over 100,000 ordinary shares at the same date. On 10 April 2003 Mr Johnson and Mr Timmins purchased 7,500 and 5,000 ordinary shares respectively at 32 pence per share and subject to performance conditions.

The directors have no other interest required to be disclosed under Schedule 7 of the Companies Act 1985.

Auditors

BDO Stoy Hayward resigned as auditors during the year and the directors appointed KPMG Audit Plc to fill the resultant casual vacancy. KPMG Audit Plc have expressed a willingness to continue in office. Special notice has been received that a resolution proposing their re-appointment will be put to the Annual General Meeting.

By order of the board


G J Mellor
Director

2 June 2003

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

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of RTS Innovation Limited

We have audited the financial statements on pages 5 to 13.

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 the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

2 June 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002	2001
		£	£
Turnover	2	9,515,238	7,828,816
Cost of sales		(7,101,032)	(5,523,074)
		<hr/>	<hr/>
Gross profit		2,414,206	2,305,742
Administrative expenses		(1,998,850)	(1,591,166)
		<hr/>	<hr/>
Operating profit	3	415,356	714,576
Interest receivable	6	23,854	-
Interest payable	7	-	(786)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		439,210	713,790
Taxation on profit on ordinary activities	8	-	(157,895)
		<hr/>	<hr/>
Profit on ordinary activities after taxation for the year		439,210	555,895
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.


All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

Balance sheet
at 31 December 2002

	<i>Note</i>	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	9		412,450		282,129
Current assets					
Stocks	10	1,160,436		554,291	
Debtors	11	1,256,192		1,675,976	
Cash at bank and in hand		588,847		666,076	
			<u>3,005,475</u>		<u>2,896,343</u>
Creditors: amounts falling due within one year	12	1,536,797		1,540,674	
			<u>1,468,678</u>		<u>1,355,669</u>
Net current assets			<u>1,468,678</u>		<u>1,355,669</u>
Total assets less current liabilities			<u>1,881,128</u>		<u>1,637,798</u>
Creditors: amounts falling due after more than one year	13		886,022		1,081,902
			<u>995,106</u>		<u>555,896</u>
Capital and reserves					
Called up share capital	15		1		1
Profit and loss account			995,105		555,895
			<u>995,106</u>		<u>555,896</u>
Equity shareholders' funds			<u>995,106</u>		<u>555,896</u>

These financial statements were approved by the board of directors on 2 June 2003 and were signed on its behalf by:


G J Mellor
 Director

The notes on pages 7 to 13 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Robotic Technology PLC and the company is included in the consolidated financial statements.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Pre-contract costs

Pre-contract costs are recognised as expenses as incurred and charged to the profit and loss account.

Tangible fixed assets

Depreciation is provided to write off the cost or valuation, less the estimated residual value, of all fixed assets on a straight line basis, except freehold land, over their expected useful economic lives. It is calculated at the following annual rates.

Plant and machinery	- 20%
Motor vehicles	- 25%
Office equipment	- 20%

Warranty provisions

Provisions are made for warranty costs based on estimates of liabilities expected to arise.

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or rights to pay less tax in the future, have occurred by the balance sheet date.

In considering whether deferred tax assets should be recognised, the Directors form a judgement as to recoverability.

Deferred tax is calculated using the rates of tax that have been enacted by the balance sheet date.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the rates of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is calculated as the cost of materials, direct labour and appropriate production overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Profits on long term contracts are recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit recognised is calculated on a basis to reflect the proportion of the work carried out as at the period end by recording turnover and related costs. Provision for losses is made on all contracts in the year they are first foreseen.

Advance and progress payments are included in creditors as payments on account respectively to the extent that they exceed work in progress.

Lease and hire purchase contracts

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

Hire purchase contracts are treated identically to finance leases. All other leases are treated as operating leases. Rentals due under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

	2002	2001
	£	£
<i>Analysis by geographical market:</i>		
United Kingdom	9,170,567	6,516,388
Rest of the world	344,671	1,312,428
	9,515,238	7,828,816
	9,515,238	7,828,816

Turnover is wholly attributable to the principal activity of the company.

The directors have taken advantage of the exemption provided by Statement of Standard Accounting Practice 25 paragraph 43, from disclosing operating profit before interest and tax and net assets attributable to each class of business and area on the basis that it would be seriously prejudicial to the interests of the Company.

Notes (continued)

3 Operating profit

	2002	2001
	£	£
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Hire of other assets – operating leases	62,767	52,545
Depreciation of tangible fixed assets	162,77	115,500
	62,767	115,500

Auditors' remuneration is dealt with in the financial statements of the ultimate parent undertaking.

4 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	1,942,415	1,547,885
Social security costs	201,429	163,782
Other pension costs	52,632	17,866
	2,196,476	1,729,533

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

	Number of employees	
	2002	2001
Administration	9	7
Engineering specialists	51	41
	60	48

5 Remuneration of directors

	2002	2001
	£	£
Directors' emoluments	241,762	175,482
Company contributions to money purchase pension schemes	4,205	1,700
	241,762	175,482

There were 2 directors in the company's defined contribution pension scheme during the current and previous year.

Notes (continued)

6 Interest receivable

	2002	2001
	£	£
Bank interest receivable	23,854	-
	<u>23,854</u>	<u>-</u>

7 Interest payable

	2002	2001
	£	£
On bank loans and overdrafts	-	5
Finance leases and hire purchase contracts	-	781
	<u>-</u>	<u>786</u>

8 Taxation on profit on ordinary activities

	2002	2001
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	-	157,895
	<u>-</u>	<u>157,895</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002	2001
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	439,209	713,790
	<u>439,209</u>	<u>713,790</u>
Current tax at 30% (2001: 30%)	131,763	214,137
	<u>131,763</u>	<u>214,137</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	7,006	7,995
Capital allowances for period in excess of depreciation	(1,149)	5,168
Group relief for which no payment is made	(138,907)	(69,455)
Other timing differences	1,287	-
	<u>1,287</u>	<u>-</u>
Total current tax charge (see above)	<u>-</u>	<u>157,895</u>

Notes (continued)

9 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 January 2002	691,590	18,642	62,203	772,435
Additions	133,972	-	191,849	325,821
Transfer to group undertakings	-	-	(29,761)	(29,761)
Disposals	(211,160)	-	(8,669)	(219,829)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	614,402	18,642	215,622	848,666
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2002	439,188	18,642	32,476	490,306
Provided for the year	119,950	-	42,827	162,777
Transfers to group undertakings	-	-	(10,386)	(10,386)
Disposals	(197,812)	-	(8,669)	(206,481)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	361,326	18,642	56,248	436,216
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2002	253,076	-	159,374	412,450
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	252,402	-	29,727	282,129
	<hr/>	<hr/>	<hr/>	<hr/>

10 Stocks and work in progress

	2002 £	2001 £
Contract work in progress	1,160,436	554,291
	<hr/>	<hr/>

Included within contract work in progress are the following long term contract balances:

	2002 £	2001 £
Recorded costs incurred less provision for losses	13,801,913	7,852,752
Cumulative amounts recorded on cost of sales	(12,641,477)	(7,298,461)
	<hr/>	<hr/>
Contract work in progress	1,160,436	554,291
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Notes (continued)

11 Debtors

	2002 £	2001 £
Trade debtors	719,785	1,470,965
Amounts owed by group undertakings	493,549	193,784
Corporation tax receivable	2,105	-
Prepayments and accrued income	40,753	11,227
	1,256,192	1,675,976
	1,256,192	1,675,976

All amounts shown under debtors fall due for payment within one year.

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Payment on received account	12,509	-
Trade creditors	738,922	650,432
Amounts owed to group undertakings	291,280	283,099
Taxation and social security	205,100	208,206
Corporation tax	-	157,895
Accruals and deferred income	288,986	241,042
	1,536,797	1,540,674
	1,536,797	1,540,674

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to group undertakings	886,022	1,081,902
	886,022	1,081,902

14 Provisions for liabilities and charges

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	-
Other timing differences	-	-
Tax Losses	-	-
	-	-
Undiscounted provision	-	-

Notes (continued)

15 Called up share capital

	2002	2001
	£	£
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	1	1
	<hr/> <hr/>	<hr/> <hr/>

16 Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
Profit for the year	439,210	555,895
New share capital subscribed	-	1
	<hr/>	<hr/>
Net addition to shareholders' funds	439,210	555,896
Opening shareholders' funds	555,896	-
	<hr/>	<hr/>
Closing shareholders' funds	995,106	555,896
	<hr/> <hr/>	<hr/> <hr/>

17 Contingent liabilities

The company is party to composite guarantees in relation to the banking facilities of Robotic Technology Systems plc and its subsidiary undertakings. At the year end there were no liabilities covered by these guarantees.

The company has provided a guarantee for liabilities arising under a United Kingdom VAT grouping with other fellow subsidiaries. At the year end the liabilities covered by this guarantee totalled £nil (2001: £197,793).

18 Pensions

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 pension charge represents contributions payable by the company to the fund and amounted to £52,632 (2001: £17,866). There was £10,535 due to the pension scheme at the year end. The average number of employees participating in the scheme during the year was 58 (2001: 50).

19 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Robotic Technology Systems PLC on the grounds that at least 90% of the voting rights in the company are controlled within that group and that the group is included in consolidated financial statements.

20 Ultimate parent company and parent undertaking of large group

The company's ultimate parent company is Robotics Technology Systems PLC and the immediate parent undertaking is RTS Thurnall (Holdings) Plc.

Copies of the consolidated financial statements of Robotic Technology Systems PLC are available from Companies House.