

Registered No: 3828642

Radstone Limited

Annual report

for the year ended 31 March 2004



Annual report for the year ended 31 March 2004

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Radstone Limited

Directors' report for the year ended 31 March 2004

The directors present their report and the audited financial statements for the year ended 31 March 2004

Principal activity

The principal activity of the company is the design and manufacture of digital electronic equipment.

Review of business and future prospects

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

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

Dividends

The following dividends have been paid or proposed:-

	2004		2003	
	pence per share	£'000	pence per share	£'000
Final proposed	180.8	4,700	166.1	4,319

Directors

The current directors of the company are:-

J L Perrin (Chairman)
P J Cavill
K J Boyd

C H Paterson resigned as a director on 10 September 2003 and K J Boyd was appointed on that date. Both of the other directors held office throughout the year.

Directors' and officers' indemnity insurance is paid for by the parent company.

Directors' interests

None of the directors had any beneficial interest in the shares of the company at any time during the year.

Directors' interests in shares of the parent company are disclosed in the parent company's financial statements.

Radstone Limited

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

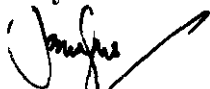
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

Deloitte & Touche LLP has expressed its willingness to continue in office and a resolution proposing its re-appointment at a rate of remuneration to be fixed by the directors will be submitted to the annual general meeting.

By order of the board



Brian Shears
Secretary

20 January 2005

Radstone Limited

Independent Auditors' Report to the members of Radstone Limited

We have audited the financial statements of Radstone Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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 auditors' 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, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Radstone Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Nottingham

21 January 2005

Radstone Limited

Profit and loss account for the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	27,984	30,149
Cost of sales		(13,429)	(15,805)
		<hr/>	<hr/>
Gross profit		14,555	14,344
Net operating expenses	3	(8,696)	(7,887)
		<hr/>	<hr/>
Operating profit	4	5,859	6,457
Net interest payable	7	(238)	(324)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		5,621	6,133
Tax on profit on ordinary activities	8	(1,600)	(1,814)
		<hr/>	<hr/>
Profit for the financial year		4,021	4,319
Dividends	9	(4,700)	(4,319)
		<hr/>	<hr/>
Retained (loss) for the financial year	17	(679)	-
		<hr/>	<hr/>

The company had no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

All turnover and operating profit relates to continuing activities.

Radstone Limited

Balance sheet at 31 March 2004

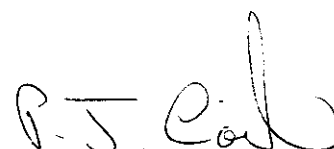
	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	10	3,122	2,960
Current assets			
Stocks	11	6,546	6,786
Debtors	12	8,551	9,353
Cash at bank and in hand		830	1,261
		<u>15,927</u>	<u>17,400</u>
Creditors: amounts falling due within one year			
Bank and other borrowings	13	(4,615)	(4,123)
Other creditors	13	(9,219)	(9,677)
		<u>(13,834)</u>	<u>(13,800)</u>
Net current assets		<u>2,093</u>	<u>3,600</u>
Total assets less current liabilities		<u>5,215</u>	<u>6,560</u>
Creditors: amounts falling due after more than one year			
Bank and other borrowings	14	(839)	(1,505)
Net assets		<u>4,376</u>	<u>5,055</u>
Capital and reserves			
Called up share capital	16	1,300	1,300
Share premium account	17	1,963	1,963
Profit and loss account	17	1,113	1,792
Equity shareholders' funds	18	<u>4,376</u>	<u>5,055</u>

The financial statements on pages 5 to 19 were approved by the board of directors on 20 January 2005 and were signed on its behalf by:

K J Boyd
Director



P J Cavill
Director



Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the principal accounting policies, which have been consistently applied, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant and machinery	20 - 33
Fixtures and fittings	10 - 33

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in first-out basis and includes transport and handling costs. Provision is made where necessary for obsolete and defective stocks.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied less trade discounts.

Cash flow statement

The company is a wholly-owned subsidiary of Radstone Technology PLC and the cash flows of the company are included in the consolidated cash flow statement of Radstone Technology PLC. Consequently, the company is exempt under the terms of FRS1 from publishing a cash flow statement.

Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences in accordance with FRS19 - Deferred Tax. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted. Deferred tax has not been discounted as permitted by FRS19.

Research and Development

Research and development is charged to the profit and loss account as incurred.

Radstone Limited

1 Principal accounting policies (cont'd)

Related Party Disclosure

The company makes use of the exemption given under FRS8 for 90% owned subsidiaries not to disclose intra group transactions where these transactions have been consolidated within the group financial statements.

Pension scheme arrangements

The company participates in four pension schemes operated by the parent company, Radstone Technology PLC.

Under two group defined benefit schemes, pension costs are charged to the profit and loss account so as to spread the cost of pensions over the employees' estimated working lives with the group. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. The fund is valued every three years by a professionally qualified actuary.

Under two defined contribution schemes the company contributes 4½% of the employee's salary which must be matched by a minimum of 3% of salary by the employee. Details of the schemes are included within note 20 to the Financial Statements.

Other than pensions, the company gives no other post-retirement benefits.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Finance leases

All finance leases are capitalised and the corresponding obligation to pay future rentals is reflected as a liability in the financial statements. The lease rentals are treated as comprising capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. All leased assets are depreciated over the term of their useful lives.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

2 Turnover

	2004 £'000	2003 £'000
United Kingdom	2,507	5,950
Rest of Europe	4,575	3,146
USA	19,565	16,830
Rest of World	1,337	4,223
	<hr/>	<hr/>
	27,984	30,149
	<hr/>	<hr/>

3 Net operating expenses

	2004 £'000	2003 £'000
Administration costs		
Administration	2,482	1,692
Development	4,338	3,943
	<hr/>	<hr/>
Total administration costs	6,820	5,635
Distribution costs – sales and marketing	1,876	2,252
	<hr/>	<hr/>
	8,696	7,887
	<hr/>	<hr/>

4 Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after crediting:		
Profit on foreign currency exchange	324	-
	<hr/>	<hr/>
And after charging:		
Loss on disposal of tangible fixed assets	4	-
Depreciation of owned tangible fixed assets	959	818
Depreciation of tangible fixed assets held under finance leases	142	155
Loss on foreign currency exchange	-	321
Research and development expenditure	4,338	3,943
	<hr/>	<hr/>

5 Directors' emoluments

All of the directors of the company were also directors of the parent company, Radstone Technology PLC, and their emoluments are shown in the financial statements of that company.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

6 Employee information

The average weekly number of persons employed by the company during the period is analysed below:

	2004 Number	2003 Number
By activity:		
Production	172	170
Selling and distribution	21	22
	<hr/>	<hr/>
	193	192
	<hr/>	<hr/>
	2004	2003
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	6,378	5,968
Social security costs	709	598
Other pension costs (see note 20)	385	365
	<hr/>	<hr/>
	7,472	6,931
	<hr/>	<hr/>

7 Net interest payable

	2004 £'000	2003 £'000
On borrowings wholly repayable within five years:		
Finance leases	48	36
Bank loans and overdrafts	40	71
Intergroup indebtedness (net)	158	200
On borrowings repayable after five years:		
Finance leases	-	20
	<hr/>	<hr/>
	246	327
Less: Interest receivable	(8)	(3)
	<hr/>	<hr/>
	238	324
	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

8 Taxation on profit on ordinary activities

	2004 £'000	2003 £'000
Tax charge for the year:		
United Kingdom corporation tax at 30%	1,132	1,718
	<hr/>	<hr/>
Current tax charge	1,132	1,718
Contribution made to another group company in respect of losses surrendered	552	37
Deferred tax	7	48
(Over)/under provision in respect of prior years:		
United Kingdom corporation tax	(94)	(84)
Deferred tax	3	95
	<hr/>	<hr/>
	1,600	1,814
	<hr/>	<hr/>

The deferred tax charge above all relates to the origination or reversal of timing differences.

The current tax charge is lower than the standard rate of corporation tax in the UK as detailed below.

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	5,621	6,133
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate of 30%	1,686	1,840
Disallowable expenses	5	5
Capital allowances in excess of depreciation	(30)	(59)
Other timing differences	22	(31)
Group relief	(551)	(37)
	<hr/>	<hr/>
Current tax charge	1,132	1,718
	<hr/>	<hr/>

9. Dividends

	2004 pence per share	2003 pence per share	2004 £'000	2003 £'000
Final proposed	180.8	166.1	4,700	4,319
	<hr/>	<hr/>	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

10 Tangible fixed assets

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2003	9,782	1,031	10,813
Additions	1,128	134	1,262
Disposals	(1,427)	(50)	(1,477)
Transferred from other group companies	19	48	67
	<hr/>	<hr/>	<hr/>
At 31 March 2004	9,502	1,163	10,665
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2003	7,015	838	7,853
Charge for year	1,028	73	1,101
Disposals	(1,426)	(48)	(1,474)
Transferred from other group companies	18	45	63
	<hr/>	<hr/>	<hr/>
At 31 March 2004	6,635	908	7,543
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2004	2,867	255	3,122
	<hr/>	<hr/>	<hr/>
At 31 March 2003	2,767	193	2,960
	<hr/>	<hr/>	<hr/>

The net book value of plant and machinery includes £550,000 (2003: £691,000) in respect of assets held under finance leases.

11 Stocks

	2004 £'000	2003 £'000
Raw materials	1,166	1,525
Work in progress	5,380	5,261
	<hr/>	<hr/>
	6,546	6,786
	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

12 Debtors

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Trade debtors	1,858	3,502
Amounts owed by group undertakings	6,062	5,287
Other debtors	6	1
VAT recoverable	91	37
Deferred tax (see note 15)	240	250
Prepayments and accrued income	294	276
	<hr/>	<hr/>
	8,551	9,353
	<hr/>	<hr/>

13 Creditors: amounts falling due within one year:

	2004 £'000	2003 £'000
Bank loan	500	500
Bank overdraft	3,972	3,472
Net obligations under finance leases	143	151
	<hr/>	<hr/>
	4,615	4,123
	<hr/>	<hr/>
Trade creditors	2,257	2,352
Amounts owed to group undertakings	865	1,115
Corporation tax	389	922
Other taxation and social security	204	208
Payments received on account	10	47
Accruals and deferred income	794	714
Proposed dividend	4,700	4,319
	<hr/>	<hr/>
	9,219	9,677
	<hr/>	<hr/>
	13,834	13,800
	<hr/>	<hr/>

14 Creditors: amounts falling due after more than one year:

	2004 £'000	2003 £'000
Bank loan	-	500
Net obligations under finance leases	526	692
Amounts owed to group undertakings	313	313
	<hr/>	<hr/>
	839	1,505
	<hr/>	<hr/>

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Notes to the financial statements for the year ended 31 March 2004

14 Creditors: amounts falling due after more than one year (cont'd):

The bank loan is repayable as follows:

	2004 £'000	2003 £'000
Within one year or on demand	500	500
Between one and two years	-	500
	<hr/>	<hr/>
	500	1,000
	<hr/>	<hr/>

Bank loans and overdrafts are secured by fixed and floating charges over the assets of the company, together with a guarantee from the parent company. Interest rates vary between 1.0% and 1.5% above LIBOR, base or prime rates.

	2004 £'000	2003 £'000
The net finance lease obligations are repayable as follows:		
Within one year or on demand	143	151
Between one and two years	153	148
Between two and five years	373	509
After more than five years	-	35
	<hr/>	<hr/>
	669	843
	<hr/>	<hr/>

Obligations under finance leases are secured by related leased assets and bear finance charges at normal commercial rates.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

15 Provisions for liabilities and charges

	2004 £'000	2003 £'000
Deferred taxation		
Tax effect of timing differences at 30%:		
Accelerated capital allowances	(158)	(392)
Other short term differences	(82)	142
	<hr/>	<hr/>
Deferred tax asset	(240)	(250)
	<hr/>	<hr/>
		£'000
<i>Movement in the year:</i>		
At 1 April 2003		(250)
Charged to profit and loss account		10
		<hr/>
At 31 March 2004		(240)
		<hr/>

The deferred tax asset is included in debtors (note 12). The recoverability of the deferred tax asset is dependent upon future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

16 Called up share capital

	2004 £'000	2003 £'000
Authorised		
2,600,002 Ordinary shares of 50 pence each	1,300	1,300
	<hr/>	<hr/>
Allotted, called up and fully paid		
2,600,002 Ordinary shares of 50 pence each	1,300	1,300
	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

17 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2003	1,963	1,792	3,755
Retained loss for the year	-	(679)	(679)
	<hr/>	<hr/>	<hr/>
At 31 March 2004	1,963	1,113	3,076
	<hr/>	<hr/>	<hr/>

18 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Opening shareholders' funds	5,055	5,055
Profit for the financial year	4,021	4,319
Proposed dividend	(4,700)	(4,319)
	<hr/>	<hr/>
Closing shareholders' funds	4,376	5,055
	<hr/>	<hr/>

19 Capital commitments

	2004 £'000	2003 £'000
Expenditure contracted for	245	39
	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

20 Pension obligations

The company participates in two funded defined benefit pension schemes, the Radstone Pension Fund and the Radstone Executive Pension Fund, and two defined contribution schemes, all operated by Radstone Technology PLC.

Pensions have continued to be accounted for in accordance with SSAP24 - Accounting for Pension Costs and the disclosures required by that Standard are given below.

Contributions to the defined benefit schemes are determined by an independent qualified actuary on the basis of triennial valuations. Details of the most recent actuarial valuations are given in the financial statements of Radstone Technology PLC.

The pension cost for the company to the defined benefit schemes which has been charged in the year amounted to £298,000 (2003: £289,000). Company contribution rates for the Radstone Pension Fund for the year commencing 1 April 2004 have been agreed at 9.8% of pensionable salaries, an increase of 2.3%, with those for the Radstone Executive Pension Fund remaining unchanged at 21.5%.

The schemes were closed to new entrants at 31 March 1997. As the age profile for the active members increases, the service cost may increase.

The defined contribution schemes are a Group Personal Pension Plan provided by The Equitable Life Assurance Company Limited and a Grouped Stakeholder Pension Plan with Bank of Scotland Investment Service. Both schemes are voluntary and the Group Personal Pension Plan was closed to new entrants on introduction of the Stakeholder arrangement in April 2002. In recognition of a minimum contribution of 3% of annual salary to either scheme by the employee, the company contributes a further 4.5%.

Contributions are charged to the profit and loss accounts as incurred. During the year the cost for the company was £87,000 (2003: £76,000).

FRS17 - Retirement Benefits

As the Radstone Pension Fund and the Radstone Executive Pension Fund are multi-employer schemes and the company is unable to identify its share of the underlying assets and liabilities for FRS17 purposes, the schemes have been accounted for on a defined contribution basis. The disclosures prepared for the group accounts is as follows.

The valuation used for FRS17 disclosures has been based upon the most recent actuarial valuation updated to 31 March 2004. The major assumptions used by the actuary were, in nominal terms for both the Radstone Pension Fund and the Radstone Executive Pension Fund:

Radstone Limited

Notes to the financial statements for the year ended 31 March 2004

20 Pension obligations (cont'd)

	At 31 March 2004 %	At 31 March 2003 %	At 31 March 2002 %
Rate of increase in salaries	4.80	4.50	4.75
Rate of increase in pensions in payment	2.80	2.50	2.75
Rate of increase in pensions in deferment	2.80	2.50	2.75
Discount rate	5.50	5.40	6.00
Inflation assumption	2.80	2.50	2.75

The assets in the schemes and the expected rates of return were:

The Radstone Pension Fund

	At 31 March 2004 %	At 31 March 2004 £'000	At 31 March 2003 %	At 31 March 2003 £'000	At 31 March 2002 %	At 31 March 2002 £'000
Equities	6.75	6,703	6.75	6,780	7.50	8,735
Bonds	4.75	4,696	4.50	2,623	5.25	2,912
Cash	4.50	49	4.00	91	4.00	-
		<hr/>		<hr/>		<hr/>
Total market value of assets		11,448		9,494		11,647
Actuarial value of liability		(16,814)		(15,088)		(12,817)
		<hr/>		<hr/>		<hr/>
Deficit		(5,366)		(5,594)		(1,170)
Related deferred tax asset		1,610		1,678		351
		<hr/>		<hr/>		<hr/>
Net pension liability		(3,756)		(3,916)		(819)
		<hr/>		<hr/>		<hr/>

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Notes to the financial statements for the year ended 31 March 2004

20 Pension obligations (cont'd)

The Radstone Executive Pension Fund

	At 31 March 2004 %	At 31 March 2004 £'000	At 31 March 2003 %	At 31 March 2003 £'000	At 31 March 2002 %	At 31 March 2002 £'000
Equities	6.75	2,319	6.75	1,917	7.50	2,475
Bonds	4.75	613	4.50	727	5.25	825
Cash	4.00	33	4.00	7	4.00	-
		<hr/>		<hr/>		<hr/>
Total market value of assets		2,965		2,651		3,300
Actuarial value of liability		(4,260)		(3,905)		(3,474)
		<hr/>		<hr/>		<hr/>
Deficit		(1,295)		(1,254)		(174)
Related deferred tax asset		389		376		52
		<hr/>		<hr/>		<hr/>
Net pension liability		(906)		(878)		(122)
		<hr/>		<hr/>		<hr/>

21 Ultimate parent company

The immediate parent company is Radstone Technology PLC, a company incorporated in Great Britain and registered in England and Wales. Copies of the parent company's consolidated financial statements may be obtained from The Secretary, Radstone Technology PLC, Tove Valley Business Park, Towcester, Northants, NN12 6PF.

The directors regard Radstone Technology PLC as the ultimate controlling party.