

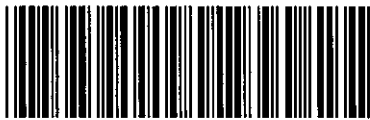
Registered No: 3828642

Radstone Limited

Annual report

for the year ended 31 March 2006

WEDNESDAY



A19YVMHG

A23

24/01/2007

397

COMPANIES HOUSE

Radstone Limited

Annual report for the year ended 31 March 2006

	Pages
Directors' report	1-3
Independent auditors' report	4-5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9-24

Radstone Limited

Directors' report for the year ended 31 March 2006

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

Business Review and Principal Activities

The company is a wholly owned subsidiary of Radstone Technology PLC and operates as part of the group's Embedded Computing division.

The company's principal activities are the design and manufacture of digital electronic equipment. There have not been any significant changes in the company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company continues to invest in research and development. This has resulted in a record number of product introductions. The Directors regard investment in research and development as essential for maintaining the company's competitive advantage.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 7.4% over the prior year. Profit before tax was £1,477,000 for the year compared to £4,409,000 in the previous year. The decrease was due to a greater proportion of sales of lower margin products and the effect of a decline in US dollar hedged exchange rates.

The balance sheet on page 8 of the financial statements shows the company's net assets were £6,093,000 at 31 March 2006 compared to £8,320,000 at 31 March 2005. The decrease in net assets was due to payment of dividends of £3,598,000 which were in excess of the financial year's net profit of £1,371,000.

The results for the year ended 31 March 2005 have been restated for the adoption of FRS17 'Retirement benefits' and FRS21 'Post balance sheet events', as detailed in note 23 on page 24.

Details of amounts owed by and to group undertakings are shown in notes 12 and 13 on page 16.

The Radstone Technology PLC group manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Embedded Computing division of Radstone Technology PLC, which includes the company, is discussed in the group's Annual Report which does not form part of this report.

On 28 November 2006, Radstone Technology PLC, the holding company of Radstone Limited, was acquired by GE Fanuc Embedded Systems, Inc.

Principal risks and uncertainties

The company's sales are predominantly made to the US military market. Sales to US customers accounted for 65.8% (2005: 63.7%) of total sales (by destination). Sales of military product are therefore affected by the level of defence spending in what is the single largest market for defence equipment in the world. As a consequence, the majority of sales are made in US dollars and the company is therefore exposed to movements in the US dollar to pound sterling exchange rate. The risk is mitigated as far as possible by hedging through the group's treasury functions as explained below.

Radstone Limited

Financial risk management objectives and policies

The Company's operations expose it to a number of financial risks including foreign currency risk, credit risk, and liquidity risk. The risks are managed at group level in accordance with Board approved objectives, policies and authorities.

Foreign exchange risk

The majority of the company's sales are made in US dollars and it is therefore exposed to the movement in the US dollar to pound exchange rate.

The group's treasury function takes out contracts to manage this risk at group level. To mitigate risks associated with future commercial transactions, the Group's policy is to hedge known and certain forecast transaction exposures based on historical experience and projections. The Group hedges at least 80% of the next six months anticipated exposure and can hedge up to eighteen months ahead.

The Company is a party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Company's principal markets

At 31 March 2006 the fair value of the Company's currency derivatives is estimated to be a net liability of approximately £521,000 (1 April 2005: £705,000 net asset).

Credit risk

The company's principal financial assets are bank balances, cash and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowance for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

Policies are maintained to ensure the company makes sales to customers with an appropriate credit history. Letters of credit or other appropriate instruments are put in place to reduce credit risk where considered necessary.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

For short-term working capital purposes, the company utilises local banking facilities within an overall Group arrangement. The Group's policy is to maintain undrawn committed borrowing facilities in order to provide flexibility in the management of the Group's liquidity.

Dividends

A dividend of 138.4 pence per share (2005: 180.8 pence per share) amounting to £3,598,000 (2005: £4,700,000) was paid during the year.

Directors

The directors of the company who each held office throughout the year were:

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

K J Boyd resigned as a director on 4 August 2006 and M S W Lee was appointed as a director on 18 September 2006.

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

Radstone Limited

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

UK Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed;
- (d) 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In the case of each of the persons who are directors of the Company at that date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps necessary to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



N Novakovic
Secretary

18 January 2007

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 2006 which comprise the profit and loss account, the statement of total recognised gains and losses and the balance sheet and the related notes 1 to 23. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements 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.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Nottingham

United Kingdom

22 January 2007

Radstone Limited

Profit and loss account for the year ended 31 March 2006

	Notes	2006 £'000	As restated 2005 £'000
Turnover	2	30,772	28,649
Cost of sales		(19,281)	(14,748)
		<hr/>	<hr/>
Gross profit		11,491	13,901
Net operating expenses	3	(9,308)	(8,984)
		<hr/>	<hr/>
Operating profit	4	2,183	4,917
Net interest payable	7	(706)	(508)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,477	4,409
Tax on profit on ordinary activities	8	(106)	(656)
		<hr/>	<hr/>
Profit for the financial year	17,18	1,371	3,753
		<hr/>	<hr/>

The profit and loss account for the year ended 31 March 2005 has been restated for the adoption of FRS17 and FRS21. See note 23.

All turnover and operating profit relates to continuing activities.

Radstone Limited

Statement of total recognised gains and losses for the year ended 31 March 2006

	2006 £	As restated 2005 £
Surplus on continuing operations after tax	<u>1,371</u>	<u>3,753</u>
Total recognised gains and losses relating to the year	<u>1,371</u>	<u>3,753</u>
Prior period adjustment	<u>346</u>	<u>-</u>
Total recognised gains and losses since the last annual report	<u><u>1,717</u></u>	<u><u>3,753</u></u>

The statement of total recognised gains and losses for the year ended 31 March 2005 has been restated for the adoption of FRS17 and FRS21 (see note 23).

Radstone Limited

Balance sheet at 31 March 2006

		2006	As restated 2005
	Notes	£'000	£'000
Fixed assets			
Tangible assets	10	3,509	3,846
Current assets			
Stocks	11	8,200	8,249
Debtors	12	15,444	10,870
Cash at bank and in hand		221	1,498
		23,865	20,617
Creditors: amounts falling due within one year			
Bank and other borrowings	13	(12,249)	(10,298)
Other creditors	13	(8,813)	(5,147)
		(21,062)	(15,445)
Net current assets		2,803	5,172
Total assets less current liabilities		6,312	9,018
Creditors: amounts falling due after more than one year			
Bank and other borrowings	14	(219)	(698)
Net assets		6,093	8,320
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	2,830	5,057
Shareholders' funds	18	6,093	8,320

The balance sheet as at 31 March 2005 has been restated for the adoption of FRS17 and FRS21. See note 23.

The financial statements on pages 6 to 24 were approved by the board of directors on 18 January 2007 and were signed on its behalf by:


M S W Lee
Director


P J Cavill
Director

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

1 Principal accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the principal accounting policies are set out below.

Changes in accounting policies

The company has adopted FRS17 'Retirements benefits' and FRS21, 'Events after the balance sheet date' in these financial statements. The adoption of these standards represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the changes are shown in note 23, Prior period adjustments.

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.

Revenue from long-term contracts is recognised in accordance with the accounting policy on long-term contracts below.

Long-term contracts

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

1 Principal accounting policies (cont'd)

The amount of long-term contracts, at costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover, is included in work in progress and stock as long-term contract balances. The amount by which recorded turnover is in excess of payments on account is included in debtors as amounts recoverable on long-term contracts. Payments in excess of recorded turnover and long-term contract balances are included in creditors as payments received on account on long-term contracts. The amount by which provisions or accruals for foreseeable losses exceed costs incurred, after transfers to cost of sales, is included within either provisions for liabilities and charges or creditors, as appropriate.

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.

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.

Pensions

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

The company participates in two group defined benefit schemes, which are funded with assets held separately from those of the company, in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The schemes are multi employer schemes including employees from other group companies. It is not considered possible to allocate scheme assets and liabilities between various companies and, accordingly, the schemes are accounted for as though they were defined contribution schemes.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

1 Principal accounting policies (cont'd)

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. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. Details of the schemes are included within note 21 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 2006

2 Turnover

	2006 £'000	2005 £'000
United Kingdom	4,479	2,903
Rest of Europe	3,984	4,808
USA	20,233	18,242
Rest of World	2,076	2,696
	<hr/>	<hr/>
	30,772	28,649
	<hr/>	<hr/>

3 Net operating expenses

	2006 £'000	As restated 2005 £'000
Administration costs		
Administration	2,849	2,868
Development	4,749	4,399
	<hr/>	<hr/>
Total administration costs	7,598	7,267
Distribution costs – sales and marketing	1,710	1,717
	<hr/>	<hr/>
	9,308	8,984
	<hr/>	<hr/>

4 Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging:		
Loss on disposal of tangible fixed assets	1	136
Depreciation of owned tangible fixed assets	1,174	1,067
Depreciation of tangible fixed assets held under finance leases	139	144
Hire of vehicles, plant and equipment	132	148
Loss on foreign currency exchange	271	112
Research and development expenditure	4,749	4,399
Additional pension contributions (see note 21) included in administration costs	710	-
	<hr/>	<hr/>

Auditors' remuneration is borne by another group company.

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 2006

6 Employee information

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

	2006 Number	2005 Number
By activity:		
Production	182	177
Selling and distribution	21	22
	<hr/>	<hr/>
	203	199
	<hr/>	<hr/>
		As restated
	2006 £'000	2005 £'000
Staff costs (for the above persons):		
Wages and salaries	7,187	6,816
Social security costs	808	744
Other pension costs (see note 21):		
- normal contributions	422	394
- additional contributions	710	-
	<hr/>	<hr/>
	9,127	7,954
	<hr/>	<hr/>

7 Net interest payable

	2006 £'000	2005 £'000
On borrowings wholly repayable within five years:		
Finance leases	39	44
Bank loans and overdrafts	-	19
Intergroup indebtedness (net)	668	447
	<hr/>	<hr/>
	707	510
Less: Interest receivable	(1)	(2)
	<hr/>	<hr/>
	706	508
	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

8 Taxation on profit on ordinary activities

	2006 £'000	As restated 2005 £'000
Tax charge for the year:		
United Kingdom corporation tax at 30%	440	1,115
	<hr/>	<hr/>
Current tax charge	440	1,115
Deferred tax	4	19
Over provision in respect of prior years:		
United Kingdom corporation tax	(338)	(478)
	<hr/>	<hr/>
	106	656
	<hr/>	<hr/>

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

The current tax charge is lower (2005: lower) than the standard rate of corporation tax in the UK as detailed below.

	2006 £'000	As restated 2005 £'000
Profit on ordinary activities before taxation	1,477	4,409
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate of 30%	443	1,322
Disallowable expenses	1	-
Capital allowances in excess of depreciation	(4)	(59)
Group relief	-	(148)
	<hr/>	<hr/>
Current tax charge	440	1,115
	<hr/>	<hr/>

9 Dividends

	2006 pence per share	As restated 2005 pence per share	2006 £'000	As restated 2005 £'000
Final paid	138.4	180.8	3,598	4,700
	<hr/>	<hr/>	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

10 Tangible fixed assets

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2005	11,030	258	11,288
Additions	944	33	977
Disposals	(106)	-	(106)
Transferred to other group companies	(15)	-	(15)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	11,853	291	12,144
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2005	7,377	65	7,442
Charge for year	1,283	30	1,313
Disposals	(105)	-	(105)
Transferred to other group companies	(15)	-	(15)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	8,540	95	8,635
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2006	3,313	196	3,509
	<hr/>	<hr/>	<hr/>
At 31 March 2005	3,653	193	3,846
	<hr/>	<hr/>	<hr/>

The net book value of plant and machinery includes £267,000 (2005: £406,000) in respect of assets held under finance leases.

11 Stocks

	2006 £'000	2005 £'000
Raw materials	1,476	1,117
Work in progress	6,066	7,132
Finished goods	658	-
	<hr/>	<hr/>
	8,200	8,249
	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

12 Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year:		
Trade debtors	6,293	4,431
Amounts owed by group undertakings	8,627	5,922
Other debtors	41	33
VAT recoverable	17	62
Deferred tax (see note 15)	135	139
Prepayments and accrued income	331	283
	<hr/>	<hr/>
	15,444	10,870
	<hr/>	<hr/>

13 Creditors: amounts falling due within one year:

	2006 £'000	As restated 2005 £'000
Bank overdraft	12,078	10,140
Net obligations under finance leases	171	158
	<hr/>	<hr/>
	12,249	10,298
	<hr/>	<hr/>
Trade creditors	3,618	2,980
Amounts owed to group undertakings	4,321	1,616
Corporation tax	43	15
Other taxation and social security	9	214
Payments received on account	303	4
Accruals and deferred income	519	318
	<hr/>	<hr/>
	8,813	5,147
	<hr/>	<hr/>
	21,062	15,445
	<hr/>	<hr/>

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

	2006 £'000	2005 £'000
Net obligations under finance leases	219	385
Amounts owed to group undertakings	-	313
	<hr/>	<hr/>
	219	698
	<hr/>	<hr/>

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

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

	2006 £'000	2005 £'000
The net finance lease obligations are repayable as follows:		
Within one year or on demand	172	158
Between one and two years	184	169
Between two and five years	35	216
	<hr/>	<hr/>
	391	543
	<hr/>	<hr/>

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

15 Provisions for liabilities

	2006 £'000	2005 £'000
Deferred taxation		
Tax effect of timing differences at 30%:		
Accelerated capital allowances	(135)	(139)
	<hr/>	<hr/>
Deferred tax asset	(135)	(139)
	<hr/>	<hr/>
		£'000
Movement in the year:		
At 1 April 2005		(139)
Charged to profit and loss account		4
		<hr/>
At 31 March 2006		(135)
		<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.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

16 Called up share capital

	2006 £'000	2005 £'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/>

17 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2005 as previously reported	1,963	1,113	3,076
Prior year adjustments:			
FRS21 (1)	-	3,598	3,598
FRS17 (2)	-	346	346
	<hr/>	<hr/>	<hr/>
At 1 April 2005 as restated	1,963	5,057	7,020
Retained profit for the year	-	1,371	1,371
Dividend paid	-	(3,598)	(3,598)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	1,963	2,830	4,793
	<hr/>	<hr/>	<hr/>

- (1) Relates to the write back of the dividend proposed at 31 March 2005 under FRS21, the adoption of which has resulted in an increase in shareholders' funds of £3,598,000 at 1 April 2005.
- (2) Relates to the implementation of FRS17, the adoption of which resulted in an increase in shareholders funds of £346,000 (net of deferred tax) due to the release of an accrual previously held under SSAP24 at 1 April 2005.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

18 Reconciliation of movements in shareholders' funds

	2006 £'000	As restated 2005 £'000
Opening shareholders' funds as previously reported	4,376	4,376
Prior year adjustments:		
FRS21	3,598	4,700
FRS17 (net of deferred tax)	346	191
	<hr/>	<hr/>
Opening shareholders' funds – as adjusted	8,320	9,267
Profit for the financial year	1,371	3,753
Dividend paid	(3,598)	(4,700)
	<hr/>	<hr/>
Closing shareholders' funds	6,093	8,320

19 Operating lease commitments

At 31 March 2006 the company has lease agreements in respect of vehicles, plant and equipment, for which payments extend over a number of years.

	2006 £'000	2005 £'000
Annual commitments under non-cancellable operating leases expiring:		
Within one year	20	34
Within two to five years	25	42
After five years	28	21
	<hr/>	<hr/>
	73	97

20 Capital commitments

	2006 £'000	2005 £'000
Expenditure contracted for	56	116

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

21 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 been accounted for in accordance with FRS17 – Retirement benefits 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 £316,000 (2005: £298,000). Company contribution rates for the Radstone Pension Fund for the year commencing 1 April 2006 have been agreed at 10.8% of pensionable salaries, an increase of 1.0%, with those for the Radstone Executive Pension Fund at 41.0% (21.5% to 31 May 2005).

Additional payments to the employer contribution rate for future service only (the “normal contribution”) are made by the company in order to eliminate the deficits on the schemes and achieve a funding target of 100% within a target period based on the actuarial assumptions below.

Additional contributions of £520,000 per annum for a period of twelve years (beginning June 2005 and to increase annually at 2.5% per annum) are to be made to the Radstone Pension Fund. Additional contributions of £265,000 per annum for ten years (commencement June 2005) are to be made to the Radstone Executive Pension Fund. During the year the company paid £390,000 and £320,000 to the Radstone Pension Fund and Radstone Executive Pension Fund respectively.

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 £106,000 (2005: £96,000).

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

21 Pension obligations (cont'd)

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 2006. The major assumptions used by the actuary were, in nominal terms for both the Radstone Pension Fund and the Radstone Executive Pension Fund:

	At 31 March 2006 %	At 31 March 2005 %	At 31 March 2004 %
Rate of increase in salaries	4.75	4.70	4.80
Rate of increase in pensions in payment	2.75	2.70	2.80
Rate of increase in pensions in deferment	2.75	2.70	2.80
Discount rate	5.00	5.40	5.50
Inflation assumption	2.75	2.70	2.80

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

21 Pension obligations (cont'd)

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

The Radstone Pension Fund

	At 31 March 2006 %	At 31 March 2006 £'000	At 31 March 2005 %	At 31 March 2005 £'000	At 31 March 2004 %	At 31 March 2004 £'000
Equities	6.25	9,471	6.70	7,346	6.75	6,703
Bonds	4.25	6,437	4.70	5,211	4.75	4,696
Cash	4.75	161	4.75	178	4.50	49
Total market value of assets		16,069		12,735		11,448
Actuarial value of liability		(23,558)		(20,087)		(16,814)
Deficit		(7,489)		(7,352)		(5,366)
Related deferred tax asset		2,247		2,206		1,610
Net pension liability		(5,242)		(5,146)		(3,756)

The Radstone Executive Pension Fund

	At 31 March 2006 %	At 31 March 2006 £'000	At 31 March 2005 %	At 31 March 2005 £'000	At 31 March 2004 %	At 31 March 2004 £'000
Equities	6.25	1,421	6.70	1,836	6.75	2,319
Bonds	4.25	2,343	4.70	1,174	4.75	613
Cash	4.75	8	4.75	46	4.00	33
Total market value of assets		3,772		3,056		2,965
Actuarial value of liability		(5,719)		(5,237)		(4,260)
Deficit		(1,947)		(2,181)		(1,295)
Related deferred tax asset		584		654		389
Net pension liability		(1,363)		(1,527)		(906)

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

22 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.

Radstone Technology PLC was the ultimate parent undertaking and controlling party at the date of these financial statements.

With effect from 28 November 2006, the directors consider the ultimate holding company to be the General Electric Company following the acquisition of Radstone Technology PLC by its subsidiary company, GE Fanuc Embedded Systems, Inc. Copies of the General Electric Company's accounts are available from its registered office at 3135 Easton Turnpike, Fairfield, CT 06828, USA.

Radstone Limited

Notes to the financial statements for the year ended 31 March 2006

23 Prior period adjustment

The adoption of FRS17 'Retirement Benefits' has required changes in the method of accounting for defined benefit pension schemes. Previously the company has accounting for pension costs under SSAP24 – 'Accounting for pension costs'. As a result of this change in accounting policy the comparatives have been restated.

The adoption of FRS21 'Post balance sheet events' has required changes in the method of accounting for dividends. The final proposed dividend for the year is recognised in the year in which it is approved.

As a result of these changes in accounting policy the comparatives have been restated as follows:

	Other Creditors £'000	Profit and loss account reserve £'000	Shareholders' funds £'000
2005 as previously reported	9,239	1,113	4,376
Adoption of FRS21 at 1 April 2004	(4,700)	4,700	4,700
Adoption of FRS17 at 1 April 2004*	(191)	191	191
During year ended 31 March 2005 – FRS21	1,102	(1,102)	(1,102)
During year ended 31 March 2005 – FRS17*	(155)	155	155
2005 restated	<u>5,295</u>	<u>5,057</u>	<u>8,320</u>
Cumulative FRS adjustments:			
Adoption of FRS21 at 31 March 2005	(3,598)	3,598	3,598
Adoption of FRS17 at 31 March 2005*	(346)	346	346
	<u>(3,944)</u>	<u>3,944</u>	<u>3,944</u>

* net of deferred tax

	2005 £'000
Profit and loss account	
Cost of sales as reported in 2005	14,808
Retirement benefit, adoption of FRS17	(60)
2005 cost of sales as restated	<u>14,748</u>
Net operating expenses as reported in 2005	9,145
Retirement benefit adoption of FRS 17	(161)
2005 net operating expenses as restated	<u>8,984</u>
Taxation expense as reported in 2005	590
Retirement benefit adoption of FRS 17	66
2005 taxation expense as restated	<u>656</u>