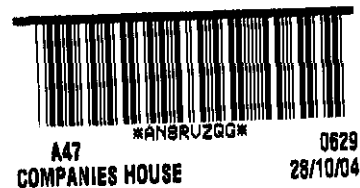


RTS Thurnall Limited

Directors' report and financial
statements

Registered number 4109439

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 principal activities of the company are to provide products and services in the areas of robotic automation industrial systems, laboratory information management systems and drug discovery processes in the pharmaceutical industry.

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 £nil (2002 – £31). There were no political contributions.

Directors and directors' interests

The directors of the company during the year and their beneficial interest 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 2003	1 January 2003	31 December 2003	1 January 2003
P B Johnson	160	40,000	40,000	-	-
	160	120,000	120,000		
	95.5	494,000	494,000		
	32	100,000	-		
G Walsh	160	9,000	9,000	-	136,000
	107	30,000	30,000		
	32	50,000	-		
A J Wyatt	160	9,000	9,000	-	136,000
	107	30,000	30,000		
	32	50,000	-		
D P Timmins	160	93,600	93,600	-	-
(resigned 26 March 2004)	160	26,400	26,400		
	95.5	290,000	290,000		
	32	100,000	-		
G J Mellor	160	9,000	9,000	-	-
	93	15,000	15,000		
	32	15,000	-		

The Advanced Robotics Foundation ("ARF") granted options 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 Walsh and Mr Wyatt waived all share options granted by ARF.

Directors' report

Directors and directors' interests *(continued)*

On 9 April 2003 Mr Wyatt and Mr Walsh 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

In accordance with Section 384 of the Companies Act 1985 a resolution for the reappointment of KPMG Audit PLC as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


G J Mellor

Director

22 October 2004

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

KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

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

We have audited the financial statements on pages 5 to 15.

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 2003 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

22 October 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £'000	2002 £'000
Turnover	2	17,100	13,964
Cost of sales		(11,384)	(8,626)
Gross profit		5,716	5,338
Administrative expenses		(3,724)	(3,020)
Operating profit	3	1,992	2,318
Interest receivable	6	4	84
Profit on ordinary activities before taxation		1,996	2,402
Taxation on profit on ordinary activities	7	(375)	(1)
Profit on ordinary activities after taxation for the year		1,621	2,401

All amounts relate to the 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 15 form part of these financial statements.

Balance sheet
at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	8	1,001	318
Tangible assets	9	52	194
		<u>1,053</u>	<u>512</u>
Current assets			
Stocks	10	3,779	4,099
Debtors	11	4,673	3,363
Cash at bank and in hand		168	1,401
		<u>8,620</u>	<u>8,863</u>
Creditors: amounts falling due within one year	12	<u>(4,435)</u>	<u>(5,758)</u>
Net current assets		<u>4,185</u>	<u>3,105</u>
Total assets less current liabilities		<u>5,238</u>	<u>3,617</u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		5,238	3,617
Equity shareholders' funds		<u>5,238</u>	<u>3,617</u>

These financial statements were approved by the board of directors on 22 October 2004 and were signed on its behalf by:


G J Mellor
Director

The notes on pages 7 to 15 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

Net sales are derived from the sale and installation of equipment and systems either under fixed price contracts or labour only contracts. Revenue is recognised on long term contracts based on an assessment of the fair value of equipment and services provided compared to the total fair value of the contract. In most cases this is based on a percentage of cost complete basis. Net sales are also derived from maintenance contracts. Turnover represents sales to external customers at invoiced amounts less sales related taxes.

Pre-contract costs

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

Intangible fixed assets

Amortisation is provided on intangible fixed assets at an annual rate calculated to write off the costs of the assets over a straight line basis over their expected useful economic lives. The annual rates used are as follows:

Development costs	-	20-50%
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Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable; the project is technically feasible and commercially viable; current and future costs will be exceeded by future sales; and adequate resources exist for the project to be completed. In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year when the Group begins to benefit from the expenditure.

Tangible fixed assets

Depreciation is provided to write off the cost or valuation, less the estimated residual values, 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:

Fixtures, fittings and equipment	-	20%
Plant and machinery	-	20%
Motor vehicles	-	25%

Warranty provisions

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

Notes (continued)

1 Accounting policies (continued)

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.

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.

Leases 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.

Notes (continued)

2 Turnover

	2003 £'000	2002 £'000
<i>Analysis by class of business:</i>		
Robotic systems	16,675	13,865
Robotics product group	425	99
	<u>17,100</u>	<u>13,964</u>
<i>Analysis by geographical market:</i>		
United Kingdom	4,789	6,232
Rest of Europe	4,058	3,358
North America	8,253	4,374
	<u>17,100</u>	<u>13,964</u>

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.

3 Operating profit

	2003 £'000	2002 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets	25	78
Amortisation of development costs	67	5
Hire of other assets - operating leases	92	92
Auditors remuneration (including payments to previous auditors)	15	15
	<u> </u>	<u> </u>

Notes (continued)

4 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

	2003 £'000	2002 £'000
Wages and salaries	3,563	3,107
Social security costs	402	312
Other pension costs	128	76
	<u>4,093</u>	<u>3,495</u>

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

	Number of employees 2003	2002
Production	92	92
Administration	10	10
	<u>102</u>	<u>102</u>

5 Remuneration of directors

	2003 £'000	2002 £'000
Directors' emoluments	275	242
Company contributions to money purchase pension schemes	4	4
	<u>279</u>	<u>246</u>

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

6 Interest receivable

	2003 £'000	2002 £'000
Bank interest receivable	4	84
	<u>4</u>	<u>84</u>

Notes (continued)

7 Taxation on profit on ordinary activities

	2003 £'000	2002 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	376	-
Adjustments in respect of prior periods	1	1
	<hr/>	<hr/>
Total current tax	377	1
<i>Deferred tax</i>		
Origination and reversal of timing differences	10	-
Adjustment in respect of prior periods	(12)	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities	375	1
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £'000	2002 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,996	2,402
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	599	721
<i>Effects of:</i>		
Net additional expenses deductible for tax purposes	(213)	(219)
Capital allowances for period in excess of depreciation	(10)	1
Group relief for which no payment is made	-	(502)
Other timing differences	-	(1)
Adjustments to tax charge in respect of previous periods	1	1
	<hr/>	<hr/>
Total current tax charge (see above)	377	1
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Intangible fixed assets

	Development costs £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2003	322	112	434
Additions	750	-	750
	<hr/>	<hr/>	<hr/>
At 31 December 2003	1,072	112	1,184
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2003	4	112	116
Charge for the year	67	-	67
	<hr/>	<hr/>	<hr/>
At 31 December 2003	71	112	183
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2003	1,001	-	1,001
	<hr/>	<hr/>	<hr/>
At 31 December 2002	318	-	318
	<hr/>	<hr/>	<hr/>

9 Tangible fixed assets

	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2003	360	13	91	464
Additions	16	-	2	18
Transfers from group undertakings	(288)	-	-	(288)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	88	13	93	194
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2003	213	7	50	270
Charge for the year	7	3	15	25
Transfers from group undertakings	(153)	-	-	(153)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	67	10	65	142
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2003	21	3	28	52
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	147	6	41	194
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Stocks and work in progress

	2003 £'000	2002 £'000
Raw materials and consumables	51	96
Contract work in progress	3,728	4,003
	<u>3,779</u>	<u>4,099</u>

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

	£'000	£'000
Recorded costs incurred less provision for losses	33,746	21,660
Cumulative amounts recorded as cost of sales	(30,018)	(17,657)
	<u>3,728</u>	<u>4,003</u>

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

11 Debtors

	2003 £'000	2002 £'000
Trade debtors	2,553	1,177
Amounts owed by group undertakings	327	1,531
Amounts recoverable under long term contracts	1,600	-
Other debtors	128	395
Corporation tax recoverable	-	196
Deferred tax recoverable	2	-
Prepayments and accrued income	63	64
	<u>4,673</u>	<u>3,363</u>

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

12 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Payments received on account	738	1,628
Trade creditors	1,102	2,829
Amounts owed to group undertakings	1,070	669
Corporation tax	181	-
Other taxes and social security	149	99
Other creditors	-	14
Accruals and deferred income	1,195	519
	<u>4,435</u>	<u>5,758</u>

Notes (continued)

13 Called up share capital

	2003 £'000	2002 £'000
<i>Authorised</i>		
Equity: 1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 1 ordinary shares of £1 each	-	-
	<hr/>	<hr/>

14 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit for the year	1,621	2,401
	<hr/>	<hr/>
Net addition to shareholders' funds	1,621	2,401
Opening shareholders' funds	3,617	1,216
	<hr/>	<hr/>
Closing shareholders' funds	5,238	3,617
	<hr/>	<hr/>

15 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 £559,000 (2002: £nil).

Notes *(continued)*

16 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 £89,637 (2002: £75,668). The average number of employees participating in the scheme during the year was 105 (2002: 94).

17 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.

18 Ultimate parent company and parent undertaking of large group

The company is a subsidiary of RTS Thurnall (Holdings) PLC. The ultimate parent undertaking of the company is Robotic Technology Systems PLC.

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