

R. D. P. GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2002**



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DIRECTORS' REPORT
For the year ended 30 June 2002

The directors present their report and the financial statements for the year ended 30 June 2002.

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 of the company 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;
- 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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company continues to be the provision of management services and the principal activities of its subsidiary undertakings are set out in note 9 to the accounts.

The directors consider that the company and its subsidiary undertakings had a successful year's trading and that they remain in a good position to take advantage of opportunities which may arise.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £663,507 (2001 - £514,385) .

A dividend of £470,000 (2001 : £320,000) was paid during the year.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	'A' Ordinary shares of £1 each		Ordinary shares of £1 each	
	<u>30/6/02</u>	<u>1/7/01</u>	<u>30/6/02</u>	<u>1/7/01</u>
P. J. Smith	-	-	375	375
R. D. Garbett	-	-	375	375
Mrs P. A. Garbett	500	500	-	-
Mrs E. C. Smith	500	500	-	-

P. J. Smith and R. D. Garbett hold 5% each of the issued share capital of RDP-Electrosense of Pennsylvania, Inc., a subsidiary undertaking.

Mrs E. C. Smith retires by rotation and, being eligible, offers herself for re-election.

LAND AND BUILDINGS

The directors are of the opinion that the current market value of the freehold land and buildings is in excess of cost.

DIRECTORS' REPORT
For the year ended 30 June 2002

AUDITORS

The auditors, Horwath Clark Whitehill, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 17 December 2002 and signed on its behalf.

A handwritten signature, likely of R. D. Garbett, is enclosed within an oval border. The signature is stylized, with a prominent vertical stroke and a horizontal line extending to the right.

R. D. Garbett
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF R. D. P. GROUP LIMITED

We have audited the financial statements of R. D. P. Group Limited for the year ended 30 June 2002 set out on pages 4 to 16. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 8.

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

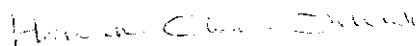
BASIS OF AUDIT OPINION

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.

UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Horwath Clark Whitehill

Chartered Accountants
Registered Auditors

Foley House
123 Stourport Road
Kidderminster
DY11 7BW

17 December 2002

R. D. P. GROUP LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 June 2002

	Note	2002 £	2001 £
TURNOVER	1, 2	651,000	560,000
Administrative expenses		(394,451)	(496,268)
OPERATING PROFIT	3	256,549	63,732
Income from investments in group undertakings		408,212	400,000
Amounts written off investments		(150)	(9,113)
Interest received		94,217	102,721
Interest payable	7	(429)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		758,399	557,340
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	(94,892)	(42,955)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		663,507	514,385
DIVIDENDS - On equity shares		(470,000)	(320,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	193,507	194,385

All amounts relate to continuing operations.

There were no recognised gains and losses for 2002 or 2001 other than those included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 30 June 2002

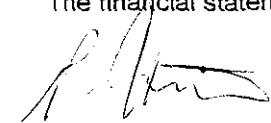
	2002 £	2001 £
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	758,399	557,340
Realisation of valuation gains of previous periods	443	-
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	758,842	557,340
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS	193,950	194,385

The notes on pages 8 to 16 form part of these financial statements

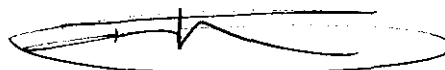
BALANCE SHEET
As at 30 June 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	8	167,947	218,198
Investments	9	16,253	16,403
		<u>184,200</u>	<u>234,601</u>
CURRENT ASSETS			
Debtors	10	94,982	94,055
Cash at bank		2,442,729	2,093,100
		<u>2,537,711</u>	<u>2,187,155</u>
CREDITORS: amounts falling due within one year	11	(602,172)	(495,524)
NET CURRENT ASSETS		<u>1,935,539</u>	<u>1,691,631</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,119,739</u>	<u>1,926,232</u>
CAPITAL AND RESERVES			
Called up share capital	13	2,000	2,000
Revaluation reserve	14	-	443
Profit and loss account	14	2,117,739	1,923,789
SHAREHOLDERS' FUNDS - All Equity	15	<u>2,119,739</u>	<u>1,926,232</u>

The financial statements were approved by the board on 17 December 2002 and signed on its behalf.



P. J. Smith
Director



R. D. Garbett
Director

The notes on pages 8 to 16 form part of these financial statements.

R. D. P. GROUP LIMITED

CASH FLOW STATEMENT
For the year ended 30 June 2002

	Note	2002 £	2001 £
Net cash flow from operating activities	16	129,854	16,841
Returns on investments and servicing of finance	17	502,000	502,721
Taxation		(32,225)	(44,674)
Capital expenditure and financial investment	17	220,000	(50,948)
Equity dividends paid		(470,000)	(320,000)
INCREASE IN CASH IN THE YEAR		349,629	103,940

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 18)
For the year ended 30 June 2002

	2002 £	2001 £
Increase in cash in the year	349,629	103,940
Net funds at 1 July 2001	2,093,100	1,989,160
NET FUNDS AT 30 JUNE 2002	2,442,729	2,093,100

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain leasehold properties, and in accordance with applicable accounting standards.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover represents the invoiced value of goods and services supplied by the company, excluding both value added tax and sales of fixed assets.

1.3 Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	equal annual instalments writing the asset off over its expected useful life
Leasehold property	-	over 50 years
Motor vehicles	-	25% reducing balance

1.5 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold and gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.6 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Exchange differences arising in the ordinary course of business are taken into account in arriving at the operating profit.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

1.7 Pensions

The company operates a defined contribution scheme. The scheme is funded by contributions from the company which are invested separately from the company's assets and are charged to the profit and loss account as payable.

2. TURNOVER

The whole of the turnover is attributable to management activities provided to group undertakings.

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2002 £	2001 £
Depreciation of tangible fixed assets:		
- owned by the company	23,951	31,279
Auditors' remuneration	3,100	3,100
Loss/(profit) on foreign exchange	254	(259)
Profit on disposal of fixed assets	(193,700)	(7,386)
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2002 £	2001 £
Wages and salaries	428,005	372,596
Social security costs	50,267	46,476
Other pension costs	33,173	17,110
	<u>511,445</u>	<u>436,182</u>

The average monthly number of employees, including directors, during the year was as follows:

	2002	2001
Office and management	11	10
Sales and distribution	3	2
	<u>14</u>	<u>12</u>

5. DIRECTORS' REMUNERATION

	2002 £	2001 £
Emoluments	199,144	193,498
	<u> </u>	<u> </u>
Company pension contributions to money purchase pension schemes	20,000	7,500
	<u> </u>	<u> </u>

During the year retirement benefits were accruing to 1 director (2001 - 1) in respect of money purchase pension schemes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

6. TAXATION

	2002 £	2001 £
Analysis of tax charge in year		
Current tax (see note below)		
UK corporation tax on profits of the year	93,933	31,120
Group relief at 30% (2001 : 32.5%)	1,105	11,835
Total current tax	<u>95,038</u>	<u>42,955</u>
Deferred tax		
Origination and reversal of timing differences	(146)	-
Total deferred tax (see note 12)	<u>(146)</u>	<u>-</u>
Tax on profit on ordinary activities	<u><u>94,892</u></u>	<u><u>42,955</u></u>

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>758,399</u>	<u>557,340</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	227,520	167,202
Effects of:		
Group income	(122,464)	(120,000)
Capital gains indexation	(13,209)	-
Marginal relief	(1,461)	(6,260)
Deferred capital allowances	2,543	223
Deferred pension contributions	900	900
Difference between cost and March 82 value of disposal	(3,210)	-
Other differences	3,699	890
Provision for bonus on retirement	720	-
Current tax charge for year (see note above)	<u><u>95,038</u></u>	<u><u>42,955</u></u>

There were no factors that may affect future tax charges.

7. INTEREST PAYABLE

	2002 £	2001 £
Other interest payable	<u>429</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

8. TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Motor vehicles £	Total £
Cost or valuation				
At 1 July 2001	189,226	37,000	124,353	350,579
Disposals	-	(37,000)	-	(37,000)
At 30 June 2002	189,226	-	124,353	313,579
Depreciation				
At 1 July 2001	78,690	10,700	42,991	132,381
Charge for the year	3,610	-	20,341	23,951
On disposals	-	(10,700)	-	(10,700)
At 30 June 2002	82,300	-	63,332	145,632
Net book value				
At 30 June 2002	106,926	-	61,021	167,947
At 30 June 2001	110,536	26,300	81,362	218,198

9. FIXED ASSET INVESTMENTS

	Shares in group under- takings £
Cost	
At 1 July 2001	17,163
Disposals	(150)
At 30 June 2002	17,013
Provisions	
At 1 July 2001 and 30 June 2002	760
Net book value	
At 30 June 2002	16,253
At 30 June 2001	16,403

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

9. FIXED ASSET INVESTMENTS (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the company: Portion of ordinary shares held

R. D. P. Electronics Limited	100%
R. D. P. Howden Limited	76%
Lincoln Instruments Limited	50%
Croft Control Systems Limited (*)	76%
T. C. Howden & Company Limited (*)	100%
Rootavon Limited	100%
R. D. P. Photonics Limited	100%

Incorporated and operational in United States of America:

RDP-Electrosense of Pennsylvania Inc.	90%
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The aggregate of the share capital and reserves as at 30 June 2002 and the profit or loss for the year ended on that date for the above subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) for the year £
R. D. P. Electronics Limited (Production and development of electronic instrumentation for data handling and control)	392,601	410,626
R. D. P. Howden Limited (Manufacture and distribution of hydraulic and mechanical materials testing equipment)	143,087	288
Lincoln Instruments Limited (Dormant))	-	-
Croft Control Systems Limited (*) (Dormant)	(4,858)	-
T. C. Howden & Company Limited (*) (Dormant)	25,658	-
Rootavon Limited (Dormant)	5,322	-
R. D. P. Photonics Limited (Dormant)	2	-
Incorporated and operational in United States of America:		
RDP-Electrosense of Pennsylvania Inc.	300,355	57,873

With the exception of companies marked with an *, all shareholdings are in the name of R. D. P. Group Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

10. DEBTORS

	2002 £	2001 £
Due within one year		
Amounts owed by group undertakings	93,941	93,126
VAT repayment due	895	929
Deferred tax asset	146	-
	<u>94,982</u>	<u>94,055</u>

11. CREDITORS:**Amounts falling due within one year**

	2002 £	2001 £
Trade creditors	815	-
Amounts owed to group undertakings	316,686	274,905
Corporation tax	93,933	31,120
Social security and other taxes	59,628	57,931
Directors' current accounts	81,341	86,141
Accruals	49,769	45,427
	<u>602,172</u>	<u>495,524</u>

12. DEFERRED TAXATION

The provision for deferred taxation is made up as follows:

	2002 £	2001 £
Deferred capital allowances	(7,892)	-
Industrial buildings allowance	15,591	-
Deferred pension contributions	(7,125)	-
Provision for payment on retirement	(720)	-
	<u>(146)</u>	<u>-</u>

The deferred tax charge for the year is the result of a change in accounting policy to comply with FRS19 which is effective for accounting periods ending on or after 23 January 2002. The amounts are not deemed to have a material effect on the reading of the accounts and therefore, no prior year adjustment has been made. If the standard had been implemented at 30 June 2001, it would have resulted in the recognition of a deferred tax liability and a consequential decrease in net assets of £4,017.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

13. SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000
1,000 'A' Ordinary shares of £1 each	1,000	1,000
	<u>2,000</u>	<u>2,000</u>

14. RESERVES

Revaluation reserve	£
At 1 July 2001	443
Transfer to profit and loss account	(443)
	<u>-</u>
At 30 June 2002	<u>-</u>
Profit and loss account	£
At 1 July 2001	1,923,789
Profit retained for the year	193,507
Transfer from revaluation reserve	443
	<u>2,117,739</u>
At 30 June 2002	<u>2,117,739</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the year	663,507	514,385
Dividends	(470,000)	(320,000)
	<u>193,507</u>	<u>194,385</u>
Opening shareholders' funds	1,926,232	1,731,847
Closing shareholders' funds	<u>2,119,739</u>	<u>1,926,232</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	256,549	63,732
Depreciation of tangible fixed assets	23,951	31,279
Profit on disposal of tangible fixed assets	(193,700)	(7,386)
Decrease/(increase) in debtors	34	(44)
Increase in amounts owed by group undertakings	(815)	(44,816)
Increase/(decrease) in creditors	2,054	(683)
Increase/(decrease) in amounts owed to group undertakings	41,781	(25,241)
NET CASH INFLOW FROM OPERATIONS	129,854	16,841

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	94,217	102,721
Interest paid	(429)	-
Income from investments in group undertakings	408,212	400,000
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	502,000	502,721
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	-	(73,998)
Sale of tangible fixed assets	220,000	23,050
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE	220,000	(50,948)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2002

18. ANALYSIS OF CHANGES IN NET FUNDS

	1 July 2001 £	Cash flow £	Other non-cash changes £	30 June 2002 £
Cash at bank and in hand:	<u>2,093,100</u>	<u>349,629</u>	<u>-</u>	<u>2,442,729</u>
NET FUNDS	<u>2,093,100</u>	<u>349,629</u>	<u>-</u>	<u>2,442,729</u>

19. CONTINGENT LIABILITIES

The company has given an unlimited guarantee to Lloyds Bank Plc in respect of any overdrafts that may arise in the group companies. At 30 June 2002 this amounted to £Nil (2001 : £Nil).

20. CONTROLLING PARTY

Throughout the year, the company was controlled by P. J. Smith, R. D. Garbett, directors, and members of their close families. Details of the directors' interests in the company's share capital are set out in the Directors' Report.

21. RELATED PARTY TRANSACTIONS

During the year, the company entered into transactions with its subsidiary companies, details of which are set out in note 9, as follows:

	2002 £	2001 £
R. D. P. Electronics limited		
Management charge	645,000	540,000
Recharges	25,543	29,028
Balance at the year end	63,263	59,593
R. D. P. - Howden Limited		
Management charge	6,000	20,000
Group relief	(1,105)	(11,835)
Recharges	1,851	1,527
Balance at the year end	<u>(257,539)</u>	<u>(215,758)</u>