

R. D. P. GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2003**



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DIRECTORS' REPORT
For the year ended 30 June 2003

The directors present their report and the financial statements for the year ended 30 June 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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.

Although the company and its subsidiary undertakings were profitable during the year under review, the directors consider that the results were disappointing by comparison with prior years but that they remain in a good position to take advantage of opportunities that may arise

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £297,296 (2002 - £663,507) .

A dividend of £320,000 (2002 : £470,000) 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>30/6/03</u>	<u>1/7/02</u>	<u>30/6/03</u>	<u>1/7/02</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 P. A. Garbett 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.

R. D. P. GROUP LIMITED

DIRECTORS' REPORT
For the year ended 30 June 2003

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 16 December 2003 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'R. D. Garbett', is enclosed within a hand-drawn oval.

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 2003 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.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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.

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.

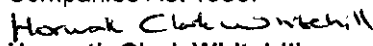
BASIS OF AUDIT OPINION

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 2003 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

16 December 2003

R. D. P. GROUP LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 June 2003

	Note	2003 £	2002 £
TURNOVER	1, 2	648,000	651,000
Administrative expenses		(579,142)	(394,451)
OPERATING PROFIT	3	68,858	256,549
Income from investments in group undertakings		190,000	408,212
Amounts written off investments		-	(150)
Interest receivable		75,730	94,217
Interest payable	7	-	(429)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		334,588	758,399
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	(37,292)	(94,892)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		297,296	663,507
DIVIDENDS - On equity shares		(320,000)	(470,000)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	14	(22,704)	193,507

All amounts relate to continuing operations.

There were no recognised gains and losses for 2003 or 2002 other than those included in the profit and loss account.

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

R. D. P. GROUP LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 30 June 2003

	2003 £	2002 £
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	334,588	758,399
Realisation of valuation gains of previous periods	-	443
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	334,588	758,842
HISTORICAL COST (LOSS)/PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS	(22,704)	193,950

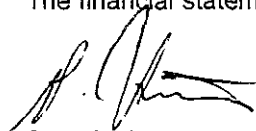
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R. D. P. GROUP LIMITED

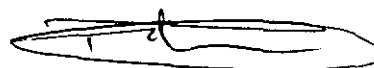
BALANCE SHEET
As at 30 June 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible fixed assets	8	149,082	167,947
Investments	9	16,253	16,253
		<u>165,335</u>	<u>184,200</u>
CURRENT ASSETS			
Debtors	10	167,279	94,982
Cash at bank		2,304,034	2,442,729
		<u>2,471,313</u>	<u>2,537,711</u>
CREDITORS: amounts falling due within one year	11	(536,619)	(602,172)
		<u>1,934,694</u>	<u>1,935,539</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,100,029</u>	<u>2,119,739</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(2,994)	-
NET ASSETS		<u>2,097,035</u>	<u>2,119,739</u>
CAPITAL AND RESERVES			
Called up share capital	13	2,000	2,000
Profit and loss account	14	2,095,035	2,117,739
SHAREHOLDERS' FUNDS - All Equity	15	<u>2,097,035</u>	<u>2,119,739</u>

The financial statements were approved by the board on 16 December 2003 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 2003

	Note	2003 £	2002 £
Net cash flow from operating activities	16	(33,302)	129,854
Returns on investments and servicing of finance	17	265,730	502,000
Taxation		(51,123)	(32,225)
Capital expenditure and financial investment	17	-	220,000
Equity dividends paid		(320,000)	(470,000)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(138,695)	349,629

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (NOTE 18)
For the year ended 30 June 2003

	2003 £	2002 £
(Decrease)/Increase in cash in the year	(138,695)	349,629
MOVEMENT IN NET FUNDS IN THE YEAR	(138,695)	349,629
Net funds at 1 July 2002	2,442,729	2,093,100
NET FUNDS AT 30 JUNE 2003	2,304,034	2,442,729

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, 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 comprises the invoiced value of goods and services supplied by the company, exclusive of 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	- 2% straight line
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

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

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 2003

3. OPERATING PROFIT

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

	2003 £	2002 £
Depreciation of tangible fixed assets:		
- owned by the company	18,865	23,951
Auditors' remuneration	3,200	3,100
Loss/(profit) on foreign exchange	119	254
Profit on disposal of fixed assets	-	(193,700)
	<u> </u>	<u> </u>

4. STAFF COSTS

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

	2003 £	2002 £
Wages and salaries	416,188	428,005
Social security costs	50,984	50,267
Other pension costs	40,699	33,173
	<u>507,871</u>	<u>511,445</u>

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

	2003	2002
Office and management	12	11
Sales and distribution	3	3
	<u>15</u>	<u>14</u>

5. DIRECTORS' REMUNERATION

	2003 £	2002 £
Emoluments	195,995	199,144
Company pension contributions to money purchase pension schemes	30,000	20,000

During the year retirement benefits were accruing to 1 director (2002 - 1) in respect of money purchase pension schemes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

6. TAXATION

	2003 £	2002 £
Analysis of tax charge in year		
Current tax (see note below)		
UK corporation tax on profits of the year	33,483	93,933
Group relief at 30% (2002: 30%)	669	1,105
Total current tax	<u>34,152</u>	<u>95,038</u>
Deferred tax		
Origination and reversal of timing differences	3,140	(146)
Total deferred tax (see note 12)	<u>3,140</u>	<u>(146)</u>
Tax on profit on ordinary activities	<u><u>37,292</u></u>	<u><u>94,892</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:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>334,588</u>	<u>758,399</u>
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2002 - 30%)	100,376	227,520
Effects of:		
Group income	(57,000)	(122,464)
Capital gains indexation	-	(13,209)
Marginal relief	(6,635)	(1,461)
Deferred capital allowances	1,480	2,543
Deferred pension contributions	(3,900)	900
Difference between cost and March 82 value of disposal	-	(3,210)
Other differences	551	3,699
Provision for bonus on retirement	(720)	720
Current tax charge for year (see note above)	<u><u>34,152</u></u>	<u><u>95,038</u></u>

There were no factors that may affect future tax charges.

7. INTEREST PAYABLE

	2003 £	2002 £
Other interest payable	<u>-</u>	<u>429</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

8. TANGIBLE FIXED ASSETS

	Freehold property £	Motor vehicles £	Total £
Cost			
At 1 July 2002 and 30 June 2003	189,226	124,353	313,579
Depreciation			
At 1 July 2002	82,300	63,332	145,632
Charge for the year	3,610	15,255	18,865
At 30 June 2003	85,910	78,587	164,497
Net book value			
At 30 June 2003	103,316	45,766	149,082
At 30 June 2002	106,926	61,021	167,947

9. FIXED ASSET INVESTMENTS

	Shares in group under- takings £
Cost	
At 1 July 2002 and 30 June 2003	17,013
Provisions	
At 1 July 2002 and 30 June 2003	760
Net book value	
At 30 June 2003	16,253
At 30 June 2002	16,253

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

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%
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%

The aggregate of the share capital and reserves as at 30 June 2003 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)	402,350	199,749
R. D. P. Howden Limited (Manufacture and distribution of hydraulic and mechanical materials testing equipment)	141,918	(1,169)
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.	303,672	25,472

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 2003

10. DEBTORS

	2003 £	2002 £
Due within one year		
Amounts owed by group undertakings	166,351	93,941
Other debtors	928	895
Deferred tax asset (see note 12)	-	146
	<u>167,279</u>	<u>94,982</u>

11. CREDITORS:
Amounts falling due within one year

	2003 £	2002 £
Trade creditors	360	815
Amounts owed to group undertakings	299,684	316,686
Corporation tax	76,962	93,933
Social security and other taxes	53,313	59,628
Directors' current accounts	77,441	81,341
Accruals	28,859	49,769
	<u>536,619</u>	<u>602,172</u>

12. DEFERRED TAXATION

	2003 £	2002 £
At 1 July 2002	(146)	-
Charge for/(released during) the year	3,140	(146)
	<u>2,994</u>	<u>(146)</u>
At 30 June 2003		

The deferred tax provision/(asset) is made up as follows:

	2003 £	2002 £
Deferred capital allowances	(8,924)	(7,892)
Industrial buildings allowance	15,143	15,591
Deferred pension contributions	(3,225)	(7,125)
Provision for payment on retirement	-	(720)
	<u>2,994</u>	<u>(146)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

13. SHARE CAPITAL

	2003 £	2002 £
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

Profit and loss account	£
At 1 July 2002	2,117,739
Loss retained for the year	(22,704)
	<u>2,095,035</u>
At 30 June 2003	

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the year	297,296	663,507
Dividends	(320,000)	(470,000)
	<u>(22,704)</u>	<u>193,507</u>
Opening shareholders' funds	2,119,739	1,926,232
Closing shareholders' funds	<u>2,097,035</u>	<u>2,119,739</u>

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	68,858	256,549
Depreciation of tangible fixed assets	18,865	23,951
Profit on disposal of tangible fixed assets	-	(193,700)
(Increase)/decrease in debtors	(33)	35
Increase in amounts owed by group undertakings	(72,410)	(816)
(Decrease)/increase in creditors	(31,580)	2,054
(Decrease)/increase in amounts owed to group undertakings	(17,002)	41,781
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS	<u>(33,302)</u>	<u>129,854</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

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

	2003 £	2002 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	75,730	94,217
Interest paid	-	(429)
Income from investments in group undertakings	190,000	408,212
	<u>265,730</u>	<u>502,000</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	<u>265,730</u>	<u>502,000</u>
 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Sale of tangible fixed assets	-	220,000
	<u>-</u>	<u>220,000</u>

18. ANALYSIS OF CHANGES IN NET FUNDS

	1 July 2002 £	Cash flow £	Other non-cash changes £	30 June 2003 £
Cash at bank and in hand:	2,442,729	(138,695)	-	2,304,034
NET FUNDS	<u>2,442,729</u>	<u>(138,695)</u>	<u>-</u>	<u>2,304,034</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 2003 this amounted to £Nil (2002 : £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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2003

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:

	2003	2002
	£	£
R. D. P. Electronics Limited		
Management charge	645,000	645,000
Recharges	26,579	25,543
Balance at the year end	135,673	63,263
R. D. P. - Howden Limited		
Management charge	3,000	6,000
Group relief	(669)	(1,105)
Recharges	2,049	1,851
Balance at the year end	(240,537)	(257,539)