



Robotic Technology Systems PLC

**Annual Report and
Financial Statements**

Year ended 31 December 2003

**Annual Report and Financial Statements
for the year ended 31 December 2003****Contents** page

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Chairman's Statement for the year ended 31 December 2003

In 2003, the Group generated significant organic growth in Life Science and the domestic Nuclear Solutions businesses both of which outperformed their business plans and gained market share. The continued depressed state of the US industrial capital equipment market, however, dominated the business of RTS Wright in the US. As announced on 23 April 2004, the Group successfully completed the sale of this operation which was heavily loss-making. As a result RTS is now a highly focused business operating in growth markets with significant potential.

Group Results

In the year to 31 December 2003, turnover was £61.1 million compared to £70.6 million for the prior year. There was strong turnover growth in all the UK-based businesses; the UK divisions of Life Science and Nuclear Solutions grew by 22% and 14% respectively, whilst the newly-positioned Flexible Systems business grew by 105%. The aggregate turnover of the ongoing businesses ("Ongoing Group"), was £29.1 million, representing an increase of 23% compared to the prior year. This strong performance, however, was more than offset by the significantly reduced turnover in Assembly Systems, Process Systems and Tooling Systems in the US. These business groups continued to be adversely affected by the extremely difficult trading conditions in the US industrial market place.

Despite the reduction in Group turnover, the underlying trading performance of the Group improved substantially compared to the prior year. This was principally due to the decisive and significant restructuring programme management implemented at the US operation which generated a reduction in its cost base of £8 million on an annualised basis. Group EBITDA before exceptional items was £0.7 million, which represented an improvement of £7.1 million compared to the prior year. EBITDA before exceptional items of the Ongoing Group amounted to £3.3 million.



Operating profit in the Ongoing operations before exceptional items, acquisition goodwill amortisation and businesses to be sold or discontinued, amounted to £2.7 million compared with £2.3 million in 2002. On the same basis profit before tax for 2003 was £2.5 million compared with £2.1 million the previous year. This corresponds to an adjusted basic earnings per share of 4.14p against a prior year earnings per share of 2.45p on a like-for-like basis.

Exceptional items amounting to £25.0 million were incurred during the year mainly comprising an impairment charge under FRS 11 relating to the acquisition goodwill associated with RTS Wright Industries, LLC together with an impairment charge on its tangible fixed assets, both being non-cash items. As a result, the loss before tax for the year was £29.6 million (2002: loss before tax £34.6 million).

Despite the overall weak trading performance in the year, the Group's balance sheet remains strong with net debt of just £0.3 million representing gearing of just 1%. At the year end the Group had net cash of £1.7 million (£2.7 million cash less £1 million overdraft) and undrawn bank borrowing facilities of more than £4 million.

Group Structure

During the fourth quarter of 2003 and 2004 to date, the Group has aggressively pursued a strategy to dispose of loss-making and/or non-core businesses in order to realise cash and to focus on, and to invest in, the growing and profitable UK businesses. This programme was completed with the disposal of the business and certain assets and liabilities of RTS Wright Industries, LLC ("Wright disposal") on 23 April 2004. This business had incurred significant losses in the last two years and its market place, which experienced very tough conditions during that period, shows no visible sign of improvement. The gross cash proceeds on completion amounted to £2.1 million and the total consideration is expected to be between £6.4 million and £8.8 million depending on the timing of the principal repayments of the two RTS loan notes. In addition, a further £5.4 million is expected to be realised during the third quarter of 2004 from the disposal of RTS Wright Industries, LLC's ("Wright") two principal properties.

Board Changes

Mike Macsek resigned from the Board on 25 February 2003 in order to concentrate on his role as President and Chief Operating Officer of Wright.

We were pleased to welcome John Mowinckel who joined the Board as a non-executive director on 17 September 2003. Since 1992, John has been a director of various InvestIndustrial Group companies and before that he worked for Bankers Trust Company and then First National Bank of Chicago. John brings a tremendous amount of corporate finance and commercial experience to the Board.

David Timmins stepped down from the Board as Group Finance Director on 26 March 2004 to join Genus plc, in a career move, on 29 March 2004. The Board is grateful to David that the ultimate timing of his departure reflected his desire to complete the key elements of the audit process for the year ended 31 December 2003 and to progress the Wright disposal to a very advanced stage. On behalf of the Group, I would also like to thank David for his efforts and contribution to the Group's development during his five years as Group Finance Director.

Dividends

As in previous years, no dividend is proposed for the year.

Brokers

We were pleased to appoint Collins Stewart Limited as stockbroker and financial adviser to the Company on 8 April 2003.

Outlook

The Wright disposal has removed the significant risk and uncertainty which was affecting the Group. The Ongoing Group is now principally UK-based and comprises three core businesses, Life Science, Nuclear Solutions and Flexible Systems with strong growth prospects. The Wright disposal will also free up management time to drive the business forward and, together with the related property disposals, will strengthen the Group's financial position. The Ongoing Group has a current order book of approximately £20 million, its financial and trading prospects for 2004 are encouraging and it will benefit in the medium term from accelerated investment, particularly in Life Science.

Chris Brown
Chairman
27 April 2004



Chief Executive's Review for the year ended 31 December 2003

In 2003 our major UK-based businesses continued their profitable growth and our US- based operations selling to US industry continued to experience similar depressed market conditions to those seen in 2002 despite some apparent improvement in the first half of the year.

The ongoing Life Science business turnover grew by 22%. Our UK-based Nuclear Solutions business turnover grew by 14% and our embryonic Flexible Systems business which operates mainly in the UK food industry grew by 105%.

The organic growth in the UK-based operations and the continuing losses in the US industrial business were major drivers in the board's decision to dispose of RTS

Wright. All three of the UK-based businesses operated independently of RTS Wright with their own sales staff, support and operations organisations. We expect separation issues will be minor. The transaction releases the group from the uncertainties which have surrounded the US industrial capital goods markets and leaves us free to concentrate on the excellent growth prospects in our most profitable lines of business.



Major Corporate Events

► **Disposal of the business and assets of Enabling Technology LLC**

Our small US-based Laboratory Information Management Systems (LIMS) business, which operated principally in environmental markets continued to suffer from the effects of the US economy. In view of its losses, its non-core nature and the continuing research and development investment required to support it, it was decided that we would discontinue this business. The Telecation application software division and the Richland application software business were sold in January and March 2004 respectively.

► **Disposal of Advantage Personnel Services Ltd**

Advantage Personnel Services supplies design engineering staff to its customers on a contract basis and recruitment services for permanent staff. Its customers included the other UK subsidiaries of RTS. During 2003 the benefit to RTS of owning this type of business diminished and in March 2004 it was sold.

► **Disposal of the Business and Certain Assets and Liabilities of RTS Wright Industries, LLC**

The principal business of RTS Wright was the design, manufacture and supply of automated manufacturing systems for US customers. Trading conditions for RTS Wright continued to be extremely difficult in 2003 following an equally difficult 2002. Our major competitors reported similar experiences and we could not anticipate any significant recovery in the near term. The disposal provided RTS with an exit from its loss-making operations which were susceptible to the cyclical capital equipment market in the US. The disposal and the planned US property disposals will generate cash to be invested in the ongoing group's core, UK-based operations. Details of the disposal were circulated to shareholders on 7th April and the transaction closed on 23rd April 2004.



Chief Executive's Review for the year ended 31 December 2003

Operational Review

2003 has been another highly successful year for RTS Life Science International, with continuous operation revenues increased by 22%, maintaining the continuous year on year growth of the past five years.

Market acceptance of our Assay Platform™ high throughput screening system (HTS) has increased significantly with orders being received for a total of seven systems over the year. Assay Platform™ is now being accepted as the de facto standard for high throughput screening by a number of clients. We have made significant progress in the area of ultra high throughput screening (uHTS) during the year, with a major development in progress, in conjunction with a leading pharmaceutical company.





This system, which is designed to screen up to 1,000,000 samples per day, is due to be delivered during 2004 and will significantly enhance our client's screening capability. We are confident that this system will generate significant market interest.

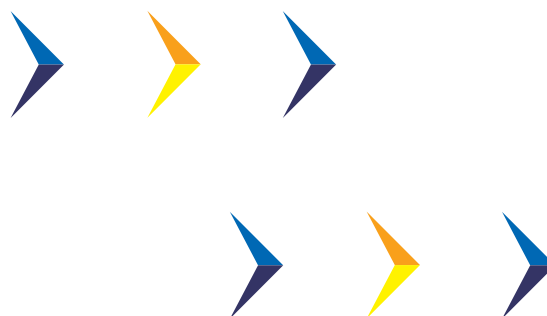
We were successful in the market for compound stores. More significantly, we booked our first order for a compound store using the latest '384 tube technology'; this relates to the storage of 384 extremely small tubes of samples in the footprint hitherto required for only 96 tubes. There is significant client interest in this technology and we are well positioned to capitalise on it as the market develops.

The market for our Assay Platform™ is increasing as clients recognise the advantages of high quality, reliable, industrial standard automation. A number of key R&D initiatives have taken place in the area of HTS and uHTS, which are continuing as part of our ongoing product

development strategy. The benefit of this R&D will begin to be realised during 2004.

Our Nuclear Solutions business continued its growth throughout 2003, sales in our continuing business grew by 14%. RTS had some milestone successes during the year increasing our market share and entering new market sectors. Significant successes included:-

-  Selection as the designer of choice as part of a consortium of four companies for one of the largest de-commissioning projects at BNFL Sellafield. RTS is the leading contractor in the consortium.
-  Secured new business at Berkeley Nuclear power station which marked our entry into the power station market sector. Further new business has been won at the Hinkley Point station in 2004.
-  Selected as the lead contractor for one of three consortia selected for the Multi-Discipline Design House trial initiative for BNFL. A total of 29 companies or consortia tendered for this business.
-  Recognised through BNFL's Supplier Network Initiation Programme (SNIP) for our achievements on the BNFL Technology Centre (BTC) project for BNFL Sellafield. One of only ten suppliers from the BNFL supply chain, which comprises of over 6000 companies, to achieve this recognition.



Flexible Systems, our business group which specialises in advanced robotic solutions based on RTS technology, has completed the consolidation of its operation onto the Manchester site and made solid progress on a number of fronts throughout 2003. Turnover grew by 105% albeit from a modest base.

Flexible systems also saw significant successes in 2003 including:-

- ▶ Won orders from two major UK bakery companies for our automated bread tin handling and storage facilities based upon our own Crocus gantry robots. We have increased market share in this application and RTS is now recognised as a significant supplier in this field.
- ▶ Developed and successfully delivered the first RTS Pixcell™ system used for high speed vision guided robotic packing to a major UK biscuit maker. This unit operates at 240 picks per minute and is the fastest we are aware of.
- ▶ Selected as the designer of the prototype robotic manufacturing line for a unique and innovative Powder Impression Moulding (PIM) process.

Flexible Systems continues to use its advanced robotic application knowledge and software capability in other niche applications within the nuclear and military markets. RTS is currently the advanced robotic software partner in a consortium which will deliver a working demonstrator for consideration by the British Army for the next generation of tele-operated robotic bomb disposal systems.



Management

The RTS Life Science business group has grown considerably over the past four years and it is now appropriate that we review its structure to ensure that it has a solid platform on which to move forwards. This exercise was well advanced in 2003 and will be completed in 2004. Recruitment of a number of new senior personnel is underway.

The Nuclear Solutions business group is seeking to develop its capability in 'front end' conceptual and process engineering for the nuclear industry and has appointed a new Director of Engineering, Doug Kirk, who has 28 years of experience with BNFL, to develop this aspect of the business.

➤ **Chief Executive's Review for the year ended 31 December 2003**

Product Development

We continue to see significant opportunities in the market place for RTS to continue its growth through research and development and in 2003 we have significantly increased the level of product development in

line with our business strategy.

Research and development into new product offerings is key to our Life Science business to ensure our continued growth and our marketing research programme has highlighted a number of new opportunities. We are



currently addressing each of these areas with internally funded R&D programmes; the new RTS SmarTStore™, our high density, lower cost modular store is currently in the second phase of development and beta testing is expected to begin in the fourth quarter of 2004. We already have an impressive prospect list for this product and are currently in the process of signing up beta test sites. Lower temperature storage at temperatures as low as -80°C is currently the subject of feasibility investigations and the storage of small, low volume, single use tubes (384 tube technology) is in hand with the first client system due for testing Q4 2004.

Flexible Systems has continued its research and development programme which maintains and enhances VIP™, our Machine vision software product and Pixcell™, which is our high speed robotic picking cell principally targeted at packaging in the food industry. Maintaining our development programme increases our sales leverage, and therefore our competitive edge, and also builds barriers to entry for potential competitors. During 2003 the integration and operational capabilities of VIP™ and Pixcell™ were driven forward to enable RTS to successfully deliver its first high speed multi-robot flexible packaging cell operating at 240 picks per minute which is the fastest cell of its type that we are aware of. The cell, which was delivered to a major UK Biscuit manufacturer, is the design basis for a significant proportion of the business we are now pursuing.

Outlook

The outlook for the ongoing Group is extremely encouraging. Following the disposal of RTS Wright, we will concentrate our management resources on promoting profitable growth in our strongest businesses.

We have an order book of approximately £20 million, and we are trading in markets which are active. Our Life Science business strategy is solid and will take it into new



market sectors and drive it towards a more product-oriented approach. The Nuclear Solutions business has a developing relationship with its main customer and is successfully expanding its business into the nuclear power station sector. Flexible Systems has strong technology and is building good relationships in the UK and European food industry which needs flexible automation. We believe that RTS is now an attractive technology business with a solid base to build on for the next five years and our share price should reflect this.

Philip Johnson
Chief Executive Officer

27 April 2004



Business Review **for the year ended 31 December 2003**

RTS is structured into three business groups which are focused on their individual markets and support their customers in science or industry wherever they operate internationally.

Each business group delivers innovative automation solutions using state of the art application technologies, many of which are based on key RTS software and application hardware products. Business groups support their customers on a total life cycle basis and may deliver their expertise as services for project management, specialised technical design or business support. Strong customer relationships are of paramount importance to us and RTS business groups are charged with fully understanding the needs of their customers, building and maintaining relationships with them and ensuring that these develop, wherever possible, into meaningful business partnerships.

RTS Flexible Systems International

RTS Flexible Systems International (FSI) delivers highly modular automation solutions which are specifically designed for the industries which, today, demand a level of production flexibility which can only be achieved using integrated robotic and software technologies and a highly modular approach. RTS application technology products are designed for flexible manufacturing environments where fast, economical product changeovers or advanced robotics with machine vision are required to achieve customers' objectives.

The RTS flexible manufacturing product set includes:

Vision Integration Platform™

A highly configurable robotic/machine vision integration software product with many applications in volume manufacturing where products need to be located, identified or inspected at high speeds.

FlexMill™

Versatile high precision three dimensional robotic work cells with the capability to operate in a wide range of applications using highly advanced robot guidance software for profiling or shaping complex products.

PixCell™

High speed robotic work cells with integrated vision capability for use where products need to be located, picked and packaged at high speed with the flexibility to satisfy the demands of modern manufacturing, food processing and packaging companies and their customers in retailing.

Crocus Gantry Robot Systems

Flexible solutions for flexible robotic applications involving heavy loads, optimum use of floor space or large products.



RTS *Life Science International*

RTS Life Science International (LSI) is leading the way to help cut development times through the introduction of fast reliable technology into the drug discovery process. By eliminating repetitive tasks, automating what have previously been manual processes and delivering effective information management, chemists and biologists have more time to realise their creativity. LSI has grown from a UK base to become a global leader in automated, environmentally controlled sample storage systems and robotic systems for high speed sample testing.

The Life Science International range of products make it increasingly competitive in the market place and give it a unique position:

Compact Store™

Compact Store™ together with its companion products for high-density environmentally controlled sample storage have become recognised industry leaders which, together with RTS septum sealed microtube technology™, protect the integrity of customers compound collections which are the source of their new product development programmes.

d-Sprint™ and SIS™

Powerful dynamic scheduling and inventory management informatics products help customers to manage and utilise the information they generate from their drug discovery operations.

Assay Platform™

A robotic High Throughput Screening (HTS) test cell combines the advantages of industrial automation with high integrity software to satisfy the demands of high throughput screening applications allowing continuous, extended periods of operation.

acCellerator™

Advances in high throughput screening technology have resulted in an ability to test large compound libraries against an increasing number of biological targets. This has resulted in an explosion in demand for cell-based testing. RTS has developed acCellerator™, an automatic cell culturing and harvesting system, to satisfy the demand for cells for large scale testing.

RTS *Nuclear Solutions International*

The quality, safety, reliability and longevity of systems and equipment used in the de-commissioning of nuclear plant and equipment, active waste management, reactor fuel manufacturing and re-processing are major issues in the nuclear industry. The market for the skills and the specialised capacity to address these issues is expanding rapidly especially in the UK where government initiatives have been launched to accelerate the de-commissioning of Nuclear liabilities. RTS Nuclear Solutions International (NSI) has many years of experience in these applications and offers specialised services for safety assessment, equipment design and project management or complete state of the art integrated systems which are designed, manufactured, tested and delivered to satisfy individual requirements. NSI is also becoming increasingly involved in the support, maintenance and de-commissioning of Nuclear power station equipment.



Financial Review **for the year ended 31 December 2003**

Turnover and Gross Margin

Turnover for the year ended 31 December 2003 decreased to £61.1 million from £70.6 million for the prior year, which represented a decrease of 13.4%. On an Ongoing Operations basis, excluding operations sold or to be discontinued ("Ongoing Operations"), turnover for the year ended 31 December 2003 increased by 23% to £29.1 million from £23.7 million on a like-for-like basis. Life Science turnover increased by 22% to £16.8 million (2002 : £13.7 million) and the UK division of Nuclear Solutions increased by 14% to £10.3 million (2002 : £9.0 million). The newly-positioned and evolving Flexible Systems business, which is also UK-based, grew by £1.0 million (105% increase) to £2.0 million (2002 : £1.0 million). The rest of the Group's businesses, however, were severely impacted by the continued difficult trading conditions in the US industrial capital spend market place. The reduction in turnover in Assembly Systems, Process Systems and Tooling Systems compared to the prior year, of £2.8 million, £5.1 million and £2.6 million respectively, more than offset the increases in turnover achieved by all of the UK businesses.

Gross margin improved to 27.1% from 25.8% in the prior year. Whilst most of this improvement was due to cost-saving measures and improvements in operational efficiencies at Wright, margins also benefited from the increased turnover of the higher margin UK businesses. In particular, the turnover of the UK-based Life Science business in 2003, which is the highest margin business in the Group, increased to 28% of Group turnover and was 51% of Ongoing Operations turnover. On an Ongoing Operations basis, gross margin for the current year was 30%.

Distribution and Administrative Costs

Distribution and administrative costs before exceptional items amounted to £21.0 million which represented a decrease of £8.5 million compared to the prior year. The scale of this decrease was due to the substantial restructuring programme implemented at Wright between May 2002 and March 2003.



Exceptional Items

In accordance with the provisions of FRS 11, an acquisition goodwill impairment of £15.6 million has been charged to the profit and loss account in the current year which relates mainly to the acquisition of Wright in May 2000. In addition an impairment of £7.5 million relating to Wright's tangible fixed assets has been charged to the profit and loss account. These were non-cash charges. Further exceptional costs incurred in the current year amounted to £1.9 million mainly of a non-cash nature and comprised £0.8 million relating to the impairment of intangible fixed assets of businesses sold subsequent to year end, restructuring costs at Wright of £0.3 million, a £0.4 million provision against a current asset investment and other exceptional costs totalling £0.4 million.

Taxation

The current year tax charge of £0.6 million, in respect of the profitable UK businesses, is reduced by current and retrospective research and development credits of £0.3 million to a net charge of £0.3 million. However, this charge has been largely eliminated by recognition of a tax credit of £0.3 million relating to the reversal of a prior year deferred tax charge.

Profit and Loss

The Group pre-tax loss for the year amounted to £29.6 million compared with a pre-tax loss of £34.6 million for the previous year. The post-tax loss for the Group also amounted to £29.6 million against a prior year loss of £35.5 million.

The profit before tax for Ongoing Operations in the current year, before exceptional items, acquisition goodwill amortisation and businesses to be sold or discontinued, amounted to £2.5 million against a comparable profit before tax of £2.1 million in 2002. At the post-tax level profit from Ongoing Operations for 2003 on the same basis



was also £2.5 million compared with a profit of £1.5 million in the previous year.

Earnings per share

The adjusted earnings per share on Ongoing Operations before exceptional items, acquisition goodwill amortisation and businesses to be sold or discontinued was 4.14p compared to an earnings per share on the same basis of 2.45p in the prior year. The basic loss per share for the year was 48.44p (2002: loss per share 59.20p).

Cash Flow

The Group reduced net debt during the year by £5.6 million to just £0.3 million, comprising £2.7 million cash and £3.0 million in debt. An exceptional cash inflow of £3.1 million was raised from two property disposals and £1.0 million, net of a related liability, was realised through selling investments. Excluding these exceptional inflows, and despite the heavy US losses, the Group was £1.5 million cash positive for the year.



Financial Review **for the year ended 31 December 2003**

Treasury Policy

The Group's treasury policy aims to ensure that adequate financial resources are available to develop the Group's business whilst managing its currency and interest rate risks. The Group's policy is not to engage in speculative transactions.

Disposals

The Group disposed of its last remaining trading subsidiary in Finland, Sy Pesonen on 19 December 2003 to management. Sy had incurred losses of £ 43,000 in 2003 prior to disposal. The consideration was nominal and the purchasers assumed liabilities of EUR 137,000.

On 8 January 2004, the Group sold its Telecation

application software business, a division of RTS Enabling Technology, LLC. On 23 March 2004, the Group sold its Richland application software business, the remaining trading division of RTS Enabling Technology, LLC. For the year ended 31 December 2003, these divisions collectively recorded a pre-tax loss of £1.0 million which also reflected a non-cash write off of intangible assets amounting to £788,000. The net aggregate cash consideration for these disposals is £47,000 and the net assets disposed of amounted to £352,000

On 31 March 2004, the Group sold its 90% shareholding in Advantage Personnel Services Ltd for £155,000, which corresponded to a premium over the Group's share of net assets, excluding intercompany accounts, of some £25,000.

On 23 April 2004, the Group completed the disposal of the business and certain assets and liabilities of RTS Wright Industries, LLC. The consideration was £8.8 million, comprising £2.1 million in cash and £6.7 million in two tranches of loan notes. The value of these loan notes could reduce to a minimum of £4.3 million in cash if they are fully pre-paid by the acquirer before 30 April 2005. The Wright properties are being retained by the Group and the acquirer is leasing the two principal properties for an initial annual rental of approximately £0.6 million.

John Kitson
Acting Finance Director

27 April 2004



Report of the Directors for the year ended 31 December 2003

The directors submit their report together with the audited Group financial statements for the year ended 31 December 2003.

Results and Dividends

The profit and loss account is set out on page 30 and shows the Group result for the year.

The directors do not recommend the payment of a dividend.

Principal Activities, Trading Review, Future Developments and Post Balance Sheet Events

The principal activity of the Group is the design and delivery of integrated automation solutions for scientific, automation and process applications. RTS offers the resources, application experience, technology and technical capability to support its customers' businesses.

The parent undertaking acts as a holding company for managing and controlling its interests in subsidiary undertakings.

A review of the business of the Group, acquisitions and disposals, future developments and important events that have happened since the end of the year is contained in the Chief Executive's review.

Directors

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



	Ordinary shares of 1p each 31 December		Number of share options held 31 December	
	2003 Or date of appointment	2002	2003 Or date of appointment	2002
C J Brown (Non-executive Chairman)	20,870	10,870	-	-
P B Johnson (Chief Executive)	60,000	52,500	754,000	654,000
D P Timmins (resigned 26 March 2004) (Group Finance Director)	11,000	6,000	510,000	410,000
M J Macsek (resigned 25 February 2003)	-	25,266	-	240,000
J H G Heller (Non-executive)	11,300	11,300	-	-
J C Mowinckel (appointed 17 September 2003) (Non-executive)	-	-	-	-

Report of the Directors for the year ended 31 December 2003

Mr Johnson, being eligible, offers himself for re-election at the Annual General Meeting.

Mr Mowinckel, who was appointed on 17 September 2003, retires pursuant to the provisions of article 87 of the articles of association and being eligible will offer himself for re-election at the Annual General Meeting.

On 11 April 2003 Mr Brown, Mr Johnson and Mr Timmins purchased 10,000, 7,500 and 5,000 ordinary shares respectively at 33p per share.

Further details relating to directors' share options are given in the remuneration report on pages 24 to 27.

Board of Directors -

The Directors of the Company are:

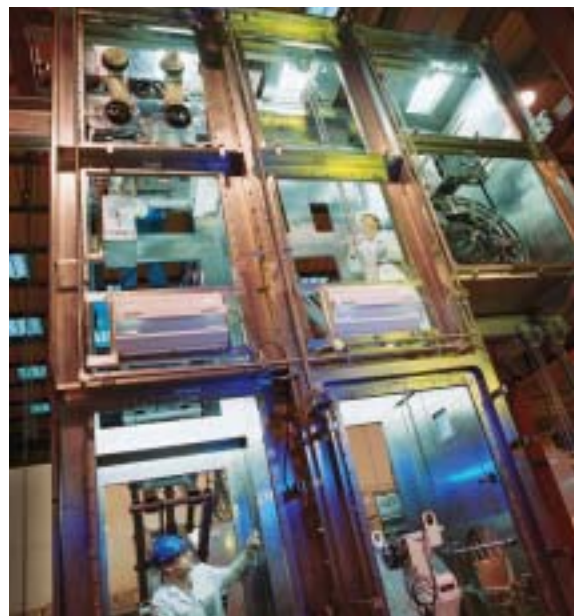
▶ **Chris Brown, Non-Executive Chairman, aged 50, MA, MBA** was appointed on 22 March 2001. He co-led the management buy-in of David Brown and was Chief Executive at the time of the flotation of David Brown Group plc on the London Stock Exchange in 1993 and its successful sale in 1998. Prior to this, he has been Managing Director of FKI's Control equipment division and Managing Director of GEC Marine and Industrial Gears. He is currently non-executive Chairman of Johnson Radley Plc, non-executive director of McLeod Russel Holdings Plc and a partner of Seabeam Partners Limited which provides resourcing and solutions to the public company sector for global expansion.

▶ **Philip Bryan Johnson, Chief Executive Officer, aged 55**, was appointed an Executive Director in September 1998 and became CEO in October 2000. He was previously sales director, then managing director of Thurnall Plc prior to the business being acquired by the Company in July 1998. Former

positions were held at Instem Computer Systems, Digital Equipment UK and IBM UK.

▶ **John Heller, Non-Executive, aged 53**, was appointed on 17 September 2002. He read law at Sheffield University and joined the international law firm Hammond Suddards Edge in 1976, as a commercial litigator. Mr Heller became head of litigation in 1989 and was made senior partner in 1996, a position he held until his retirement on 30 April 2002. Mr Heller is currently managing director of Hammonds Direct, an electronic conveyancing service.

▶ **John Mowinckel, Non-Executive, aged 54**, was appointed on 17 September 2003. Since 1992, Mr Mowinckel has been a director of various InvestIndustrial Group companies and is based in London. Prior to that, Mr Mowinckel worked for Bankers Trust Company and then First National Bank of Chicago where he was Managing Director with responsibility for corporate finance activity primarily between Europe and the US.



Research and Development

The Group carries out research and development generally as part of its day to day activities and in relation to products designed for the markets in which it operates. The cost of research and development is substantially funded by customers. Where development costs are incurred by the Group and they meet the defined criteria, the costs are carried forward and amortised over a period not exceeding five years (see notes 4 and 10).

Employment Policies

Due to the geographical spread of the constituent businesses of the Group and the devolution of responsibility to local management, the arrangements for involving employees in the business vary considerably. However, the overriding objective to achieve a shared commitment, by all employees, to the success of the business in which they work is applied throughout the Group.

The Group established an employee share option scheme in 1997, revised in May 2000, in order to encourage employees' participation in the financial performance of the Group. It is the policy to incentivise employees with share options exercisable in equal tranches over a period of five years. All options must be exercised within seven years of grant.

The Group is an equal opportunity employer in compliance with employment legislation extant in the countries in which it operates.

Information is communicated to local management, who consult with employees, in respect of any significant matters which would affect their interests.

The Company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work in relation to employees who become disabled, in order to promote their career development within the organisation.



Report of the Directors for the year ended 31 December 2003

Social, Environmental and Ethical Issues

The Board considers social, environmental and ethical matters seriously in connection with all aspects of the business of the Group.

Senior management, and the Board, seek to identify and assess the significant risks to the Group's short and long term value arising from social, environmental and ethical issues. Group companies comply with environmental laws and regulations and work continuously to improve the effectiveness of our environmental management.

Where applicable the Board receives formal reports on information when an assessment is required. The Board believes its members have the relevant experience to make necessary decisions.

Health and Safety

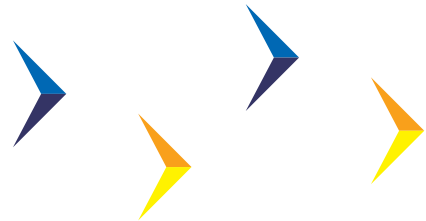
Health and safety of employees, customers and suppliers, is of primary importance to the Group. The goal is to make the workplace safe and without risk to health. To this end senior management ensure plant and machinery is properly maintained and that safe systems of work are set and followed. The Group provides adequate welfare facilities, instruction, training and supervision for health and safety as circumstances require.

Share Capital

Details of the issued share capital of the Company are given in note 20 to the financial statements.

At the Annual General Meeting the Directors are seeking a renewal of their general authority to allot shares up to one third of the current issued share capital and, to a limited extent, to issue shares up to 5% of the current issued share capital for cash, as if the statutory pre-emption rights did not apply. These resolutions are within the current guidelines for listed companies.

The authorities being sought are, effectively, the renewal of existing authorities, which expire at the conclusion of the meeting. The Directors have no immediate intention of issuing further shares in the Company.



Interests in Share Capital

As at 27 April 2004, the Company had been notified under section 198 of the Companies Act 1985 of the following persons who are interested in 3 per cent or more of the issued share capital of the Company:

	Number of ordinary shares	%
Investindustrial 3 Limited	15,273,875	24.95
Advanced Robotics Foundation	6,133,292	10.02
Bailey P Robinson, III	4,972,105	8.12
J M Finn Nominees Limited (i)	3,261,622	5.33
Taube Hodson Stonex Partners Limited (ii)	1,976,151	3.23

- (i) The shares are held in a non-beneficial capacity as a result of investment management or advisory service to clients
- (ii) Of these shares, 1,723,000 shares are beneficially owned by St James's Place UK and General Trust and 253,151 by Value Realisation Trust plc



Going Concern

The directors are confident, after making appropriate enquiries, that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Supplier Payment Policy and Practice

Given the international nature of the Group's operations, there is no Group standard in respect of payments to suppliers. Local operational management are responsible for agreeing terms and conditions for their business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier. The Group paid suppliers on average within 44 days (2002-45 days) during the year.



Report of the Directors for the year ended 31 December 2003

Political and Charitable Contributions



The Group made charitable contributions of £nil during the year (2002 - £336). The Group did not make any political contributions during the year (2002-£nil).


International Accounting Standards


All European Union listed groups are required to adopt International Accounting Standards (IAS) for the financial statements from 2005, which will include comparative information for 2004. The group is currently undertaking a detailed review of the impact of IAS on its published financial statements. These standards are themselves evolving and undergoing improvements. Our ongoing review has to date identified that the principal area affected is likely to be non-amortisation of goodwill (ED3). In addition, the adoption of IAS will result in changes to the format and disclosure requirements of both the primary financial statements and notes to the accounts.

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 Group and of the profit or loss of the Group for that year. 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; and*

 *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 of the Group, 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

D J Webb
Secretary

27 April 2004

Corporate Governance Statement for the year ended 31 December 2003

The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibility to protect and enhance shareholder value and long term financial performance. Throughout the year the Group has been in full compliance with Section 1 of the Combined Code appended to the Listing Rules of the UK Listing Authority ('The Code') except for the following points below:

-  *No Nomination Committee – this was remedied during the year.*
-  *The code recommends that the Board includes three non-executive directors; until the appointment of Mr Mowinckel on 17 September 2003 there were only two.*
-  *The code recommends that the Audit Committee consists exclusively of non-executive directors. During the year Mr Johnson, Chief Executive Officer, served on the Committee.*

The statement below describes how the principles, identified by the Code, are applied by the Group.

Directors

The Board consists of Mr Brown, non-executive Chairman, Mr Heller, senior non-executive director, Mr Mowinckel, non-executive director, and Mr Johnson, Chief Executive Officer. Mr Brown and Mr Heller, non-executive directors, are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

During the course of the year the Board has established a Nomination Committee which comprised

of Mr Heller, non-executive director and Chairman of the Committee, Mr Brown, non-executive Chairman and Mr Johnson, Chief Executive Officer.

Biographies of the Board members, appearing on page 15 of the directors' report, indicate the high levels and range of business experience which is essential to manage effectively a business of the size and complexity of that operated by the Group.

The Board meets at least eleven times each year and more frequently when business needs require. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. These include matters such as material capital commitments, commencing or settling major litigation, operating budgets, significant financing, business acquisitions and disposals, appointments to the boards of subsidiary undertakings, approval of business strategy, code of ethics and business practice, remuneration of senior management and corporate activities relating to all listing matters.



Corporate Governance Statement for the year ended 31 December 2003

There is an agreed procedure for directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every director has to the company secretary. The secretary is charged by the Board with ensuring that Board procedures are followed.

The differing roles of Chairman and Chief Executive are defined in separate statements. The key functions of the Chairman are to conduct Board meetings and meetings of shareholders and to ensure that all directors are properly briefed in order to take a full and constructive part in Board discussions. The Chief Executive is required to develop and lead business strategies and processes to enable the Group's business to meet the expectations of its shareholders.

To enable the Board to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of supporting documentation as appropriate, including regular business progress reports and discussion documents regarding specific matters.

Any director appointed subsequent to an Annual General Meeting in any year is required, under the provisions of the Company's articles of association, to retire and seek re-election by shareholders at the next Annual General Meeting. The articles also require that up to one third of the directors retire by rotation each year and seek re-election at the annual general meeting. The directors required to retire will be those in office longest since their previous re-election unless a director wishes to retire and does not seek re-election.

Full details of directors' remuneration and a statement of the Company's remuneration policy is set out in the Remuneration Report below. The members of the Remuneration Committee and principal terms of reference of the Committee appear on page 24.

Executive directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations which have a direct bearing on their own remuneration package. The details of each executive director's individual financial package are fixed by the Committee in line with the policy adopted by the Board.

Communication with Shareholders

The Company places a great deal of importance on communication with its shareholders. The Annual Report and Financial Statements are available to all shareholders and to other parties who have an interest in the Group's performance. Regular communication with shareholders also takes place via the website www.rts-group.com.

The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders through regular meetings and presentations. All shareholders have the opportunity to put questions at the Company's Annual General Meeting and any other Company meetings.

Audit and Internal Control

The respective responsibilities of the directors and the auditors in connection with the financial statements are explained on page 19 and the directors' statement on going concern appears on page 18.

➤ Overall Strategy on risk and control:

The Board considers risk management and internal control on a regular basis throughout the year. A Risk Management Committee, comprising a non-executive director and an executive director has been established.

During the year its activities have included reviewing the Group's risk framework and its monitoring functions and assessing all major risks together with their related risk management responses and, where appropriate, corrective programmes. The Risk Management strategy is established and monitored by the Board with the objective of setting clear guidelines in relation to the levels of retained risk acceptable to the Group. Procedures for the Group assessment of all business risks are subject to continuous review, monitoring and improvement.

The directors are responsible for the Company's system of internal financial control which is designed to provide reasonable but not absolute assurance against material misstatement or loss. The directors have in place internal financial controls as follows:



➤ Financial reporting:

A detailed formal budgeting process for all Group businesses culminates in an annual budget which is approved by the Board. Results for the Company and for its constituent businesses are reported monthly against the budget to the Board and revised forecasts for the year are prepared each quarter.

➤ Performance review:

All major business units are subject to periodic in depth review by Group Management during the year. Actual results are compared with budget, prior year and rolling financial targets, with overall performance judged on the achievement of a series of key performance indicators.

➤ Corporate plan:

Executive management submit an annual business plan to the Board for approval. The plan is a summation of each business unit's quantified assessment of its planned trading performance in respect of the forthcoming financial year, taking into account the economic environment and the sensitivities underlying the projections.



Corporate Governance Statement for the year ended 31 December 2003

Internal financial controls assurance:

The directors have reviewed during the year the effectiveness of the Group's internal financial controls. Senior executives have prepared during the year formal Board reports on the operation of those elements of the system for which they are responsible. Due to the size of the Group it is not currently considered necessary to operate a formal internal audit function. The Directors will review this requirement annually as a minimum.

Capital investment:

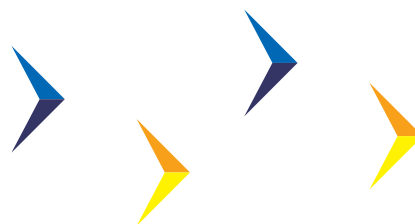
There are clearly defined guidelines for capital expenditure and the requirement for Board approval. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where substantial businesses are being acquired. Post investment appraisals are performed for major investments.

Audit Committee

The Audit Committee which is comprised of Mr Johnson, Chief Executive Officer, Mr Brown, Chairman of the Committee and Mr Heller, both non-executive directors, meets at a minimum of twice a year. Its objective is to give formal support to the Board in fulfilling its obligations to shareholders to maintain standards of management and financial control and reporting throughout the Group, consistent with regulatory requirements and current best practice.

The external auditors attend meetings of the Audit Committee and have direct access to the Chairman of that Committee.

The Audit Committee keeps the scope and cost effectiveness of both the internal financial procedures and the external audit under review. The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees. The analysis between audit and non-audit fees for the period under review appears at note 4 to the financial statements. The non-audit fees were paid in respect of tax advice, financial due diligence reviews and reports required for shareholder documents and are not considered by the Committee to affect independence or objectivity.



Remuneration Report for the year ended 31 December 2003

The report is divided into two sections, unaudited and audited information, in accordance with Schedule 7a of the companies Act 1985. The audited information commences on page 26. The remuneration policy is set by the Board and is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. The members of the Remuneration Committee are Mr Brown and Mr Heller, Non-executive Chairman and Non-executive Director respectively, who have access to independent advice when it is considered appropriate.

Remuneration Policy

The policy in respect of directors' remuneration for the forthcoming years is to offer competitive compensation packages to retain and attract the relevant calibre of management. The remuneration package of the executive directors, which is set out in the tables on pages 26 and 27, comprises basic salary, performance related annual bonus, pension scheme contributions, share options, certain of which are performance related, and fringe benefits such as use of a motor car and medical insurance, specifically:

Basic salary:

Salaries are determined with reference to the international market place, the complexities of the business and reflect experience and responsibility.

Annual bonus:

The executive directors are eligible to participate in an executive bonus scheme based upon target earnings per share. The maximum payable in 2003 was equated to 60% of basic salary. For 2004 the bonus will be dependent on achieving operating company budgets and the Group budget for the year. The maximum payable is equated to

60% of basic salary. Executive bonuses are accounted for in the year they are paid.

Pensions:

The executive directors are entitled to participate in the defined contribution scheme operated by the Company. Contributions of 10% of basic salary are currently being made by the Company into the scheme.

Benefits:

Other benefits include provision of a motor car, medical insurance, life insurance of four times salary and permanent disability insurance

Share options:

Details of share options held by directors are set out in the Report of the directors on page 14 of the financial statements. Options may be exercised up to 20 per cent of the total number of shares comprising the option in each of five equal tranches over a period of up to between 50 and 60 months from date of grant. On exercise, parts of any option not exercised in one year may be carried forward. The options granted on 24 October 2001 also have performance conditions as follows:

Remuneration Report for the year ended 31 December 2003

Vesting Date	% of Options Granted	Exercise Condition
24 October 2002	20	None
24 October 2003	20	Group results of a positive EBITDA for the six months ending 30 June 2003 or positive EBITDA for year ending 31 December 2003
24 October 2004	20	Positive earnings per share for the six months ending 30 June 2004 or positive earnings per share for the year ending 31 December 2004
24 October 2005	20	Earnings per share growth on the criteria set for those options vesting on 24 October 2004 of at least the rate of inflation
24 October 2006	20	Earnings per share growth on the criteria set for those options vesting on 24 October 2005 of at least the rate of inflation

Service Contracts

The Company has service contracts with its executive directors. It is company policy that such contracts should contain notice periods of not more than 12 months. At any time during the period of termination served, the Company has the right at its absolute discretion to assign no, reduced or alternative duties to the Executive Director where contractual benefits continue through the notice period. The Company also has the right to terminate the service contract lawfully without 12 months notice by paying to the director a sum equal to the salary and value of contractual benefit in respect of that part of the notice period not given.

For a period of six months immediately following either a change of control of the company, or a relevant transfer for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 1981 of at least 50% of the Company's business, or a transaction or series of transactions which either alone or jointly constitute a Class 1, Superclass 1, Reverse Takeover or Merger, the Executive

Director has the right to terminate his employment and receive a lump sum termination payment equivalent to the sum of 2 years' salary and the value of all contractual benefits.

Non-executive Directors

The fees of the non-executive directors are determined by the Board. Non-executive directors absent themselves from any discussion or decisions relating to their own remuneration. The remuneration reflects both the amount of time given and the contribution made by the non-executive directors to the Group's affairs, including membership or chairmanship of committees, and is on the basis of advice taken by the Board from independent consultants. The non-executive directors do not receive any bonuses related to the Group's performance.

Directors' emoluments (Audited)

	Fees £	Salaries £	Bonuses £	Benefits in kind £	2003 Total £	2002 Total £
Executive Directors						
Mr Johnson	-	155,250	25,197	17,886	198,333	210,356
Mr Timmins	-	127,925	20,762	13,465	162,152	173,707
Mr Macsek	-	18,820	-	1,510	20,330	182,003
	-	301,995	45,959	32,861	380,815	566,066
Non-executive Directors						
Mr Brown	40,000	-	-	-	40,000	43,332
Mr Heller	20,000	-	-	-	20,000	5,833
Dr Honkanen	-	-	-	-	-	15,833
Mr Mowinckel	5,000	-	-	-	5,000	-
	65,000	-	-	-	65,000	64,998

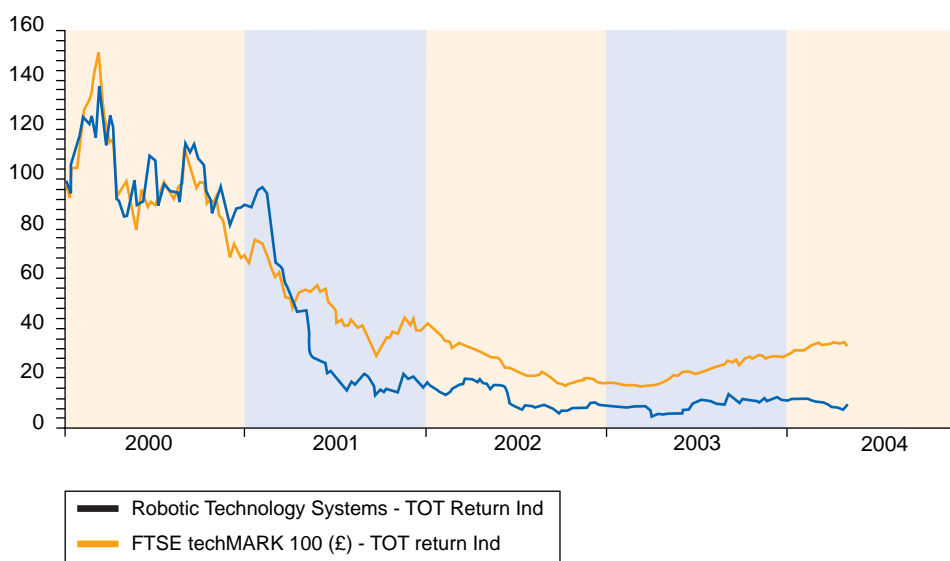
Dr Honkanen was paid £7,500 during the year in respect of a consultancy agreement with the Company, which expired on 30 June 2003.

Pensions (Audited)

	2003 £	2002 £
Mr Johnson	15,525	4,500
Mr Timmins	12,792	3,690
	<u>28,317</u>	<u>8,190</u>

Mr Johnson is a member of the Company's defined contribution pension scheme. Mr Timmins was a member of the Company's defined contribution pension scheme until his resignation on 26 March 2004. Payments made are in accordance with the rules of the scheme.

The adjacent graph shows the total shareholder return for a holding in the Company's ordinary shares for the period 2000-2004 relative to a holding of shares representing the techMARK 100. The techMARK 100 has been used for this purpose as it is a broad equity market index.



Remuneration Report for the year ended 31 December 2003

Shares and share options in the Company (Audited)

	Ordinary shares of 1p each 31 December		Number of share options held 31 December		Option price pence	Date from which first tranche exercisable
	2003	2002	2003	2002		
C J Brown	20,870	10,870	-	-		
J H G Heller	11,300	11,300	-	-		
P B Johnson	60,000	52,500	40,000	40,000	160.0	6 Nov 1999
			120,000	120,000	160.0	26 Feb 2000
			494,000	494,000	95.5	24 Oct 2002
			100,000	-	32.0	7 April 2004
M J Macsek (resigned 25 February 2003)	-	25,266	-	135,000	555.0	9 June 2001
				5,000	93.0	24 Sept 2002
				100,000	107.0	21 May 2003
D P Timmins (resigned 26 March 2004)	11,000	6,000	93,600	93,600	160.0	9 Apr 2000
			26,400	26,400	160.0	18 Oct 2000
			290,000	290,000	95.5	24 Oct 2002
			100,000	-	32.0	7 April 2004
J C Mowinckel	-	-	-	-		

The options above are held under the 1997 Employee Share Option scheme, as revised at 17 May 2000, the terms of which grant options at nil cost. The directors may only exercise up to 20 per cent of the total number of shares comprising the option in each of five equal tranches over a period of between 50 and 60 months from date of grant. The remaining options may be carried forward. All options must be exercised within seven years of grant. No options lapsed during the year. The market price at 31 December 2003 was 58p and the range during the year ended 31 December 2003 was 31.5p to 88.0p.

By order of the Board

C J Brown
Chairman

27 April 2004

Report of the Independent Auditors to the Members of Robotic Technology Systems Plc

We have audited the financial statements on pages 30 to 63. We have also audited the information in the directors' remuneration report on pages 26 to 27 that is described as having been audited.

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 Annual Report and the directors' remuneration report. As described on page 19, this includes responsibility for preparing 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, the Listing Rules of the Financial Services Authority, 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 whether the financial statements and the part of the directors' remuneration report to be audited have been 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 group is not disclosed.

We review whether the statement on page 20 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.



Report of the Independent Auditors to the Members of Robotic Technology Systems Plc

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 and the part of the directors' remuneration report to be audited. 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 group'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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the loss of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Manchester

27 April 2004



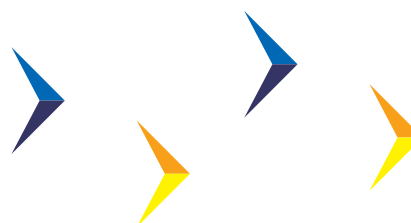
Group Profit and Loss Account for the year ended 31 December 2003

	Note	Year ended 31 December 2003			Year ended
		Retained ongoing operations £'000	Operations sold and to be discontinued £'000	Total £'000	31 December 2002 Total £'000
Turnover	2	29,090	32,049	61,139	70,559
Cost of sales		(20,425)	(24,169)	(44,594)	(52,363)
Gross profit		8,665	7,880	16,545	18,196
Distribution costs		(919)	(2,260)	(3,179)	(4,337)
Administrative expenses		(6,153)	(36,530)	(42,683)	(43,337)
Operating profit/(loss) before exceptional charges and other operating income		2,336	(6,753)	(4,417)	(11,306)
Exceptional administrative expenses included in Administrative expenses above:					
Acquisition goodwill impairment		-	(15,612)	(15,612)	(16,400)
Impairment of intangible fixed assets		-	(734)	(734)	(308)
Impairment of tangible fixed assets		-	(7,521)	(7,521)	-
Loss on termination of lease		(306)	-	(306)	-
Legal and professional costs		-	-	-	(816)
Restructuring costs		-	(290)	(290)	(648)
Provision against current asset investments		(437)	-	(437)	-
Operating profit/(loss) before other operating income		1,593	(30,910)	(29,317)	(29,478)
Other operating income	3	183	164	347	54
Operating profit/(loss)	4	1,776	(30,746)	(28,970)	(29,424)
Loss on disposal of properties		(100)	(234)	(334)	-
Profit/(loss) on termination of business segments		-	192	192	(4,972)
Profit/(loss) on ordinary activities before interest and taxation		1,676	(30,788)	(29,112)	(34,396)
Interest receivable				17	212
Interest payable	7			(493)	(427)
Loss on ordinary activities before taxation				(29,588)	(34,611)
Taxation on loss on ordinary activities	8			(16)	(839)
Loss on ordinary activities after taxation				(29,604)	(35,450)
Equity minority interests				(5)	(7)
Retained loss for year transferred from reserves				(29,609)	(35,457)
(Loss)/earnings per share	9				
Basic				(48.44)p	(59.20)p
Diluted				(48.44)p	(59.20)p
Adjusted basic on retained ongoing operations before exceptional items and acquisition goodwill amortisation				4.14p	2.45p

There was no difference between the reported profits and historical cost profit in either the current or preceding financial year. The Company has taken advantage of exemptions under section 230 Companies Act 1985 not to publish its own profit and loss account for the year. The notes on pages 35 to 63 form part of these financial statements.

 **Group Statement of Total Recognised Gains and Losses for the year ended 31 December 2003**

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Loss for the financial year	(29,609)	(35,457)
Currency translation differences on foreign currency net investments	(1,732)	(4,028)
Total recognised gains and losses for the year	<u>(31,341)</u>	<u>(39,485)</u>



The notes on pages 35 to 63 form part of these financial statements.

 **Group Balance Sheet
at 31 December 2003**

	Note	31 December 2003		31 December 2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		3,782		21,245
Tangible assets	11		13,609		28,522
Investments	12		30		35
			<u>17,421</u>		<u>49,802</u>
Current assets					
Stocks	13	11,458		15,107	
Debtors	14	13,277		12,036	
Investments	15	-		2,184	
Cash at bank and in hand		<u>2,651</u>		<u>3,645</u>	
		<u>27,386</u>		<u>32,972</u>	
Creditors: amounts falling due within one year	16	<u>(17,213)</u>		<u>(18,472)</u>	
Net current assets			<u>10,173</u>		<u>14,500</u>
Total assets less current liabilities			27,594		64,302
Creditors: amounts falling due after more than one year	17		(2,171)		(6,268)
Provisions for liabilities and charges	18		-		(1,357)
Net assets			<u>25,423</u>		<u>56,677</u>
Capital and reserves					
Called up share capital	20		612		611
Share premium account	21		74,500		74,490
Shares to be issued	21		120		120
Other reserve	21		642		571
Profit and loss account	21		<u>(50,496)</u>		<u>(19,155)</u>
Equity shareholders' funds	22		25,378		56,637
Equity minority interests	19		45		40
			<u>25,423</u>		<u>56,677</u>

These financial statements were approved by the Board on 27 April 2004 and signed on its behalf by:

C J Brown,
Director

P B Johnson,
Director

The notes on pages 35 to 63 form part of these financial statements.

Company Balance Sheet at 31 December 2003

	Note	31 December 2003		31 December 2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		125		165
Investments	12		<u>13,082</u>		<u>50,526</u>
			13,207		50,691
Current assets					
Debtors	14	260		123	
Investments	15	-		437	
Cash at bank and in hand		<u>73</u>		<u>54</u>	
		333		614	
Creditors: amounts falling due within one year	16	<u>(4,218)</u>		<u>(2,027)</u>	
Net current liabilities			<u>(3,885)</u>		<u>(1,413)</u>
Total assets less current liabilities			9,322		49,278
Provisions for liabilities and charges	18		-		(9)
Net assets			<u>9,322</u>		<u>49,269</u>
Capital and reserves					
Called up share capital	20		612		611
Share premium account	21		74,500		74,490
Shares to be issued	21		120		120
Other reserve	21		642		571
Profit and loss account	21		<u>(66,552)</u>		<u>(26,523)</u>
Equity shareholders' funds	22		<u>9,322</u>		<u>49,269</u>

These financial statements were approved by the Board on 27 April 2004 and signed on its behalf by::

C J Brown,
Director

P B Johnson,
Director

The notes on pages 35 to 63 form part of these financial statements.

Group Cash Flow Statement for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Net cash inflow/(outflow) from operating activities	28	2,335	(6,023)
Returns on investment and servicing of finance	29i	(476)	(232)
Corporation tax paid		(131)	(880)
Capital expenditure and financial investment	29i	3,816	(5,752)
Acquisitions and disposals	29i	5	(1,142)
Cash inflow/(outflow) before management of liquid resources and financing		5,549	(14,029)
Management of liquid resources	29i	-	3,100
Financing	29i	(7,492)	9,496
Decrease in cash		(1,943)	(1,433)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Decrease in cash in the year		(1,943)	(1,433)
Cash inflow/(outflow) from movement in debt	29ii	7,503	(9,426)
Cash outflow relating to liquid resources		-	(3,100)
Change in net funds relating to cash flows		5,560	(13,959)
Movements in net funds in the year		5,560	(13,959)
Net (debt)/funds at 1 January		(5,890)	8,069
Net debt at 31 December		(330)	(5,890)

The notes on pages 35 to 63 form part of these financial statements.

Notes Forming Part of the Financial Statements for the year ended 31 December 2003

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The principal accounting policies are:

Basis of Consolidation

The Group financial statements incorporate the audited financial statements of the Company and all of its subsidiary undertakings made up to the financial year end. The results of subsidiary undertakings acquired or disposed of in the year are included in the Group profit and loss account from the effective date of acquisition or disposal. Accounting policies are consistently applied throughout the Group. Intercompany balances and transactions have been eliminated. Material profits from intercompany sales, not yet realised outside the Group, have also been eliminated.

Acquisitions, Disposals and Goodwill

The difference between the fair values of consideration given and identifiable net assets acquired is capitalised in the consolidated financial statements as goodwill. Goodwill arising which is denominated in foreign currencies is translated to sterling at the exchange rates ruling at the date of acquisition. Capitalised goodwill is amortised using the straight line method over its estimated useful economic life, according to each individual acquisition.

Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

No material amount of goodwill has previously been eliminated against reserves.

Fixed asset Investments

Fixed asset investments in subsidiary undertakings are stated at cost less provisions for impairment in value.

Employee Share Option Schemes

The cost of awards to employees that take the form of shares or rights to shares are recognised over the years of the employee's related performance. It is the Company's policy to provide immediately for social security payments notionally payable by the Company on the difference between the market value of shares at the balance sheet date and the exercise price of the vested share option.

Intangible Fixed Assets

Amortisation is provided on intangible fixed assets at annual rates calculated to write off the cost of the assets on a straight line basis over their anticipated useful economic lives. The useful economic life is assessed for each acquisition after having regard to the future economic benefits expected to be generated by the acquisition. The annual rates used are as follows:

<i>Software development costs</i>	-	20 - 50%
<i>Acquisition goodwill</i>	-	5 - 20 %

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 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:

<i>Freehold buildings</i>	-	2 %
<i>Leasehold buildings</i>	-	<i>Over length of the lease</i>
<i>Fixtures, fittings and equipment</i>	-	20 - 33%
<i>Plant and machinery</i>	-	10 - 33%
<i>Motor vehicles</i>	-	20 - 33 %

Grant Income

The Company allocates grant receipts between capital and revenue as specified otherwise under the terms of the grant.

Revenue grants received are credited to the profit and loss account in accordance with the provisions of the individual agreements for grants awarded in the year.

Capital grants are accounted for as deferred income and released over the estimated useful economic life of the assets to which they relate.

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.

Current Asset Investments

Investments are stated at the lower of cost to the Group and estimated net realisable value. The profit or loss arising on disposal and any provisions against carrying value are reflected in operating profit.

Warranty Provisions

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

Deferred Taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the group 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.

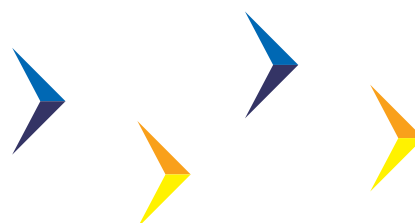
In considering whether deferred tax assets should be recognised, the directors form a judgement as to recoverability.

Deferred tax is calculated using rates of tax that have been enacted by the balance sheet date.

Foreign Currencies

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.

On consolidation, assets and liabilities denominated in foreign currencies are translated to sterling using the closing rate method. Results of overseas subsidiary undertakings are translated to sterling at average rates of exchange. Exchange differences arising on consolidation are shown as a movement on reserves.



Notes Forming Part of the Financial Statements for the year ended 31 December 2003

1 Accounting policies *(continued)*

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.

Turnover and profit on long term contracts, which can last from three months to over a year, are recognised as the work is carried out on a percentage of completion method 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 year end by recording turnover and related costs and estimating costs to completion. Provision for losses are made on all contracts in the year they are first foreseen. Under certain contracts the work is certified by the customer prior to sales being recognised.

Advance and progress payments are included in creditors as payments on account to the extent 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.

Pension Costs

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

Financial Instruments

The Group uses derivative financial instruments to hedge its exposures to fluctuations in interest and foreign exchange rates. Instruments accounted for as hedges are structured so as to reduce the market risk associated with the underlying transaction being hedged and are designated as a hedge in the inception of the contract. Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument. Gains and losses on contracts hedging forecast transaction cash flows are recognised in the hedged periods. Cash flows associated with derivative financial instruments are classified in the cash flow statement in a manner consistent with those of the transactions being hedged. Finance costs associated with debt issuances are netted against the carrying value of the related debt and charged to the profit and loss account over the life of the issue.

If the underlying transaction ceases to exist, the hedge is terminated and the profits and losses on termination are recognised in the profit and loss account immediately. If the hedge transaction is terminated, the profits and losses on termination are held on the balance sheet and amortised over the life of the original underlying transaction.

The Group does not hold or issue derivative financial instruments for trading purposes.

2 Turnover and profits

Turnover analysis

By activity	Year ended 31 December 2003			Year ended 31 December 2002 £'000
	Retained continuing operations £'000	Operations sold and to be discontinued £'000	Total £'000	
Assembly Systems	-	16,310	16,310	19,143
Build-to-Print	-	4,765	4,765	3,213
Flexible Systems	2,092	(638)	1,454	4,384
Life Science	16,678	1,263	17,941	15,617
Nuclear Solutions	10,320	2,949	13,269	12,755
Process Technology	-	1,748	1,748	6,869
Support Services	-	1,321	1,321	1,696
Tooling Systems	-	4,331	4,331	6,882
	<u>29,090</u>	<u>32,049</u>	<u>61,139</u>	<u>70,559</u>

By geographical destination	Year ended 31 December	
	2003 £'000	2002 £'000
United Kingdom	17,288	19,389
Other European Countries	4,612	5,594
United States of America	38,761	42,054
Rest of World	478	3,522
	<u>61,139</u>	<u>70,559</u>

By origin	Year ended 31 December	
	2003 £'000	2002 £'000
United Kingdom	29,858	25,049
Other European Countries	552	1,442
United States of America	30,729	44,068
	<u>61,139</u>	<u>70,559</u>

The directors have taken advantage of the exemption provided by Statement of Standard Accounting Practice 25 paragraph 43, from disclosing operating (loss)/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 Group.

 **Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

3 Other operating income

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Other income	<u>347</u>	<u>54</u>

4 Operating loss

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Operating loss is arrived at after charging/(crediting)		
Rents payable under operating leases:		
Hire of plant and machinery	485	609
Other	375	324
Depreciation – charge for the year	2,420	2,350
– owned assets		
– leased assets	1	8
– impairment – owned assets	7,521	-
Amortisation – charge for the year	2,326	2,459
– impairment	16,346	20,504
Auditors' remuneration (including payments to former auditors)		
– audit services	165	272
– tax compliance services	95	60
– other services	129	305
– in respect of audit services to the Company	25	25
Provision against current asset investments	437	-
Share scheme charge	71	290
Loss on disposal of tangible fixed assets	52	80
Deferred grant income	(40)	(40)
Research and development	<u>3,500</u>	<u>3,000</u>

Included in administrative expenses for the current year (wages and salaries costs) is a non-cash charge in respect of employee share option schemes of £71,000 (2002- £290,000) made to reflect the economic cost to the company (including National Insurance) at the time a conditional award is made.



5 Operating profit excluding exceptional items, acquisition goodwill amortisation and losses of businesses to be sold or discontinued

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Operating profit/(loss) of ongoing/continuing operations	2,336	(7,946)
Acquisition goodwill amortisation	208	2,096
Operating income in ongoing operation	183	39
Operational losses of business sold and to be discontinued	-	8,141
	<u>2,727</u>	<u>2,330</u>

6 Employees

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

	Year ended 31 December 2003 Number	Year ended 31 December 2002 Number
Engineering specialists	300	406
Programming and software specialists	197	272
Administration, sales and management	89	119
	<u>586</u>	<u>797</u>

Staff costs for all employees, including executive directors, consist of:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Wages and salaries	21,644	32,725
Social security costs	1,891	2,496
Other pension costs	302	333
	<u>23,837</u>	<u>35,554</u>

Information covering Directors' remuneration (including pension entitlements), interests in shares and interest in share options is included in the Remuneration report on pages 24 to 27.

7 Interest payable

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Bank loans and overdrafts	<u>493</u>	<u>427</u>

**Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

8 Taxation

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Current tax		
UK Corporation tax	566	-
Adjustment in respect of prior periods	(267)	(47)
	299	(47)
Foreign tax on profits in the year	7	23
	7	23
	306	(24)
Deferred tax		
Origination and reversal of current year timing differences	(54)	-
Origination and reversal of prior year timing differences	(236)	863
	(290)	863
Tax on losses on ordinary activities	16	839
Factors affecting the current tax charge for the year		
The current tax assessed for the year is higher than the standard rate of corporation tax in the UK . The difference is explained below:		
Loss on ordinary activities before tax	(29,588)	(34,611)
Loss on ordinary activities multiplied by standard rate of tax in the UK of 30% (2001 - 30%)	(8,876)	(10,383)
Effects of:		
Other timing differences	12	44
Depreciation for year in excess of capital allowances	41	(489)
Permanent differences	7,625	7,127
Adjustments to tax charge in respect of previous periods	(267)	(47)
Unrelieved losses in overseas undertakings	1,771	3,724
	306	(24)

At the end of the year the group has recognised a deferred tax asset which is comprised as follows:

	£'000
Depreciation in excess of capital allowances	84
Other timing differences	206
Tax on losses on ordinary activities	290

No corresponding asset was recognised in the prior year.

The Company's tax residence throughout the year was the United Kingdom. The Company is presently managed and controlled in the United Kingdom.

The Group has taken relief in the current year tax charge for tax allowances totalling approximately £4.5m in certain overseas subsidiaries. The deferred tax asset has been recognised accordingly. The directors' expectations are that this asset will be utilised in the short term.

The Group has an overseas subsidiary undertaking with an unrelieved capital loss of approximately £1.6m which is available to offset against future trading profits within that country.

Another overseas subsidiary undertaking has tax allowances relating to current and future liabilities totalling approximately £8.532m. This represents the net present value of the benefit to the Group which will accrue over the next twelve years. In accordance with Group accounting policies, the deferred taxation asset has not been recognised in these financial statements. As an additional note, given the disposal of the US operations it is unlikely that full tax benefit will be generated from these losses.

The Group has a subsidiary undertaking which crystallised an unrelieved capital loss of approximately £39m which it is anticipated will be available to offset against future capital gains in the United Kingdom.

Following a routine tax audit by the Finnish authorities in 2001 an assessment has been raised on the Company.

The Finnish tax authorities claimed that:

- ▶ the Company had a "permanent establishment" in Finland for tax purposes and that accordingly, pursuant to Finnish tax legislation, any income or gain arising from any asset connected to the "permanent establishment" in Finland should be added to the taxable income of the Company; and
- ▶ at the time the Company became tax resident in the UK and the "permanent establishment" ceased to exist in Finland, any appreciation of the value of the shares in the Company's Finnish subsidiary (OY Robotic Technology Systems Finland Limited ('RTS Oy')), being a connected asset, would be added to the taxable income of the Company.

The Finnish tax authorities went on to indicate that based on their valuation of RTS Oy this might lead to an income tax liability of the Company of approximately €13.4 million (approximately £8.7 million) plus interest of approximately €4.6 million (approximately £3 million) as at 31 December 2002 plus possible penalties. The directors received tax and legal advice from, amongst others, eminent Finnish tax experts on the merits and quantum of the potential claim which led them to conclude that there was insufficient evidence to establish that the Company had a permanent establishment in Finland or that, within the meaning of the tax legislation, its subsidiary was a connected asset and that the Company should not be taxed on any income in Finland. In addition during 2003 the Company received confirmation from the UK Inland Revenue that any claim by the Finnish tax authorities was not in accordance with the UK Finland Double Tax Treaty.

In December 2002, the Finnish corporate tax office confirmed that it would not raise an assessment and that from their point of view the matter was now closed. In February 2003 the representative of state filed an appeal against the Finnish Corporate Tax Office's decision with the Board of Appeal. The Company responded to this appeal in May 2003. A further response was made in December 2003 and it is expected that a final decision on this will be made by September 2004. Having considered the legal and tax advice taken in the UK and Finland the directors remain firmly of the view that the Company has a sound case for defeating any claim in its entirety. Accordingly no provision for a potential liability has been made in the financial statements.



 **Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

9 (Loss)/Earnings per share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial years. For basic loss per share, the weighted average number of equity shares in issue is 61,120,791 (2002 - 59,884,638) and the loss, being loss after tax and minority interests, is £29,609,000 (2002 - £35,457,000).

	2003 Pence	2002 Pence
Basic loss per share	<u>(48.44)</u>	<u>(59.20)</u>

The number of shares used for the diluted loss per share is calculated as follows:

	2003 Number	2002 Number
Basic number of shares	61,120,791	59,884,638
Exercise of options	<u>167,980</u>	<u>80,628</u>
	<u>61,288,711</u>	<u>59,965,266</u>

The adjustment to the basic number of shares in respect of the exercise of options has been calculated based on the assumption of a share price of £0.58, the average in the year.

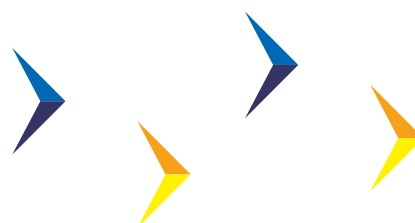


The loss figures have not been adjusted, being £29,609,000 (2002 - £35,457,000) for the purposes of the diluted loss per share calculation.

	2003 Pence	2002 Pence
Diluted loss per share	<u>(48.44)</u>	<u>(59.20)</u>
Adjusted basic earnings per share	<u>4.14</u>	<u>2.45</u>

The adjusted basic earnings per share on ongoing operations before exceptional items and acquisition goodwill amortisation has been amended to exclude losses of businesses to be sold or discontinued. The directors believe this amendment is appropriate as these businesses were sold prior to 27 April 2004 and will therefore become discontinued operations for the year ended 31 December 2004.

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Loss for the year	(29,609)	(35,457)
Acquisition goodwill impairment	15,612	16,400
Acquisition goodwill amortisation	2,235	2,096
Exceptional administrative expenses	9,288	1,772
Loss on disposal of properties	334	-
Profit on termination/disposal of business segments	(192)	-
Loss before taxation of discontinued activities	-	8,317
Loss before taxation of operations sold and to be discontinued	4,861	8,339
Adjusted basic earnings	<u>2,529</u>	<u>1,467</u>



**Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

10 Intangible fixed assets

Group	Acquisition goodwill £'000	Software development costs £'000	Total £'000
Cost			
At 1 January 2003	47,527	2,203	49,730
Additions	-	1,254	1,254
Exchange adjustments	(37)	(147)	(184)
Disposals	(822)	-	(822)
At 31 December 2003	<u>46,668</u>	<u>3,310</u>	<u>49,978</u>
Amortisation			
At 1 January 2003	26,952	1,533	28,485
Charge for the year	2,235	91	2,326
Impairment charge	15,612	734	16,346
Exchange adjustments	-	(139)	(139)
Disposals	(822)	-	(822)
At 31 December 2003	<u>43,977</u>	<u>2,219</u>	<u>46,196</u>
Net book value			
At 31 December 2003	<u>2,691</u>	<u>1,091</u>	<u>3,782</u>
At 31 December 2002	<u>20,575</u>	<u>670</u>	<u>21,245</u>

As required by FRS 11 Impairment of fixed assets and goodwill a formal impairment review has been carried out at 31 December 2003 in relation to RTS Wright Industries, LLC and RTS Enabling Technology, LLC. After considering the operating losses of the subsidiaries and the consideration received for them post year end goodwill has been written down to its net realisable value with a £15.6 million impairment recognised. In order to calculate the impairment, the value in use is calculated using forecasted income from the disposal of RTS Wright Industries, LLC being discounted at a rate of 16% which is the pre-tax weighted average cost of capital for the Group adjusted for the specific risks of the relevant subsidiaries.

In addition, the company has impaired £734,000 of software development costs held within Enabling Technology Systems, LLC and RTS Wright Industries, LLC to reflect their disposal post year end.

Company	Software development costs £'000
Cost	
At 31 December 2002 and 2003	<u>21</u>
Amortisation	
At 31 December 2002 and 2003	<u>21</u>
Net book value	
At 31 December 2002 and 2003	<u>-</u>

11 Tangible assets

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, machinery and motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2003	18,249	750	9,164	4,929	33,092
Additions	(22)	30	344	659	1,011
Reclassifications	(769)	769	2	(2)	-
Exchange adjustments	(1,285)	-	(1,188)	(46)	(2,519)
Disposals	(4,544)	-	(205)	(91)	(4,840)
At 31 December 2003	<u>11,629</u>	<u>1,549</u>	<u>8,117</u>	<u>5,449</u>	<u>26,744</u>
Amortisation					
At 1 January 2003	691	105	2,091	1,683	4,570
Charge for the year	284	73	1,123	941	2,421
Impairment charge	3,730	-	2,601	1,190	7,521
Reclassifications	(31)	31	-	-	-
Exchange adjustments	(339)	-	(404)	(285)	(1,028)
Disposals	(109)	-	(163)	(77)	(349)
At 31 December 2003	<u>4,226</u>	<u>209</u>	<u>5,248</u>	<u>3,452</u>	<u>13,135</u>
Net book value					
At 31 December 2003	<u>7,403</u>	<u>1,340</u>	<u>2,869</u>	<u>1,997</u>	<u>13,609</u>
At 31 December 2002	<u>17,558</u>	<u>645</u>	<u>7,073</u>	<u>3,246</u>	<u>28,522</u>

Included in freehold land and buildings is land stated at a cost of £2,316,000 which is not depreciated (2002 - £3,776,000).

Company	Plant, machinery and motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2003	6	208	214
Additions	-	7	7
At 31 December 2003	<u>6</u>	<u>215</u>	<u>221</u>
Amortisation			
At 1 January 2003	6	43	49
Charge for the year	-	47	47
At 31 December 2003	<u>6</u>	<u>90</u>	<u>96</u>
Net book value			
At 31 December 2003	<u>-</u>	<u>125</u>	<u>125</u>
At 31 December 2002	<u>-</u>	<u>165</u>	<u>165</u>



**Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

12 Fixed asset investments

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Unlisted investments	30	-	30	-
Other equity investments	-	-	5	-
Shares in subsidiary undertaking	-	10,033	-	47,362
Loans to subsidiary undertaking	-	3,049	-	3,164
	<u>30</u>	<u>13,082</u>	<u>35</u>	<u>50,526</u>

Unlisted investments

The Group has a minority interest in the equity share capital of Helsinki Halli Oy, a company incorporated in Finland. The principal activity of this company is the ownership and promotion of a public entertainment arena in Finland. The market value, in the opinion of the Directors, at the balance sheet date was £30,000 (2002 - £30,000).

Shares in subsidiary undertakings	£'000
At 1 January 2003	47,362
Disposals	(9)
Provision	(37,370)
At 31 December 2003	<u>10,033</u>

The Company has recognised a provision against its investment in RTS Wright Industries, LLC in order to reflect the net assets remaining with the group following the disposal of that company's trade and some of its assets on 23 April 2004.

Loans to subsidiary undertakings	£'000
At 1 January 2003	3,164
Reclassification to current assets	(115)
At 31 December 2003	<u>3,049</u>

13 Stocks

	31 December 2003 Group £'000	31 December 2002 Group £'000
Raw materials and consumables	1,224	475
Work in progress	<u>10,234</u>	<u>14,632</u>
	<u><u>11,458</u></u>	<u><u>15,107</u></u>

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

	£'000	£'000
Recorded costs incurred less provisions for losses	103,155	118,043
Cumulative amounts recorded as cost of sales	<u>(92,921)</u>	<u>(103,411)</u>
Contract work in progress	<u><u>10,234</u></u>	<u><u>14,632</u></u>

The current replacement cost of stocks does not materially exceed the historical cost stated above.

14 Debtors

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	9,989	51	10,453	-
Amounts recoverable on long term contracts	1,600	-	-	-
Other debtors	290	21	651	38
Deferred tax asset	290	-	-	-
Corporation tax recoverable	-	-	35	-
Prepayments and accrued income	<u>1,108</u>	<u>188</u>	<u>897</u>	<u>85</u>
	<u><u>13,277</u></u>	<u><u>260</u></u>	<u><u>12,036</u></u>	<u><u>123</u></u>



 **Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

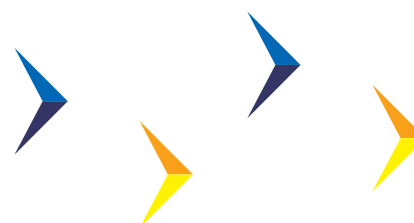
15 Current asset investments

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Life assurance investments	-	-	1,747	-
Loans to related party	-	-	437	437
	<u>-</u>	<u>-</u>	<u>2,184</u>	<u>437</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,184</u></u>	<u><u>437</u></u>

Life assurance investments

Life assurance investments represented the investment by the Group in life insurance policies for senior employees. The policies were held beneficially by the Group and were cashed in during the year.

<i>Loans to related party ("RTS Networks Group PLC")</i>	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 January	437	437	1,365	1,560
Interest	-	-	17	17
Receipts in the year	-	-	(928)	(928)
Provision	(437)	(437)	(17)	(212)
At 31 December	<u>-</u>	<u>-</u>	<u>437</u>	<u>437</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>437</u></u>	<u><u>437</u></u>



16 Creditors: amounts falling due within one year

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts	1,346	988	3,828	-
Payments received on account	770	-	1,641	-
Trade creditors	9,261	119	9,158	162
Corporation tax	717	104	-	141
Amounts owed to group undertakings	-	2,811	-	1,529
Other creditors	15	4	141	98
Other taxes and social security	1,132	21	240	97
Accruals and deferred income	3,932	171	3,424	-
Deferred capital grant	40	-	40	-
	<u>17,213</u>	<u>4,218</u>	<u>18,472</u>	<u>2,027</u>

Included in bank loans and overdrafts are amounts totalling £358,000 (2002 - £3,683,000) secured by a fixed and floating charge over certain subsidiary companies.

17 Creditors: amounts falling due after more than one year

	31 December 2003 Group £'000	31 December 2002 Group £'000
Bank loans (secured)	1,634	5,656
Other loans	-	35
Deferred capital grant	<u>537</u>	<u>577</u>
	<u>2,171</u>	<u>6,268</u>

Included in bank loans due in more than one year are amounts totalling £1,634,000 (2002 - £5,656,000) secured by a fixed and floating charge over certain subsidiary companies. The Company has provided a parental guarantee in respect of this debt.

Included in deferred capital grants are amounts totalling £377,000 (2002 - £417,000) due after more than five years.

	31 December 2003 Group £'000	31 December 2002 Group £'000
The bank loan included within creditors falls due as follows:		
In one year or less	358	3,828
In more than one year but not more than two years	471	5,656
In more than two years but not more than five years	450	-
In more than five years	<u>713</u>	<u>-</u>
	<u>1,992</u>	<u>9,484</u>

 **Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

18 Provisions for liabilities and charges

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Provisions				
Warranty	-	-	21	-
Restructuring	-	-	1,327	-
Social security on share options	-	-	9	9
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,357</u>	<u>9</u>
	<u>-</u>	<u>-</u>	<u>1,357</u>	<u>9</u>

	31 December 2003 Group £'000	31 December 2002 Group £'000
Warranty Repairs		
At 1 January	21	21
Transfer to current liabilities	(21)	-
At 31 December	<u>-</u>	<u>21</u>
	<u>-</u>	<u>21</u>

	31 December 2003 Group £'000	31 December 2002 Group £'000
Restructuring provision		
At 1 January	1,327	-
Utilised or released in year	(1,327)	1,327
At 31 December	<u>-</u>	<u>1,327</u>
	<u>-</u>	<u>1,327</u>

The restructuring provision was provided to recognise onerous lease obligations on businesses discontinued in the previous year and trading losses until the date of termination in accordance with FRS 12. The provision has been utilised in the year and any balance of the provision not utilised, released.



	31 December 2003 Group £'000	31 December 2002 Group £'000
Deferred tax provision		
At 1 January	-	23
Transferred to the profit and loss account	-	(23)
At 31 December	<u>-</u>	<u>-</u>

	31 December 2003		31 December 2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Social security on share options				
At 1 January	9	9	9	9
Transferred to the profit and loss account	(9)	(9)	-	-
At 31 December	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>

19 Minority interests

	£'000
At 1 January 2003	40
Movement in year	<u>5</u>
At 31 December 2003	<u>45</u>

Equity minority interests relate to the holdings of third parties in two non-trading subsidiary undertakings and a 10% holding, attributable to senior management, in Advantage Personnel Services Limited.

**Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

20 Share Capital

	Authorised 31 December		Allotted, called up and fully paid 31 December	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Ordinary shares of 1p each	850	850	612	611

	Number of shares	£'000
In issue at 1 January 2003	61,095,374	611
Issued in the year	55,000	1
In issue at 31 December 2003	61,150,374	612

	Number of shares	Nominal value £	Premium on issue £
Share options exercised	55,000	550	10,450
Issued in connection with acquisitions	-	-	-
	55,000	550	10,450

Share option scheme

In accordance with an agreement dated 19 December 1997, as revised 17 May 2000, the Company established an Inland Revenue unapproved share option plan on behalf of its directors and employees. At the balance sheet date, share options outstanding are 3,460,400 including 1,064,000 in respect of two directors of the Company. During the year, 55,000 options were exercised by staff and management in accordance with the scheme rules, in respect of which the Company received £18,400 cash proceeds, and 307,000 options lapsed.

A participating employee may only exercise up to 20% of the total number of shares comprising the option in five equal tranches between 50 and 60 months from the date of grant. On exercise, parts of any option in one year may be carried forward. All options must be exercised within seven years of grant.

The rules of the scheme state that the Company may not grant options over such number of shares as is equivalent in number to a percentage more than 10 per cent of the share capital in issue in the year of ten years commencing with the date options are first granted under the scheme.

It is the current policy of the Company to grant options at a price no lower than the average market value in the three days prior to grant.

The exercise prices of options outstanding at 31 December 2003 are:

Number	Option Price Pence	Exercise Period	
		From	To
60,000	20.0	01/03/98	01/03/04
268,800	160.0	01/11/99	01/11/05
213,600	160.0	01/02/00	01/02/06
22,000	200.0	01/07/00	01/07/06
26,400	160.0	01/10/00	01/10/06
60,800	160.0	01/04/01	01/04/07
10,000	200.0	01/04/01	01/04/07
670,000	555.5	01/06/01	01/06/07
208,000	592.0	01/10/01	01/10/07
184,800	93.0	01/09/02	01/09/08
784,000	95.5	01/10/02	01/10/08
447,000	107.0	01/05/03	01/05/09
20,000	55.0	01/01/04	01/01/10
485,000	32.0	01/04/04	01/04/10
200,000	70.0	01/09/04	01/09/10
<u>3,660,400</u>			



**Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

21 Reserves

	Profit and loss account £'000	Share premium account £'000	Shares to be issued £'000	Other reserve £'000	Total £'000
Group					
At 1 January 2003	(19,155)	74,490	120	571	56,026
Loss for the year	(29,609)	-	-	-	(29,609)
Shares issued in the year	-	10	-	-	10
UITF 17 share scheme charge	-	-	-	71	71
Exchange differences	(1,732)	-	-	-	(1,732)
At 31 December 2003	<u>(50,496)</u>	<u>74,500</u>	<u>120</u>	<u>642</u>	<u>24,766</u>
Company					
At 1 January 2003	(26,523)	74,490	120	571	48,658
Loss for the year	(40,029)	-	-	-	(40,029)
Shares issued in the year	-	10	-	-	10
UITF 17 share scheme charge	-	-	-	71	71
At 31 December 2003	<u>(66,552)</u>	<u>74,500</u>	<u>120</u>	<u>642</u>	<u>8,710</u>

Included in other reserve is the aggregate amount of £642,000, which the directors are advised by counsel is to be regarded as distributable and relates to charges against profits in compliance with UITF Abstract 17.

An unrealised exchange loss of £1,732,000 transferred to the profit and loss reserve, has arisen due to the translation loss on assets held by the Group denominated in US dollars.

22 Group reconciliation of movements in equity shareholders' funds

	31 December 2003 £'000	31 December 2002 £'000
Group		
Loss retained for the financial year	(29,609)	(35,457)
UITF 17 share scheme charges	71	289
Equity shares issued	1	34
Premium on equity shares issued (net of expenses)	10	3,462
Equity shares to be issued as deferred consideration	-	(3,339)
Grant of share options as consideration (net of waivers)	-	(181)
Net exchange differences	(1,732)	(4,028)
Net deduction to equity shareholders' funds	(31,259)	(39,220)
Opening equity shareholders' funds	56,637	95,857
Closing equity shareholders' funds	25,378	56,637
Company		
Loss retained for the financial year	(40,029)	(43,363)
UITF 17 share scheme charges	71	289
Equity shares issued	1	34
Premium on equity shares issued (net of expenses)	10	3,462
Equity shares to be issued as deferred consideration	-	(3,339)
Grant of share options as consideration (net of waivers)	-	(181)
Net exchange differences	-	-
Net deduction to equity shareholders' funds	(39,947)	(43,198)
Opening equity shareholders' funds	49,269	92,467
Closing equity shareholders' funds	9,322	49,269

23 Pensions

Pension scheme contributions represent contributions payable to defined contribution schemes in certain countries in which the Group operates. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group, and amounted to £302,000 for the year (2002 - £333,000). Amounts totalling £21,000 have been accrued and deducted but not paid to the schemes at 31 December 2003 (2002 - £24,000). The average number of employees participating in the scheme during the year was 208.

Notes Forming Part of the Financial Statements for the year ended 31 December 2003

24 Capital commitments

There are no capital commitments authorised but not contracted for at the balance sheet date. Share capital commitments at the balance sheet date are referred to in note 20 to the financial statements.

25 Contingent Liabilities

The Company is party to a composite cross guarantee in relation to the banking facilities of the Group's UK undertakings. At the year end the liabilities covered by these guarantees totalled £nil (2002 - £nil).

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)

The Company has a contingent liability in respect of a tax assessment raised in Finland (note 8).

The Group is involved in an ongoing contract dispute with Tyden Seal Company, Inc. The matter is currently in litigation and the directors believe that adequate provision has been made in the accounts to cover any anticipated costs.

The Group is involved in an ongoing contract dispute with Columbia Analytical Services, a privately owned company operating in the United States. The directors have been advised that the chance of the plaintiff being successful in their claim is remote and so no provision has been made. However even in the event that the claim did succeed any future liability would be covered by an existing insurance policy.

26 Commitments under operating leases

At 31 December 2003, the Group had annual commitments under non-cancellable operating leases as set out below:

	31 December 2003		31 December 2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	28	26	132
In two to five years	-	220	343	205
After five years	418	-	190	-
	<u>418</u>	<u>248</u>	<u>559</u>	<u>337</u>



27 Related party transactions

I **RTS NetWorks Group PLC (“RTS NetWorks”)**

Under the terms of the composite guarantee and debenture granted on 8 January 2001, the directors of RTS NetWorks invited the directors of the Company to appoint an administrative receiver on 31 January 2002. On that date RTS NetWorks shares on the Alternative Investment Market of the London Stock Exchange were suspended. In the opinion of the directors, the net realisable value of the Group’s equity in RTS NetWorks was £nil and amounts were provided against the carrying value of the investment in the financial statements for the year ended 31 December 2001.

In respect of the term loan facility totalling £500,000, secured by the composite guarantee and debenture, the administrative receiver remitted funds totalling £338,000. Provisions against the carrying value of the loan were made in the financial statements for the year ended 31 December 2001.

On 21 March 2002 the Company exercised its right to call on the guarantee, provided by a third party, in respect of the term loan facility totalling £1,000,000 to RTS NetWorks. On 5 April 2002 £587,000 was received in respect of this guarantee. Interest totalling £17,000 was provided on the balance outstanding during 2002. At 31 December 2002 £437,000 remained outstanding and the Company exercised its right to call on a secondary guarantee provided by Advanced Robotics Foundation.

During the year ended 31 December 2003 the Company provided in full against the outstanding balance of £437,000 as it is believed that recovery of the amount is unlikely (note 15).

II **Advanced Robotics Foundation (“ARF”)**

ARF is a specific technology foundation committed to providing discretionary grants for research and development in robotic technology and control software for flexible automation solutions. ARF holds a notifiable interest in the ordinary share capital of the Company. ARF provided a secondary guarantee to the Company in respect of the term loan facility totalling £1,000,000 provided to RTS NetWorks in the event that a shortfall existed after the provisions of a guarantee by a third party. On 17 April 2002 the Company exercised its right to call on the guarantee and on 27 January 2003 issued legal proceedings against ARF to enforce collection. Legal proceedings are ongoing but due to complications in the Liechtenstein jurisdiction where the claim is based the Company now believes that full recovery of the amount outstanding is unlikely to occur.

III **Group companies**

The Company has taken advantage of the exemption set out in FRS 8, Related Party Transactions, not to disclose transactions with other Group companies.



 **Notes Forming Part of the Financial Statements
for the year ended 31 December 2003**

**28 Reconciliation of operating loss to net cash
inflow/(outflow) from operating activities**

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Operating loss	(29,112)	(34,396)
Depreciation and amortisation	28,614	25,321
Movement in provisions	(1,357)	1,327
Provision against current asset investments and related receivables	437	17
Loss on disposal of subsidiaries	228	-
Decrease in stocks	3,649	1,024
Loss on disposal of investment	5	-
Loss on disposal of intangible fixed assets	-	7
Loss on disposal of tangible fixed assets	359	58
Profit on disposal of current asset investments	(229)	(84)
(Increase)/decrease in debtors	(1,287)	2,826
Increase/(decrease) in creditors	957	(2,413)
Provisions in respect of share scheme	71	290
Net cash inflow/(outflow) from operating activities	<u>2,335</u>	<u>(6,023)</u>

29 Notes to the cash flow statement

 *ij* **Gross cash flows**

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Returns on investment and servicing of finance		
Interest received	17	195
Interest paid	(493)	(427)
	<u>(476)</u>	<u>(232)</u>
Capital expenditure		
Payments to acquire intangible fixed assets	(1,254)	(307)
Payments to acquire tangible fixed assets	(1,011)	(6,209)
Receipts from sale of intangible fixed assets	4,105	-
Purchase of current asset investments	-	(164)
Receipts from sale of current asset investments	1,976	928
	<u>3,816</u>	<u>(5,752)</u>

▶ **i) Gross cash flows** (continued)

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	(1,142)
Net debt disposed with subsidiary undertakings	5	-
	<u>5</u>	<u>(1,142)</u>
Management of liquid resources		
Money market and other deposits	<u>-</u>	<u>3,100</u>
Financing		
Issue of share capital	11	70
New borrowings	1,463	9,452
Repayments	(8,951)	-
Capital element of finance leases	(15)	(26)
	<u>(7,492)</u>	<u>9,496</u>

▶ **ii) Analysis of changes in net debt**

	At 1 January 2003 £'000	Cash flows £'000	At 31 December 2003 £'000
Cash at bank and in hand	3,645	(994)	2,651
Overdrafts	(39)	(949)	(988)
	<u>3,606</u>	<u>(1,943)</u>	<u>1,663</u>
Debt due within one year	(3,789)	3,431	(358)
Finance leases	(16)	15	(1)
Debt due in more than one year	(5,691)	4,057	(1,634)
	<u>(9,496)</u>	<u>7,503</u>	<u>(1,993)</u>
	<u>(5,890)</u>	<u>5,560</u>	<u>(330)</u>

Notes Forming Part of the Financial Statements for the year ended 31 December 2003

30 Disposals

Disposal of subsidiaries

On 12 December 2003, the Group disposed of the business and assets of Pesonen Oy, SY Oy and Wenders Oy for €1, to local management.

Sale of businesses

Net assets disposed of:	£'000
Tangible fixed assets	27
Debtors	310
Creditors	(106)
Net assets	<u>231</u>
Proceeds	-
Loss on disposal	<u>(231)</u>

The businesses sold during the year did not have a material impact on Group cash flows.

31 Financial instruments

The principal risks arising from the Group's financial instruments are discussed below. The Group's policy regarding derivatives and financial instruments are set out in note 1 to the financial statements.

Where the directors perceive exposure to financial risk in the future regarding financial instruments, they will seek to obtain appropriate hedging instruments to limit their exposure to such risks.

Short term debtors and creditors or current assets investments are not treated as financial assets or liabilities respectively for the purposes of FRS 13 disclosures.

Currency exposure

The Group publishes its financial statements in pounds sterling and conducts businesses in many foreign currencies. As a result, it is subject to foreign currency exchange risk due to exchange rate movements which will affect the Group's transaction costs and revenues and the translation of the results and underlying net assets of its subsidiaries.

The Group has limited transactional foreign currency risk since overseas subsidiaries derive revenues and incur expenses denominated predominantly in currencies in the countries in which they operate. All monetary assets and liabilities of the Group are materially denominated in the operating or functional currency of the operating unit involved.

The Group had no open foreign exchange contracts at the balance sheet date.

Interest rate and currency of borrowings

The interest rate exposure of the Group's borrowings is shown below:

Currency	Fixed rate borrowings £'000	Floating rate borrowings £'000	Total £'000
At 31 December 2003			
Sterling	1,463	-	1,463
US Dollars	-	322	322
	<u>1,463</u>	<u>322</u>	<u>1,785</u>
At 31 December 2002			
Sterling	2,500	1,183	3,683
US Dollars	-	5,658	5,658
	<u>2,500</u>	<u>6,841</u>	<u>9,341</u>

The maturity of the above borrowings profile is referred to in notes 16 and 17 to the financial statements. Interest on floating rate liabilities is based upon the relevant national inter bank rates.

The Group has a medium term loan facility totalling £1,463,000, which is repayable over ten years. Interest accrues at 1.5% per year over LIBOR on the balance. In connection with this facility the Group has entered into an interest rate swap for a period of ten years commencing on 18 December 2003 on the balance at 6.46%.

Borrowing facilities

The Group's short-term flexibility is presently achieved by overdraft facilities.

Undrawn bank facilities

The Group has the following undrawn committed floating bank borrowing facilities available:

	31 December 2003 £'000	31 December 2002 £'000
Expiring with one year:		
Sterling	1,000	1,000
US Dollar	3,368	5,280
	<u>4,368</u>	<u>6,280</u>

These facilities are for the purposes of providing flexibility in the management of liquidity and are subject to annual review and confirmation.

The fair values of the Group's financial assets and liabilities are not materially different from their book value.

Notes Forming Part of the Financial Statements for the year ended 31 December 2003

32 Post balance sheet events

On 8 January 2004 the Company disposed of the trade and assets of the Telecation business, a division of RTS Enabling Technology, LLC for £30,000.

On 23 March 2004 the Company disposed of the remaining trade and assets of RTS Enabling Technology, LLC for £17,000.

On 31 March 2004 the Company disposed of its 90% shareholding in Advantage Personnel Services Limited for an initial consideration of £155,000. An additional amount to be determined on agreement of completion accounts is anticipated to be received shortly.

On 23 April 2004 the Company disposed of the trade and assets of RTS Wright Industries, LLC for initial proceeds of £2,100,000. Total proceeds are expected to be between £6,400,000 and £8,800,000 depending on the timing of the principal repayments of the two RTS Loan Notes.

33 Group Companies

The Group is comprised of the following principal trading companies:

Name of Company	Country of incorporation	Principal activity	Percentage of ordinary share capital held %
Robotic Technology Systems PLC	England & Wales	Management holding company	100
RTS Thurnall Limited *	England & Wales	Laboratory systems	100
RTS Innovation Limited *	England & Wales	Nuclear engineering	100
RTS Advanced Robotics Limited *	England & Wales	Vision guided robots	100
RTS Enabling Technology, LLC **	U.S.A.	Software applications	100
Advantage Personnel Services Limited **	England & Wales	Recruitment consultancy	90
RTS Wright Industries, LLC **	U.S.A.	Automation systems	100

* Held indirectly via subsidiary companies.

+ Sold since the year end (see note 31).

The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of shares held.

A full list of Group companies is available from the registered office.

Annual General Meeting Notice

Robotic Technology Systems PLC *Notice of Annual General Meeting*

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the offices of Robotic Technology Systems PLC, Gilchrist Road, Northbank Industrial Park, Irlam, Manchester, M44 5AY at 12 noon on Thursday, 24 June 2004, for the following purposes:

Ordinary business

1. To receive the Accounts of the Company for the period ended 31 December 2003 and the Directors' and Auditors' reports on those Accounts and the Auditors' report on the auditable part of the Directors' remuneration report.
2. To approve the Directors' remuneration report for the period ended 31 December 2003.
3. To re-elect Mr John C Mowinckel as a Director of the Company (who retires pursuant to the provisions of Article 87 of the Articles of Association).
4. To re-elect Mr Philip B Johnson as a Director of the Company (who retires pursuant to Article 92 of the Articles of Association).
5. To re-appoint KPMG Audit Plc as the Auditors of the Company and to authorise the Directors to fix their remuneration.

Special business

6. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities as defined in section 80 (2) of the Act on and subject to such terms as the Directors may determine. The maximum aggregate nominal amount of relevant securities which may be allotted pursuant to this authority shall be £204,051. The authority hereby conferred shall expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, at the conclusion of the next annual general meeting of the Company unless renewed, varied or revoked by the Company in general meeting. The Directors shall be entitled, under this authority, to make at any time prior to the expiry of this authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority.

7. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, subject to the passing resolution 6, the Directors be and they are hereby authorised and empowered pursuant to section 95 (1) of the Act, to allot equity securities (as defined in section 94 (2) of the Act) pursuant to the general authority conferred by resolution 6 contained in the notice of annual general meeting of which this resolution forms part,

Annual General Meeting Notice

as if section 89 (1) of the Act did not apply to such allotment, save that the Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry, provided such power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever;

(b) the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities for cash up to an aggregate nominal value of £30,608 (being a sum equal to 5 per cent of the Company's issued ordinary share capital)

And shall expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, at the conclusion of the next annual general meeting of the Company

By order of the Board

D J Webb

Secretary

Registered office:

44 Phipps Hatch Lane,

Enfield, Middlesex.

EN2 0HN

27 April 2004

 **Notes:**

- (1) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Company's register of members at 5pm on 22 June 2004 (or, in the case of an adjournment, as at 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time.
- (2) A member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending the meeting or any adjournment thereof and voting in person if they so wish.
- (3) A form of proxy is enclosed and to be valid must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for the meeting or any adjournment thereof together with, if appropriate, the power of attorney or other authority under which it is signed or a notarially certified or office copy of such power or authority.
- (4) In the case of joint holders, the signature of only one of the joint holders is required on the form, but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.
- (5) Copies of the register of Directors' interests and of all Directors' service agreements will be available for inspection at the registered office of the Company at any time during normal business hours on each business day from the date of this notice until the date of the annual general meeting. These documents will also be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the annual general meeting.

Contact Information

Directors

C J Brown
P B Johnson
J H G Heller
J C Mowinckel

Secretary

D J Webb FCIS

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EN2 0HN

Registered Number

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