

Robotic Technology Systems PLC

Interim Results

for the Six Months ended 30 June 2005

**Interim Results for the
Six Months ended 30 June 2005**

Contents	page
Chairman's Statement	3-7
Group Profit and Loss Account	8
Group Balance Sheet	9
Consolidated Cash Flow Statement	10
Group Statement of Total Recognised Gains and Losses	11
Notes to the Financial Information	12-18
Independent Review Report	19
Contact Information	20



**Interim Results for the
Six Months ended 30 June 2005****Chairman's Statement****Overview**

In the first half of 2005 our three businesses have all made good progress towards our objective of profitable, sustainable growth. In addition, the successful disposal of the largest two of our US properties has strengthened our balance sheet and left us in an excellent position to develop these businesses further.

Nuclear Solutions continued its dramatic growth with a further 36% rise in turnover over the first half of 2004, despite the market uncertainties arising from the creation of the Nuclear Decommissioning Authority. An increase in our activities at Sellafield was complemented by further work at the Magnox power stations and an initial order from Dounreay.

Following a difficult second half of 2004, Life Science achieved a much improved profit in the period. Significant orders were won with a number of prestigious new customers, including a production order for a blood fractionation system for UK Biobank. The development of our new SmarTStore™ product was substantially completed during the period and was successfully exhibited at the Geneva SBS conference in September.

Flexible Systems maintained its dramatic growth rate in achieving another doubling of turnover compared with the first half of 2004, with margins well ahead of last year.



Financial Review

Group turnover for the six months to 30 June 2005 was £22.5m and this compares to £18.3m in the previous year from continuing operations. The result reflects strong performances by Nuclear Solutions, up 36% to £14.1m, and Flexible Systems, up 129% to £3.5m. As noted in the year-end accounts, the changes being implemented in Life Science constrained its sales performance in the period resulting in sales of £4.9m.

Operating margins for the Group, at 7.1%, compared favourably to 3.9% from continuing operations (excluding exceptional items) in the year to 31 Dec 2004. Excluding US rental income, the net operating margin was 5.9% compared to 3.0%.

Operating profit was £1.6m compared with £1.2m in 2004 from continuing operations, driven by the strong performances in Nuclear Solutions and Flexible Systems. Life Science returned to profit following losses in the second half of 2004.

As noted in the 2004 annual accounts, the Group does not hedge its foreign currency exposure arising from the Loan Notes and Properties held in the US. This led to foreign currency gains in the period of £0.5m, arising from the favourable dollar exchange rate movement applied to net dollar-denominated assets.

Profit after taxation for the Group in the first half of 2005 was £2.1m compared to a loss after taxation of (£6.2m) in 2004. The £2.1m included, within interest receivable, a £0.5m foreign exchange gain.

This produced a basic/fully diluted earnings per share of 3.40p against a prior year loss per share of (10.04)p. The Group's headline tax rate has been reduced due to significant sums being expended in research & development. These currently qualify for enhanced allowances.

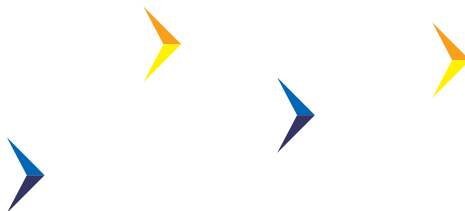
During the period the main US properties were sold, leaving the Group with two smaller properties and a land holding that have an aggregate net book value of \$3.1m (£1.7m). The main properties were sold for \$10m (£5.5m), of which \$2m (£1.1m) is held in escrow as lease support and approximately \$3m (£1.7m) was used to repay associated debt. The \$2m (£1.1m) lease support is shown within debtors (amounts falling due after more than one year) in the Group balance sheet and its collection is contingent upon continued payment of rent by the tenant to the purchaser.

Chairman's Statement

Financial *Review Continued*

Operating cash inflow of £0.6m is stated after settlement of \$1.4m (£0.8m) of the contingent US Liabilities. Combined with the net property receipt of \$6.6m (£3.6m) and other non-operating cash flow, this led to a cash inflow of £4.8m and closing cash of £4.5m, compared to (£0.3m) at the year-end. The remaining property assets are being marketed .

Following cancellation of the share premium account in 2004, the Group has been able legally to pay dividends. The sale of the principal US properties has led to a cash surplus which it is proposed be returned to shareholders by means of a one-off special dividend. Accordingly, the Board has declared that an interim dividend of 6 pence per share be paid on 4 November 2005 to shareholders on the register on 7 October 2005.



Operational *Review*

In 2005 RTS Nuclear Solutions has consolidated its position as one of the leading suppliers of engineering services to the UK nuclear sector, achieving a further step change in its scale of operations. As well as an increased volume of work at Sellafield, we have won more work from the nuclear power stations, and the steps we have taken to enable us to address other areas of nuclear decommissioning work within the UK have resulted in a first order from Dounreay. We have also entered into a teaming arrangement to exploit opportunities in the Canadian nuclear market, one of the most active in the world today. The inception of the Nuclear Decommissioning Authority in April 2005, and the changes in the market place which will result from this, provide a challenging short-term trading environment but an exciting background in which to take this division to its next phase of growth.

In the period RTS Flexible Systems gained its biggest order to date in the food sector to supply a complex automated packaging system to Müller for yoghurt cartons. In addition, work has continued on the automation of 3DM's revolutionary powder impression moulding process and on a robotic bomb disposal system for Remotec. New orders were also gained within the bakery industry, where we are now firmly established as a leading supplier of automated handling systems for bread production. Flexible Systems now has the critical mass to address many more opportunities within its chosen market sectors, and we are well placed to achieve further growth in this division.

As anticipated at the end of 2004 RTS Life Science has in the first half of 2005 devoted much of its resources to the successful completion of the large systems for which orders were taken in 2003. Despite this workload, profitability has been much improved and the prospects for further improvement in the second half are good. The first results of our intensive product development programme have been seen in the period, with the progression through build phase of our first order for a 384-format store for a major US customer, and the completion of the prototype SmarTStore™, which was exhibited in September at the SBS conference in Geneva. We have also commenced work on an innovative blood fractionation system for the UK Biobank project. An encouraging development in this division in the first half of 2005 has been the strong demand for service and support work in the wake of the large increase in installed systems over the last two years. We believe that this area of activity will provide good growth opportunities in the short to medium term.

Board

Because of increasing business commitments elsewhere, John Heller retired from the Board at the AGM in May this year. We would like to thank John for his valued contribution during his time with RTS. I am pleased to be able to report that John Ridings has agreed to join the Board as a non-executive director with effect from 1st October 2005.

John Ridings was a partner at KPMG for nearly 25 years ending his career as Senior Partner of KPMG's Leeds office. Since his retirement in September 2002 he has acted as a non-executive director at Harrogate and District NHS Foundation Trust and a number of private companies. He also acts as an Independent Trustee for a number of substantial trusts and is a lay member of the University of Bradford's audit committee.

Outlook

The first half of 2005 has demonstrated that the disposal of the US operations and the changes in management structure which we implemented last year have transformed the operating performance of the Group. With new products coming on stream in Life Science and further market penetration in Nuclear Solutions and Flexible Systems, we believe that the prospects for profitable growth in future years remain strong. We also anticipate that further property disposals will enhance our cash position.

The Group's order books have increased by 10% since the start of the year and there are good prospects of further major orders during the rest of 2005. However, the timing of order intake in Nuclear Solutions and Flexible Systems is likely to mean that our rate of growth will temporarily level off in the second half of 2005. Despite this we anticipate that the Group will meet expectations and open 2006 with a strong order book.

Chris Brown, Chairman

27 September 2005



Interim Results for the Six Months ended 30 June 2005

Group Profit and Loss Account

		6 months ended 30/06/05	6 months ended 30/06/04	12 months ended 31/12/04
		(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000
Turnover	Notes 2, 3, 4	22,465	25,000	48,679
Cost of sales		(17,182)	(21,110)	(40,664)
Gross profit		5,283	3,890	8,015
Distribution costs and administrative expenses		(3,960)	(7,501)	(13,194)
Other operating income		275	122	422
Operating profit/(loss) before exceptional charges		1,598	(3,489)	(2,955)
Exceptional administrative expenses included in administrative expenses above:		-	-	(1,802)
Operating profit/(loss) (Loss)/profit on disposal of properties	3, 4	1,598 (46)	(3,489) 57	(4,757) 36
Loss on termination of business segments		-	(2,428)	(3,445)
Profit/(loss) on ordinary activities before interest and taxation		1,552	(5,860)	(8,166)
Interest receivable and similar income		934	145	540
Interest payable		(107)	(286)	(1,009)
		827	(141)	(469)
Profit/(loss) on ordinary activities before taxation		2,379	(6,001)	(8,635)
Taxation on (profit)/loss on ordinary activities		(300)	(171)	758
Profit/(loss) on ordinary activities after taxation		2,079	(6,172)	(7,877)
Equity minority interests		-	30	30
Profit/(loss) for the financial period/year	6	2,079	(6,142)	(7,847)
Basic/fully diluted earnings/(loss) per share	5	3.40p	(10.04)p	(12.82)p



Interim Results for the Six Months ended 30 June 2005

Group Balance Sheet at 30 June 2005

	Notes	30/06/05 (Unaudited) £'000	30/06/04 (Unaudited) £'000	31/12/04 (Audited) £'000
Fixed Assets				
Intangibles		4,869	4,052	3,922
Tangibles		3,705	9,164	8,712
		<u>8,574</u>	<u>13,216</u>	<u>12,634</u>
Current assets				
Stocks and work in progress		60	4,378	53
Debtors: amounts falling due within one year		14,668	9,619	17,891
Debtors: amounts falling due in more than one year		6,002	4,286	4,380
Cash at bank and in hand		9,008	3,501	2,477
		<u>29,738</u>	<u>21,784</u>	<u>24,801</u>
Creditors: amounts falling due within one year		(15,673)	(13,998)	(15,692)
		<u>14,065</u>	<u>7,786</u>	<u>9,109</u>
Net current assets				
		14,065	7,786	9,109
Total assets less current liabilities				
		22,639	21,002	21,743
Creditors: amounts falling due after more than one year		(1,606)	(1,776)	(1,662)
Provisions for liabilities and charges		(1,386)	-	(2,528)
		<u>19,647</u>	<u>19,226</u>	<u>17,553</u>
Net assets				
		19,647	19,226	17,553
Capital and reserves				
Called up share capital	6	612	612	612
Share premium account	6	19	74,513	19
Other reserves	6	-	777	-
Profit and loss account	6	19,000	(56,692)	16,907
Equity shareholders' funds		<u>19,631</u>	<u>19,210</u>	<u>17,538</u>
Equity minority interest		16	16	15
		<u>19,647</u>	<u>19,226</u>	<u>17,553</u>



Interim Results for the Six Months ended 30 June 2005

Group Cash Flow Statement

	Notes	6 months ended 30/06/05 (Unaudited) £'000	6 months ended 30/06/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
Net cash inflow/(outflow) from operating activities	7	566	(195)	1,212
Returns on investments and servicing of finance	8	69	(107)	(82)
Taxation		418	25	(183)
Capital expenditure and financial investment	8	3,786	(454)	(1,751)
Acquisitions and disposals	8	-	953	818
Cash inflow before management of liquid resources		<u>4,839</u>	<u>222</u>	<u>14</u>
Financing	8	<u>587</u>	<u>1,616</u>	<u>799</u>
Increase in cash in the period		<u><u>5,426</u></u>	<u><u>1,838</u></u>	<u><u>813</u></u>
Reconciliation of net cash flow to movement in net debt				
Increase in cash in the period		5,426	1,838	813
Cash inflow from movement in debt		(587)	(1,603)	(779)
Movement in net funds resulting from cashflows in the period		<u>4,839</u>	<u>235</u>	<u>34</u>
Net debt at 1 January 2005		<u>(296)</u>	<u>(330)</u>	<u>(330)</u>
Net cash/(debt) at 30 June 2005		<u><u>4,543</u></u>	<u><u>(95)</u></u>	<u><u>(296)</u></u>

Group Statement of Total Recognised Gains and Losses

	6 months ended 30/06/05 (Unaudited) £'000	6 months ended 30/06/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
Profit/(loss) for the financial period	2,079	(6,142)	(7,847)
Currency translation differences on foreign currency net investments	14	(54)	(12)
Total recognised gain/(loss) for the period	<u><u>2,093</u></u>	<u><u>(6,196)</u></u>	<u><u>(7,859)</u></u>



Interim Results for the Six Months ended 30 June 2005

Notes to the Financial Information

1. Basis of Preparation

The interim results have been prepared using the accounting policies set out in the Group's Annual Report and Financial Statements for the year ended 31 December 2004. The figures for the year ended 31 December 2004 are abridged and have been extracted from the Annual Report and Financial Statements which have been filed with the Registrar of Companies. The auditors' report on those Financial Statements was unqualified and did not contain any statements under Section 237(2) or (3) of the Companies Act 1985. The financial information set out in this document does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

2. Turnover

Geographical destination:	6 months ended 30/06/05 (Unaudited) £'000	6 months ended 30/06/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
United Kingdom	18,877	14,950	32,948
Other European Countries	964	1,712	4,437
North America	2,624	7,502	10,458
Rest of the World	-	836	836
Total turnover	<u>22,465</u>	<u>25,000</u>	<u>48,679</u>



Interim Results for the
Six Months ended 30 June 2005

3. Segmental Analysis

Profit and loss account

	Continuing Operations														
	Flexible Systems			Life Science			Nuclear Solutions			Other			Total		
	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
Revenue from external customers	3,498	1,527	3,916	4,882	6,393	13,351	14,085	10,352	24,722	-	38	-	22,465	18,310	41,989
Operating profit/(loss) before exceptional items and operating income	368	62	286	474	1,053	965	1,113	808	2,088	(357)	(765)	(1,712)	1,598	1,158	1,627
Exceptional items	-	-	(136)	-	-	(1,555)	-	-	-	-	-	(111)	-	-	(1,802)
Operating profit	368	62	150	474	1,053	(590)	1,113	808	2,088	(357)	(765)	(1,823)	1,598	1,158	(175)
Profit/(loss) on disposal of fixed assets	-	-	-	-	-	-	-	-	-	(46)	-	5	(46)	-	5
Profit before interest and taxation	368	62	150	474	1,053	(590)	1,113	808	2,088	(403)	(765)	(1,818)	1,552	1,158	(170)
Net interest receivable/(payable)													827	66	(400)
Profit/(loss) before taxation													2,379	1,224	(570)
Taxation													(300)	(169)	963
Profit after taxation													2,079	1,055	393
Minority interests													-	-	-
Profit for the financial period													2,079	1,055	393

Balance Sheet

	Flexible Systems			Life Science			Nuclear Solutions			Discontinued and Other Continuing			Total		
	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000	6 months ended 30/6/05 (Unaudited) £'000	6 months ended 30/6/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
Segment assets	1,256	888	1,646	7,412	7,091	8,858	9,362	6,440	10,603	20,282	20,581	16,328	38,312	35,000	37,435
Segment liabilities	(1,028)	(640)	(825)	(4,808)	(2,952)	(4,178)	(5,534)	(5,532)	(7,653)	(7,295)	(6,650)	(7,226)	(18,665)	(15,774)	(19,882)
Net segment assets	228	248	821	2,604	4,139	4,680	3,828	908	2,950	12,987	13,931	9,102	19,647	19,226	17,553



Interim Results for the Six Months ended 30 June 2005

4. Continuing and Discontinued Operations

Prior period results for those operations shown as continuing activities in 2005 were as follows:

	6 months ended 30/06/04 (Unaudited)			12 months ended 31/12/04 (Audited)		
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Turnover	18,310	6,690	25,000	41,989	6,690	48,679
Cost of sales	(13,646)	(7,464)	(21,110)	(33,200)	(7,464)	(40,664)
Gross profit	<u>4,664</u>	<u>(774)</u>	<u>3,890</u>	<u>8,789</u>	<u>(774)</u>	<u>8,015</u>
Distribution costs and administrative expenses	(3,628)	(3,873)	(7,501)	(9,386)	(3,808)	(13,194)
Other operating income	122	-	122	422	-	422
Operating profit/(loss) before exceptional charges	1,158	(4,647)	(3,489)	1,627	(4,582)	(2,955)
Exceptional administrative expenses included in administrative expenses above	-	-	-	(1,802)	-	(1,802)
Operating profit/(loss)	<u>1,158</u>	<u>(4,647)</u>	<u>(3,489)</u>	<u>(175)</u>	<u>(4,582)</u>	<u>(4,757)</u>
Profit on disposal of properties	-	57	57	5	31	36
Loss on termination of business segments	<u>-</u>	<u>(2,428)</u>	<u>(2,428)</u>	<u>-</u>	<u>(3,445)</u>	<u>(3,445)</u>
Profit/(loss) on ordinary activities before interest and taxation	<u><u>1,158</u></u>	<u><u>(7,018)</u></u>	<u><u>(5,860)</u></u>	<u><u>(170)</u></u>	<u><u>(7,996)</u></u>	<u><u>(8,166)</u></u>



Interim Results for the Six Months ended 30 June 2005

5. Earnings/(loss) Per Share

Earnings/(loss) per ordinary share has been calculated using the weighted average number of shares in issue during the relevant period. The calculations of both basic and diluted earnings per share for the six months ended 30 June 2005 are based upon a profit after tax of £2,079,000 (30 June 2004: £6,142,000 loss after tax; 31 December 2004: £7,847,000 loss after tax). The weighted average number of shares used in the basic calculation is 61,235,374 (30 June 2004: 61,204,541; 31 December 2004: 61,217,457).

The difference between basic earnings per share and diluted earnings per share for the period ended 30 June 2005 is considered to be immaterial. The weighted average number of shares used in the dilution calculation is 61,304,508.

The calculation for prior year diluted earnings per ordinary share was identical to that used for the basic earnings per share. This was because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14 Earnings Per Share.

	6 months ended 30/06/05 (Unaudited) Pence	6 months ended 30/06/04 (Unaudited) Pence	12 months ended 31/12/04 (Audited) Pence
Basic/fully diluted earnings/(loss) per share	3.40	(10.04)	(12.82)
Adjusted basic earnings per share	2.80	1.60	4.69

Adjusted basic earnings per share has been calculated on adjusted basic earnings after tax as set out below.

	6 months ended 30/06/05 (Unaudited) £'000	6 months ended 30/06/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
Profit/(loss) after tax	2,079	(6,142)	(7,847)
Loss on discontinued activities before interest and taxation	-	7,018	7,996
Acquisition goodwill amortisation on continuing operations	103	103	205
Exceptional administrative expenses	-	-	1,802
Foreign exchange (gain)/loss on continuing operations disclosed within interest (receivable)/payable	(512)	-	719
Loss/(profit) on disposal of properties	46	-	(5)
Adjusted basic earnings	<u>1,716</u>	<u>979</u>	<u>2,870</u>

Interim Results for the Six Months ended 30 June 2005

6. Shareholders' Funds

	Share capital £'000	Share premium £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2005	612	19	16,907	17,538
Exchange differences	-	-	14	14
Profit for the period	-	-	2,079	2,079
At 30 June 2005	<u>612</u>	<u>19</u>	<u>19,000</u>	<u>19,631</u>

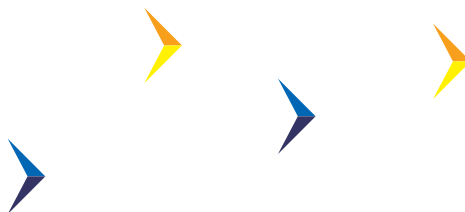
7. Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	6 months ended 30/06/05 (Unaudited) £'000	6 months ended 30/06/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
Operating profit/(loss)	1,598	(3,489)	(4,757)
Depreciation and amortisation	478	904	2,358
Movement in provisions	(1,231)	-	525
Provision against investments and related receivables	-	30	-
(Increase)/decrease in stocks and work in progress	(7)	2,615	7,050
Loss on disposal of tangible fixed assets	-	31	-
(Increase)/decrease in debtors	2,198	(760)	(8,381)
Increase/(decrease) in creditors	(2,470)	459	4,417
Provisions in respect of share scheme	-	15	-
Net cash inflow/(outflow) from operating activities	<u>566</u>	<u>(195)</u>	<u>1,212</u>

 **Interim Results for the
Six Months ended 30 June 2005**

8. Notes to the Cash Flow Statement

	6 months ended 30/06/05 (Unaudited) £'000	6 months ended 30/06/04 (Unaudited) £'000	12 months ended 31/12/04 (Audited) £'000
Return on investments and servicing of finance			
Interest received	176	40	207
Interest paid	(107)	(147)	(289)
	69	(107)	(82)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets	(1,136)	(466)	(1,586)
Payments to acquire tangible fixed assets	(198)	(221)	(398)
Receipts from sale of tangible fixed assets	5,120	233	233
	3,786	(454)	(1,751)
Acquisitions and disposals			
Sale of subsidiary undertakings	-	2,289	1,779
Costs on sale of subsidiary undertakings	-	(1,377)	(1,002)
Net debt disposed of with subsidiary undertakings	-	41	41
	-	953	818
Financing			
Issue of share capital	-	13	19
Loan advances	2,121	2,208	2,544
Repayments	(1,534)	(605)	(1,764)
	587	1,616	799





Interim Results for the Six Months ended 30 June 2005

9. Disposal of US properties

On 8 June 2005, RTS completed the sale of the two principal properties in the US. The gross selling price for the two properties was \$10m (£5.5m), from which \$1m (£0.6m) withholding tax has been retained pending completion of the latest tax returns in the US.

A further \$2m (£1.1m) of the sales proceeds is retained in escrow and included within debtors (amounts due after more than one year) within the Group balance sheet. This amount will be released to the purchaser of the property in the event that the tenant defaults on rental payments or to RTS in the event there is no default or the tenant passes certain financial covenant tests.

10. Contingent Liabilities

The company has a contingent liability in respect of a tax assessment raised in Finland.

The contract dispute with Tyden Seal Company, Inc and the guarantee of certain receivables that formed part of the sale of RTS Wright Industries, LLC have been resolved in the period and no longer represent contingent liabilities.

11. Post Balance Sheet Event

Following cancellation of the share premium account in 2004, the Group has been able legally to pay dividends. The sale of the principal US properties has led to a cash surplus which it is proposed be returned to shareholders by means of a one-off special dividend. Accordingly, the Board has declared that an interim dividend of 6 pence per share be paid on 4 November 2005 to shareholders on the register on 7 October 2005.



Independent Review Report by KPMG Audit Plc to Robotic Technology Systems PLC

Introduction

We have been engaged by the company to review the financial information set out on pages 8 to 18 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such accounts.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

**KPMG Audit Plc, Chartered Accountants
St James' Square, Manchester M2 6DS**

Contact Information

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R C A Slater
J C Mowinckel

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D J Webb FCIS

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