



Interim Results **for the six months ended 30 June 2007**





## **Contents**

<b>Chairman's statement</b>	<b>– 1</b>
<b>Income statement</b>	<b>– 4</b>
<b>Balance sheet</b>	<b>– 5</b>
<b>Statement of changes in shareholders equity</b>	<b>– 6</b>
<b>Cash flow statement</b>	<b>– 7</b>
<b>Notes to the financial information</b>	<b>– 8</b>
<b>IFRS restatement report</b>	<b>– 17</b>
<b>Accounting policies</b>	<b>– 24</b>
<b>Contact information</b>	<b>– 29</b>

## Overview

In the first half of 2007 our revenues and operating performance were down on expectations due to the low order intake at the start of the year, as outlined in our pre-close statement of 27 July 2007.

In Flexible Systems this was mainly driven by timing of some key orders, notably with a major contract for an automated basket handling system being delayed until the second half. We completed the first line to automate the packaging of disposable optical devices in the period, and as previously noted we anticipate this will lead to significant repeat orders.

In Life Science the weakness of the dollar continues to make trading difficult in our core markets, and this is likely to continue in the second half. Since the period end we have therefore implemented further cost reductions with an annualised value of £0.7m, which realigns the business to its current activity levels, whilst maintaining the operating capability to grow.

We have also continued to work on new development activities and we now expect our first small blood fractionation system to be delivered in early 2008.

We received further loan note repayments in the period and finished the half year with a strong cash balance of £3.6m and our non-operating assets were valued at £4.5m.

In line with the Directors intended policy to return the proceeds of non-operating US assets to shareholders the Directors declare the payment of a special interim dividend of 2 pence per share.

## Operating review

In Life Science as expected the first half of 2007 has been dominated by the technically challenging projects brought forward from 2006. These have now been substantially completed and are anticipated to add to our growing service and support revenue in 2008.

We also secured the sale of our third SmarTStore to Liverpool University in the period and now have three strategic reference sites on which to build. In addition, we have continued to develop our innovative blood fractionation system with four large systems successfully installed. In parallel, we have started work on a smaller unit that we anticipate will be delivered in early 2008 and which will appeal to a wider market.

In the new Drug Delivery business unit we have made good progress in the period. We started work on an automated solution for the quality control of drug delivery products in collaboration with a major pharmaceutical company. This is due to be completed in mid 2008 and we are optimistic about the market opportunities of this product. To complement our core product in this sector we entered into an exclusive European Distribution Agreement with a US supplier of inhaler testing equipment. With these two initiatives and the increased sales resource added to the unit in the year we are confident of sales growth in 2008.

Despite these positive developments trading in our core markets remains difficult. We are therefore reducing staffing in non-core areas generating an annualised saving of £0.7m and have realigned our operations to provide greater focus on our Sample Management area. From this base we intend to create sustainable growth by widening our range of solutions with a combination of internal developments and by assessing the commercial advantages available from strategic alliances.

In Flexible Systems we have had continued success in the bakery sector with an order in the period for our 35th Crocus gantry and a major order for an automated basket handling solution. The latter opportunity provides the potential for significant repeat work over the next two years. In the industrial area we completed the line for automating the packaging of disposable optical devices and as previously noted we expect this to lead to further repeat systems, with the second system due to be started later this year.

## Chairman's statement

The Advanced Robotics area also continues to perform well with a growing amount of decommissioning work in the nuclear market through International Nuclear Solutions plc. However, work was delayed to the second half on the order to complete the software for the MOD's next generation of Explosive Ordnance Device (EOD) vehicle. Furthermore, in the food sector (excluding bakery) we have found it difficult to translate good prospects into orders, and as a result are progressively shifting our focus towards the wider consumer and packaging market, including pharmaceutical and medical device packaging.

### Financial review

Turnover was down in both businesses resulting in a reduction in Group turnover to £5.4m (2006: £7.7m).

Central costs were reduced by 36% compared with the same period in 2006, and will be reduced by a further £0.25m per annum to reach our targeted run rate of £0.4m per annum by the end of the year.

The reduced activity in the businesses led to an increase in the operating loss before exceptional items to £1.2m (2006: £0.8m loss). Cost saving measures have been introduced that will take effect in the second half of the year.

The exceptional expense of £0.2m in the period related to legal costs incurred in respect of an ongoing contract dispute in Flexible Systems. We are currently pursuing recovery of monies due under the contract following a failure to reach a settlement at mediation in May 2007. Although we now anticipate the process will continue into 2008 we are satisfied with the accounting treatment adopted and remain confident in the successful outcome of our claim.

Financial income for the Group includes £0.1m bank interest and £0.35m interest relating to the Doerfer loan notes. As noted previously the Group does not hedge its foreign currency translation exposure, and financial expenses consequently include a foreign currency translation loss on cash balances of £0.1m (2006: foreign currency loss of £0.5m).

The loss after taxation for the Group in the first half of 2007 was therefore £0.8m compared to a loss after taxation of £1.0m for the continuing group in 2006.

Further progress in the realisation of Doerfer loan notes in the period led to cash inflow of \$1.75m (£0.88m) from capital repayments and interest payments. Our position regarding the treatment of the non-operating assets remains unchanged from the 2006 year end with the loan notes deemed collectable at their contractual discounted value. On this basis the remaining non-operating assets are valued at £4.5m at the period end.

The operating cash outflow was £0.7m, and with loan note repayments noted above and a £0.1m foreign currency translation loss this resulted in an overall neutral cash flow in the period with closing net cash of £3.6m.

The results for the 6 months to 30 June 2007 and the comparative periods are prepared under adopted International Financial Reporting Standards ('adopted IFRS'). To help understand the impact of the transition, an IFRS restatement report is included within this report which reconciles the results previously reported under UK GAAP to those under adopted IFRS. Principal adjustment relates to goodwill no longer being amortised, but subject to an impairment review, in line with IFRS 3 'Business Combinations'.

In accordance with adopted IFRS the Group will conduct an impairment review of all intangible fixed assets at the year end.

## Outlook

We anticipate that Life Science will continue to experience reduced trading volumes in the second half of 2007, but with a reduced cost base, a more focused strategy and new product developments we remain confident of the medium term outlook.

Flexible Systems has a strong prospect list and has made positive progress in the period to secure low risk repeat business. We are therefore expecting to see an improving financial performance in the second half of the year and going into 2008.

We expect the Group's net cash position to improve in the second half of the year, through both the completion of contracts and further loan note repayments, and we intend to continue to return the proceeds of US assets to shareholders as they are realised.

We are therefore declaring a special interim dividend of 2 pence per share. The dividend will be payable on 2 November 2007, to those shareholders on the register at the close of business on 5 October 2007.

A handwritten signature in black ink, appearing to read 'CIB' followed by a long, horizontal flourish.

**Chris Brown, Chairman**

26 September 2007

**Consolidated income statement  
for the six months ended 30 June 2007 (unaudited)**

	Notes	6 months ended	6 months ended			12 months ended		
		30 June 2007	30 June 2006		31 December 2006			
		Total	Cont. Ops	Discont. Ops	Total	Cont. Ops	Discont. Ops	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	2	5,389	7,713	9,758	17,471	15,476	9,758	25,234
Cost of sales		(3,923)	(5,513)	(7,886)	(13,399)	(11,134)	(7,886)	(19,020)
<b>Gross profit</b>		1,466	2,200	1,872	4,072	4,342	1,872	6,214
Distribution expenses		(734)	(821)	(136)	(957)	(1,721)	(136)	(1,857)
Administration expenses		(2,121)	(2,276)	(1,972)	(4,248)	(5,941)	(1,972)	(7,913)
Other operating income		38	105	-	105	124	-	124
<b>Operating loss</b>		(1,351)	(792)	(236)	(1,028)	(3,196)	(236)	(3,432)
Operating (loss)/profit before exceptional charges		(1,177)	(792)	703	(89)	(1,637)	703	(934)
Exceptional items included in administrative expenses above	3	(174)	-	(939)	(939)	(1,559)	(939)	(2,498)
<b>Operating loss</b>		(1,351)	(792)	(236)	(1,028)	(3,196)	(236)	(3,432)
Profit on termination of business segments		-	-	-	-	-	819	819
<b>(Loss)/profit before interest and taxation</b>		(1,351)	(792)	(236)	(1,028)	(3,196)	583	(2,613)
Financial income		466	213	6	219	419	6	425
Exceptional financial income		-	-	-	-	1,385	-	1,385
Financial expenses		(142)	(488)	(1)	(489)	(710)	(1)	(711)
<b>Net financing income/(expenses)</b>		324	(275)	5	(270)	1,094	5	1,099
<b>(Loss)/profit before taxation</b>		(1,027)	(1,067)	(231)	(1,298)	(2,102)	588	(1,514)
Taxation		218	78	(53)	25	397	-	397
<b>(Loss)/profit for the period, all attributable to equity shareholders of the parent</b>		(809)	(989)	(284)	(1,273)	(1,705)	588	(1,117)
Basic (loss)/earnings per share	4	(1.30)p	(1.61)p	(0.46)p	(2.07)p	(2.75)p	0.95p	(1.80)p

There were no recognised gains or losses in the period, or in the prior periods shown, other than the results shown above.

**Consolidated balance sheet  
at 30 June 2007 (unaudited)** 

	30 June 2007	30 June 2006	31 December 2006
<b>Non current assets</b>			
Property plant and equipment	725	915	781
Intangible assets	3,670	5,200	3,823
Other receivables	1,900	5,138	4,203
Deferred tax asset	371	449	371
	6,666	11,702	9,178
<b>Current assets</b>			
Inventories	657	753	570
Current tax receivable	54	81	394
Trade and other receivables	7,605	6,621	6,741
Cash and cash equivalents	3,609	3,316	3,566
Assets classified as held for sale	799	883	813
	12,724	11,654	12,084
<b>Total assets</b>	19,390	23,356	21,262
Current liabilities			
Trade and other payables	(4,305)	(6,677)	(5,362)
Current tax payable	-	(138)	-
	(4,305)	(6,815)	(5,362)
<b>Non current liabilities</b>			
Other liabilities	(399)	(439)	(419)
Provisions	(832)	(1,514)	(853)
	(1,231)	(1,953)	(1,272)
<b>Total liabilities</b>	(5,536)	(8,768)	(6,634)
<b>Net assets</b>	13,854	14,588	14,628
<b>Equity</b>			
Share capital	623	623	623
Share premium	680	680	680
Currency translation reserve	(131)	(1)	(128)
Retained earnings	12,667	13,271	13,438
<b>Total equity attributable to equity shareholders</b>	13,839	14,573	14,613
Equity minority interest	15	15	15
<b>Total equity</b>	13,854	14,588	14,628

**Consolidated statement of changes  
in shareholders' equity (unaudited)**

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Share options	-	-	-	38	38
Exchange differences	-	-	(3)	-	(3)
Net income/(expense) recognised directly in equity	-	-	(3)	38	35
Loss for the year	-	-	-	(809)	(809)
Total recognised expense	-	-	(3)	(771)	(774)
<b>Opening shareholders' funds at 31 December 2006</b>	623	680	(128)	13,438	14,613
<b>Closing shareholders' funds at 30 June 2007</b>	623	680	(131)	12,667	13,839
Dividend in specie (see Note 5)	-	-	-	(1,817)	(1,817)
Share options	-	-	-	(115)	(115)
Issue of new shares	10	646	-	-	656
Exchange differences	-	-	(1)	-	(1)
Net income/(expense) recognised directly in equity	10	646	(1)	(1,932)	(1,277)
Loss for the year	-	-	-	(1,273)	(1,273)
Total recognised income and (expense)	10	646	(1)	(3,205)	(2,550)
<b>Opening shareholders' funds at 31 December 2005</b>	613	34	-	16,476	17,123
<b>Closing shareholders' funds at 30 June 2006</b>	623	680	(1)	13,271	14,573
Dividend in specie (see Note 5)	-	-	-	(1,817)	(1,817)
Share options	-	-	-	(104)	(104)
Issue of new shares	10	646	-	-	656
Exchange differences	-	-	(128)	-	(128)
Net income/(expense) recognised directly in equity	10	646	(128)	(1,921)	(1,393)
Loss for the year	-	-	-	(1,117)	(1,117)
Total recognised income and (expense)	10	646	(128)	(3,038)	(2,510)
<b>Opening shareholders' funds at 31 December 2005</b>	613	34	-	16,476	17,123
<b>Closing shareholders' funds at 31 December 2006</b>	623	680	(128)	13,438	14,613

**Consolidated cash flow statement for the six months ended  
30 June 2007 (unaudited)** 

		<b>6 months ended 30 June 2007</b>	<b>6 months ended 30 June 2006</b>	<b>12 months ended 31 December 2006</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash generated from operating activities</b>				
Cash generated from operations	6	(1,485)	1,083	45
Finance costs		(35)	(17)	(38)
Finance income		257	191	535
Taxation received/(paid)		558	(231)	(232)
<b>Net cash generated from operating activities</b>		<u>(705)</u>	<u>1,026</u>	<u>310</u>
<b>Cash flows from investing activities</b>				
Payments to acquire property, plant and equipment		(28)	(162)	(228)
Payments to acquire intangible fixed assets		(12)	(355)	(821)
Receipt from sale of tangible fixed assets		-	-	20
Receipt of withholding tax due following disposal of properties		-	680	660
Receipt of cash held in escrow		-	-	1,081
Repayment of loan notes		886	837	1,487
Cash disposed of on demerger of business		-	(1,345)	(1,345)
<b>Net cash from investing activities</b>		<u>846</u>	<u>(345)</u>	<u>854</u>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares		-	419	419
<b>Net cash used in financing activities</b>		<u>-</u>	<u>419</u>	<u>419</u>
Net increase in cash and cash equivalents		141	1,100	1,583
<b>Cash and cash equivalents at beginning of period</b>				
Exchange losses on cash and cash equivalents		3,566	2,242	2,242
		(98)	(26)	(259)
<b>Cash and cash equivalents at end of period</b>		<u>3,609</u>	<u>3,316</u>	<u>3,566</u>

## **Notes to the financial information for the six months ended 30 June 2007**

### **1. Basis of preparation**

The interim financial statements of Robotic Technology Systems PLC for the period ended 30 June 2007 are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

From 1 January 2007 Robotic Technology Systems PLC is required to prepare its consolidated financial statements in accordance with adopted International Financial Reporting Standards (IFRS) adopted by the European Union (adopted IFRS's). Reconciliations and descriptions of the effect of the transition from UK GAAP to adopted IFRS's on the Group's balance sheet and its income statement are provided in this report.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of endorsed IFRS's as at 30 June 2007 that are effective (or available for early adoption) at 31 December 2007, the Group's first annual reporting date at which it has been decided to use adopted IFRS's. Based on these adopted IFRS's, the Directors have applied the accounting policies set out in the restatement report included in this document, which they expect to apply when the first annual financial statements are prepared in accordance with adopted IFRS's for the year ending 31 December 2007.

Standards currently in issue and adopted by the EU are subject to interpretation issued from time to time by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the International Accounting Standards Board that will be adopted for financial years beginning on or after 1 January 2007. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2007.

The comparative figures for the financial year ended 31 December 2006 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.



**Notes to the financial information  
for the six months ended 30 June 2007**

**2. Segmental analysis**

**Income statement**

	<b>Continuing Operations</b>					
	<b>Flexible Systems</b>			<b>Life Science</b>		
	6 months ended 30/06/07	6 months ended 30/06/06	12 months ended 31/12/06	6 months ended 30/06/07	6 months ended 30/06/06	12 months ended 31/12/06
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue from external customers	1,614	2,260	5,366	3,775	5,453	10,110
Operating (loss)/profit before exceptional items	(285)	(110)	14	(490)	(54)	(444)
Exceptional items	(155)	-	-	-	-	(1,782)
Operating (loss)/profit	(440)	(110)	14	(490)	(54)	(2,226)
Profit on termination of business segments	-	-	-	-	-	-
(Loss)/profit before interest and taxation	(440)	(110)	14	(490)	(54)	(2,226)
Net financing income/(expenses)						
Loss before taxation						
Taxation						
Loss after taxation						

**Balance sheet**

	<b>Flexible Systems</b>			<b>Life Science</b>		
	30/06/07	30/06/06	31/12/06	30/06/07	30/06/06	31/12/06
	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	1,735	2,154	2,828	6,803	8,884	7,496
Segment liabilities	(768)	(1,424)	(1,486)	(2,715)	(3,004)	(3,041)
Net segment assets	967	730	1,342	4,088	5,880	4,455

<b>Other</b>			<b>Discontinued Operations</b>			<b>Total</b>		
6 months ended 30/06/07	6 months ended 30/06/06	12 months ended 31/12/06	6 months ended 30/06/07	6 months ended 30/06/06	12 months ended 31/12/06	6 months ended 30/06/07	6 months ended 30/06/06	12 months ended 31/12/06
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
-	-	-	-	9,758	9,758	5,389	17,471	25,234
(402)	(628)	(1,207)	-	703	703	(1,177)	(89)	(934)
(19)	-	223	-	(939)	(939)	(174)	(939)	(2,498)
(421)	(628)	(984)	-	(236)	(236)	(1,351)	(1,028)	(3,432)
-	-	-	-	-	819	-	-	819
(421)	(628)	(984)	-	(236)	583	(1,351)	(1,028)	(2,613)
						324	(270)	1,099
						(1,027)	(1,298)	(1,514)
						218	25	397
						(809)	(1,273)	(1,117)
<b>Discontinued Operations &amp; Other Continuing</b>			<b>Total</b>					
30/06/07	30/06/06	31/12/06	30/06/07	30/06/06	31/12/06			
£'000	£'000	£'000	£'000	£'000	£'000			
10,852	12,318	10,927	19,390	23,356	21,251			
(2,053)	(4,340)	(2,096)	(5,536)	(8,768)	(6,623)			
8,799	7,978	8,831	13,854	14,588	14,628			

**Notes to the financial information  
for the six months ended 30 June 2007**

**3. Exceptional items**

Loss on ordinary activities before taxation is stated after charging the following exceptional items:

	<b>6 months ended 30 June 2007  £'000</b>	<b>6 months ended 30 June 2006  £'000</b>	<b>12 months ended 31 December 2006  £'000</b>
Impairment of intangible fixed assets	-	-	1,600
Legal costs	155	-	200
Restructuring costs	19	939	1,147
Other exceptional income relating to a guarantee from a related party	-	-	(449)
	<u>174</u>	<u>939</u>	<u>2,498</u>

The exceptional expense of £155k related to legal costs incurred in the period in respect of an ongoing contract dispute in Flexible Systems. We are currently pursuing recovery of monies due under the contract following a failure to reach a settlement at mediation in May 2007. Although we now anticipate the process will continue into 2008 we are satisfied with the accounting treatment adopted and remain confident in the successful outcome of our claim.

Exceptional interest receivable and similar income:

	<b>6 months ended 30 June 2007  £'000</b>	<b>6 months ended 30 June 2006  £'000</b>	<b>12 months ended 31 December 2006  £'000</b>
Exceptional interest receivable:			
Loan Notes	-	-	1,275
Other	-	-	110
	<u>-</u>	<u>-</u>	<u>1,385</u>

#### 4. Loss per ordinary share

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 loss per share for the six months ended 30 June 2007 are based upon a loss after tax of £809,000 (6 months ending 30 June 2006: £1,273,000 loss after tax; year ended 31 December 2006: £1,117,000 loss after tax). The weighted average number of shares used in the basic calculation is 62,335,374 (30 June 2006: 61,610,236; 31 December 2006: 61,975,785).

The calculation for diluted loss per ordinary share in 2007 is identical to that used for the basic loss 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 International Accounting Standard 33 'Earnings Per Share'.

	<b>6 months ended 30 June 2007</b>	<b>6 months ended 30 June 2006</b>	<b>12 months ended 31 December 2006</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic loss per share	1.30	2.07	1.80

#### 5. Discontinued operations

On 30 May 2006 the business of RTS Innovation Limited was demerged from the Group, this business has been presented as discontinued operations in accordance with International Accounting Standard 1 'Presentation of Financial Statements'. The divestment was accounted for as a demerger in the form of a dividend in specie and therefore no gain or loss was recognised in the income statement.

Discontinued operations in 2006 also included a profit on termination of business segments of £819,000. This related to the value of US loan notes held by the Group being reassessed, leading to an increase in value of £619,000 against the capital element of the notes. A provision of £200,000 relating to expenses in connection with the sale of RTS Wright Industries, LLC was also released during 2006.

Discontinued operations – profit attributable to equity shareholders' of the parent

	<b>6 months ended 30 June 2006</b>	<b>12 months ended 31 December 2006</b>
	<b>£'000</b>	<b>£'000</b>
RTS Innovation Limited loss after taxation	(284)	(231)
Revaluation of US loan notes	-	619
Provisions and costs related to disposal of RTS Wright Industries, LLC	-	200
(Loss)/profit attributable to equity shareholders' of the parent	<u>(284)</u>	<u>588</u>

**Notes to the financial information  
for the six months ended 30 June 2007**

**5. Discontinued operations (continued)**

Cash flow statement from discontinued operations

	<b>6 months ended 30 June 2006  £'000</b>	<b>12 months ended 31 December 2006  £'000</b>
<b>Cash generated from discontinued operations</b>		
Cash generated from operations	2,995	2,995
Finance costs	(1)	(1)
Finance income	6	6
<b>Net cash generated from discontinued operations</b>	<u>3,000</u>	<u>3,000</u>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(992)	(992)
<b>Net cash from investing activities</b>	<u>(992)</u>	<u>(992)</u>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(1,964)	(1,964)
<b>Net cash used in financing activities</b>	<u>(1,964)</u>	<u>(1,964)</u>
Net increase in cash and cash equivalents	44	44
<b>Cash and cash equivalents at beginning of period</b>	364	364
<b>Cash and cash equivalents at end of period</b>	<u>408</u>	<u>408</u>

Details of net assets demerged from the Group following the demerger of RTS Innovation Limited are shown in the following table.

	<b>30 May 2006 £'000</b>
<b>Net assets disposed of:</b>	
Intangible fixed assets	642
Tangible fixed assets	1,003
Stocks	1
Cash	1,345
Debtors	<u>6,152</u>
	9,143
Creditors	(7,326)
Net assets disposed	<u>1,817</u>

**6. Cash generated from operations**

	<b>6 months ended 30 June 2007</b>	<b>6 months ended 30 June 2006</b>	<b>12 months ended 31 December 2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Continuing operations</b>			
Loss for the period	(809)	(989)	(1,705)
Adjusted for:			
Taxation	(218)	(78)	(397)
Depreciation charge	83	230	411
Amortisation	166	88	269
Goodwill impairment charge	-	59	120
Foreign exchange losses	98	26	259
Equity settled share based payment charges	38	122	132
Impairment charge	-	-	1,600
Finance expense	142	488	710
Finance income	(466)	(213)	(1,804)
<b>Changes in working capital</b>			
(Increase)/decrease in inventories	(87)	(265)	(82)
(Increase)/decrease in receivables	689	247	224
(Decrease)/increase in payables	(1,107)	(1,601)	(2,612)
(Decrease)/increase in provisions	(14)	(26)	(75)
<b>Cash generated from continuing operations</b>	<b>(1,485)</b>	<b>(1,912)</b>	<b>(2,950)</b>
<b>Discontinued operations</b>			
(Loss)/profit for the period	-	(284)	588
Adjusted for:			
Taxation	-	53	-
Depreciation charge	-	55	55
Finance expense	-	1	1
Finance income	-	(6)	(6)
<b>Changes in working capital</b>			
(Increase)/decrease in inventories	-	13	13
(Increase)/decrease in receivables	-	(999)	(1,618)
(Decrease)/increase in payables	-	4,162	4,162
(Decrease)/increase in provisions	-	-	(200)
<b>Cash generated from discontinued operations</b>	<b>-</b>	<b>2,995</b>	<b>2,995</b>
<b>Cash generated from operations</b>	<b>(1,485)</b>	<b>1,083</b>	<b>45</b>

**7. Contingent liabilities**

RTS Flexible Systems is engaged in a dispute with a customer pursuant to a contract entered into during May 2005. The information usually required by International Accounting Standard 37 is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the dispute. The Directors are of the opinion that the claim can be successfully resisted by the Company.

**Robotic Technology Systems PLC  
Transition to International Financial  
Reporting Standards**

From 1 January 2007 Robotic Technology Systems PLC ("RTS PLC") is required to prepare its consolidated accounts under International Accounting Standards and International Financial Reporting Standards (collectively referred to as "adopted IFRS's" throughout this document) as adopted by the European Union ("EU") having previously prepared its accounts under UK Generally Accepted Accounting Principles ("UK GAAP"). The Group's financial statements for the year ended 31 December 2007 will be the Group's first annual financial statements in compliance with adopted IFRS's. The transition date for RTS PLC is 1 January 2006 and this report covers the restatement of the opening consolidated balance sheet as at 1 January 2006, the consolidated accounts for the year ended 31 December 2006 and the consolidated accounts for the six months ended 30 June 2006. This report shows the impact of the transition to adopted IFRS's on RTS PLC's reported performance and financial position; reconciles this to previously reported financial information; and explains the reasons for the adjustments.

**Transitional arrangements  
- Application of IFRS 1**

On transition to adopted IFRS's an entity is generally required to apply adopted IFRS's retrospectively, except where an exemption is available under IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

The following are the key elections from IFRS 1 that were made by the Group:

- The Group has elected to adopt the IFRS 1 exemption in relation to business combinations and will only apply IFRS 3 'Business Combinations' prospectively from 1 January 2006. As a result the balance of goodwill under UK GAAP as at 31 December 2005 will be deemed the cost of goodwill at 1 January 2006.
- The Group has elected to adopt the IFRS 1 option to reset foreign currency cumulative translation reserves to zero on transition to adopted IFRS's.

**International Financial Reporting  
Standards - Changes in accounting  
policies**

The interim results for the period ended 30 June 2007 have been prepared in accordance with accounting policies under adopted IFRS's. The Group's revised accounting policies under adopted IFRS's are included in this restatement report.

**Reconciliation of income statement from UK GAAP  
to adopted IFRS's (unaudited)**

	REF	UK GAAP 30 June 2006 £'000	Adopted IFRS adj. £'000	IFRS 30 June 2006 £'000	UK GAAP 31 Dec 2006 £'000	Adopted IFRS adj. £'000	IFRS 31 Dec 2006 £'000
<b>Revenue</b>		17,471	-	17,471	25,234	-	25,234
Cost of sales		(13,399)	-	(13,399)	(19,020)	-	(19,020)
<b>Gross profit</b>		4,072	-	4,072	6,214	-	6,214
Distribution expenses		(957)	-	(957)	(1,857)	-	(1,857)
Administration expenses	1.1	(4,287)	39	(4,248)	(7,968)	55	(7,913)
Other operating income		105	-	105	124	-	124
<b>Operating loss</b>		(1,067)	39	(1,028)	(3,487)	55	(3,432)
Operating loss before exceptional charges		(128)	39	(89)	(989)	55	(934)
Exceptional items included in administrative expenses above		(939)	-	(939)	(2,498)	-	(2,498)
<b>Operating loss</b>		(1,067)	39	(1,028)	(3,487)	55	(3,432)
Profit on termination of business segments		-	-	-	819	-	819
<b>Loss before interest and taxation</b>		(1,067)	39	(1,028)	(2,668)	55	(2,613)
Financial income		219	-	219	425	-	425
Exceptional financial income		-	-	-	1,385	-	1,385
Financial expenses		(489)	-	(489)	(711)	-	(711)
<b>Net financing income/(costs)</b>		(270)	-	(270)	1,099	-	1,099
<b>Loss before taxation</b>		(1,337)	39	(1,298)	(1,569)	55	(1,514)
Taxation		25	-	25	397	-	397
<b>Loss for the period, all attributable to equity shareholders of the parent</b>		(1,312)	39	(1,273)	(1,172)	55	(1,117)
Basic loss per share		(2.13)p	0.06p	(2.07)p	(1.89)p	0.09p	(1.80)p

## Reconciliation of income statement from UK GAAP to adopted IFRS's (unaudited)



The effect of adopting IFRS upon the profit attributable to equity shareholders was:

30 June 2006	31 December 2006
£'000	£'000

### Reference 1.1

The adoption of IFRS 3 'Business Combinations' resulted in the write back of goodwill amortised since 1 January 2006 (see balance sheet reference 2.2). In the six months ended 30 June 2006 £98k amortisation has been added back and £175k has been added back for the year ended 31 December 2006.

Under UK GAAP goodwill is amortised over its useful estimated life. Under IFRS goodwill is not amortised but assessed at least every 12 months for impairment. The Group undertook an impairment review as at the date of transition and at least once every 12 months since transition in accordance with IAS 36. Based on management's assessment an impairment charge of £59k at 30 June 2006 and £120k at 31 December 2006 has been recorded.

Administration expenses	Continuing operations	39	55
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### Reference 1.2

Under UK GAAP, the Group was only required to split Discontinued Operations to operating profit/(loss) on the face of the Income Statement. Under adopted IFRS's disclosure is required to profit/(loss) attributable to equity shareholders as shown on the face of the Income Statement in this report.

## Reconciliation of balance sheet from UK GAAP to adopted IFRS's (unaudited)

REF	UK GAAP Adopted		IFRS	UK GAAP Adopted		IFRS	UK GAAP Adopted		IFRS	
	30 Jun 2006	IFRS adj.	30 Jun 2006	31 Dec 2006	IFRS adj.	31 Dec 2006	1 Jan 2006	IFRS adj.	1 Jan 2006	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Non current assets</b>										
Property plant and equipment	2.1	1,798	(883)	915	1,594	(813)	781	2,972	(931)	2,041
Intangible assets	2.2	5,182	18	5,200	3,789	34	3,823	5,633	-	5,633
Other receivables		5,138	-	5,138	4,203	-	4,203	6,290	-	6,290
Deferred tax asset	2.3	-	449	449	-	371	371	-	403	403
		12,118	(416)	11,702	9,586	(408)	9,178	14,895	(528)	14,367
<b>Current assets</b>										
Inventories		753	-	753	570	-	570	501	-	501
Current tax receivable		81	-	81	394	-	394	431	-	431
Deferred tax asset	2.3	449	(449)	-	371	(371)	-	403	(403)	-
Trade and other receivables		6,621	-	6,621	6,741	-	6,741	12,675	-	12,675
Cash and cash equivalents		3,316	-	3,316	3,566	-	3,566	2,321	-	2,321
Assets classified as held for sale	2.1	-	883	883	-	813	813	-	931	931
		11,220	434	11,654	11,642	442	12,084	16,331	528	16,859
<b>Total assets</b>		23,338	18	23,356	21,228	34	21,262	31,226	-	31,226
<b>Current liabilities</b>										
Trade and other payables		(6,677)	-	(6,677)	(5,362)	-	(5,362)	(11,284)	-	(11,284)
Borrowings		-	-	-	-	-	-	(79)	-	(79)
Current tax payable		(138)	-	(138)	-	-	-	(666)	-	(666)
		(6,815)	-	(6,815)	(5,362)	-	(5,362)	(12,029)	-	(12,029)
<b>Non current liabilities</b>										
Other liabilities		(439)	-	(439)	(419)	-	(419)	(459)	-	(459)
Provisions		(1,514)	-	(1,514)	(853)	-	(853)	(1,600)	-	(1,600)
		(1,953)	-	(1,953)	(1,272)	-	(1,272)	(2,059)	-	(2,059)
<b>Total liabilities</b>		(8,768)	-	(8,768)	(6,634)	-	(6,634)	(14,088)	-	(14,088)
Net assets		14,570	18	14,588	14,594	34	14,628	17,138	-	17,138
<b>Equity</b>										
Share capital		623	-	623	623	-	623	613	-	613
Share premium		680	-	680	680	-	680	34	-	34
Cumulative translation reserve	2.4	-	(1)	(1)	-	(128)	(128)	-	-	-
Retained earnings	2.5	13,252	19	13,271	13,276	162	13,438	16,476	-	16,476
<b>Total equity attributable to equity shareholders</b>		14,555	18	14,573	14,579	34	14,613	17,123	-	17,123
Equity minority interest		15	-	15	15	-	15	15	-	15
<b>Total equity</b>		14,570	18	14,588	14,594	34	14,628	17,138	-	17,138

## Reconciliation of balance sheet from UK GAAP to adopted IFRS's (unaudited)

The effect of adoption of IFRS upon the balance sheet was:

	30 June 2006	31 December 2006	1 January 2006
	£'000	£'000	£'000
<b>Reference 2.1</b>			
In accordance with IFRS 5 'Non current assets held for sale and discontinued operations', land held within the US which is currently being marketed for sale has been reclassified from tangible property, plant and equipment to current assets held for sale.			
Non current assets	Property, plant and equipment	(883)	(813)
Current assets	Assets classified as held for sale	883	813
		(931)	931

### Reference 2.2

The Group has elected to take the exemption available under IFRS 1 in respect of restating business combinations and therefore the net book value of goodwill at 1 January 2006 is deemed to be cost.

IFRS 3 'Business Combinations' requires goodwill to be assessed for impairment at least every 12 months with no amortisation charge. Under UK GAAP goodwill was amortised on a straight line basis. On transition to adopted IFRS's the Group has written back goodwill charged since 1 January 2006.

Of the goodwill amortisation written back, £21k related to RTS Innovation Limited which was demerged from the Group in 2006. As the divestment was accounted for as a dividend in specie the write back of goodwill amortisation has resulted in an increase in the dividend in specie of £21k.

In addition, the Group undertook an impairment review as at the date of transition and at least once every 12 months since transition in accordance with IAS 36. Based on managements assessment an impairment charge of £59k at 30 June 2006 and £120k at 31 December 2006 has been recorded.

Non current assets	Intangible assets	98	175	-
Retained earnings	Dividend in specie	(21)	(21)	-
Retained earnings	Impairment	(59)	(120)	-

### Reference 2.3

Under IAS 12 'Income Taxes', deferred tax assets have been reclassified as non current assets.

Non current assets	Deferred tax	449	371	403
Current assets	Deferred tax	(449)	(371)	(403)

## Reconciliation of balance sheet from UK GAAP to adopted IFRS's (unaudited)

The effect of adoption of IFRS upon the balance sheet was:

	30 June 2006	31 December 2006	1 January 2006
	£'000	£'000	£'000

### Reference 2.4

In accordance with IAS 21 'The effect of changes in foreign currency rates' cumulative translation adjustments relating to the translation of overseas operations since the transition date are held in a separate reserve. Under UK GAAP they were held in the profit and loss reserve. The Group has elected to take the exemption available under IFRS 1 to deem the cumulative translation reserve £nil as at the date of transition, 1 January 2006.

Equity	Currency translation reserve	(1)	(128)	-
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### Reference 2.5

#### Summary of adopted IFRS adjustments to retained earnings

Dividend in specie	IFRS 3 'Business Combinations' (2.2)	(21)	(21)	-
Impairment of goodwill	IAS 36 'Impairment of Assets' (2.2)	(59)	(120)	-
Goodwill write back	IFRS 3 'Business Combinations' (2.2)	98	175	-
Currency translation	IAS 21 'The Effect of Changes in Foreign Currency Rates' (2.4)	1	128	-
		-----	-----	-----
		19	162	-

## Reconciliation of the consolidated cash flow statement from UK GAAP to adopted IFRS's (unaudited)

With the exception of reclassifications, there were no material differences between cash flows presented under adopted IFRS's and the cash flows presented under UK GAAP.

**Reconciliation of retained earnings from UK GAAP  
to adopted IFRS's (unaudited)**

	REF	UK GAAP 30 Jun 2006 £'000	Adopted IFRS adj. £'000	IFRS 30 Jun 2006 £'000	UK GAAP 31 Dec 2006 £'000	Adopted IFRS adj. £'000	IFRS 31 Dec 2006 £'000
<b>Loss for the financial year</b>		(1,312)	39	(1,273)	(1,172)	55	(1,117)
Exchange adjustments offset in reserves	2.4	(1)	1	-	(128)	128	-
Dividend in specie	2.2	(1,796)	(21)	(1,817)	(1,796)	(21)	(1,817)
Share options		(115)	-	(115)	(104)	-	(104)
		(3,224)	19	(3,205)	(3,200)	162	(3,038)
Opening retained earnings		16,476	-	16,476	16,476	-	16,476
<b>Closing retained earnings</b>	2.5	<b>13,252</b>	<b>19</b>	<b>13,271</b>	<b>13,276</b>	<b>162</b>	<b>13,438</b>

## Accounting policies

### Basis of consolidation

The Group financial statements comprise the financial statements of the Company and all of its subsidiary undertakings made up to the financial year end. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The results of subsidiary undertakings acquired or disposed of in the year are included in the Group Income Statement from the effective date of acquisition or to the effective date of disposal. Accounting policies are consistently applied throughout the Group. Intercompany balances and transactions have been eliminated. Material profits from inter company sales, to the extent that they are not yet realised outside the Group, have also been eliminated.

### Investments

Investments in subsidiaries are stated at cost. Where in the opinion of the Directors, an impairment of the investment has arisen, provisions are made in accordance with IAS 36 'Impairment of Assets'.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

### Share based payments

The share option programme allows Group employees to acquire shares of the ultimate parent company, Robotic Technology Systems PLC. These awards are granted by the ultimate parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to share prices not achieving the threshold for vesting.

### Property, plant and equipment

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment on a straight line basis, except freehold land, over their expected useful economic lives. It is calculated at the following annual rates:

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

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### Inventories

Inventories are valued 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.

**Revenue**

Revenue is derived from the design and installation of equipment and systems and the provision of design services, either under fixed price or reimbursable contracts. Revenue is recognised on long-term contracts as a proportion of the total contract value on a percentage of cost complete basis. Revenue is also derived from maintenance contracts and is recognised on a time apportioned basis. All revenue is stated net of revenue related taxes.

**Equity dividends**

Dividends are recognised in the Group's financial statements in the period in which they are approved by the shareholders and interim dividends are recognised when paid.

**Intangible fixed assets****Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 January 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to cash generating units and is not amortised, but is tested annually for impairment. An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its fair value.

In respect of acquisitions prior to 1 January 2006, goodwill is included at 1 January 2006 on the basis of its deemed cost, which

represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

**Research and development**

Expenditure on pure and applied research is charged to the income statement in the year in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged over time, or on a per unit basis, but in all cases over a period not exceeding five years commencing in the year when the Group begins to benefit from the expenditure.

Impairment reviews of the carrying value of development expenditure are undertaken annually.

**Software**

External expenditure on computer systems and software is stated at cost less accumulated amortisation and impairment losses. Amortisation is on a straight line basis over the useful economic life of the asset which is expected to be four to five year.

**Grant income**

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

Revenue grants received are credited to the income statement 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.

## Accounting policies (continued)

### Warranty provisions

Provisions for warranty costs are based upon estimates of liabilities expected to arise and are accrued throughout the life of each relevant contract. Warranty costs incurred are then charged against the provision.

### Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

### Deferred taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

### Exceptional items

Income or costs which are material and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as exceptional items. These items are included and separately identified within their relevant income statement category.

### Foreign currencies

Foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement.

The financial statements of overseas subsidiaries are translated into sterling at the exchange rate ruling at the balance sheet date; income and expenses are translated at average rates for the trading period under review. The resulting surpluses and deficits are taken directly to a cumulative translation difference reserve and are reported in the consolidated statement of changes in shareholders' equity.

On disposal of a foreign subsidiary any cumulative exchange differences held in shareholders' equity are transferred to the consolidated income statement.

### Provisions

Provisions are made when there is a legal or constructive obligation as a result of past events and it is probable that expenditure will be incurred and a reliable estimate can be made of the cost. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, the risks specific to the liability.

## **Impairment of assets**

The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Goodwill and intangible assets that are not yet available for use were tested for impairment as at 1 January 2006, the date of transition to adopted IFRS's, even though no indication of impairment existed.

### **Calculation of recoverable amount**

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and rewards that are different from those of segments operating in other economic environments.

## **Leases**

Where the group has substantially all of the risks and rewards of ownership under a lease, the lease will be classified as a finance lease. All other leases are classified as operating leases.

### **Finance leases**

Assets acquired through finance leases are capitalised as fixed assets and depreciated over the lease term or the expected useful lives, whichever is shorter. The resulting lease obligations are included in liabilities net of finance charges. Interest costs on finance leases are charged directly to the income statement.

### **Operating leases**

Assets leased under operating leases are not recorded on the balance sheet. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

## **Pension costs**

Contributions to defined contribution pension schemes are charged to the income statement in the year in which they become payable.

## Accounting policies (continued)

### Financial instruments

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

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

### Non current assets held for sale and discontinued operations

A non current asset or a group of assets containing a non current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non current assets and disposal groups are measured at the lower of previous carrying amount and fair value, less costs to sell with any adjustments taken to the income statement. The same applies to gains and losses on subsequent remeasurement. No reclassifications are made in prior periods.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale. Discontinued operations are presented in the income statement (including the comparative period) as a column analysing the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the remeasurement to fair value, less costs to sell, or on disposal of the assets/disposal groups constituting discontinued operations.

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