COMPANY NO: 1675128

Excil Electronics Limited

Annual Report

Year ended 30 September 2003



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Company Information

Directors	Peter G Pollock Stephen K Brett Jeffrey C Pyne (resigned 23 December 2002) John Hesketh David Myers Nigel S Orme
Secretary	Stephen K Brett
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN
Registered number	1675128
Auditors	RSM Robson Rhodes LLP Chartered Accountants Daedalus House Station Road Cambridge CB1 2RE
Bankers	Bank of Scotland 123 St Vincent Street Glasgow G2 5EA

Report of the Directors

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

Results and dividends

The Company made a loss for the year, after taxation, of £26,000 (2002: profit of £76,000). The directors do not recommend the payment of a dividend (2002: Nil).

Principal activities

The principal activities of the Company are unchanged since last year and consist of the design, development and manufacture of electronic, electrical and mechanical products, assemblies, systems and projects.

Business review and future developments

The Company results for the year were both below expectation and those of the previous year. Lower year on year sales derived from a combination of reduced rail project activity partially offset by an increase in the contract electronics business. The Company's poor trading performance at the start of the year persisted through out the first half but increased workload, together with the benefits from the cost reduction implemented in the first part of the year, meant that the Company was profitable in the second half. Order entry was much improved in the year, which should contribute to the Company making progress in the current financial year.

Directors and their interests

The directors who served during the year are set out on page 1.

The directors had no interest in the share capital of the Company, which is a wholly owned subsidiary of LPA Group plc. The interests of Peter Pollock and Stephen Brett in the share capital of LPA Group plc are disclosed in the financial statements of that company. The interests of the other directors in the share capital of LPA Group plc are as follows:

Interests in 10p ordinary share options:

	At 1 October 2002	Granted / (lapsed) in year	At 30 September 2003	Option Price	Earliest exercise date	Latest exercise date
Jeffrey C Pyne	40,000	(40,000)	-	56.0p	1 Aug 2004	31 Jul 2011
Jeffrey C Pyne	5,000	(5,000)	-	32.0p	31 Jan 2005	30 Jan 2012
John Hesketh	5,000	-	5,000	56.0p	1 Aug 2004	31 Jul 2011
John Hesketh	-	5,000	5,000	13.0p	20 Feb 2006	19 Feb 2013
David Myers	5,000	-	5,000	56.0p	1 Aug 2004	31 Jul 2011
Nigel S Orme	5,000	-	5,000	56.0p	1 Aug 2004	31 Jul 2011

All of the above options were granted under the Enterprise Management Incentive Scheme. No options were exercised in the year. Details of this scheme are provided in the financial statements of LPA Group plc.

Donations

The Company made charitable donations in the year of £Nil (2002: £10).

Report of the Directors (continued)

Statement of directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 United Kingdom 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 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

On 3 May 2003 RSM Robson Rhodes, the Company's auditors, transferred their business to RSM Robson Rhodes LLP. The directors have consented to treating the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP and a resolution to reappoint RSM Robson Rhodes LLP will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 28 January 2004 and signed on its behalf by:



Stephen Brett
Secretary

Independent Auditors' Report to the Shareholders of Excil Electronics Limited

We have audited the financial statements on pages 5 to 15.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an 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 shareholders as a body, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the Company is not disclosed.

We read the information contained in the Annual 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. Our responsibilities do not extend to any information outside the Annual Report.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 September 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditor
Cambridge
28 January 2004

Profit and Loss Account

for the year ended 30 September 2003

	Note	2003 £'000	2002 £'000
Turnover: continuing operations	2	2,601	2,953
Cost of sales		(2,296)	(2,415)
Gross profit		305	538
Administrative expenses		(402)	(414)
Operating (loss) / profit: continuing operations	3	(97)	124
Profit on sale of tangible fixed assets		79	-
(Loss) / profit on ordinary activities before interest		(18)	124
Net interest (payable) / receivable	4	(7)	18
(Loss) / profit on ordinary activities before taxation		(25)	142
Tax on (loss) / profit on ordinary activities	7	(1)	(66)
(Loss) / profit on ordinary activities after taxation and retained for the financial period	16	(26)	76

Statement of Total Recognised Gains and Losses

for the year ended 30 September 2003

	Note	2003 £'000	2002 £'000
(Loss) / profit for the year		(26)	76
Prior year adjustment for deferred tax	7	-	60
Total gains and losses recognised since last annual report		(26)	136

Note of Historical Cost Profits and Losses

for the year ended 30 September 2003

	2003 £'000	2002 £'000
Reported (loss) / profit on ordinary activities before taxation	(25)	142
Realisation of property revaluation gains	36	-
Historical cost profit on ordinary activities before taxation	11	142
Historical cost retained profit	10	76

Balance Sheet

at 30 September 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	8	517	631
Current assets			
Stocks	9	438	358
Debtors	10	688	315
Cash at bank and in hand		-	67
		1,126	740
Creditors: Amounts falling due within one year	11	(647)	(310)
Net current assets		479	430
Total assets less current liabilities		996	1,061
Creditors: Amounts falling due after more than one year	12	(745)	(783)
Provisions for liabilities and charges	14	-	(1)
Net assets		251	277
Capital and reserves			
Called up share capital	15	1,254	1,254
Share premium account	16	104	104
Revaluation reserve	16	83	115
Profit and loss account	16	(1,190)	(1,196)
Equity shareholders' funds		251	277

The financial statements were approved by the Board on 28 January 2004 and signed on its behalf by:



P G Pollock
Director

Notes to the Financial Statements

for the year ended 30 September 2003

1. Accounting Policies

Basis of accounting

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention modified to include the revaluation of certain freehold properties.

FRS19 "Deferred Tax" was adopted for the first time in last year's accounts. The effect of the change is quantified in note 7.

Turnover

Turnover represents the invoiced value (excluding VAT) of goods and services supplied in the normal course of business.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost or valuation of each asset evenly to its residual value over its expected useful life. Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down would be charged to operating profit. No depreciation is provided on freehold land. The principal annual rates used are as follows:

Freehold buildings	2%
Plant and equipment	10%
Fixtures and fittings	10%
Computer equipment	25%
Motor vehicles	25%

The transitional provisions of FRS15 were adopted in 2000 and accordingly the property valuation has not been updated. The last revaluation was in 1989. The part of the annual depreciation charge of revalued assets which relates to the surplus over cost is transferred from the revaluation reserve to the profit and loss reserve.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Deferred taxation

Deferred tax is recognised, except as noted below, on timing differences that have originated but not reversed at the balance sheet date, where they result in an obligation to pay more tax, or a right to pay less tax in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS19 deferred tax is not provided for revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date.

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

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

LPA Group plc and its subsidiary undertakings are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of this group that such losses will be paid for by the recipient company. Where there is reasonable certainty that taxable losses can be relieved the group relief receivable or payable is included in the taxation charge or credit for the period.

Notes to the Financial Statements

for the year ended 30 September 2003

1. Accounting Policies (continued)

Pension contributions

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

Leased assets

Assets obtained under hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The corresponding liability is recorded as a creditor and the interest element of rental obligations is charged to the profit and loss account over the period of the lease. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the related assets useful life. Other grants are credited to the profit and loss account when received.

Cash flow statement

The Company is exempt from publishing a cash flow statement as it is a wholly owned subsidiary of LPA Group plc which publishes a consolidated cash flow statement.

2. Turnover

The analyses of turnover by geographical market is as follows:

	2003 £'000	2002 £'000
United Kingdom	1,902	2,158
Rest of Europe	177	130
Rest of World	522	665
	2,601	2,953

Notes to the Financial Statements

for the year ended 30 September 2003

3. Operating Loss

The operating loss is arrived at after charging / (crediting):

	2003 £'000	2002 £'000
Depreciation on owned assets	54	51
Depreciation on assets held under hire purchase contracts	21	20
Profit on disposal of fixed assets	-	(3)
Operating lease rentals - plant and machinery (incl motor vehicles)	41	47
Operating lease rentals - land and buildings	-	-
Auditors' remuneration - audit fees	7	6
Auditors' remuneration - non-audit fees	2	1
Research and development	5	47

4. Net Interest Payable / (Receivable)

	2003 £'000	2002 £'000
Hire purchase contracts	9	11
Bank interest receivable	(2)	(29)
	7	(18)

There is no interest charged on the Group loan.

5. Employees

Average monthly number of employees, including directors:	2003 No	2002 No
Production	32	39
Sales and distribution	3	4
Administration	5	5
	40	48

Staff costs, including directors:	2003 £'000	2002 £'000
Wages and salaries	694	792
Social security costs	64	72
Other pension costs	28	35
	786	899

Notes to the Financial Statements

for the year ended 30 September 2003

6. Directors

Remuneration of the Company's directors:

	2003 £'000	2002 £'000
Emoluments	144	182
Company contributions paid to money purchase pension schemes	5	8
	149	190

	2003 No	2002 No
Number of directors accruing retirement benefits under defined contribution schemes	2	3

7. Taxation

	2003 £'000	2002 £'000
United Kingdom corporation tax		
Under provision in respect of prior years	-	(3)
Group relief payable / (recoverable)	1	9
Current taxation	1	6
Deferred taxation		
Net reversal of timing differences	-	60
Tax on profit on ordinary activities	1	66

Current tax reconciliation

	2003 £'000	2002 £'000
(Loss) / profit on ordinary activities before taxation	(25)	142
Theoretical tax at UK corporation tax rate of 30% (2002: 20%)	(7)	28
Effects of:		
- Accelerated capital allowances	(3)	(6)
- Profit on disposal of fixed assets	10	-
- Current profits set-off against brought forward losses	-	(12)
- Other expenditure that is not tax deductible	1	(4)
- Group relief payable / (recoverable) at 30% not 20% rate	-	3
- Adjustments in respect of prior years	-	(3)
Actual current taxation charge	1	6

Notes to the Financial Statements

for the year ended 30 September 2003

7. Taxation (continued)

At 30 September 2003 the Company had tax losses to carry forward against profits chargeable to corporation tax amounting to £858,000 (2002: £880,000) subject to agreement with the Inland Revenue.

Change in accounting policy

The change in accounting policy for deferred taxation had the following effects on the accounts.

	2002 £'000
Profit for the year	
Increase in taxation charge	60
Balance sheet	
Change in provision for deferred taxation	Nil

8. Tangible Fixed Assets

	Freehold land and buildings £ '000	Plant, equipment and Motor vehicles £ '000	Total £ '000
Cost or valuation			
At 1 October 2002	370	776	1,146
Additions	-	12	12
Disposals	(50)	(3)	(53)
At 30 September 2003	320	785	1,105
Represented by:			
Cost	20	785	805
Valuation	300	-	300
	320	785	1,105
Depreciation			
At 1 October 2002	59	456	515
Charged in period	8	67	75
Disposals	-	(2)	(2)
At 30 September 2003	67	521	588
Net book value			
At 30 September 2003	253	264	517
At 1 October 2002	311	320	631

Notes to the Financial Statements

for the year ended 30 September 2003

8. Tangible Fixed Assets (continued)

Included within plant, equipment and motor vehicles are assets with a net book value of £150,000 (2002: £171,000), which are held under hire purchase contracts. Depreciation charge for the year on these assets was £21,000 (2002: £20,000) The Company's freehold land and buildings were professionally valued on an existing use basis in 1989.

Freehold land and buildings

On an historical cost basis freehold land and buildings would have been included at the following amounts:

	£'000
Cost	241
Accumulated depreciation	70
At 30 September 2003	171
At 30 September 2002	195

9. Stocks

	2003 £'000	2002 £'000
Raw materials	366	227
Work in progress	72	131
	438	358

The replacement cost of the above stocks would not be significantly different from the values stated.

10. Debtors

	2003 £'000	2002 £'000
Trade debtors	672	297
Prepayment and accrued income	16	18
	688	315

Notes to the Financial Statements

for the year ended 30 September 2003

11. Creditors: Amounts Falling Due Within One Year

	2003 £'000	2002 £'000
Bank overdraft	61	-
Obligations under hire purchase agreements	38	36
Debt due within one year	99	36
Trade creditors	347	121
Amounts owed to group undertaking	58	26
Other taxation and social security	31	29
Other creditors	20	23
Accruals	92	75
	647	310

12. Creditors: Amounts Falling Due After More Than One Year

	2003 £'000	2002 £'000
Obligations under hire purchase agreements	62	99
Amounts owed to group undertaking	650	650
Government grants	33	34
	745	783

Government grants	£'000
At 30 September 2002	34
Amortisation in the year	1
At 30 September 2003	33

13. Obligations Under Hire Purchase Agreements

The Company's obligations under hire purchase agreements are analysed by maturity below:

	2003 £'000	2002 £'000
Within one year	38	36
Between one and two years	41	38
Between two and five years	21	61
	100	135

Notes to the Financial Statements

for the year ended 30 September 2003

14. Provisions for Liabilities and Charges

	Loss making contracts £'000	Deferred taxation £'000	Total £'000
At 1 October 2002	1	-	1
Utilised in the period	(1)		(1)
At 30 September 2003	-	-	-

Deferred taxation

Deferred taxation comprises the following (assets) / liabilities. The amounts provided and not provided are set out below:

	Amounts provided		Amounts not provided	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Capital allowances	33	30	-	-
Short term timing differences	(1)	(1)	-	-
Unutilised losses	(32)	(29)	(225)	(235)
	-	-	(225)	(235)

15. Share Capital

	2003 £'000	2002 £'000
Authorised, issued and fully paid		
1,254,000 ordinary shares of £1 each	1,254	1,254

16. Reserves

	Revaluation reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 October 2002	115	104	(1,196)
Transfer	(32)	-	32
Profit for the year	-	-	(26)
At 30 September 2003	83	104	(1,190)

Notes to the Financial Statements

for the year ended 30 September 2003

17. Financial Commitments

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Plant and machinery	
	2003	2002
	£'000	£'000
Operating leases which expire:		
Within one year	3	3
Between two and five years	36	39
	39	42

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2002: £Nil).

18. Pension Commitments

The Company operates a defined contribution pension scheme for its executives and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

19. Contingent Liabilities

The following security is provided to the Bank of Scotland in respect of LPA Group plc's £2.1m term loan facility:

(i) First and only legal charge over each freehold and leasehold property owned by the Company.
(ii) First debenture from the Company.
(iii) A composite guarantee by the Company (as guarantor) in favour of the Bank of Scotland.

At the end of the year the Company had outstanding performance bonds to customers of £281,000 (2002: £281,000).

At 30 September 2003 the Company had commitments under non-cancellable forward foreign exchange contracts totalling £145,000 (2002: £Nil).

20. Ultimate Parent Undertaking

The Company's ultimate parent undertaking and controlling party is LPA Group plc, a company incorporated in England and Wales. Copies of LPA Group plc group accounts, which include the Company, are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company has taken advantage of the exemption conferred by FRS8 and has not disclosed related party transactions with group undertakings during the period.