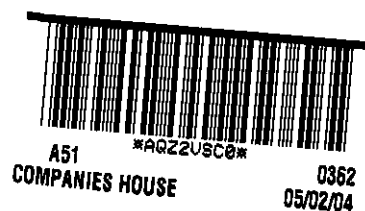


Company Number: 3563914

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Financial Statements

for the year ended 31st July 2003



Chartered Accountants

Pegasus House, 463a Glossop Road, Sheffield S10 2QD Telephone (0114) 266 7141

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Company Information

Company No: 3563914

Registered Office

Belmayne House
99 Clarkehouse Road
Sheffield
S10 2LN

Directors

Dr R Devonshire
Dr D Payne
Dr G Wilson

Secretary

R Morton

Auditors

Hawsons
Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

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Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Directors' Report

for the year ended 31st July 2003

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

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the loss for that year. In preparing those financial statements the directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and Dividends

The profit on the ordinary activities of the company before taxation amounted to £185,458. After deducting taxation and dividends, the loss of £29,908 has been transferred from reserves.

The directors recommend interim dividends amounting to £226,273 and no final dividends.

Principal Activity and Business Review

The company was principally engaged in the development of computer software and instrumentation for advanced technologies.

The company changed its name to Cavendish Instruments Holdings Limited on 27th March 2003.

On 1st April 2003, the company was acquired by Cavendish Instruments Limited (formerly Cavendish Instruments Holdings Limited) and the trade and assets hived up on that date.

Directors and their Interests

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

	Ordinary shares of £1 each	
	2003	2002
	No.	No.
D J Catton (resigned 7th March 2003)	-	-
Dr R Devonshire	-	121
Dr D Payne (appointed 7th March 2003)	-	-
Dr G Wilson (appointed 7th March 2003)	-	-

The interests of the directors in the shares of the parent company, Cavendish Instruments Limited (formerly Cavendish Instruments Holdings Limited) are disclosed in that company's report and financial statements.

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Directors' Report

for the year ended 31st July 2003

Auditors

The Auditors, Hawsons Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

By Order of the Board:

Dr R Devonshire, Director

R Devonshire
2/9/03

Independent Auditors' Report to the Shareholders
of Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

We have audited the financial statements of Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited) for the year ended 31st July 2003 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all 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.

Independent Auditors' Report to the Shareholders
of Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st July 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hawsons

Hawsons
Chartered Accountants
and Registered Auditors

14th September 2003

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Profit and Loss Account

for the year ended 31st July 2003

	Notes	2003 £	2002 £
Turnover	2	268,766	407,836
Cost of sales		(154,490)	(139,941)
Gross profit		114,276	267,895
Administrative expenses		(134,495)	(223,537)
Other operating income		2,917	-
Operating (loss)/profit	3	(17,302)	44,358
Exceptional items			
Profit on disposal of fixed assets	18	202,822	-
Profit on ordinary activities before interest		185,520	44,358
Interest payable	5	(62)	-
Profit on ordinary activities before Taxation		185,458	44,358
Tax on profit on ordinary activities	6	10,907	(11,515)
Profit on ordinary activities after Taxation		196,365	32,843
Dividends	11	(226,273)	-
Retained (loss)/profit transferred (from)/to reserves	13	(29,908)	32,843
Retained profit/(loss) brought forward		29,908	(2,935)
Retained profit carried forward		-	29,908

All amounts arose in the period to 1st April 2003, on which date the trade and assets were hived up to the parent company, Cavendish Instruments Limited.

There have been no recognised gains or losses, other than the results for the financial year, and all profits or losses have been accounted for on an historical cost basis.

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

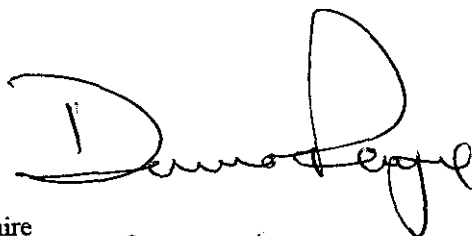
Balance Sheet

as at 31st July 2003

	Notes	2003 £	2003 £	2002 £	2002 £
Fixed Assets					
Intangible fixed assets	7		-		-
Tangible fixed assets	8		-		4,602
Current Assets					
Debtors	9	950		128,479	
Cash at bank		50		11,904	
		<u>1,000</u>		<u>140,383</u>	
Creditors:					
Amounts falling due within one year	10	-		(114,077)	
Net Current Assets			<u>1,000</u>		<u>26,306</u>
Total Assets Less Current Liabilities			<u>1,000</u>		<u>30,908</u>
Capital and Reserves					
Share capital	12		1,000		1,000
Profit and loss account	13		-		29,908
Equity Shareholders' Funds	14		<u>1,000</u>		<u>30,908</u>

These accounts were approved by the board on

Dr D Payne



2/9/03

Dr R Devonshire
Directors



Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Notes to the Financial Statements

for the year ended 31st July 2003

1 Principal Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Computer equipment	33.3% Straight Line
--------------------	---------------------

Deferred Taxation

In accordance with Financial Reporting Standard 19 'Deferred Tax', provision is made at current tax rates for tax deferred in respect of all material timing differences. The company has not adopted a policy of discounting deferred tax assets and liabilities.

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Contribution to Pension Funds

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

Research and Development

Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with expected sales use arising from the projects. All other development costs are written off in the period of expenditure.

Leased Assets

Operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Notes to the Financial Statements

for the year ended 31st July 2003

2 Turnover

The turnover and operating (loss)/profit for the year was derived from the company's principal activity.

The geographical analysis of turnover is as follows:

	2003	2002
	£	£
United Kingdom	41,370	148,028
Rest of world	227,396	259,808
	<u>268,766</u>	<u>407,836</u>

3 Operating loss

	2003	2002
	£	£
Operating loss is stated after charging or crediting:		
Other operating lease rentals	11,491	2,442
Amounts payable to the auditors in respect of audit services	1,250	1,250
Amounts payable to the auditors in respect of non-audit services	3,950	4,490
Depreciation - owned assets	3,750	2,301
Loss on foreign exchange	3,592	4,619
	<u>3,592</u>	<u>4,619</u>

4 Directors and Employees

Staff costs during the year were as follows:

	2003	2002
	£	£
Wages and salaries	58,613	131,035
Social security costs	4,826	12,701
Other pension costs	5,321	4,928
	<u>68,760</u>	<u>148,664</u>

The average number of employees of the company during the year was 6 (2002: 5).

Staff costs of £39,442 have been capitalised within intangible fixed assets during the year.

Remuneration in respect of directors was as follows:

	2003	2002
	£	£
Management remuneration	4,978	-
Aggregate value of company contributions to money purchase pension schemes	299	-
	<u>5,277</u>	<u>-</u>

Other directors disclosures in respect of qualifying services:

	2003	2002
	Number	Number
The number of directors to whom retirement benefits are accruing under money purchase pension schemes	<u>2</u>	<u>-</u>

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Notes to the Financial Statements

for the year ended 31st July 2003

5	Interest Payable	2003	2002
		£	£
	Bank loans and overdrafts	<u>62</u>	<u>-</u>
6	Tax on Profit on Ordinary Activities	2003	2002
		£	£
	Based on the profit for the year:		
	U.K. Corporation tax at 30% (2002: 30%)	-	10,907
	Prior year adjustments - corporation tax	<u>(10,907)</u>	<u>608</u>
		<u>(10,907)</u>	<u>11,515</u>
	Reconciliation of tax charge	2003	2002
		£	£
	Profit on ordinary activities before taxation	<u>185,458</u>	<u>44,358</u>
	(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	<u>55,637</u>	<u>13,307</u>
	<i>Effects of:</i>		
	Expenses not deductible for tax purposes	841	511
	Capital allowances in excess of depreciation	<u>(11,306)</u>	<u>(1,090)</u>
	Utilisation of tax losses	11,921	-
	Adjustments in respect of previous periods	<u>(10,907)</u>	608
	Tax losses transferred with trade	3,754	-
	Marginal relief	-	<u>(1,013)</u>
	Non chargeable gain on disposal of capital asset	<u>(60,847)</u>	-
	Other timing differences	-	<u>(808)</u>
	Current tax charge for year	<u>(10,907)</u>	<u>11,515</u>
7	Intangible Fixed Assets		Development Expenditure
	Cost		£
	Increase during the year		39,442
	Transfers		<u>(39,442)</u>
	At 31st July 2003		<u>-</u>
	Net Book Value		
	At 31st July 2003		<u>-</u>

Development costs on Sapphire software are capitalised and carried forward, since Sapphire software was not in commercial production until August 2003. The costs will be amortised over five years, commencing August 2003.

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Notes to the Financial Statements

for the year ended 31st July 2003

8 Tangible Fixed Assets

	Fixtures and fittings £
Cost	
At 1st August 2002	13,297
Additions	9,047
Transfers	(22,344)
At 31st July 2003	<u>-</u>
Depreciation	
At 1st August 2002	8,695
Charge for the year	3,750
Transfers	(12,445)
At 31st July 2003	<u>-</u>
Net Book Value	
At 31st July 2003	<u>-</u>
At 31st July 2002	<u>4,602</u>

9 Debtors

	2003 £	2002 £
Trade debtors	-	123,124
Amounts owed by group undertakings	950	-
Other debtors	-	448
Prepayments and accrued income	-	4,907
	<u>950</u>	<u>128,479</u>

10 Creditors: Amounts falling due within one year

	2003 £	2002 £
Bank overdraft	-	10,410
Trade creditors	-	49,782
Corporation tax	-	10,907
Amounts owed to group undertakings	-	34,845
Accruals and deferred income	-	8,133
	<u>-</u>	<u>114,077</u>

11 Dividends

	2003 £	2002 £
Ordinary shares		
Interim of £226.27 (2002 : £nil) per share paid	<u>226,273</u>	<u>-</u>

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Notes to the Financial Statements

for the year ended 31st July 2003

12 Share Capital

Authorised	2003	2002
	£	£
50,000 Ordinary shares of £1 each (2002: 50,000)	50,000	50,000
	<hr/>	<hr/>
Allotted, called up and fully paid	2003	2002
	£	£
1,000 Ordinary shares of £1 each (2002: 1,000)	1,000	1,000
	<hr/>	<hr/>

13 Reserves

	Profit and Loss Account £
At 1st August 2002	29,908
Loss for the year	(29,908)
At 31st July 2003	<hr/> - <hr/>

14 Reconciliation of the Movement in Shareholders' Funds

	2003	2002
	£	£
Profit for the financial year	196,365	32,843
Dividends	(226,273)	-
(Decrease)/Increase in shareholders' funds	(29,908)	32,843
Opening shareholders' funds	30,908	(1,935)
Closing shareholders' funds	<hr/> 1,000 <hr/>	<hr/> 30,908 <hr/>

15 Pensions - Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The pension cost for the year was £5,321 and there were no outstanding or prepaid contributions at the year end.

16 Ultimate Parent Undertaking

The company is a subsidiary of Cavendish Instruments Limited (formerly Cavendish Instruments Holdings Limited), which is the ultimate parent company. Cavendish Instruments Limited is controlled by its directors'.

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Notes to the Financial Statements

for the year ended 31st July 2003

17 Related Party Transactions

During the year, Dr R D Devonshire, a director of Cavendish Instruments Limited provided consultancy services to the company totalling £13,448 (2002: £20,806). An amount of £nil was outstanding at the year end.

During the year the company was recharged for services totalling £108,752 (2002: £151,393) by the University of Sheffield. At the year end a balance of £nil was outstanding.

18 Disposal of Trade

On 1st April 2003, the company's trade and assets were hived up to its parent company, Cavendish Instruments Limited (formerly Cavendish Instruments Holdings Limited).

	2003 £	2002 £
Net assets disposed of:		
Tangible fixed assets	9,899	-
Intangible development expenditure	39,442	-
Debtors	94,399	-
Cash at bank and in hand	373	-
Creditors	(119,662)	-
	<hr/>	<hr/>
	24,451	-
Profit on disposal	202,822	-
	<hr/>	<hr/>
	227,273	-
	<hr/>	<hr/>
Satisfied by intercompany account	227,273	-
	<hr/>	<hr/>

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Trading, Profit and Loss Account

for the year ended 31st July 2003

	2003 £	2003 £	2002 £	2002 £
Turnover		268,766		407,836
Cost of sales				
Purchases	153,408		138,685	
Other direct costs	-		321	
Carriage and packing	1,082		935	
		<u>154,490</u>		<u>139,941</u>
Gross profit		114,276		267,895
Rental income		<u>2,917</u>		<u>-</u>
		117,193		267,895
Overheads				
Administrative expenses - per schedule	134,495		223,537	
Exceptional items - per schedule	(202,822)		-	
Interest payable - per schedule	<u>62</u>		<u>-</u>	
		<u>68,265</u>		<u>(223,537)</u>
Profit on ordinary activities before taxation		<u><u>185,458</u></u>		<u><u>44,358</u></u>

Cavendish Instruments Holdings Limited (formerly Cavendish Instruments Limited)

Schedules to the Trading, Profit and Loss Account

for the year ended 31st July 2003

	2003 £	2002 £
Administrative expenses		
Directors' remuneration	4,978	-
Wages and salaries	53,635	131,035
Employers national insurance	4,826	12,701
Pension costs (including directors' pensions)	5,321	4,928
Travel, subsistence and entertainment	1,820	5,943
Consultancy fees	13,448	28,707
Legal and professional fees	2,651	1,172
Audit fees	1,250	1,250
Accountancy and other non-audit fees	3,950	4,490
Depreciation	3,750	2,301
Insurance	4,997	8,118
Printing, postage and stationery	1,764	932
Telephone and telex	1,767	1,682
Equipment rental	1,703	2,442
Computer costs	1,302	2,578
Rent and rates	15,209	-
Light and heat	634	-
Repairs and renewals	3,051	60
Bank charges	180	538
Management charges	-	6,945
Loss on foreign exchange	3,592	4,619
Subscriptions	1,176	981
Recruitment and training	380	626
Miscellaneous expenses	3,111	1,489
	<u>134,495</u>	<u>223,537</u>
Exceptional items		
(Profit) on disposal of fixed assets	(202,822)	-
	<u>(202,822)</u>	<u>-</u>
Interest payable		
Bank interest	<u>62</u>	<u>-</u>