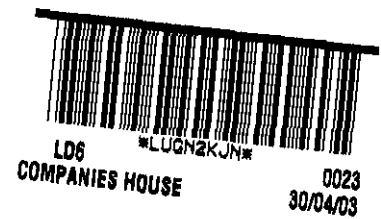


Company Registration No: 00832429 (England & Wales)

CHELSEA INSTRUMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002



CHELSEA INSTRUMENTS LIMITED

COMPANY INFORMATION

DIRECTORS

Dr B Phillips
Dr J P Vessey
Mr R J Burt
Dr J Attridge
Mr S A Fletcher

SECRETARY

Mr S A Fletcher

COMPANY NUMBER

00832429

REGISTERED OFFICE

55 Central Avenue
West Molesey
SURREY KT8 2QZ
UK

AUDITORS

Hazlems Fenton
Chartered Accountants
Palladium House
1-4 Argyll Street
LONDON W1F 7LD

BUSINESS ADDRESS

55 Central Avenue
West Molesey
SURREY KT8 2QZ
UK

CHELSEA INSTRUMENTS LIMITED

CONTENTS

Page

1-2 Directors' Report

3 Auditors' Report

4 Profit and Loss Account

5-6 Balance Sheet

7-14 Notes to the Financial Statements

CHELSEA INSTRUMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002

The directors present their report and financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The company develops and manufactures high-specification electronic equipment and instrumentation for use in the oceanographic, scientific and medical diagnostic fields. It also provides technical research and consultancy services in those fields.

PRODUCT DEVELOPMENT

The company continues to develop and expand its own range of standard products for sale into the scientific oceanographic market. The product range is well-established and the company has a strong presence in its chosen markets.

The basis used for capitalising and amortising product development expenditure is described in the notes to the financial statements.

TRADING RESULTS AND REVIEW

Turnover for the year totalled £3.85m against £3.06m for the previous year.

The company achieved pre-tax profits of £60,052 for the year against £108,824 for the year 2001. After tax, the distributable profit amounted to £49,052 (2001- £63,824).

The directors have proposed that no dividend be paid for the year (2001-£ Nil).

The retained profit of £49,052 is transferred to reserves.

During the year, the level of trading was considerably increased as a result of the investment made in product development in earlier years and the commencement of government contracts that were in the course of negotiation. However, the increase was actually below expectation due to the downturn in international economic conditions following '9/11' and profits for the year were adversely affected as a result. The difficult conditions have continued into the current year.

DIRECTORS

The following directors held office during the year.

D.J. Chatterton

M.B. Kershen

J.P. Vessey

R.J. Burt

J Attridge

B Phillips (appointed 20th December 2001)

S McKechnie (appointed 20th December 2001)

CHELSEA INSTRUMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002

DIRECTORS' INTERESTS

The directors' beneficial interests (including family interests) in the shares of the company were as stated below:

	<u>Ordinary Shares of £1 each</u>	
	31 March 2002	31 March 2001
D.J. Chatterton	19,950	20,385
M.B. Kershen	10,144	10,675
J.P. Vessey	3,764	4,000
B. Phillips	2,700	-

The above beneficial interests are reflected through the directors' shareholdings in the ultimate holding company, Chelsea Technologies Limited. None of the directors hold shares directly in Chelsea Instruments Limited.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Hazlems Fenton be re-appointed as auditors of the company will be put to the Annual General Meeting.

DIRECTORS' RESPONSIBILITIES

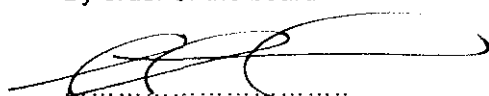
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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 that 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


S.A. Fletcher

17th April 2003

**CHELSEA INSTRUMENTS LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHELSEA INSTRUMENTS LIMITED**

We have audited the financial statements of Chelsea Instruments Limited set out on pages 4 to 14 for the year ended 31 March 2002. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), 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 auditors' 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 of the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2, 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 misstatements within it.

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 the 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 the company's affairs as at 31st March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


HAZLEMS FENTON

Chartered Accountants
Registered Auditors

25.4.03

Chartered Accountants
Palladium House
1-4 Argyll Street
London W1F 7LD

CHELSEA INSTRUMENTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002**

		2002	2001
	Notes	£	£
TURNOVER	1.2	3,855,029	3,062,680
Cost of Sales		(3,032,881)	(2,328,790)
		-----	-----
GROSS PROFIT		822,148	733,890
Selling and distribution costs		(388,706)	(304,979)
Administration expenses		(298,219)	(241,525)
		-----	-----
OPERATING PROFIT	2	135,223	187,386
Interest payable and similar charges	3	(75,171)	(78,562)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		60,052	108,824
Taxation (Charge) / Credit	4	(11,000)	(45,000)
		-----	-----
PROFIT FOR THE YEAR	16	49,052	63,824
		=====	=====

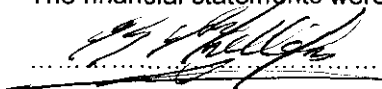
CHELSEA INSTRUMENTS LIMITED

**BALANCE SHEET
AS AT 31 MARCH 2002**

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	5		773,514		781,451
Tangible assets	6		705,127		684,990
Investments	7		23,373		23,373
			<u>1,502,014</u>		<u>1,489,814</u>
CURRENT ASSETS					
Stocks	8	1,414,300		1,269,474	
Debtors	9	1,003,325		876,336	
Cash at bank & in hand		1,170		42,900	
		<u>2,418,795</u>		<u>2,188,710</u>	
CREDITORS: Amounts falling due within one year	10	(1,688,569)		(1,711,504)	
NET CURRENT ASSETS			<u>730,226</u>		<u>477,206</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,232,240</u>		<u>1,967,020</u>
CREDITORS: Amounts falling due after more than one year	11		(659,273)		(453,105)
PROVISION FOR LIABILITIES & CHARGES	12		<u>(145,706)</u>		<u>(135,706)</u>
NET ASSETS			<u>1,427,261</u>		<u>1,378,209</u>
CAPITAL AND RESERVES			<u>1,427,261</u>		<u>1,378,209</u>
Called up share capital	14		50,000		50,000
Profit and loss account	15		<u>1,377,261</u>		<u>1,328,209</u>
SHAREHOLDERS' FUNDS			<u>1,427,261</u>		<u>1,378,209</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Small Entities (effective March 2000).

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


Director

17th April 2003
Date

CHELSEA INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

1. ACCOUNTING POLICIES

1.1. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

1.2 TURNOVER

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off to the profit & loss account as incurred, except that expenditure incurred on the development of an individual product is carried forward when its technological feasibility and commercial viability are established and future recoverability can be foreseen with reasonable assurance. Capitalisation of development expenditure ceases when the product concerned is fully tested and ready for commercial production. Any expenditure carried forward is amortised in line with the expected sales of the related product subject to a maximum amortisation period varying from four to ten years from the completion of the development period.

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Land and buildings leasehold	Straight line over the life of the lease
Plant and machinery	10-20% pa Straight line
Fixtures, fittings & equipment	10% pa Straight line
Motor vehicles	20% pa Straight line

1.5 LEASING AND HIRE PURCHASE

Assets acquired under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account in constant proportion to the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease terms.

1.6 INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value. Current asset investments are stated at the lower cost and net realisation value.

1.7 STOCK AND WORK IN PROGRESS

Stock and work in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, labour, production and handling overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and selling costs.

CHELSEA INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

1.8 LONG-TERM CONTRACTS

Turnover on long-term contracts represents the sales value of work carried out during the period which would include amounts invoiced and yet to be invoiced at the year-end. The sales value of work carried out is determined on the basis of the applied cost of materials and the proportion of total contract labour hours expended in the period and after allowing for contingencies and provision for anticipated losses where relevant.

Operating profit includes attributable profits on long-term contracts completed and amounts recoverable on contracts uncompleted, the latter also being included under debtors due within one year where relevant.

Long-term work in progress is shown at net cost after deducting foreseeable losses and payments on account.

1.9 PENSIONS

The group operates a defined contribution pension scheme. Pension contributions are charged to the profit and loss account as paid. These contributions are invested separately from the Company's assets.

1.10 DEFERRED TAXATION

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.11 FOREIGN CURRENCY TRANSLATION

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

1.12 GROUP ACCOUNTS

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company and its subsidiary undertakings comprise a small-size group. The Company has therefore taken advantage of the exemption provided by S248 of the Companies Act 1985 not to prepare group accounts.

1.13 GOVERNMENT GRANTS

Grants towards capital expenditure are credited to cost of fixed assets and released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

CHELSEA INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

2. OPERATING PROFIT

	2002	2001
	£	£
The operating profit is stated after charging:		
Amortisation of intangible assets	137,192	108,996
Depreciation of tangible assets (incl. losses on sale)	142,235	139,711
Operating lease rentals	72,730	72,730
Auditors' remuneration	12,500	11,750
Directors' emoluments (including benefits)	309,795	231,900
	=====	=====
and after crediting:		
Government grants	43,419	7,338
	=====	=====

3. INTEREST PAYABLE

	2002	2001
	£	£
On bank loans and overdrafts	67,434	71,091
Hire purchase interest	7,737	7,471
	-----	-----
	75,171	78,562
	=====	=====

4. TAXATION

	2002	2001
	£	£
UK current year taxation		
Corporation Tax on assessable profit for year	1,000	-
Deferred taxation provision	10,000	45,000
	-----	-----
	11,000	45,000
	=====	=====

CHELSEA INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

5. INTANGIBLE FIXED ASSETS

	<u>Product Development costs</u>
	£
Cost	
At 1 April 2001	1,255,551
Additions	129,255
Elimination on full amortisation	(158,616)

At 31 March 2002	1,226,190

Amortisation	
At 1 st April 2001	474,100
Elimination on full amortisation	(158,616)
Charge for year	137,192

At 31 March 2002	452,676

Net book value	
At 31 March 2002	773,514
	=====
At 31 March 2001	781,451
	=====

6. TANGIBLE FIXED ASSETS

	Land & buildings Leasehold	Plant & machinery	Fixtures & fittings	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2001	1	1,023,995	309,003	101,256	1,434,255
Additions, net	-	127,583	58,379	10,400	196,362
Disposals/ Written off	-	(29,500)	-	(13,341)	(42,841)
	-----	-----	-----	-----	-----
At 31 March 2002	1	1,122,078	367,382	98,315	1,587,776
	=====	=====	=====	=====	=====
Depreciation					
At 1 April 2001	-	450,201	240,093	58,971	749,265
On disposals	-	(5,310)	-	(566)	(5,876)
Charge for year	-	112,264	8,973	18,023	139,260
	-----	-----	-----	-----	-----
At 31 March 2002	-	557,155	249,066	76,428	882,649
	=====	=====	=====	=====	=====
Net book values					
At 31 March 2002	1	564,923	118,316	21,887	705,127
	=====	=====	=====	=====	=====
At 31 March 2001	1	573,794	68,910	42,285	684,990
	=====	=====	=====	=====	=====

The net book value of tangible fixed assets includes £146,196(2001 - £115,960) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £25,370(2001 - £4,854) for the year.

CHELSEA INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

7. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
Cost	
At 1 April 2001 and at 31 March 2002	23,373 =====

In the opinion of the directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Chelsea Environmental Instruments Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last financial period were as follows:

	Capital and reserves £	Profit/(Loss) for period £
Chelsea Environmental Instruments Limited	63,759 =====	(2,746) =====

8. STOCKS AND WORK IN PROGRESS

	2002 £	2001 £
Raw materials & consumables	504,927	441,583
Work in progress (incl. sub-assembly)	624,070	638,379
Finished goods & goods for resale (incl. customer support)	285,303	189,512
	----- 1,414,300 =====	----- 1,269,474 =====

CHELSEA INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

9. DEBTORS

	2002	2001
	£	£
Trade debtors		
(including long-term contracts £293,678 (2001-£170,280))	841,176	795,597
Amounts owed by parent and fellow subsidiary undertakings	48,545	11,203
Other debtors	8,975	5,756
Prepayments and accrued income	104,629	63,780
	-----	-----
	1,003,325	876,336
	=====	=====

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank loans & overdrafts, net	773,205	742,915
Long-term contract liabilities	148,409	101,607
Net obligation under finance lease and hire purchase contracts	79,483	42,303
Trade creditors	549,140	586,628
Amounts owed to parent and fellow subsidiary undertakings	-	62,186
Taxes and social security costs	92,900	110,476
Corporation Tax	1,000	-
Directors' current accounts	11,482	11,482
Accruals and deferred income	32,950	53,907
	-----	-----
	1,688,569	1,711,504
	=====	=====

The bank loans and overdrafts are secured by a fixed and floating charge over the company's assets.

CHELSEA INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£	£
Bank Loans	212,212	79,375
Net obligations under finance leases and hire purchase agreements	65,713	48,254
	-----	-----
	277,925	127,629
Amounts due to fellow subsidiaries (no longer active)	381,348	325,476
	-----	-----
	659,273	453,105
	-----	-----
Analysis of loans		
Not wholly repayable within five years by instalments:	-	-
Wholly repayable within five years	272,212	108,407
	-----	-----
	272,212	108,407
Included in current liabilities	(60,000)	(29,032)
	-----	-----
	212,212	79,375
	=====	=====
Instalments not due within five years	-	-
	=====	=====
Loan maturity analysis		
Between one and two years	60,000	29,032
Between two and five years	152,212	50,343
In five years or more	-	-
	=====	=====
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	79,483	42,303
Repayable between one and five years	65,713	48,254
	-----	-----
	145,196	90,557
Included in liabilities falling due within one year	(79,483)	(42,303)
	-----	-----
	65,713	48,254
	=====	=====

CHELSEA INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002**

12. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation £
Balance at 1 April 2001	135,706
Profit and loss account	10,000

Balance at 31 March 2002	145,706
	=====

Deferred tax is provided at 20% (2001 – 20%) analysed over the following timing differences:

	Not Provided		Provided	
	2002	2001	2002	2001
	£	£	£	£
Accelerated capital allowances	50,000	50,007	33,916	23,916
Product development expenditure	40,000	40,000	111,790	111,790
	-----	-----	-----	-----
	90,000	90,007	145,706	135,706
	=====	=====	=====	=====

13. PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £58,112 (2001 - £64,375).

Pension contributions were paid in the year for 4 directors (2001 – 4).

14. SHARE CAPITAL

	2002 £	2001 £
Authorised		
100,000 Ordinary Shares of £1 each	100,000	100,000
	=====	=====
Allotted, called up and fully paid		
50,000 Ordinary Shares of £1 each	50,000	50,000
	=====	=====

CHELSEA INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

15 STATEMENT OF MOVEMENTS ON PROFIT & LOSS ACCOUNT

	£
Balance at 1 April 2001	1,328,209
Retained profit for the year	49,052

Balance at 31 March 2002	1,377,261
	=====

16. CONTINGENT LIABILITIES

The company has guaranteed bank borrowings of its subsidiary company and fellow subsidiaries under cross-guarantee arrangements. The guarantees are secured by fixed and floating charges on the Group's assets and a legal mortgage over the company's leasehold property.

17. FINANCIAL COMMITMENTS

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land & buildings	
	2002	2001
	£	£
Expiry date:		
In over five years	72,730	72,730
	=====	=====

18. CONTROL

The ultimate parent company is Chelsea Technologies Limited, a company registered in England and Wales.

There is no ultimate controlling party.