

MEASUREMENT TECHNOLOGY LIMITED

FINANCIAL STATEMENTS - 31 DECEMBER 2002

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



The company's registered number is 1012778

MEASUREMENT TECHNOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company is the design, manufacture and sale of industrial instrumentation, particularly explosion-protection equipment for process control in hazardous areas.

The company experienced another year of difficult market conditions, however the weakness in demand for traditional products was partly offset by growth in the newer technologies of Fieldbus and Open Control systems. There was a major restructuring of the workforce during the year which should leave the company better able to meet future business requirements. There were no significant events noted since the balance sheet date.

RESULTS AND DIVIDENDS:

The directors recommend that no final dividend be paid for the year (2001: £nil).

	£'000
Retained profit at 1 January 2002	15,264
Loss for the year after taxation	(361)
Retained profit at 31 December 2002	<u>14,903</u>

FIXED ASSETS:

In the opinion of the directors, the current open market value of the company's interest in buildings exceeds the book value by £950,000. The directors believe that were the buildings to be disposed of, any tax liability would be negligible due to the availability of roll-over relief and indexation allowances.

SUPPLIER PAYMENT POLICY:

It is company policy to pay suppliers in accordance with the terms of business agreed with them. The number of days' purchases outstanding at the end of December 2002 was 67 days (2001: 65 days).

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS:

The directors of the company who held office during the year, together with their interests in the shares of the holding company, The MTL Instruments Group plc, at the end of the year were:

	<u>31 December 2002</u>		<u>31 December 2001</u>	
	Ordinary shares of 10p each	Options to subscribe for 10p ordinary shares	Ordinary shares of 10p each	Options to subscribe for 10p ordinary shares
G.S. Philp	5,076	99,480	4,667	36,864
W.S. Greenhalgh	5,513	95,000	5,513	70,000
R.W. Squires	172,131	2,695	172,131	3,309
M.D. Prentice	0	29,842	0	18,021
J.N. Malins	0	25,000	0	15,000
K.J. Edwards	0	13,273	0	3,805
L.C. Towle	1,134,257	0	1,134,257	0
J.E.P. Mosselmans	0	25,000	0	15,000

Further information relating to directors' share options is given in note 14.

None of the directors had an interest in the shares of Measurement Technology Limited in the current or preceding financial years.

STATEMENT OF DIRECTORS' RESPONSIBILITIES:

United Kingdom 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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed; 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (Continued)

EMPLOYEES:

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the company performance.

AUDITORS:

During the year, Arthur Andersen resigned as the company's auditors following the agreement it reached with Deloitte & Touche under which partners and staff from Arthur Andersen joined Deloitte & Touche. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the company's auditors to fill the vacancy created by Arthur Andersen's resignation. Deloitte & Touche has expressed their willingness to continue in office as auditors and a resolution to re-appoint them was proposed at the Annual General Meeting.

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

BY ORDER OF THE BOARD



W.S. Greenhalgh
Secretary

Power Court
Luton
Bedfordshire
LU1 3JJ

23 June 2003

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF MEASUREMENT TECHNOLOGY LIMITED

We have audited the financial statements of Measurement Technology Limited for the year ended 31 December 2002, which comprise the profit and loss account, balance sheet and the related notes numbered 1 to 19. These financial statements have been prepared under 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 for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 circumstances of the company, 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 affairs of the company as at 31 December 2002, and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Cambridge

23 June 2003

MEASUREMENT TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Non- exceptional 2002 £'000	Exceptional (note 3) 2002 £'000	2002 £'000	2001 £'000
TURNOVER	2	22,392	0	22,392	23,921
Cost of sales		(12,735)	(189)	(12,924)	(14,001)
GROSS PROFIT		9,657	(189)	9,468	9,920
Design and development costs		(3,222)	(330)	(3,552)	(3,640)
Sales and marketing costs		(3,708)	(150)	(3,858)	(3,978)
Administrative costs		(2,253)	(53)	(2,306)	(1,807)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES BEING OPERATING (LOSS)/PROFIT		474	(722)	(248)	495
Finance charges (net)	4			(164)	(232)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5			(412)	263
Tax on (loss)/profit on ordinary activities	7			51	(132)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR				(361)	131
RETAINED PROFIT at beginning of year				15,264	15,133
RETAINED PROFIT at end of year				14,903	15,264

There are no recognised gains or losses, other than the retained loss for the current financial year and the retained profit for the preceding financial year, and therefore a statement of total recognised gains and losses has not been included in these financial statements.

Turnover and the loss for the current financial year and profit for the preceding financial year were derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

MEASUREMENT TECHNOLOGY LIMITED

BALANCE SHEET - 31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	8	<u>2,784</u>	<u>3,193</u>
CURRENT ASSETS			
Stocks	9	5,924	5,449
Debtors	10	13,976	15,966
Cash at bank and in hand		<u>1,657</u>	<u>529</u>
		21,557	21,944
CREDITORS: Amounts falling due within one year	11	<u>(7,747)</u>	<u>(8,050)</u>
NET CURRENT ASSETS		<u>13,810</u>	<u>13,894</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,594	17,087
CREDITORS: Amounts falling due after more than one year	12	(1,401)	(1,420)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(275)	(388)
NET ASSETS		<u><u>14,918</u></u>	<u><u>15,279</u></u>
CAPITAL AND RESERVES			
Called-up share capital	14	15	15
Profit and loss account		<u>14,903</u>	<u>15,264</u>
TOTAL SHAREHOLDER'S FUNDS, ALL EQUITY	15	<u><u>14,918</u></u>	<u><u>15,279</u></u>

SIGNED ON BEHALF OF THE BOARD



W.S. Greenhalgh, Director

23 June 2003

The accompanying notes are an integral part of this balance sheet.

MEASUREMENT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been consistently applied throughout the year and the preceding year except that Financial Reporting Standard 19 "Deferred Taxation" has been adopted in these financial statements for the first time.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services in the normal course of business.

c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:-

Buildings	50 years
Motor vehicles	3 years
Plant and machinery	3-5 years

Residual value is calculated on prices prevailing at the date of acquisition.

Assets under construction are not depreciated until they are brought into use.

d) Design and development

Design and development expenditure is written off in the year during which it is incurred.

e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	- purchase cost on a first-in, first-out basis including transport.
Work-in-progress and finished goods	- cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

f) Warranties

Provision is made against the future estimated costs of repairing or replacing goods which may be returned under warranty.

g) Leases

Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of their lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account to produce a constant rate of charge on the balance of the capital repayments outstanding.

Rental costs under operating leases are charged, on a straight-line basis, to the profit and loss account over the lease term, even if the payments are not made on such a basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

h) Taxation

UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its profits stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

i) Pension costs

The amount charged to the profit and loss account for defined benefit schemes is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that regular cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of the scheme members. The amount charged to the profit and loss account for defined contribution schemes is the contributions payable in the year.

j) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

k) Cash flow

Under the provisions of Financial Reporting Standard No.1 (Revised), the company has not presented a cash flow statement because its parent undertaking, The MTL Instruments Group plc, which is incorporated in England and Wales, has prepared consolidated financial statements which include the results of the company for the year and which contain a cash flow statement.

2. SEGMENTAL INFORMATION

The geographical analysis of turnover by destination is as follows:

	2002	2001
	£'000	£'000
United Kingdom	6,575	6,563
Rest of Europe	7,943	9,112
North America	4,391	4,951
Rest of World	3,483	3,295
	<u>22,392</u>	<u>23,921</u>

All turnover originates in the UK and arises from one class of business as described in the directors' report.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. EXCEPTIONAL ITEM

The exceptional item relates to a reorganisation of the business which resulted in staff reductions. The effect of the exceptional item reported before operating profit on the amounts charged to the profit and loss account for taxation is a net decrease in the charge of £217,000.

4. FINANCE CHARGES (NET)

	2002	2001
	£'000	£'000
Interest payable and similar charges		
Bank loans and overdrafts	(174)	(238)
Finance charges payable under finance leases	(4)	(11)
Other loans	(4)	(6)
	<u>(182)</u>	<u>(255)</u>
Interest receivable	18	23
	<u>(164)</u>	<u>(232)</u>

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2002	2001
	£'000	£'000
Depreciation of tangible fixed assets - owned	785	659
- leased	36	70
Design and development	3,222	3,640
Auditors' remuneration for audit services	31	46
Auditors' remuneration for non-audit services	25	61
Operating lease payments - property	31	10
- other	112	53
	<u>112</u>	<u>53</u>

Amounts shown as paid to auditors were paid to Deloitte & Touche in 2002 and Arthur Andersen in 2001.

6. STAFF COSTS

Employee costs (including directors) amounted to:

	2002	2001
	£'000	£'000
Wages and salaries	7,561	7,650
Social security costs	578	619
Other pension costs (see note 17)	592	585
	<u>8,731</u>	<u>8,854</u>

The average monthly number of persons employed by the company during the year was as follows:

	2002	2001
	Number	Number
Production	172	192
Design and development	49	60
Sales and marketing	55	54
Administration	26	24
	<u>302</u>	<u>330</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. STAFF COSTS (continued)

Directors' remuneration:

The remuneration of the directors was as follows:

	2002	2001
	£'000	£'000
Emoluments	711	639
Company contributions to money purchase pension schemes	7	6
	<u>718</u>	<u>645</u>

Pensions:

The number of directors who were members of pension schemes were as follows:

	2002 Number	2001 Number
Money Purchase Schemes	<u>1</u>	<u>1</u>
Defined Benefit Schemes	<u>6</u>	<u>6</u>

Highest Paid Director:

The highest paid director made a gain of £107 on the exercise of share options during the course of the year (2001: £2,140).

The above amounts for remuneration include the following in respect of the highest paid director:

	2002	2001
	£'000	£'000
Emoluments	<u>143</u>	<u>126</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. Two of the directors exercised share options in the year (2001: 1) - see note 14.

The accrued pension entitlement under the MTL Instruments Group Plc defined benefit scheme of the highest paid director at 31 December 2002 was £22,101 (2001: £19,329).

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The tax (credit)/charge is based on the (loss)/profit for the year and comprises:	2002	2001
	£'000	£'000
UK Corporation tax charge at current rate	0	64
Adjustment in respect of prior years	(80)	(13)
Total current tax	<u>(80)</u>	<u>51</u>
Deferred taxation	(33)	81
Adjustment in respect of prior years	62	0
Total deferred tax	<u>29</u>	<u>81</u>
	<u>(51)</u>	<u>132</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2001:30%). The actual tax charged in the current and previous years is lower than the standard rate of tax for the reasons set out in the following reconciliation:

	2002	2001
	%	%
Standard rate of tax for period	30	30
Effects of :-		
Expenses not deductible for tax purposes	(5)	14
Capital allowances in excess of depreciation	(8)	(19)
Utilisation of tax losses	(13)	0
Movement in short term timing differences	12	(2)
Other deferred tax movements	1	1
Disposal proceeds of ineligible assets	2	0
Research and development uplift	9	0
Group relief not paid for	(28)	0
Prior period adjustments	19	(5)
	<u>19</u>	<u>19</u>

8. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Buildings	Motor vehicles, plant & machinery	Total
	£'000	£'000	£'000
COST:			
Beginning of year	1,891	12,087	13,978
Additions	4	414	418
Disposals	0	(628)	(628)
End of year	<u>1,895</u>	<u>11,873</u>	<u>13,768</u>
DEPRECIATION:			
Beginning of year	684	10,101	10,785
Charge for the year	38	783	821
Disposals	0	(622)	(622)
End of year	<u>722</u>	<u>10,262</u>	<u>10,984</u>
NET BOOK VALUE, 1 January 2002	<u>1,207</u>	<u>1,986</u>	<u>3,193</u>
NET BOOK VALUE, 31 December 2002	<u>1,173</u>	<u>1,611</u>	<u>2,784</u>

The net book value of leased assets included in motor vehicles, plant and machinery at 31 December 2002 was £24,000 (2001 : £61,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. STOCKS

	2002	2001
	£'000	£'000
Raw materials and consumables	3,848	3,930
Work-in-progress	68	53
Finished goods	2,008	1,466
	<u>5,924</u>	<u>5,449</u>

10. DEBTORS - Amounts falling due within one year

	2002	2001
	£'000	£'000
Trade debtors	2,816	2,393
Amounts owed by group undertakings	10,485	12,968
UK Corporation tax	164	29
Prepayments	511	576
	<u>13,976</u>	<u>15,966</u>

11. CREDITORS - Amounts falling due within one year

	2002	2001
	£'000	£'000
Obligations under finance leases	19	37
Bank overdrafts	2,663	3,082
Trade creditors	2,407	2,697
Amounts owed to group undertakings	1,965	1,503
Taxation and social security	177	229
Other creditors	78	76
Accruals and deferred income	438	426
	<u>7,747</u>	<u>8,050</u>

12. CREDITORS - Amounts falling due after more than one year

	2002	2001
	£'000	£'000
Bank loan - repayable by a single repayment on 30 Sept 2004	1,400	1,400
Obligations under finance leases:		
- repayable between one and two years	1	20
	<u>1,401</u>	<u>1,420</u>

The bank loan is secured by a debenture over the assets of the MTL Instruments Group Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. PROVISIONS FOR LIABILITIES AND CHARGES

	2002	2001
	£'000	£'000
Deferred taxation	125	96
Provision for warranties	150	292
	<u>275</u>	<u>388</u>

The provision for product warranties relates to expected warranty claims on the company's products sold in the last three years. It is expected that most of this expenditure will be incurred within two years of the balance sheet date.

Deferred taxation comprises:

	2002	2001
	£'000	£'000
Excess of tax allowances over book depreciation of fixed assets	196	244
Other timing differences related to current assets and liabilities	(71)	(148)
	<u>125</u>	<u>96</u>

The movement on deferred taxation comprises:

	2002	2001
	£'000	£'000
Balance at beginning of year	96	15
Charged/(credited) to profit and loss account, in respect of:		
- capital allowances	(48)	78
- other timing differences	77	3
Balance at end of year	<u>125</u>	<u>96</u>

The movement in the provision for warranty costs comprises:

	2002	2001
	£'000	£'000
Balance at beginning of year	292	330
Charged to profit and loss account	116	89
Utilised in year	(127)	(127)
Released unused	(131)	0
Balance at end of year	<u>150</u>	<u>292</u>

14. CALLED-UP SHARE CAPITAL

	2002	2001
	£'000	£'000
Authorised:		
20,000 £1 ordinary shares	<u>20</u>	<u>20</u>
Allotted, called-up and fully paid:		
15,105 £1 ordinary shares	<u>15</u>	<u>15</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. CALLED-UP SHARE CAPITAL (continued)

At 31 December 2002 the following directors' share options to purchase 10p ordinary shares in The MTL Instruments Group plc had been granted and were outstanding:

Director	Start of Year	Number of options			End of Year	Exercise price	Earliest date for exercise	Latest date for exercise
		Granted	Exercised	Lapsed				
G.S. Philp								
Discretionary	30,000	0	0	0	30,000	310p	Nov 99	Nov 03
Discretionary	0	63,000	0	0	63,000	140p	Oct 05	Oct 09
SAYE	6,864	750	409	725	6,480	199p	Nov 02	Jun 08
W.S. Greenhalgh								
Discretionary	70,000	0	0	0	70,000	222p	Mar 02	Mar 06
Discretionary	0	25,000	0	0	25,000	140p	Oct 05	Oct 09
R.W. Squires								
SAYE	3,309	0	614	0	2,695	172.5p	Nov 02	Jan 04
M.D. Prentice								
Discretionary	15,000	0	0	0	15,000	222p	Mar 02	Mar 06
Discretionary	0	10,000	0	0	10,000	140p	Oct 05	Oct 09
SAYE	3,021	1,821	0	0	4,842	181.9p	Jun 03	Jun 08
J.N. Malins								
Discretionary	15,000	0	0	0	15,000	222p	Mar 02	Mar 06
Discretionary	0	10,000	0	0	10,000	140p	Oct 05	Oct 09
K.J. Edwards								
Discretionary	0	10,000	0	0	10,000	140p	Oct 05	Oct 09
SAYE	3,805	0	0	532	3,273	183.3p	Nov 02	Jan 04
J.E.P. Mosselmans								
Discretionary	15,000	0	0	0	15,000	310p	Nov 99	Nov 03
Discretionary	0	10,000	0	0	10,000	140p	Oct 05	Oct 09

The market price of the shares at 31 December 2002 was 134p (2001: 215p) and the range during the year was 134p to 216.5p.

The gain on exercise of options was £221 (2001: £3,834).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2002	2001
	£'000	£'000
(Loss)/profit for the financial year and net (decrease in)/addition to shareholder's funds	(361)	131
Opening shareholder's funds	15,279	15,148
Closing shareholder's funds	<u>14,918</u>	<u>15,279</u>

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At 31 December 2002 capital commitments contracted for, but not provided, amounted to £21,000 (2001: £18,000).

The company has annual commitments under operating leases expiring:

	Land and buildings		Other	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Within two to five years	29	0	0	0
In over five years	2	10	115	82
	<u>31</u>	<u>10</u>	<u>115</u>	<u>82</u>

17. PENSION ARRANGEMENTS

The company participates in a defined benefit scheme, together with a number of other MTL Instruments Group plc companies. The assets of the scheme are held separately from those of the company or any of the companies within the MTL Instruments Group plc. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over employees working lives with the company.

The total pension costs of the company were £592,000 (2001:£585,000).

In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the parent company, shows a net pension liability of £2,883,000 after applying a deferred tax asset of £1,235,000 to the deficit in the scheme of £4,118,000. Further details of this valuation can be found in the financial statements of the parent company.

18. RELATED PARTIES

As the company is a wholly owned subsidiary of a group whose consolidated financial statements are publicly available it is not required to disclose transactions with other group undertakings that would otherwise be required under Financial Reporting Standard No. 8 "Related Party Disclosures".

19. HOLDING COMPANY

The company is a wholly owned subsidiary undertaking of The MTL Instruments Group plc, a company incorporated in England and Wales.

The only group in which the company's results are consolidated is that of The MTL Instruments Group plc, copies of whose financial statements are available to the public from the company's registered office.