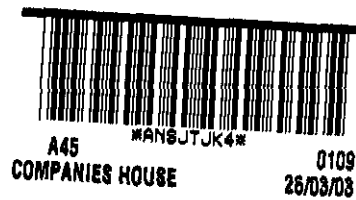


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002
FOR
JAMES HUGH GROUP LIMITED**



Mehta & Tengra
Chartered Accountants
24 Bedford Row
London
WC1R 4TQ



JAMES HUGH GROUP LIMITED

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FOR THE YEAR ENDED 31 MAY 2002**

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JAMES HUGH GROUP LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2002**

DIRECTORS:

B J Smith
Mrs A C Smith

SECRETARY:

Mrs A C Smith

REGISTERED OFFICE:

5 Hampstead West
224 Iverson Road
London
NW6 2HL

REGISTERED NUMBER:

679021 (England and Wales)

AUDITORS:

Mehta & Tengra
Chartered Accountants
24 Bedford Row
London
WC1R 4TQ

BANKERS:

National Westminster Bank Plc
Holborn Circus
PO Box No 204
No 1 Hatton Garden
London
EC1P 1DU

JAMES HUGH GROUP LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2002

The directors present their report with the financial statements of the company for the year ended 31 May 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a management company.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

The directors recommend the payment of net dividends amounting to £36,000 (2001: £35,000).

FIXED ASSETS

During the year, no investments were made in fixed assets and the changes in fixed assets are given in notes 8 and 9 to the financial statements.

DIRECTORS

The directors during the year under review were:

B J Smith
Mrs A C Smith

The beneficial interests of the directors holding office on 31 May 2002 in the issued share capital of the company were as follows:

	31.5.02	1.6.01
Ordinary £1 shares		
B J Smith	500	500
Mrs A C Smith	500	500

RELATED PARTY TRANSACTIONS

Except as stated in note 15 to the financial statements, none of the directors had any other material interests at any time during the year in any contracts of significance in relation to the business of the company.

TAXATION STATUS

The company is a close company within the provision of the Income and Corporation Taxes Act 1988.

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 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.

AUDITORS

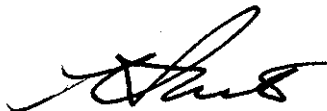
During the year, Mehta & Tengra, Chartered Accountants were appointed as auditors to the company by the directors. Mehta & Tengra will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

JAMES HUGH GROUP LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2002**

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

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'A C Smith', written in a cursive style.

Mrs A C Smith - SECRETARY

Dated: 18 December 2002

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
JAMES HUGH GROUP LIMITED**

We have audited the financial statements of James Hugh Group Limited for the year ended 31 May 2002 on pages five to eleven. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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.

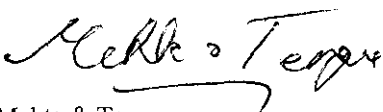
We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However the evidence available to us was limited because the company was not subject to an audit for the year ended 31 May 2001 and no audit opinion was formed on the opening balances for the current year on the comparative figures. Any adjustment to those figures would have a consequential effect on the profit for the year to 31 May 2002.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2002 and except for any adjustment that might have been found to be necessary had we been able to obtain sufficient evidence concerning the opening balance sheet, give a true and fair view of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, applicable to small companies.

In respect alone of the limitation on our work relating to opening balances; we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.



Mehta & Tengra
Chartered Accountants
24 Bedford Row
London
WC1R 4TQ

Dated: 18 December 2002

JAMES HUGH GROUP LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2002**

	Notes	2002 £	2001 £
TURNOVER		70,000	175,911
Cost of sales		-	(25,079)
GROSS PROFIT		70,000	150,832
Administrative expenses		(16,612)	(154,712)
OPERATING PROFIT/(LOSS)	3	53,388	(3,880)
Interest receivable and similar income	4	841	1,432
		54,229	(2,448)
Interest payable and similar charges	5	(272)	(9)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		53,957	(2,457)
Tax on profit/(loss) on ordinary activities	6	(10,101)	2,733
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		43,856	276
Dividends	7	(36,000)	(35,000)
		7,856	(34,724)
Retained profit brought forward		61,267	95,991
RETAINED PROFIT CARRIED FORWARD		<u>£69,123</u>	<u>£61,267</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

JAMES HUGH GROUP LIMITED

BALANCE SHEET
31 MAY 2002

	Notes	2002 £	2001 £
FIXED ASSETS:			
Tangible assets	8	14,251	19,001
Investments	9	10,100	10,100
		<u>24,351</u>	<u>29,101</u>
CURRENT ASSETS:			
Stocks	10	-	10,601
Debtors	11	78,303	58,964
Cash at bank and in hand		7,973	36,387
		<u>86,276</u>	<u>105,952</u>
CREDITORS: Amounts falling due within one year	12	(40,504)	(72,786)
NET CURRENT ASSETS:		<u>45,772</u>	<u>33,166</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>£70,123</u>	<u>£62,267</u>
CAPITAL AND RESERVES:			
Called up share capital	14	1,000	1,000
Profit and loss account		69,123	61,267
SHAREHOLDERS' FUNDS:	16	<u>£70,123</u>	<u>£62,267</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.

ON BEHALF OF THE BOARD:



B J Smith - DIRECTOR

Approved by the Board on 18 December 2002

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents the amounts derived from the sale of goods & services within the company's ordinary activities after deducting value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

The rates in use for the various classes of assets are follows:

Furniture and equipment	-25% per annum on written down value
Motor vehicles	-20% per annum on cost straight line

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Group accounts

The company and its subsidiary comprise a small group and has taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2. STAFF COSTS

There were no staff employed during the year.

JAMES HUGH GROUP LIMITED

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

3. OPERATING PROFIT/(LOSS)

The operating profit (2001 - operating loss) is stated after charging/(crediting):

	2002	2001
	£	£
Depreciation - owned assets	4,750	9,914
Profit on disposal of fixed assets	(2,000)	-
Foreign exchange differences	-	17
Auditors' remuneration-audit fees	1,000	-
	<u>19,625</u>	<u>19,500</u>
Directors' emoluments	<u>19,625</u>	<u>19,500</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£	£
Bank interest receivable	841	1,432
	<u>841</u>	<u>1,432</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank interest payable	19	9
Other interest paid	253	-
	<u>272</u>	<u>9</u>

6. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	2002	2001
	£	£
Current tax:		
UK corporation tax	10,101	-
Over provision in previous years	-	(2,733)
Total current tax	<u>10,101</u>	<u>(2,733)</u>
Tax on profit/(loss) on ordinary activities	<u>10,101</u>	<u>(2,733)</u>

7. DIVIDENDS

	2002	2001
	£	£
Equity shares:		
Final - ordinary shares	<u>36,000</u>	<u>35,000</u>

JAMES HUGH GROUP LIMITED

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

8. TANGIBLE FIXED ASSETS

	Furniture and equipment	Motor vehicles	Totals
	£	£	£
COST:			
At 1 June 2001	81,820	17,900	99,720
Disposals	-	(17,900)	(17,900)
At 31 May 2002	81,820	-	81,820
DEPRECIATION:			
At 1 June 2001	62,819	17,900	80,719
Charge for year	4,750	-	4,750
Eliminated on disposals	-	(17,900)	(17,900)
At 31 May 2002	67,569	-	67,569
NET BOOK VALUE:			
At 31 May 2002	14,251	-	14,251
At 31 May 2001	19,001	-	19,001

9. FIXED ASSET INVESTMENTS

		£
COST:		
At 1 June 2001		
and 31 May 2002		10,100
NET BOOK VALUE:		
At 31 May 2002		10,100
At 31 May 2001		10,100
	2002	2001
	£	£
Unlisted investments	10,100	10,100

JAMES HUGH GROUP LIMITED

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

9. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Quality Monitoring Instruments Ltd

Nature of business: Manufacture of industrial & marine safety equipment

Class of shares:	% holding
'A' Ordinary shares	100.00
'B' Ordinary shares	100.00

	2002 £	2001 £
Aggregate capital and reserves	323,539	261,922
Profit for the year	61,617	54,028

10. STOCKS

	2002 £	2001 £
Stock & work-in-progress	-	10,601

**11. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2002 £	2001 £
V.A.T.	3,054	-
Trade debtors	1,988	11,737
Prepayments & accrued income	-	7,946
Amounts owed by subsidiary company	73,261	39,281
	78,303	58,964

**12. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2002 £	2001 £
Bank loans and overdrafts (see note 13)	8	-
Trade creditors	8,807	35,116
Directors current accounts	19,588	2,413
V.A.T.	-	17,997
Corporation tax	10,101	11,073
Accruals & deferred income	2,000	6,187
	40,504	72,786

JAMES HUGH GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002****13. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>8</u>	<u>-</u>

14. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002 £	2001 £
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

15. RELATED PARTY DISCLOSURES

The company holds 100% of the issued share capital of Quality Monitoring Instruments Limited. During the year the company received management fees amounting to £70,000 (2001:£140,000).

At the balance sheet date the amounts due by Quality Monitoring Instruments Limited were £73,261 (2001:£39,281).

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	43,856	276
Dividends	<u>(36,000)</u>	<u>(35,000)</u>
Net addition/(reduction) to shareholders' funds	7,856	(34,724)
Opening shareholders' funds	<u>62,267</u>	<u>96,991</u>
Closing shareholders' funds	<u>70,123</u>	<u>62,267</u>
Equity interests	<u>70,123</u>	<u>62,267</u>