
CML Group Limited

Report and Financial Statements

◆ Year ended 31 March 1998 ◆

RE-SCAN



Company No: 1564040

21-12-98
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CML GROUP LIMITED

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CML GROUP LIMITED

COMPANY INFORMATION

Directors	J P Davis - Chairman I D Brodie J S Ellison D N Haden D G Scott G D Stewart D J Ison
Secretary	J S Ellison
Registered office	PO Box 25 South Marston Park Swindon Wiltshire SN3 4TR
Registered number	1564040
Auditors	Robson Rhodes Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank PLC 10-14 High Street Swindon Wiltshire SN1 1ED

CML GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 1998.

Principal activities

The principal activities of the company in the year were precision engineering and manufacture of sub assemblies and components for the aerospace and transportation industries.

Business review and future developments

The results for the year reflect an increase in demand for the principal products and services of the company within both Precision Machining and Composites. The year has seen a further increase in both activity and profitability.

Whilst it is anticipated that the market will remain competitive, continued improvements in operating efficiency and emphasis on cost reduction, will enable the company to continue profitable trading.

Dividends

A dividend was paid in the period of £98,000 (1997 : £Nil). The directors proposed a final dividend of £130,000 (1997: £Nil).

Directors

The directors of the company are set out on page 1. D J Ison was appointed on 7 October 1998, and all other directors served throughout the year. The directors do not retire by rotation.

The interests of the main board directors in the shares of Intelek plc are disclosed in the financial statements of that company.

The beneficial interests of the directors and their families at 31 March 1998 and the beginning of the year in the ordinary share capital of Intelek plc, other than for main board directors are detailed below:

	Ordinary shares of 5p each				Options under the	
	Beneficial		Options under		Savings Related	
	1998	1997	1998	1997	1998	1997
D N Haden	-	-	20,000	20,000	-	-
G D Stewart	-	-	20,000	20,000	-	-
D J Ison	-	-	15,000	7,500	-	-

There are no non-beneficial interests.

There have been no changes in the above since the year end.

CML GROUP LIMITED

REPORT OF THE DIRECTORS **(Continued)**

The options granted under the terms of the Executive Scheme are exercisable between 1998 and 2005 at prices of between 21p and 25p per share.

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 year. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

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.

Auditors

The auditors, Robson Rhodes, are willing to continue in office and are expected to be deemed to be reappointed in accordance with the elective resolution currently in force.

The report of the directors was approved by the Board on 7 August 1998 and signed on its behalf by:


J. SNELLISON
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF CML GROUP LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and Registered Auditor

Birmingham
7 August 1998

CML GROUP LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1998

	Note	1998 £	1997 £
Turnover - continuing activities	1	8,602,726	6,516,563
Cost of sales		(7,114,614)	(5,525,592)
Exceptional items		-	367,526
Net cost of sales		(7,114,614)	(5,158,066)
Gross profit		1,488,112	1,358,497
Administrative expenses		(641,523)	(508,765)
Other operating income		42,085	150,463
Operating profit - continuing activities	2	888,674	1,000,195
Interest receivable	3	8,027	9,763
Interest payable	4	(93,778)	(98,646)
Profit on ordinary activities before taxation		802,923	911,312
Taxation	7	(347,207)	(120,141)
Profit on ordinary activities after taxation		455,716	791,171
Dividends	8	(228,000)	-
Retained profit for the year	17	227,716	791,171

The company has no recognised gains or losses other than those reported above.

CML GROUP LIMITED**BALANCE SHEET**
at 31 March 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	9	2,444,158	2,631,247
Current assets			
Stocks	10	1,796,613	1,632,379
Debtors	11	1,746,711	1,054,034
Cash at bank and in hand		1,852	1,371
Creditors: Amounts falling due within one year	12	3,545,176 (2,448,683)	2,687,784 (2,012,218)
Net current assets		1,096,493	675,566
Total assets less current liabilities		3,540,651	3,306,813
Creditors: Amounts falling due after more than one year			
Interest free loan from parent company	13	2,788,000	2,788,000
Other creditors	13	211,445	313,348
Provisions for liabilities and charges	14	143,000	66,200
Deferred income	15	61,225	30,000
		3,203,670	3,197,548
Capital and reserves			
Called up share capital	16	100,000	100,000
Profit and loss account	17	236,981	9,265
Equity shareholders' funds	18	336,981	109,265
Source of capital		3,540,651	3,306,813

The financial statements were approved by the Board on 7 August 1998 and signed on its behalf by:



D G SCOTT
Director

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

Turnover is the amount receivable for goods and services supplied, excluding value added tax. Turnover is recognised on long term contracts as these progress and comprises the sales value of work performed in the year.

Depreciation

Depreciation is provided to write down the cost of tangible fixed assets over their estimated useful lives. No depreciation is provided on freehold land or assets in the course of construction. The principal annual rates used are:

Leasehold improvements	10%	straight line
Plant and fixtures	8% to 33%	straight line (see below)
Motor vehicles	25%	straight line

In certain cases plant and machinery is depreciated to residual value over 12½ years and then to £Nil value over a further five years. Previously all plant was depreciated to £Nil value.

Foreign currencies

Where practicable, transactions involving foreign currencies are protected by equivalent currency borrowings or currency contracts, and recorded at the value of the sterling proceeds of such borrowings or contracts. Otherwise, assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are recognised in the profit and loss account.

Pensions

In accordance with SSAP 24, contributions to the group defined benefit pension scheme are charged to profit on the recommendation of a qualified actuary using the defined accrued benefit method so as to spread the cost of pensions over the anticipated service lives of scheme members.

Deferred tax is fully accounted for on any difference between accumulated pension costs charged against profit and accumulated contributions paid.

Government Grants

The government grant received has been split as 50% relating to fixed asset expenditure, which is released to the profit and loss account in equal annual instalments over the useful life of the asset concerned, and 50% for the creation of employment, which is released to the profit and loss account in the year.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998**1. ACCOUNTING POLICIES (continued)****Stock and work in progress**

Stock and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct material and labour and, where appropriate, includes attributable overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided under the liability method to take account of timing differences arising because of the different treatment of certain items for accounts and tax purposes where there is reasonable probability that such taxation will become payable in the foreseeable future.

Leased assets

Fixed assets subject to finance leases are capitalised and depreciated in accordance with the depreciation policy stated above. The corresponding liability for the capital element is included in creditors, and the interest, calculated on the basis of the amount outstanding, is charged against profits over the year of the lease. The rental and operating lease costs of all other assets are charged against profit before interest, as incurred.

2. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

	1998 £	1997 £
Rental income	(10,000)	(9,167)
Depreciation	424,575	(18,768)
Amortisation of government grants	32,250	-
(Profit) on sale of fixed assets	(23,288)	(6,020)
Operating lease rentals		
plant and machinery	45,361	12,318
land and buildings	141,500	129,708
Auditors' remuneration	12,000	9,900
Fees paid to Robson Rhodes for other services	6,275	1,100
Management charges	72,000	60,000
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3. INTEREST RECEIVABLE

	1998 £	1997 £
Interest receivable	8,027	9,763
	<hr/>	<hr/>

CML GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998**4. INTEREST PAYABLE**

	1998	1997
	£	£
Interest on loans and overdrafts	55,949	72,269
Interest on leased assets	35,268	26,251
Other loans	2,561	126
	<hr/>	<hr/>
	93,778	98,646
	<hr/>	<hr/>

5. EMPLOYEES

Average monthly number of employees, including directors:

	1998	1997
	No	No
Production	138	127
Administration	15	14
	<hr/>	<hr/>
	153	141
	<hr/>	<hr/>

Staff costs, including directors:

	1998	1997
	£	£
Wages and salaries	3,371,672	2,554,320
Social security costs	263,978	212,823
Other pension costs	150,985	79,073
	<hr/>	<hr/>
	3,786,635	2,846,216
	<hr/>	<hr/>

CML GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

31 March 1998

6. DIRECTORS

Emoluments of the company's directors:

	1998 £	1997 £
Emoluments	140,960	106,350
Pension contributions	12,358	7,183
	<u>153,318</u>	<u>113,533</u>

Directors' Pensions

	1998 £	1997 £
The number of directors who are accruing retirement benefits under:		
- defined benefit schemes	3	2

All other directors accrue retirement benefits within the parent company.

7. TAXATION

	1998 £	1997 £
Corporation tax at 31% (1997 - 33%)	44,433	6,546
Group relief payable	224,969	167,065
Deferred taxation	76,800	(51,000)
	<u>346,202</u>	<u>122,611</u>
Amendment of previous year's estimate	1,005	(2,470)
	<u>347,207</u>	<u>120,141</u>

8. DIVIDENDS

	1998 £	1997 £
Interim dividend paid at £0.98 per share (1997: £Nil)	98,000	-
Final dividend proposed at £1.30 per share (1997 : £Nil)	130,000	-
	<u>228,000</u>	<u>NIL</u>

CML GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31 March 1998**9. TANGIBLE ASSETS**

	Leasehold improve- ment £	Assets in course of construction £	Plant and fixtures £	Motor vehicles £	Total £
Cost					
At 1 April 1997	390,444	139,200	6,170,524	140,849	6,841,017
Additions	24,505	75,413	136,092	-	236,010
Group transfers	-	-	-	11,972	11,972
Disposals	-	-	(141,633)	(18,171)	(159,804)
Recategorisation	132,471	(139,200)	6,729	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	547,420	75,413	6,171,712	134,650	6,929,195
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 1997	215,768	-	3,918,729	75,273	4,209,770
Charged in year	39,448	-	359,201	25,926	424,575
Group transfers	-	-	-	3,284	3,284
Disposals	-	-	(136,692)	(15,900)	(152,592)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	255,216	-	4,141,238	88,583	4,485,037
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 1998	292,204	75,413	2,030,474	46,067	2,444,158
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1997	174,676	139,200	2,251,795	65,576	2,631,247
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The net book value of the tangible fixed assets includes £853,615 (1997 - £969,192) in respect of assets held under finance leases and hire purchase. Depreciation charged in the year on those assets amounted to £106,708 (1997 - £36,344).

CML GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS**31 March 1998****10. STOCKS**

	1998 £	1997 £
Raw materials and consumables	548,433	426,404
Work in progress	1,040,622	991,645
Finished goods and goods for resale	207,558	214,330
	<hr/>	<hr/>
	1,796,613	1,632,379
	<hr/>	<hr/>

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

11. DEBTORS

	1998 £	1997 £
Trade debtors	1,649,274	929,412
Other debtors	9,213	66,914
Prepayments and accrued income	88,224	57,708
	<hr/>	<hr/>
	1,746,711	1,054,034
	<hr/>	<hr/>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	255,872	471,598
Obligations under finance leases	101,901	201,386
Trade creditors	979,241	554,101
Amounts due to group undertakings	167,935	167,935
Corporation Tax	227,737	131,946
Other taxation and social security	257,693	181,868
Other creditors	98,372	118,720
Accruals	229,932	184,664
Proposed dividend	130,000	-
	<hr/>	<hr/>
	2,448,683	2,012,218
	<hr/>	<hr/>

CML GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

31 March 1998

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

	1998 £	1997 £
Other creditors:		
Obligations under finance leases		
- due between one and two years	90,603	101,901
- due between two and five years	120,842	211,447
	<hr/>	<hr/>
	211,445	313,348
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The interest free loan from parent of £2,788,000 (1997 - £2,788,000) is unsecured and has no fixed term of repayment. The parent company has confirmed that no substantial repayment will be requested within 12 months of the balance sheet date.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 April 1997	66,200
Profit and loss account	76,800
	<hr/>
At 31 March 1998	143,000
	<hr/>

Deferred taxation comprises:

	Amounts provided		Amounts not provided	
	1998 £	1997 £	1998 £	1997 £
Capital allowances	143,000	68,000	206,200	315,000
Other timing differences	-	(1,800)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	143,000	66,200	206,200	315,000
	<hr/>	<hr/>	<hr/>	<hr/>

CML GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998**15. DEFERRED INCOME - GOVERNMENT GRANTS**

	1998	1997
	£	£
At 1 May 1997	30,000	-
Profit and loss account	(32,250)	-
Amounts received	63,475	30,000
	<hr/>	<hr/>
At 31 March 1998	61,225	30,000
	<hr/>	<hr/>

16. SHARE CAPITAL

	1998	1997
	£	£
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
Allotted and fully paid		
100,000 ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>

17. RESERVES

	Profit and loss account £
At 1 April 1997	9,265
Profit for the year	227,716
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At 31 March 1998	236,981
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CML GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS**31 March 1998****18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998	1997
	£	£
Profit after taxation	455,716	791,171
Dividends	(228,000)	-
	<hr/>	<hr/>
Opening shareholders' funds	227,716 109,265	791,171 (681,906)
	<hr/>	<hr/>
Closing shareholders' funds	336,981	109,265
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19. CONTINGENT LIABILITY

The company has given an unlimited cross company guarantee in favour of The First National Bank of Chicago, N.A. and Barclays Bank PLC as security for its borrowings and those of certain group undertakings.

20. FINANCIAL COMMITMENTS**Operating lease commitments**

The annual commitments under operating leases are analysed to the year in which each lease expires, as follows:

	1998	1997
	£	£
Land and buildings, leases expiring beyond five years	141,500	129,708
	<hr/>	<hr/>
Plant and machinery, leases expiring within one year	21,568	6,833
between one and five years	77,601	7,380
	<hr/>	<hr/>
	99,169	14,213
	<hr/>	<hr/>

CML GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 1998

21. PENSION SCHEME

The company is a member of a defined benefit pension scheme operated by the parent company for the benefit of employees with assets held in separately invested funds, administered by trustees.

The latest actuarial valuation of the pension scheme was prepared as at 30 September 1996. A summary of the results of this valuation is contained within the financial statements of the parent company.

22. RELATED PARTY DISCLOSURES

Advantage has been taken of the special exemption for group companies regarding related party disclosures.

23. PARENT UNDERTAKING

The ultimate parent company is Intelek plc, which is registered in England and Wales.

Its group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.