

CML Group Limited

Annual Report

Year ended 31 March 2005



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Company Information

Directors	I D Brodie (Chairman) K N Edwards D N Haden D J Ison (resigned 22 October 2004) G D Stewart
Secretary	K N Edwards
Registered office	PO Box 25 South Marston Park Swindon Wiltshire SN3 4TR
Registered number	1564040
Auditors	RSM Robson Rhodes LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank PLC Park House Stoke Gifford Bristol BS34 8TN

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 March 2005.

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 year to 31 March 2005 has seen a 3% increase in turnover, reflecting an increased share of a recovering market. A combination of productivity improvements and continued control of overheads has seen an operating profit increase of £0.112 million and, together with careful management of working capital and investment, has enabled the company to maintain a positive cash position.

The strategy for the coming year is to continue to consolidate and strengthen its position in the market place as a strategic supplier of precision components and to develop further opportunities for the supply of composite details and assemblies. During the next 12 months, we intend to focus on our core business to enable us to continue to meet our customers' requirements for a strategic supplier providing manufacturing and project management solutions.

Post balance sheet event

On 15 June 2005 the Board of Directors of Intelek plc made a capital contribution of £2.2 million to CML Group Limited. This was in full settlement of the loan outstanding between the company and Intelek plc.

On 26 August 2005 the Board of Directors of Intelek plc have transferred the investment in CML Group Limited to Intelek Properties Limited at net book value.

Dividends

The directors have paid a final dividend for the year of £100,748 (2004 : £Nil).

Directors

The directors of the company who served during the year are set out on page 1.

The interests of the directors, who are all main board directors of Intelek plc except for those directors noted below, are disclosed in the financial statements of that company.

The beneficial interests of the directors and their families at 31 March 2005 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					
	Beneficial 2005	2004	Options under Executive Scheme 2005	2004	Options under the Savings Related Scheme 2005	2004
D N Haden	-	-	30,000	30,000	-	-
G D Stewart	-	-	92,500	92,500	-	-

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

The options granted under the terms of the Executive Scheme are exercisable between 2004 and 2013 at prices of between 10.5p and 21p per share.

Report of the Directors

(continued)

Statement of directors' responsibilities for the financial statements

Company law in the United Kingdom 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

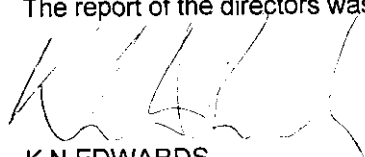
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

The auditors, RSM Robson Rhodes LLP, are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 10 November 2005 and signed on its behalf by:



K N EDWARDS
Secretary

Independent Auditors' Report to the Shareholders of CML Group Limited

We have audited the financial statements on pages 5 to 17.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

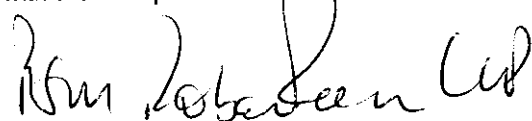
Basis of audit opinion

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.

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Birmingham, England
10 November 2005

Profit and Loss Account

for the year ended 31 March 2005

	Note	2005 £	2004 £
Turnover - continuing operations	2	8,817,501	8,555,677
Cost of sales		(7,866,351)	(7,717,723)
		<hr/>	<hr/>
Gross profit		951,150	837,954
Distribution costs		(81,928)	(93,718)
Administrative expenses		(518,365)	(505,367)
		<hr/>	<hr/>
Operating profit before management charges		350,857	238,869
Management charges		-	(333,824)
		<hr/>	<hr/>
Operating profit/(loss) - continuing operations		350,857	(94,955)
Loss on disposal of tangible fixed assets		(154,102)	(92,058)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before interest and taxation	3	196,755	(187,013)
Net interest	4	6,945	17,271
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		203,700	(169,742)
Taxation	7	(2,205)	18,634
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation and loss for financial year		201,495	(151,108)
Dividends	8	(100,748)	-
		<hr/>	<hr/>
Retained profit/(loss)	17	100,747	(151,108)
		<hr/>	<hr/>

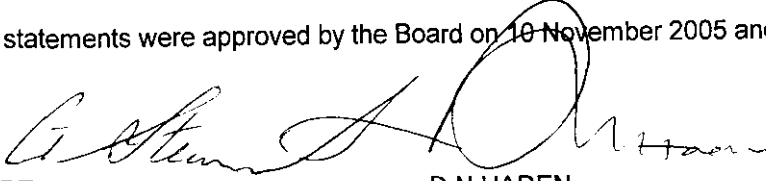
There are no other recognised gains and losses other than those reported in the profit and loss account.

Balance Sheet

at 31 March 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	1,309,530	1,414,743
Current assets			
Stocks	10	899,327	664,191
Debtors	11	2,813,266	1,981,752
Cash at bank and in hand		428,911	1,216,359
Creditors: Amounts falling due within one year	12	4,141,504 (2,119,576)	3,862,302 (2,126,229)
Net current assets		2,021,928	1,736,073
Total assets less current liabilities		3,331,458	3,150,816
Creditors: Amounts falling due after more than one year	13	(2,317,193)	(2,245,557)
Provision for liabilities and charges	14	(216,800)	(206,216)
Deferred Income	15	(10,463)	(12,788)
Net assets		787,002	686,255
Capital and reserves			
Called up share capital	16	100,000	100,000
Profit and loss account	17	687,002	586,255
Equity shareholders' funds	18	787,002	686,255

The financial statements were approved by the Board on 10 November 2005 and signed on its behalf by:


G D STEWART
Director


D N HADEN
Director

Notes to the Financial Statements

31 March 2005

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 assets in the course of construction. The principal annual rates used are:

Plant and fixtures	8% to 20%	straight line (see below)
Motor vehicles	25%	straight line
Assets in course of construction	Not depreciated	

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

Stock and work in progress

Stock and work in progress is 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 sales price after allowing for all further costs of completion and disposal.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Foreign currencies

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

Notes to the Financial Statements

31 March 2005

1. ACCOUNTING POLICIES (continued)

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 average service lives of scheme members. Contributions to defined Contribution Schemes are charged to the profit and loss account as they fall due. Deferred tax is fully accounted for on any difference between accumulated pension costs charged against profit and accumulated contributions paid.

Government grants

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned.

Other grants are credited to the profit and loss account in the same year as the expenditure to which they contribute.

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 period of the lease. The rental and operating lease costs of all other assets are charged against profit before interest, as incurred.

Cash flow statement

The company has taken advantage of the exemption not to prepare a cash flow statement on the basis that it is a wholly-owned subsidiary of Intelek plc for which consolidated financial statements have been prepared.

2. TURNOVER BY GEOGRAPHICAL MARKET

	2005 £	2004 £
United Kingdom	8,649,656	7,451,138
Europe	40,561	6,832
North America	127,284	1,097,707
	<hr/>	<hr/>
	8,817,501	8,555,677
	<hr/>	<hr/>

An element of the sales made to United Kingdom customers is in respect of end customers based in overseas markets, particularly in the United States.

Notes to the Financial Statements

31 March 2005

3. OPERATING PROFIT/(LOSS)

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

	2005 £	2004 £
Depreciation	265,860	367,491
Amortisation of government grants	(2,325)	(2,325)
Profit on sale of fixed assets	(750)	(3,410)
Operating lease rentals		
plant and machinery	533,128	438,588
land and buildings	233,246	298,277
Auditors' remuneration	9,250	9,000
Management charges	-	333,824
	<hr/>	<hr/>

4. NET INTEREST

	2005 £	2004 £
Finance leases and hire purchase	8,115	10,011
Interest receivable	(15,060)	(27,282)
	<hr/>	<hr/>
	(6,945)	(17,271)
	<hr/>	<hr/>

5. EMPLOYEES

Average monthly number of employees, including directors:

	2005 No.	2004 No.
Production	141	147
Administration	11	11
	<hr/>	<hr/>
	152	158
	<hr/>	<hr/>

Staff costs, including directors:

	2005 £	2004 £
Wages and salaries	3,307,721	3,312,289
Social security costs	311,864	310,347
Other pension costs	117,028	124,174
	<hr/>	<hr/>
	3,736,613	3,746,810
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2005

6. DIRECTORS

Emoluments of the company's directors:

	2005 £	2004 £
Emoluments	175,681	185,685
Pension contributions	12,409	14,914
	<hr/>	<hr/>
	188,090	200,599

Emoluments excluding pension contributions:

	2005 £	2004 £
Highest paid director	76,940	79,585
	<hr/>	<hr/>

All other directors accrue retirement benefits within the parent company.

No of directors who accrue benefits under a money purchase scheme

4	5
<hr/>	<hr/>

7. TAXATION

	2005 £	2004 £
United Kingdom Corporation tax		
Current tax on income for the year	-	-
Adjustment in respect of prior year	-	(6,715)
	<hr/>	<hr/>
Total	-	(6,715)
	<hr/>	<hr/>
Group relief payable		
Current tax on income for the year	-	-
Adjustment in respect of prior year	(8,379)	13,765
	<hr/>	<hr/>
Total	(8,379)	13,765
	<hr/>	<hr/>
Current taxation	(8,379)	7,050
Deferred taxation	10,584	(25,684)
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	2,205	(18,634)
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2005

7. TAXATION (continued)

Current tax reconciliation

	2005 £	2004 £
Profit/(loss) on ordinary activities before taxation	203,700	(169,742)
Theoretical tax at UK corporation tax rate 30% (2004 : 30%)	61,110	(50,923)
Effects of:		
- Marginal rate tax		
- Adjustments in respect of prior years	(26,137)	7,050
- Expenditure that is not tax deductible	2,332	28,919
- Accelerated capital allowances	(10,584)	22,004
- Transfer pricing adjustments	(35,100)	-
Actual current taxation (credit)/charge	(8,379)	7,050

8. DIVIDENDS

	2005 £	2004 £
Final dividend - paid	100,748	-

Notes to the Financial Statements

31 March 2005

9. TANGIBLE ASSETS

	Assets in course of construction £	Plant and fixtures £	Motor vehicles £	Total £
Cost				
At 1 April 2004	-	6,844,475	29,300	6,873,775
Additions	80,166	236,815	-	316,981
Disposals	-	(1,226,687)	-	(1,226,687)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	80,166	5,854,603	29,300	5,964,069
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2004	-	5,454,759	4,273	5,459,032
Charged in year	-	258,535	7,325	265,860
Disposals	-	(1,070,353)	-	(1,070,353)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	-	4,642,941	11,598	4,654,539
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2005	80,166	1,211,662	17,702	1,309,530
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	1,389,716	25,027	1,414,743
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of the tangible fixed assets includes £168,440 (2004: £194,498) in respect of assets held under finance leases and hire purchase. Depreciation charged in the year on those assets amounted to £50,058 (2004: £47,332).

Notes to the Financial Statements

31 March 2005

10. STOCKS

	2005 £	2004 £
Raw materials and consumables	251,460	192,212
Work in progress	640,983	451,192
Finished goods and goods for resale	6,884	20,787
	<hr/>	<hr/>
	899,327	664,191
	<hr/>	<hr/>

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

11. DEBTORS

	2005 £	2004 £
Trade debtors	1,833,259	1,349,137
Other debtors	1,070	589
Prepayments and accrued income	970,558	632,026
Amounts owed by group undertakings	8,379	-
	<hr/>	<hr/>
	2,813,266	1,981,752
	<hr/>	<hr/>

Included in debtors is a SSAP24 pension prepayment of £788,000 (2004: £407,000).

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Obligations under finance leases	71,960	89,887
Trade creditors	983,869	621,639
Amounts due to parent undertaking	462,304	756,717
Other taxation and social security	275,160	285,103
Other creditors	4,165	97,459
Accruals	322,118	275,424
	<hr/>	<hr/>
	2,119,576	2,126,229
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2005

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

	2005 £	2004 £
Interest free loan from parent	2,200,000	2,200,000
Other creditors:		
Obligations under finance leases		
- due between one and two years	35,629	42,063
- due between two and five years	81,564	3,494
	<hr/>	<hr/>
	2,317,193	2,245,557
	<hr/>	<hr/>

The interest free loan from the parent of £2,200,000 (2004: £2,200,000) is unsecured and has no fixed term of repayment. On 15 June 2005, the parent company made a capital contribution of the £2.2 million in full settlement of the loan.

14. PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 April 2004	206,216
Charged to the profit and loss account	10,584
	<hr/>
At 31 March 2005	216,800
	<hr/>
Deferred taxation comprises:	
	2005 £
Capital allowances	135,700
Other timing differences	232,898
Losses	(151,798)
	<hr/>
	216,800
	<hr/>

Other timing differences primarily relate to the pension prepayment.

15. DEFERRED INCOME

	Government grant £
At 1 April 2004	12,788
Credit to profit and loss account	(2,325)
	<hr/>
At 31 March 2005	10,463
	<hr/>

Notes to the Financial Statements

31 March 2005

16. SHARE CAPITAL

	2005 £	2004 £
Authorised, allotted and fully paid 100,000 ordinary shares of £1 each	100,000	100,000

17. RESERVES

	Profit and loss account £
At 1 April 2004	586,255
Profit for the year	100,747
At 31 March 2005	687,002

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit/(loss) for the year	201,495	(151,108)
Dividends paid	(100,748)	-
Movement in shareholders' funds	100,747	(151,108)
Opening shareholders' funds	686,255	837,363
Closing shareholders' funds	787,002	686,255

19. CONTINGENT LIABILITY

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

Notes to the Financial Statements

31 March 2005

20. FINANCIAL COMMITMENTS

Operating lease commitments

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

	2005 £	2004 £
Land and buildings, leases expiring		
within one year	-	31,350
between one and five years	-	-
beyond five years	206,200	190,200
	<hr/>	<hr/>
	206,200	221,550
	<hr/>	<hr/>
Plant and machinery, leases expiring		
within one year	-	25,265
between one and five years	451,415	451,425
beyond five years	-	-
	<hr/>	<hr/>
	451,415	476,690
	<hr/>	<hr/>
Other leases expiring:		
within one year	13,412	3,843
between one and five years	510	33,656
beyond five years	-	-
	<hr/>	<hr/>
	13,922	37,499
	<hr/>	<hr/>

21. PENSION SCHEME

The company is a member of the Intelek Pension Scheme, which contains a defined contribution section as well as a defined benefit pension section. The Scheme operates for the benefit of employees with assets held in separately invested funds, administered by trustees.

The latest actuarial valuation of the defined benefit pension scheme was prepared as at 31 March 2002. A summary of the results of this valuation is contained within the financial statements of the parent company.

The company is part of the Intelek plc pension scheme, which is a multi-employer arrangement. Based on the advice of the Scheme actuary, it is not possible for the company's share of assets and liabilities of the scheme to be separately valued in accordance with FRS 17. As a result no additional disclosures can be given under FRS 17 and the scheme will be treated as a defined contribution arrangement on full adoption of the standard. Full disclosures as required by FRS 17 of the aggregate valuation as at 31 March 2005 are given in the financial statements of Intelek plc. The net pension deficit at 31 March 2005 is £9,043,000 (2004: £8,704,000).

Notes to the Financial Statements

31 March 2005

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.

24. POST BALANCE SHEET EVENT

On 15 June 2005 the Board of Directors of Intelek plc made a capital contribution of £2.2 million to CML Group Limited. This was in full settlement of the loan outstanding between the company and Intelek plc.

On 26 August 2005 the Board of Directors of Intelek have transferred the investment in CML Group Limited to Intelek Properties at par value.