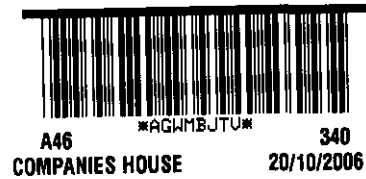


CML Group Limited

Annual Report

Year ended 31 March 2006



Contents of the Annual Report

	Page
Company information	1
Report of the directors	2-6
Independent auditors' report	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10-20

Company Information

Directors	I D Brodie (Chairman) K N Edwards D N Haden 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 <i>Chartered Accountants</i> 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 2006.

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

CML performed extremely well in 2005/06 with sales up by 25% and operating profit increasing three-fold on the previous year. Tight control of manufacturing processes, under-pinned by careful financial management, has seen gross margins sustained, stock turns improve and a positive cash position maintained throughout the year.

The upturn in sales was principally a reflection of improved market conditions, in particular the increase in build rates for the Airbus family of aircraft and Raytheon's Hawker 800 series business jets.

The main volume increases came in the Precision Machining division, where we had quickly increased capacity recognising the shifting pattern in the market place. Sales here were up 24%, and £400k was invested in new machining centres. Sales in the Composites division grew by 41%, and with the market trend toward the increasing use of composite materials, we shall be looking at how best to develop this valuable capability.

During the year, the management team was strengthened with additional support in production management and continuous improvement techniques. Development of CML's 164 employees continues to be a priority, with training at all levels within the company. This programme, and further investment in machinery, will improve productivity, expand capacity and secure CML's long-term future in what is expected to be a strong aerospace market in at least the next three years.

Significant steps have been taken to implement CML's strategy to gain new business from the existing customer base and develop new customers and programmes both in the UK and overseas. A major achievement in the year was securing a five-year agreement with Airbus, our largest customer, guaranteeing a percentage of volume requirements for certain components across a range of aircraft. In 2005/06, CML shipped £4.6 million in respect of these components. This provides a firm platform from which to develop the business. In the latter part of 2005, we strengthened our sales team, employing a sales agent based in France. We have already received orders from two major French suppliers to the European aerospace industry.

Key Performance Indicators

Sales/Head £000			Order Book £m. (12 months)			ROCE		
2004	2005	2006	2004	2005	2006	2004	2005	2006
54	58	68	6.0	7.9	8.7	8%	15%	36%

Improvement in all of the above key ratios reflects CML's strong performance over the past year and the current health of the aerospace industry.

On 15 June 2005 the Board of Directors of Inteltek 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 Inteltek plc.

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

Report of the Directors

(continued)

Outlook

CML's prospects at this time look excellent with a 12 month order book as at 31 March 2006 on current build rates standing at £8.7 million (2005: £7.9 million) and with the opportunity to broaden significantly its customer base in Europe. The recently announced Airbus contract also provides CML with a visibility that allows them to initiate appropriate investment programmes to meet the considerable demands of the major Airbus programmes over the next five years.

Dividends

The Directors paid a final dividend for the year of £194,000 (2005: £100,748).

Principal risks and uncertainties facing the company.

The financial statements contain certain forward-looking statements. These statements are made by the Directors in good faith, based on the information available to them up to the time of approval of this report. Actual results may differ from those expressed in such statements, depending on a variety of factors. These factors include customer acceptance of the Company's products; changes in customer requirements and in levels of demand in the market; restrictions to market access; competitive pressure on pricing, delivery or technology; delays or additional cost in product design and launch programmes; fluctuations in manufacturing delivery performance, yields and costs; the loss or lack of key personnel; overall economic conditions.

Financial instrument

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates, foreign currency exchange rates, credit risk and liquidity risk.

The Company's principal financial instruments comprise cash and bank deposits and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments can be analysed as follows:

Price risk

The Company has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

The Company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The main foreign currencies in which the Company operates are the euro and the US dollar. The Company uses derivative instruments in its management of this risk.

Report of the Directors

(continued)

Credit risk

The Company's principal financial assets are bank balances, cash and trade debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Company's policy has been to ensure continuity of funding through acquiring an element of the Company's fixed assets under finance leases, and arranging funding for operations via medium-term inter-group loans and credit facilities to aid short-term flexibility.

Cash flow interest rate risks

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a market rate. Interest rate on finance leases is at fixed rates and the Company's policy is to keep the finance lease borrowings within defined limits such that the risk that could arise from a significant change in interest rates would not have material impact on cash flows. The Directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Company.

Environment

The Company's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the Company has *not incurred any significant fines or penalties or been investigated for any significant breach of environmental regulations.*

As part of CML's ongoing commitment to improve health and safety and the environment, we have focussed training both our Health & Safety committee and supervision in comprehensive risk assessment and improvement techniques. Investment in energy control, swarf management and coolant reclamation systems has yielded significant reductions in waste in support of working toward achieving ISO 14001 accreditation in the next twelve months.

Employee involvement

During the year the Company has continued its policy of full involvement of employees wherever possible. This has taken place through the provision of information, consultation on policy issues where appropriate, and the mutual setting of objectives against which performance is measured. The Company takes the approach of maximising performance through the heightening of awareness of corporate objectives and policies.

Report of the Directors

(continued)

Disabled persons

It is the Company's policy to offer equal opportunities to disabled persons applying for vacancies, having regard to their abilities in relation to the job for which they apply. It is also Company practice, wherever possible, to continue the employment of any employees who become disabled during the course of their employment.

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 2006 and the beginning of the year in the ordinary share capital of Intelek plc, other than for main board directors are detailed below:

	Beneficial		Ordinary shares of 5p each Options under Executive Scheme		Options under the Savings Related Scheme	
	2006	2005	2006	2005	2006	2005
D N Haden	-	-	15,000	20,000	-	-
G D Stewart	12,433	-	80,000	85,000	-	-

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 2006 and 2013 at prices of between 10.5p and 20p per share.

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Report of the Directors

(continued)

Disclosure of information to auditors

- So far as the Directors are aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware.

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 6 June 2006 and signed on its behalf by:



K N EDWARDS
Director and Secretary
6 June 2006

Independent Auditors' Report to the Shareholders of CML Group Limited

We have audited the financial statements on pages 8 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

Basis of audit opinion

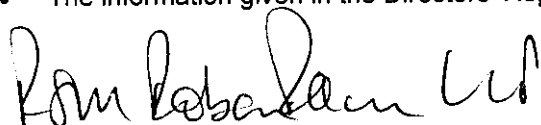
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Directors' Report is consistent with the financial statements.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Birmingham, England
4 September 2006

Profit and Loss Account

for the year ended 31 March 2006

	Note	2006 £	Restated (note 17) 2005 £
Turnover - continuing operations	2	10,996,300	8,817,501
Cost of sales		(9,254,154)	(7,866,351)
		<hr/>	<hr/>
Gross profit		1,742,146	951,150
Distribution costs		(112,015)	(81,928)
Administrative expenses		(550,798)	(518,365)
		<hr/>	<hr/>
Operating profit before Group charges		1,079,333	350,857
Group charge: Defined benefit pension contribution		(481,000)	(381,000)
		<hr/>	<hr/>
Operating profit/(loss) - continuing operations		598,333	(30,143)
Loss on disposal of tangible fixed assets		-	(154,102)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before interest and taxation	3	598,333	(184,245)
Net interest	4	(5,215)	6,945
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		593,118	(177,300)
Taxation	7	(81,338)	112,095
		<hr/>	<hr/>
Retained profit/(loss) for the year		511,780	(65,205)
		<hr/>	<hr/>

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

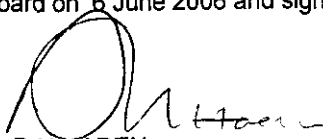
Balance Sheet

at 31 March 2006

	Note	2006 £	Restated (note 17) 2005 £
Fixed assets			
Tangible assets	9	1,579,964	1,309,530
Current assets			
Stocks	10	945,496	899,327
Debtors	11	1,898,262	2,044,866
Cash at bank and in hand		1,509,565	428,911
Creditors: Amounts falling due within one year	12	4,353,323 (2,392,338)	3,373,104 (2,119,576)
Net current assets		1,960,985	1,253,528
Total assets less current liabilities		3,540,949	2,563,058
Creditors: Amounts falling due after more than one year	13	(671,826)	(2,317,193)
Provisions for liabilities and charges	14	(107,803)	-
Deferred Income	15	(8,138)	(10,463)
Net assets		2,753,182	235,402
Capital and reserves			
Called up share capital	16	100,000	100,000
Profit and loss account	17	453,182	135,402
Capital contribution reserve	17	2,200,000	-
Equity shareholders' funds	18	2,753,182	235,402

The financial statements were approved by the Board on 6 June 2006 and signed on its behalf by:


G D STEWART
Director


D N HADEN
Director

Notes to the Financial Statements

31 March 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. FRS 17 "Retirement Benefits" and FRS 21 "Events after the balance sheet date" were applicable for the first time impacting on the financial statements.

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 5 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 2006

1. ACCOUNTING POLICIES (continued)

Pensions

The Company accounts for the Intelek Pension Scheme, defined benefit section, in accordance with FRS 17 "Retirement Benefits". As the assets of this multi-employer defined benefit scheme could not be split between the participating employers on a reasonable basis, the pension scheme is accounted for as if it were a defined contribution scheme, as permitted by FRS 17.

In respect of the defined contribution section of the Intelek Pension Scheme, pension contributions are charged to the profit and loss account as incurred.

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

	2006 £	2005 £
United Kingdom	10,620,420	8,544,502
Rest of Europe	18,517	40,561
America	357,363	232,438
	<hr/>	<hr/>
	10,996,300	8,817,501
	<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 2006

3. OPERATING PROFIT/(LOSS)

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

	2006 £	2005 £
Depreciation	272,807	265,860
Amortisation of government grants	(2,325)	(2,325)
Profit on sale of fixed assets	-	(750)
Operating lease rentals		
plant and machinery	512,461	533,128
land and buildings	208,340	233,246
Auditors' remuneration	10,716	9,250
	<u> </u>	<u> </u>

4. NET INTEREST

	2006 £	2005 £
Finance leases and hire purchase	22,859	8,115
Interest receivable	(17,644)	(15,060)
	<u> </u>	<u> </u>
	5,215	(6,945)
	<u> </u>	<u> </u>

5. EMPLOYEES

Average monthly number of employees, including directors:

	2006 No.	2005 No.
Production	149	140
Administration and distribution	12	12
	<u> </u>	<u> </u>
	161	152
	<u> </u>	<u> </u>

Staff costs, including directors:

	2006 £	2005 £
Wages and salaries	4,051,644	3,307,721
Social security costs	386,350	311,864
Other pension costs	142,385	117,028
	<u> </u>	<u> </u>
	4,580,379	3,736,613
	<u> </u>	<u> </u>

Notes to the Financial Statements

31 March 2006

6. DIRECTORS

Emoluments of the company's directors:

	2006 £	2005 £
Emoluments	198,975	175,681
Pension contributions	13,442	12,409
	<u>212,417</u>	<u>188,090</u>

Emoluments excluding pension contributions:

	2006 £	2005 £
Highest paid director	<u>124,026</u>	<u>85,733</u>

No. of directors who accrue benefits under a money purchase scheme

2 3

All other directors accrue retirement benefits within the parent company.

7. TAXATION

	2006 £	Restated (note 17) 2005 £
United Kingdom Corporation tax		
Current tax on income for the year	-	-
Group relief payable		
Current tax on income for the year	6,768	17,758
Adjustment in respect of prior year	(52,833)	(26,137)
Total current tax	<u>(46,065)</u>	<u>(8,379)</u>
Deferred taxation for the current year	111,109	120,474
Adjustment to prior years	16,294	-
Deferred taxation	<u>127,403</u>	<u>120,474</u>
Tax on profit/(loss) on ordinary activities	<u>81,338</u>	<u>112,095</u>

Notes to the Financial Statements

31 March 2006

7. TAXATION (continued)

Current tax reconciliation

	2006 £	Restated (note 17) 2005 £
Profit/(loss) on ordinary activities before taxation	593,118	(177,300)
Theoretical tax at UK corporation tax rate 30% (2005 : 30%)	177,935	(53,190)
Effects of:		
- Marginal rate tax		
- Adjustments in respect of prior years	(52,833)	(26,137)
- Expenditure that is not tax deductible	4,742	116,632
- Accelerated capital allowances	(24,513)	(10,584)
- Transfer pricing adjustments	(64,800)	(35,100)
- Losses carried forward	(86,596)	-
Actual current taxation (credit)/charge	(46,065)	(8,379)

8. DIVIDENDS

	2006 £	2005 £
Final dividend paid	194,000	100,748

Notes to the Financial Statements

31 March 2006

9. TANGIBLE ASSETS

	Assets in course of construction £	Plant and fixtures £	Motor vehicles £	Total £
Cost				
At 1 April 2005	80,166	5,854,603	29,300	5,964,069
Additions	-	502,096	54,251	556,347
Disposals	-	(113,414)	-	(113,414)
Transfers	(80,166)	80,166	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	6,323,451	83,551	6,407,002
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2005	-	4,642,941	11,598	4,654,539
Charged in year	-	260,975	11,832	272,807
Disposals	-	(100,308)	-	(100,308)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	4,803,608	23,430	4,827,038
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2006	-	1,519,843	60,121	1,579,964
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	80,166	1,211,662	17,702	1,309,530
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of the tangible fixed assets includes £525,934 (2005: £168,440) in respect of assets held under finance leases and hire purchase. Depreciation charged in the year on those assets amounted to £57,656 (2005: £50,058).

Notes to the Financial Statements

31 March 2006

10. STOCKS

	2006 £	2005 £
Raw materials and consumables	261,924	251,460
Work in progress	674,938	640,983
Finished goods and goods for resale	8,634	6,884
	<hr/>	<hr/>
	945,496	899,327
	<hr/>	<hr/>

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

11. DEBTORS

	2006 £	Restated (note 17) 2005 £
Trade debtors	1,672,637	1,833,259
Other debtors	53,690	1,070
Prepayments and accrued income	121,070	182,558
Amounts owed by group undertakings	-	8,379
Group relief recoverable	50,865	-
Deferred tax asset (note 14)	-	19,600
	<hr/>	<hr/>
	1,898,262	2,044,866
	<hr/>	<hr/>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Obligations under finance leases	124,631	71,960
Trade creditors	1,088,126	983,869
Amounts due to parent undertaking	436,000	462,304
Other taxation and social security	383,824	275,160
Other creditors	16,343	4,165
Accruals	343,414	322,118
	<hr/>	<hr/>
	2,392,338	2,119,576
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2006

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

	2006 £	2005 £
Interest free loan from parent	-	2,200,000
Amounts owed to parent undertakings	294,748	-
Other creditors:		
Obligations under finance leases		
- due between one and two years	125,198	35,629
- due between two and five years	251,880	81,564
	<u>671,826</u>	<u>2,317,193</u>

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

	Restated deferred taxation £
Deferred tax	
At 1 April 2005	19,600
Charged to the profit and loss account	(127,403)
	<u>(107,803)</u>
At 31 March 2006 (liability)/asset	
Deferred taxation comprises:	
	Restated (note 17) 2005 £
	2006 £
Capital allowances	(107,803)
	<u>19,600</u>

15. DEFERRED INCOME

	Government grant £
At 1 April 2005	10,463
Credit to profit and loss account	(2,325)
	<u>8,138</u>
At 31 March 2006	

Notes to the Financial Statements

31 March 2006

16. SHARE CAPITAL

	2006 £	2005 £
Authorised, allotted and fully paid		
100,000 ordinary shares of £1 each	100,000	100,000

17. RESERVES

	Capital contribution reserve £	Profit and loss account £
At 1 April 2005	-	687,002
Prior year adjustment	-	(551,600)
Restated at 1 April 2005	-	135,402
Profit for the year	-	511,780
Dividends paid	-	(194,000)
Issued during the year	2,200,000	-
At 31 March 2006	2,200,000	453,182

Prior year adjustment

On adoption of FRS17 "Retirement benefits" applicable to the company for the first time for the year ended 31 March 2006. The SSAP 24 pension prepayment of £788,000, less the respective deferred taxation of £236,400, has been removed from the balance sheet at 1 April 2005. The profit and loss account comparatives have been restated to show the contribution to the scheme in 2005/06 (£266,700 net of tax).

There is no impact on prior year reserves as a result of FRS21 "Events after the balance sheet date".

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 (see note 13).

Notes to the Financial Statements

31 March 2006

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit/(loss) for the year	511,780	(65,205)
Dividends paid	(194,000)	(100,748)
Capital contribution	2,200,000	-
	<hr/>	<hr/>
Movement in shareholders' funds	2,517,780	(165,953)
Opening shareholders' funds	235,402	686,255
Prior year adjustment	-	(284,900)
	<hr/>	<hr/>
Closing shareholders' funds	2,753,182	235,402
	<hr/>	<hr/>

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.

20. FINANCIAL COMMITMENTS

Capital commitments

	2006 £	2005 £
Contracted for, but not provided in the accounts	437,500	38,000
	<hr/>	<hr/>

Operating lease commitments

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

	2006 £	2005 £
Land and buildings, leases expiring		
within one year	-	-
between one and five years	10,200	-
beyond five years	193,432	206,200
	<hr/>	<hr/>
	203,632	206,200
	<hr/>	<hr/>
Plant and machinery, leases expiring		
within one year	5,698	-
between one and five years	224,451	451,415
beyond five years	-	-
	<hr/>	<hr/>
	230,149	451,415
	<hr/>	<hr/>
Other leases expiring:		
within one year	4,993	13,412
between one and five years	11,312	510
beyond five years	-	-
	<hr/>	<hr/>
	16,305	13,922
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2006

21. PENSION SCHEME-DEFINED BENEFIT SECTION

As explained in Note 1, the Company's participation in the defined benefit section of the Intelek pension scheme is accounted for as a defined contribution arrangement on full adoption of FRS 17. The full disclosures required by FRS 17 of the aggregate valuation as at 31 March 2006 are given in the financial statements of Intelek plc. The net pension deficit after deferred tax at 31 March 2006 is £9,134,000 (2005: £9,043,000).

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 on the Intelek web-site, www.intelek.plc.uk.