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# CML Group Limited

Report and Financial Statements

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◆ *Period ended 31 March 1997* ◆

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Company No: 1564040

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## CML GROUP LIMITED

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### COMPANY INFORMATION

Directors                      J P Davis - Chairman  
                                    I D Brodie  
                                    J S Ellison  
                                    D N Haden  
                                    D G Scott  
                                    G D Stewart

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  
                                    PO Box 28  
                                    28 Regent Street  
                                    Swindon  
                                    Wiltshire  
                                    SN1 1JW

**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the period ended 31 March 1997.

**Principal activities**

The principal activities of the company in the period 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 the change in demand for the principal products and services of the company within both Precision Machining and Composites. The year has seen an increase in activity and a return to 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.

**Results and dividends**

The profit on ordinary activities after taxation amounted to £791,171 (1996 - loss of £46,295).

**Fixed Assets**

During the period, the Board of Directors reviewed the useful economic life of certain items of plant and machinery. As a result of this it was considered that the assumed life of certain assets required extension to reflect their continued and increased use within the business and their ongoing contribution to operating results.

The Board determined that, in order to avoid a material distortion of future results, an adjustment to cumulative depreciation should be recognised in the accounts in accordance with FRS3. This adjustment has, therefore, been shown as an exceptional item in the profit and loss account under cost of sales, the same heading as the ongoing depreciation charge.

## CML GROUP LIMITED

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### REPORT OF THE DIRECTORS (Continued)

#### Directors

The directors of the company are set out on page 1. All of the directors served throughout the period. 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 1997 and the beginning of the period 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	
	31 March 1997	30 April 1996	31 March 1997	30 April 1996	31 March 1997	30 April 1996
D N Haden	-	-	15,000	15,000	-	-
G D Stewart	-	-	15,000	15,000	-	-

There are no non-beneficial interests.

#### Directors (Continued)

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

The options granted under the terms of the Executive Scheme to D N Haden are exercisable between 1996 and 2004 at a price of 25p per share. 7,500 options granted under the terms of the Executive Scheme to G D Stewart are exercisable between 1997 and 2004 at a price of 17p per share and a further 7,500 are exercisable between 1998 and 2004 at a price of 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 period. 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.

## **CML GROUP LIMITED**

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### **REPORT OF THE DIRECTORS** **(Continued)**

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 30 June 1997 and signed on its behalf by:

  
J S ELLISON  
Secretary

## AUDITORS' REPORT TO THE SHAREHOLDERS OF CML GROUP LIMITED

We have audited the financial statements on pages 6 to 18 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.

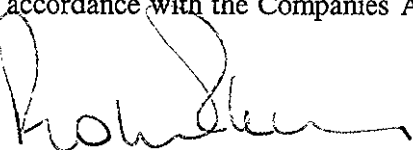
### Basis of opinion

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 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes  
Chartered Accountants and Registered Auditor

Birmingham  
30/6/1997

**CML GROUP LIMITED****PROFIT AND LOSS ACCOUNT**  
for the period ended 31 March 1997

	Note	Period ended 31 March 1997 £	Year ended 30 April 1996 £
<b>Turnover - continuing activities</b>	1,2	6,516,563	5,118,764
Cost of sales		(5,525,592)	(4,563,716)
Exceptional items	3	367,526	-
<b>Net cost of sales</b>		(5,158,066)	(4,563,716)
<b>Gross profit</b>		1,358,497	555,048
Administrative expenses		(508,765)	(436,965)
Other operating income		150,463	-
<b>Operating profit - continuing activities</b>	4	1,000,195	118,083
Interest receivable	5	9,763	7,198
Interest payable	6	(98,646)	(121,017)
<b>Profit on ordinary activities before taxation</b>		911,312	4,264
Taxation	9	(120,141)	(50,559)
<b>Profit/(loss) for the period</b>	18	791,171	(46,295)

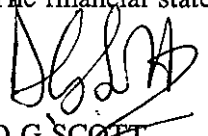
The company has no recognised gains or losses other than those reported above.



**CML GROUP LIMITED****BALANCE SHEET**  
**at 31 March 1997**

	Note	31 March 1997 £	30 April 1996 £
<b>Fixed assets</b>			
Tangible assets	10	2,631,247	1,839,552
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	11	1,632,379	1,367,097
Debtors	12	1,054,034	1,086,214
Cash at bank and in hand	13	1,371	1,679
		<hr/>	<hr/>
<b>Creditors: Amounts falling due within one year</b>	14	2,687,784 (2,012,218)	2,454,990 (1,933,664)
		<hr/>	<hr/>
<b>Net current assets</b>		675,566	521,326
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		3,306,813	2,360,878
		<hr/>	<hr/>
<b>Creditors: Amounts falling due after more than one year</b>			
Interest free loan from parent company	14	2,788,000	2,788,000
Other creditors	14	313,348	137,584
<b>Provisions for liabilities and charges</b>	15	66,200	117,200
<b>Deferred income</b>	16	30,000	-
		<hr/>	<hr/>
		3,197,548	3,042,784
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	17	100,000	100,000
Profit and loss account	18	9,265	(781,906)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	19	109,265	(681,906)
		<hr/>	<hr/>
<b>Source of capital</b>		3,306,813	2,360,878
		<hr/>	<hr/>

The financial statements were approved by the Board on 30 June 1997 and signed on its behalf by:

  
D G SCOTT  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1997**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

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

**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.

**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 period.

**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 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.

**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.

**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:

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1997****1. ACCOUNTING POLICIES (Continued)****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.

**Government grants**

Government capital grants are credited to a deferred income account and are transferred to the profit and loss account over the estimated life of the related asset.

**2. TURNOVER**

	Period ended 31 March 1997 £	Year ended 30 April 1996 £
United Kingdom	6,342,777	5,118,265
North America	173,786	499
	<hr/>	<hr/>
	6,516,563	5,118,764
	<hr/>	<hr/>

**3. EXCEPTIONAL ITEM**

During the period, the remaining economic life of certain items of plant and machinery was revised to reflect their continuing use within the business and ongoing contribution to operating results.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1997****4. OPERATING PROFIT**

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

	<b>Period ended 31 March 1997 £</b>	<b>Year ended 30 April 1996 £</b>
Rental income	(9,167)	(10,000)
Depreciation	(18,768)	422,293
Amortisation of government grants	-	(10,773)
Profit on sale of fixed assets	(6,020)	(46,349)
Operating lease rentals		
plant and machinery	12,318	20,576
land and buildings	129,708	141,500
Auditors' remuneration	9,900	12,000
Fees paid to Robson Rhodes for other services	1,100	2,100
	<hr/>	<hr/>

**5. INTEREST RECEIVABLE**

	<b>Period ended 31 March 1997 £</b>	<b>Year ended 30 April 1996 £</b>
Interest receivable	9,763	7,198
	<hr/>	<hr/>

**6. INTEREST PAYABLE**

	<b>Period ended 31 March 1997 £</b>	<b>Year ended 30 April 1996 £</b>
Interest on loans and overdrafts	72,269	93,225
Other loans	126	-
Interest on leased assets	26,251	27,792
	<hr/>	<hr/>
	98,646	121,017
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**CML GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1997****7. EMPLOYEES**

Average monthly number of employees, including directors:

	Period ended 31 March 1997 No	Year ended 30 April 1996 No
Production	127	90
Administration	14	12
	<hr/>	<hr/>
	141	102
	<hr/>	<hr/>

Staff costs, including directors:

	Period ended 31 March 1997 £	Year ended 30 April 1996 £
Wages and salaries	2,554,320	1,990,252
Social security costs	212,823	168,414
Other pension costs	79,073	35,387
	<hr/>	<hr/>
	2,846,216	2,194,053
	<hr/>	<hr/>

**8. DIRECTORS**

Emoluments of the company's directors:

	Period ended 31 March 1997 £	Year ended 30 April 1996 £
Emoluments	106,350	89,286
Pension contributions	7,183	3,082
	<hr/>	<hr/>
	113,533	92,368
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
31 March 1997

9. TAXATION

	Period ended 31 March 1997 £	Year ended 30 April 1996 £
Corporation tax at 33% (1996 - 33%)	6,546	36,800
Group relief payable	167,065	20,223
Deferred taxation	(51,000)	-
	<hr/>	<hr/>
	122,611	57,023
Amendment of previous years' estimates	(2,470)	(6,464)
	<hr/>	<hr/>
	120,141	50,559
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1997**
**10. TANGIBLE ASSETS**

	Leasehold improve- ment £	Assets in course of construction £	Plant and fixtures £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 May 1996	344,181	-	5,627,153	135,095	6,106,429
Additions	46,263	139,200	553,656	28,596	767,715
Group transfers	-	-	-	22,557	22,557
Disposals	-	-	(10,285)	(45,024)	(55,309)
Revaluation	-	-	-	(375)	(375)
At 31 March 1997	390,444	139,200	6,170,524	140,849	6,841,017
<b>Depreciation</b>					
At 1 May 1996	181,271	-	4,010,488	75,118	4,266,877
Charged in period	34,497	-	(84,473)	31,208	(18,768)
Group transfers	-	-	-	3,288	3,288
Disposals	-	-	(7,286)	(33,966)	(41,252)
Revaluation	-	-	-	(375)	(375)
At 31 March 1997	215,768	-	3,918,729	75,273	4,209,770
<b>Net book value</b>					
At 31 March 1997	174,676	139,200	2,251,795	65,576	2,631,247
At 30 April 1996	162,910	NIL	1,616,665	59,977	1,839,552

The net book value of the tangible fixed assets includes £969,192 (1996 - £597,394) in respect of assets held under finance leases and hire purchase. Depreciation charged in the period on those assets amounted to £36,344 (1996 - £85,648).

**NOTES TO THE FINANCIAL STATEMENTS****31 March 1997****11. STOCKS**

	<b>31 March 1997 £</b>	<b>30 April 1996 £</b>
Raw materials and consumables	426,404	383,732
Work in progress	991,645	904,921
Finished goods and goods for resale	214,330	78,444
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	1,632,379	1,367,097
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The replacement cost of the above would not be significantly different from the values stated.

**12. DEBTORS**

	<b>31 March 1997 £</b>	<b>30 April 1996 £</b>
Trade debtors	929,412	864,774
Other debtors	66,914	109,793
Prepayments and accrued income	57,708	111,647
	<hr/>	<hr/>
	1,054,034	1,086,214
	<hr/>	<hr/>

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

	<b>31 March 1997 £</b>	<b>30 April 1996 £</b>
Bank overdraft	471,598	328,405
Obligations under finance leases	201,386	140,598
Trade creditors	554,101	989,119
Amounts due to group undertakings	167,935	130,000
Corporation Tax	131,946	36,800
Other taxation and social security	181,868	82,953
Other creditors	118,720	56,782
Accruals	184,664	169,007
	<hr/>	<hr/>
	2,012,218	1,933,664
	<hr/>	<hr/>



## NOTES TO THE FINANCIAL STATEMENTS

31 March 1997

## 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 1997 £	30 April 1996 £
Other creditors:		
Obligations under finance leases		
- due between one and two years	101,901	127,277
- due between two and five years	211,447	10,307
	<u>313,348</u>	<u>137,584</u>

The interest free loan from parent of £2,788,000 (1996 - £2,788,000) is unsecured and has no formal fixed term of repayment. The parent company has confirmed that no substantial repayment will be requested within 12 months of the balance sheet date.

## 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 May 1996	117,200
Profit and loss account	(51,000)
	<u>66,200</u>
At 31 March 1997	<u>66,200</u>

Deferred taxation comprises:

	Amounts provided		Amounts not provided	
	31 March 1997 £	30 April 1996 £	31 March 1997 £	30 April 1996 £
Capital allowances	68,000	117,200	315,000	54,700
Other timing differences	(1,800)	-	-	-
	<u>66,200</u>	<u>117,200</u>	<u>315,000</u>	<u>54,700</u>

**NOTES TO THE FINANCIAL STATEMENTS****31 March 1997****16. DEFERRED INCOME - GOVERNMENT GRANTS**

	<b>31 March 1997 £</b>	<b>30 April 1996 £</b>
At 1 May 1996	-	10,773
Profit and loss account	-	(10,773)
Amounts received	30,000	-
	<hr/>	<hr/>
At 31 March 1997	30,000	NIL
	<hr/>	<hr/>

**17. SHARE CAPITAL**

	<b>31 March 1997 £</b>	<b>30 April 1996 £</b>
<b>Authorised</b>		
100,000 ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
<b>Allotted and fully paid</b>		
100,000 ordinary shares of £1 each	100,000	100,000
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**18. RESERVES**

	<b>Profit and loss account £</b>
At 1 May 1996	(781,906)
Profit for the period	791,171
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At 31 March 1997	9,265
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**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1997****19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>31 March 1997 £</b>	<b>30 April 1996 £</b>
Profit/(loss) after taxation	791,171	(46,295)
Opening shareholders' funds	(681,906)	(635,611)
	<hr/>	<hr/>
Closing shareholders' funds	109,265	(681,906)
	<hr/>	<hr/>

**20. CONTINGENT LIABILITY**

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

**21. FINANCIAL COMMITMENTS****Capital commitments**

There were no capital commitments at 31 March 1997 (1996 - £Nil).

**Operating lease commitments**

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

	<b>31 March 1997 £</b>	<b>30 April 1996 £</b>
Land and buildings, leases expiring beyond five years	129,708	141,500
	<hr/>	<hr/>
Plant and machinery, leases expiring within one year	6,833	5,573
between one and five years	7,380	7,212
beyond five years	-	653
	<hr/>	<hr/>
	14,213	13,438
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1997**

**22. 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.

**23. RELATED PARTY DISCLOSURES**

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

**24. 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.