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Perdix Investments Limited

Annual Report for the year ended 30 April 2003

Company Number 3776822

Contents

Directors' Report

The directors present their report and audited financial statements for the year ended 30 April 2003.

Principal activity and business review

The principal activity of the Group is the provision of a wide range of services to industrial customers including:

- distribution of bearings, mechanical and electrical power transmission products, hydraulic and pneumatic equipment/components and tools;
- distribution of fasteners, seals and sealing products;
- repair of electrical equipment and motors, pumps and gearboxes; and
- manufacture and supply of automotive tyre building tooling, specialist bearing products.

The Group's strategy continues to focus on expanding the range of products, services and business solutions to its diversified customer base in the UK and overseas, primarily in Germany, Belgium, Holland and the USA.

During the year particular management attention was given to the successful integration of the FPT Group (acquired in March 2002), the rationalisation of the Electro-Mechanical Services (EMS) business and further organic expansion of the Integrated Services Division and the Serco-Ryan fastener business. A total of £7.6 million of exceptional costs was incurred during the year, relating primarily to the FPT and EMS consolidation programmes.

The Group's network of UK branches (80 distribution and 28 repair) is now close to the optimum to support the UK industrial maintenance sector.

The Integrated Services Division (IS) continued to grow and by the end of the year was operational from 27 customer sites (17 at the previous year end). The division has continued to win new business in the IS area and by the end of 2003/04 is projected to account for approaching 20% of the Group turnover.

Despite a difficult UK market, Wyko Production Services (fasteners and seals) has returned to growth during the year with a number of new contract gains. The Rencol tolerance ring business continued to produce good results despite a downturn in the hard disk drive market.

In November 2003 a new management team was appointed to drive through improvements to shareholder value. As a result, a Five Year Business Plan was formulated and presented to shareholders at the end of March 2004. The Plan envisaged a refinancing of the debt structure within the business. Head of Terms were signed on 28 May 2004, with the intention to complete all contractual terms by 11 June 2004. The new executive management team, consisting of Bill Wilson (CEO), Mark Dixon (COO) and Jonathan Cook (Group Finance Director), are confident that with the financial restructuring in place and with the integration of the FPT Group and the rationalisation of the branch networks successfully completed, the Group is in a strong position to improve both profitability and cash generation in the next three to five years.

The Group's turnover from continuing activities increased from £202,897,000 in 2002 to £233,826,000, with operating profit for continuing operations before exceptional costs and goodwill amortisation falling from £9,922,000 to £6,619,000.

Directors' Report *(continued)*

Results and dividends

The Group loss on ordinary activities before taxation amounted to £20,922,000 (2002: £12,993,000) and the detail thereof is shown in the consolidated profit and loss account on page 7. The loss after taxation of £18,129,000 (2002: £12,134,000) has been deducted from reserves.

The net cash flow from operating activities totalled £6,822,000 (2002: £12,083,000) as detailed on page 30 of the accounts. The Group made payments of interest totalling £6,261,000 (2002: £5,973,000) and repayments of senior debt totalling £5,184,000 (2002: £5,056,000) during the year.

The directors do not propose the payment of a dividend.

Going Concern

The accounts have been prepared on the going concern basis which assumes that the Company and all its subsidiary undertakings, "the Group", will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due. The validity of this assumption depends on the Group being able to meet its projected cash flow forecasts, on the Group complying with its banking covenants and on the Group's bankers continuing their support by providing adequate overdraft facilities which are repayable on demand. The Group's bankers have signalled their ongoing support by agreeing a refinancing described in note 27 for which Heads of Terms have been signed by all parties involved on 28 May 2004 with the intention to complete all contractual terms by 11 June 2004. Following this refinancing, all covenants included within the Heads Of Terms with respect to the ongoing facilities are forecast to be met for the foreseeable future, and it is the intention that any prior breaches to historic covenants be waived. Based on the above, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Directors and their interests

The directors who held office during the year are given below:

P.E.J. White	resigned 30 May 2002
J.W. Poulter	appointed 6 June 2002
R.S. Johnson	resigned 4 November 2003
G.D. Winters	resigned 27 February 2004
W.A. Link	resigned 4 November 2003
A.N. Morris	resigned 19 March 2004
C.A. Lyne	resigned 19 March 2004
M.J. Freeman	
P. Isaacs	resigned 27 June 2002
J.J. Hobbs	resigned 30 August 2002
A.J. Macfie	appointed 27 June 2002
W. Wilson	appointed 23 December 2003
M.R.G Dixon	appointed 23 December 2003
J.C. Cook	appointed 19 March 2004

Directors' Report *(continued)*

Directors and their interests *(continued)*

The beneficial interests of the directors in the share capital of the company at 30 April 2003 were as follows:

	2003 £1 Ordinary shares Number	2002 £1 Ordinary shares Number
P.E.J. White	122,762*	122,762
R.S. Johnson	128,185	128,185
G.D. Winters	68,948	68,948
W.A. Link	68,948	68,948
A.N. Morris	37,019	37,019
C.A. Lyne	37,433	37,433
M.J. Freeman	12,263	12,263

* as at date of resignation

No other director had any interest in the share capital of the company at any time during the year.

Employment policy

Considerable value is placed upon the commitment and involvement of employees in the operation and development of the Group's businesses. The Group recognises that the maximisation of its potential requires employees to be well trained, highly motivated and properly informed.

All employees receive appropriate training via predominantly in house programmes with most new employees attending induction courses designed to familiarise them with the Group's products and services.

Communication with employees is achieved through regular briefings at various levels as well as via the group wide intranet.

The Group is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no job applicant or employee receives less favourable treatment on the grounds of race, colour, nationality, ethnic or national origin, religion, political beliefs, disability, sex or marital status.

Charitable donations

Charitable donations made by the Group within the UK during the period amounted to £18,000 (2002: £22,000)

Post Balance sheet events

Post balance sheet events are disclosed in note 27.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

J C Cook
Company Secretary
28 May 2004

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

On behalf of the board

JC Cook
Company Secretary
28 May 2004

Independent auditors' report to the members of Perdix Investments Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

Basis of audit 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 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 of the state of affairs of company and the group at 30 April 2003 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
28 May 2004

Consolidated Profit and Loss Account

For the year ended 30 April 2003

	Notes	2003 Total before Exceptional Costs and Goodwill amortisation £000	2003 Exceptional Costs and Goodwill amortisation £000	2003 Total £000	2002 Total before Exceptional Costs and Goodwill amortisation £000	2002 Costs and Goodwill amortisation £000	2002 Total £000
Turnover							
- continuing operations		233,826	-	233,826	202,897	-	202,897
- discontinued operations		-	-	-	2,555	-	2,555
Share of Joint Venture's turnover		678	-	678	491	-	491
Total turnover	2	**234,504**	**-**	**235,504**	**205,943**	**-**	**205,943**
Less: share of joint venture		(678)	-	(678)	(491)	-	(491)
Group Turnover		**233,826**	**-**	**233,826**	**205,452**	**-**	**205,452**
Cost of sales		(154,707)	(2,511)	(157,218)	(133,639)	(369)	(134,008)
Gross profit		**79,119**	**(2,511)**	**76,608**	**71,813**	**(369)**	**71,444**
Selling & distribution costs		(52,852)	(2,363)	(55,215)	(46,794)	(1,679)	(48,473)
Administrative expenses		(19,648)	(2,758)	(22,406)	(14,885)	(1,623)	(16,508)
Group operating profit before goodwill amortisation							
- continuing operations	3	6,619	(7,632)	(1,013)	9,922	(3,671)	6,251
- discontinued operations		-	-	-	212	-	212
		6,619	**(7,632)**	**(1,013)**	**10,134**	**(3,671)**	**6,463**
Amortisation of goodwill		-	(3,924)	(3,924)	-	(3,868)	(3,868)
Group operating profit / (loss)		**6,619**	**(11,556)**	**(4,937)**	**10,134**	**(7,539)**	**2,595**
Share of joint venture operating profit		249	-	249	101	-	101
Operating profit / (loss) including joint venture		**6,868**	**(11,556)**	**(4,688)**	**10,235**	**(7,539)**	**2,696**
Profit on disposal of fixed assets		524	-	524	44	-	44
Loss on sale of businesses		-	-	-	(434)	-	(434)
Profit / (loss) on ordinary activities before interest		**7,392**	**(11,556)**	**(4,164)**	**9,845**	**(7,539)**	**2,306**
Net interest payable and similar charges	6			(16,758)			(15,299)
Loss on ordinary activities before tax	2			**(20,922)**			**(12,993)**
Tax on loss on ordinary activities	7			2,793			859
Deficit for the year deducted from reserves	8,19			**(18,129)**			**(12,134)**

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Consolidated Balance Sheet

As at 30 April 2003	Notes	2003 £000	2002 £000
Fixed assets			
Intangible assets	9	**65,382**	68,512
Tangible assets	10	**19,386**	21,774
Investments	11	**344**	213
		85,112	90,499
Current assets			
Stocks	12	**33,107**	38,601
Debtors	13	**51,102**	52,711
Cash at bank and in hand		**6,907**	6,727
		91,116	98,039
Creditors: amounts falling due within one year			
Borrowings	14,16	**(17,341)**	(13,355)
Other creditors	14	**(46,125)**	(50,663)
		(63,466)	(64,018)
Net current assets		**27,650**	34,021
Total assets less current liabilities		**112,762**	124,520
Creditors: amounts falling due after more than one year			
Borrowings	15,16	**(135,218)**	(135,234)
Other creditors	15	**(14,016)**	(7,006)
		(149,234)	(142,240)
Provision for liabilities and charges	17	**(2,949)**	(3,568)
Net liabilities		**(39,421)**	(21,288)
Capital and reserves			
Called up share capital	18	**2,448**	2,448
Other reserves	19	**379**	383
Profit and loss account	19	**(42,248)**	(24,119)
Equity shareholders' funds		**(39,421)**	(21,288)

The financial statements on pages 7 to 32 were approved by the Board of Directors on 28 May 2004 and were signed on its behalf by:

M R G Dixon }
}
}
J C Cook }

Parent Company Balance Sheet

At 30 April 2003	Notes	2003 £000	2002 £000
Fixed assets			
Investments	11	**116,095**	116,095
Current assets			
Debtors	13	**20,374**	21,466
Cash at bank and in hand		**1,421**	5,239
		21,795	26,705
Creditors: amounts falling due within one year			
Borrowings	14,16	**(6,573)**	(8,049)
Other creditors	14	**(174)**	(186)
		(6,747)	(8,235)
Net current assets		**15,048**	18,470
Total assets less current liabilities		**131,143**	134,565
Creditors: amounts falling due after more than one year			
Borrowings	15,16	**(135,110)**	(135,095)
Other creditors	15	**(14,016)**	(7,006)
		(149,126)	(142,101)
Provision for liabilities and charges	17	**-**	-
Net liabilities		**(17,983)**	(7,536)
Capital and reserves			
Called up share capital	18	**2,448**	2,448
Profit and loss account	19	**(20,431)**	(9,984)
Equity shareholders' funds		**(17,983)**	(7,536)

The financial statements on pages 7 to 32 were approved by the Board of Directors on 28 May 2004 and were signed on its behalf by:

M R G Dixon }
}
}
J C Cook }

Consolidated Cash Flow Statement

Year ended 30 April 2003	Notes	**2003 £000**	2002 £000
Net cash flow from operating activities	20	**6,822**	12,083
Dividends from joint venture		**66**	-
Returns on investments and servicing of finance:			
Interest received		**257**	792
Interest paid		**(6,508)**	(6,764)
Interest element of finance lease rentals		**(10)**	(1)
Dividends received from joint venture			-
		(6,261)	(5,973)
Taxation			
UK Corporation tax paid		**(3)**	(32)
Overseas tax paid		**69**	(4)
		66	(36)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(3,042)**	(2,245)
Sale of tangible fixed assets		**1,954**	892
		(1,088)	(1,353)
Acquisitions and disposals			
Investment in joint venture		**-**	(66)
Purchase of businesses		**(50)**	(1,941)
Net cash acquired with businesses		**-**	(5,466)
Disposal of businesses		**-**	2,364
		(50)	(5,109)
Cash outflow before financing		**(445)**	(388)
Financing			
Repayment of loans		**(5,184)**	(5,056)
Principal payments under capital leases		**(21)**	(11)
		(5,205)	(5,067)
Decrease in cash in the year	21	**(5,650)**	(5,455)

Other Group Statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 April 2003	2003 £000	2002 £000
Loss for the financial year	**(18,129)**	(12,134)
Foreign currency translation loss	**(4)**	(82)
Total recognised gain and losses for the year	**(18,133)**	(12,216)

RECONCILIATION OF MOVEMENT OF EQUITY SHAREHOLDERS' FUNDS	2003 £000	2002 £000
Loss for the financial year	**(18,129)**	(12,134)
Foreign currency translation loss	**(4)**	(82)
Net change to equity shareholders' funds	**(18,133)**	(12,216)
Opening equity shareholders' funds	**(21,288)**	(9,072)
Closing equity shareholders' funds	**(39,421)**	(21,288)

Notes to the Accounts

1 Accounting policies

Basis of accounting

The financial statements comply with applicable UK Accounting Standards and are prepared under the historical cost convention.

A summary of the more important accounting policies, which have been applied consistently, is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Going Concern

The accounts have been prepared on the going concern basis which assumes that the Company and all its subsidiary undertakings, "the Group", will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due. The validity of this assumption depends on the Group being able to meet its projected cash flow forecasts, on the Group complying with its banking covenants and on the Group's bankers continuing their support by providing adequate overdraft facilities which are repayable on demand. The Group's bankers have signalled their ongoing support by agreeing a refinancing described in note 27 for which Heads of Terms have been signed by all parties involved on 28 May 2004 with the intention to complete all contractual terms by 11 June 2004. Following this refinancing, all covenants included within the Heads Of Terms with respect to the ongoing facilities are forecast to be met for the foreseeable future, and it is the intention that any prior breaches to historic covenants be waived. Based on the above, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary undertakings. Acquisition accounting is used to account for all acquisitions. The results of businesses acquired or sold during the year are included from or up to the date control passes. Intra group sales and profits are eliminated fully on consolidation.

In accordance with the exemptions given by Section 230 of the Companies Act 1985 the holding company, Perdix Investments Limited, has not presented its own profit and loss account.

Foreign currencies

Assets and liabilities of the foreign subsidiaries are translated into sterling at the rate ruling at the balance sheet date. The results of foreign subsidiaries are translated into sterling at the average rate for the year. Exchange differences arising from these translations are taken direct to reserves.
Transactions in foreign currencies are translated into sterling at the rate of exchange on the day of the transaction or at a contracted rate if it is covered by a forward contract. Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling on the balance sheet date or, if appropriate, any forward contract rates. Exchange differences arising from these translations are taken to the profit and loss account.

Goodwill

Goodwill represents the difference between the fair value of the consideration given on the acquisition of a business and the fair value of the net assets acquired, determined in accordance with Financial Reporting Standard ("FRS") 7.
Goodwill has been capitalised and is being amortised over its estimated useful life, subject to a maximum period of 20 years, in accordance with FRS 10.
This goodwill will be charged or credited to the profit and loss account on subsequent disposal of the business to which it relates.

Notes to the Accounts

Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each fixed asset over its expected useful life, as follows;

Plant, equipment and vehicles	10% to 25% per annum straight line
Patents	written-off as incurred
Freehold and long leasehold buildings	2% per annum straight line
Short leasehold properties	straight line over the period of the lease

Provision is made for any impairment in the period in which it arises.

Improvements to new leasehold premises are capitalised and the cost amortised over 5 years. All other leasehold improvements are written off to the profit and loss account as they are incurred.

Freehold land and assets in the course of construction are not depreciated.

Fixed asset investments

Investments in subsidiaries are stated at their original cost less provision for any permanent diminution in value.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. In the case of work in progress and finished goods, cost includes an appropriate proportion of production overheads. Progress payments received are deducted from work in progress.

Change in estimation techniques

During the period a review of the estimation technique used to calculate provisions for slow moving and obsolete stocks within the distribution business was undertaken. Following the review the Directors have adopted the estimation techniques previously used by the FPT Group (which was acquired in 2002) as they consider that these techniques are the most appropriate to the Group going forward. The impact of the change is a reduction in the book value of stocks of £1,796,000. Due to the size of this adjustment, it has been included within exceptional items, see note 3.

Deferred taxation

In accordance with FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

Notes to the Accounts

Hire purchase and leases

Tangible fixed assets acquired under hire-purchase or finance leases are capitalised at the present value of the minimum lease payments and the outstanding obligations, less financing charges, are included under borrowings in the balance sheet.
Interest is charged to the profit and loss account so as to give a constant periodic rate of charge on the outstanding obligations in each accounting period.
Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pension costs

UK Defined Benefit Scheme
The regular cost of providing for pensions is calculated so as to produce a substantially level percentage of the current and estimated future pensionable payroll. Variations from the regular cost so calculated are allocated to the profit and loss account over the average remaining service lives of employees. The cumulative difference between the amounts charged to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

Defined contribution schemes
Contributions to the defined contribution schemes in the UK and the USA have been charged against profits in the year.

Finance costs

Finance costs, comprising the cost of raising debt finance plus interest charges, are recognised in the profit and loss account over the term of the debt at a constant carrying amount.

Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the amortisation of issue costs and the capitalisation of certain elements of the interest charge and reduced by payments made in the period.
The interest payable and the amortisation of issue costs are taken to the profit and loss account so as to produce a constant rate of return over the period to the expected date of redemption of the debt.

Research and development

Expenditure on research and development is charged against revenue in the period in which it is incurred.

Turnover

Turnover represents the amounts invoiced to external customers in respect of goods and services provided during the year, excluding value added tax.

Notes to the Accounts

2 Segmental Analysis

	2003			2002		
	Turnover	Loss before tax	Net assets	Turnover	Loss before tax	Net assets
Geographical Analysis						
Origin						
United Kingdom						
- continuing operations	222,373	7,310	52,862	196,912	10,028	56,593
- discontinued operations	-	-	-	2,555	212	-
- total	222,373	7,310	52,862	199,467	10,240	56,593
USA	3,271	(48)	2,341	3,610	47	2,851
Europe	7,822	(84)	(724)	2,162	(85)	(483)
Asia	1,038	214	267	704	77	157
Exceptional items	-	(7,632)	-	-	(3,671)	-
Interest, financing and goodwill	-	(20,682)	(94,167)	-	(19,167)	(80,406)
Loss on disposal of business	-	-	-	-	(434)	-
Total	234,504	(20,922)	(39,421)	205,943	(12,993)	(21,288)
Market Supplied						
United Kingdom						
-continuing operations	212,987			186,238		
- discontinued operations	-			2,555		
- total	212,987			188,793		
Americas	4,678			4,664		
Europe	11,697			6,009		
Asia and Australasia	4,810			5,278		
Africa	332			1,199		
Total	234,504			205,943		

Notes to the Accounts

3 Loss on ordinary activities before taxation

	2003 £000	2002 £000
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation:		
Tangible fixed assets - owned	3,509	3,361
- subject to finance leases or hire purchase	14	2
Amortisation of goodwill	3,924	3,868
Amortisation of other intangible fixed assets	50	8
Profit on disposal of tangible fixed assets	(524)	(44)
Rentals under operating leases		
Plant and machinery	2,268	2,165
Other	3,129	3,363
Auditors' remuneration		
Audit work	236	133
Other services provided by group auditors	85	60
Surplus on foreign exchange	(29)	(211)

The audit fee in respect of the parent company amounted to £2,000 (2002: £2,000)

The exceptional costs of £7,632,000 shown in the profit and loss account result from an extensive review by the Directors of the Group's operations noted last year plus the cost of fully absorbing the FPT operations into the Group. As a result of the exercise, a number of branches were merged or closed, leading to a number of redundancies. The total exceptional costs reflect the cost of the redundancy programme along with the costs associated with vacating the redundant properties and merging operations onto existing and new sites. The total also includes the cost of making additional provisions against stock and work-in-progress where trading ceased in the year.
In addition an increased stock provision of £1,769,000 has been made to reflect the change in accounting estimate detailed in note 1. This has been treated as an exceptional cost due to its size.

4 Directors and employees

	2003 Number	2002 Number
The average number of persons employed by the Group during the year was	2,551	2,435
	£000	£000
Their aggregate payroll costs were:		
Wages and salaries	51,359	45,959
Social security costs	5,291	5,023
Other pension costs	2,447	2,002
	59,097	52,984

Notes to the Accounts

4 Directors and employees (*continued*)

	2003 £000	2002 £000
Directors remuneration		
Emoluments	**1,091**	864
Fees paid to third parties in respect of directors' services	**21**	21
Pensions and pension related payments	**232**	266
	1,344	1,151

Retirement benefits are accruing to 6 directors under a defined benefit scheme.
No payments have been made to a money purchase pension scheme in respect of any director. Contributions have been made on behalf of three directors, whose pensions are limited by the Inland Revenue earnings cap, to a Funded Unapproved Retirement Benefit Scheme. The contributions which have been charged to the profit and loss account in the year are £195,000 (2002: £212,000)

	2003 £000	2002 £000
Highest paid director		
Total emoluments	**243**	212
Defined benefit pension scheme:		
Accrued pension at 1 May	**26**	21
Accrued pension at 30 April	**30**	26

5 Pensions

The Group has operated a number of pension schemes during the year. There are two UK defined benefit schemes; the Wyko Retirement Benefit Scheme ("the Wyko Scheme") and the FPT Group Pension Scheme ("the FPT Scheme") with the assets held in a separate trustee administered funds. The Group has continued to operate the majority of schemes established in subsidiaries at the date of their acquisition.

The pension costs relating to each scheme were as follows:

	2003 £000	2002 £000
Wyko Group Retirement Benefit Scheme	**945**	1,067
Funded unapproved retirement benefit scheme	**195**	212
FPT Group Pension Scheme	**337**	51
US defined contribution scheme	**47**	44
UK defined contribution schemes	**923**	628
	2,447	2,002

The pension cost relating to the Wyko Scheme is assessed in accordance with the advice of an independent actuary using the projected unit credit method of funding. The latest actuarial valuation of the scheme for SSAP24 purposes was carried out as at 1st May 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases to salaries and pensions.

Notes to the Accounts

5 Pensions (*continued*)

It was assumed that the investment returns would be 8% per annum pre-retirement (5% per annum post-retirement), that salary increases would average 3.5% per annum that pensions increases would average 2.5% per annum for pensions carrying an entitlement to inflation linked increases.

At the valuation date, the market value of the scheme's assets was approximately £31,470,000 and the actuarial value of these assets represented 80% of the benefits that had accrued to the members on the valuation assumptions adopted.

The pension cost relating to the FPT Scheme is assessed in accordance with the advice of an independent actuary using the attained age method of funding. The latest actuarial valuation of the scheme for SSAP24 purposes was carried out as at 31 October 2003. It was assumed that the investment returns would be 8% per annum (5% per annum post retirement), that salary increases would average 4% per annum and that pensions increases would average 2.75% per annum.

At the valuation date, the market value of the scheme's assets was approximately £4,050,000 and the actuarial valuation of these assets represented 78% of the benefits that had accrued to the members on the valuation assumptions adopted.

A prepayment of £2,137,000 (2002: £2,029,000) is included within debtors, this being the difference between the amounts charged to the profit and loss account and the amounts paid to the Wyko and FPT Schemes.

The following disclosures are provided under the transitional arrangements for FRS17 which requires certain disclosures only for the current period. The amounts disclosed under these transitional arrangements are not included in the Group's financial statements. Required disclosures for the notes section are as below.

The Wyko Scheme and the final salary section of the FPT Scheme are both closed to new entrants. Under the projected unit credit method the current service costs will therefore increase as the members of the Schemes approach retirement. The FRS17 disclosures have been based on calculations by qualified actuaries as at 30 April 2003. Scheme assets are stated at their market value at 30 April 2003. The financial assumptions used to calculate the Schemes' liabilities include:

Valuation method	Projected unit method	
	2003	2002
Inflation assumption	2.5%	2.8%
Salaries rate of increase	3.5%	3.5%
Pension increases in payment (where linked to inflation)	2.5%	2.7%
Discount rate for Scheme liabilities	5.5%	5.7%

The assets and the expected rates of return for the Wyko scheme and the FPT final salary section were:

	Expected long term rate of return at 30 April		Value at 30 April 2003	Value at 30 April 2002
	2003	2002	£000	£000
Equities	7%	7%	29,635	36,900
Gilts / Bonds	4.5%/5.5%	5%	4,460	5,285
Cash	3%	3%	860	660
Total market value of assets			34,955	42,485
Present value of Schemes' liabilities			(50,740)	(46,245)
Deficit in Schemes			(15,785)	(3,400)
Related deferred tax assets			-	-
Net pension liability			(15,785)	(3,400)

Total assets in the money purchase section of the FPT scheme are £435,000 at 30 April 2003.

Notes to the Accounts

5 Pensions *(continued)*

If the above amounts had been recognised in the financial statements, the Group's net liabilities and profit and loss reserve at 30 April would be as follows:

	2003	2002
Net liabilities	£000	£000
Net liabilities	(35,288)	(21,288)
Exclude pension prepayment (under SSAP 24)	(2,137)	(2,029)
	(37,425)	(23,317)
FRS 17 pension liability	(15,785)	(3,400)
Net liabilities including FRS 17 pension liability	(53,210)	(26,717)
Profit and loss reserve		
Profit and loss reserve	(38,115)	(24,119)
Exclude pension prepayment (under SSAP 24)	(2,137)	(2,029)
	(40,252)	(26,148)
FRS 17 pension liability	(15,785)	(3,400)
Profit and loss reserve including FRS 17 pension liability	(56,037)	(29,548)

The amount charged to operating profit in 2003 would be:

Current service cost	(1,738)
Past service cost	-
Total operating charge	(1,738)

The amount credited to other financial income would be:

Expected return on assets	2,837
Interest on scheme liabilities	(2,617)
Net return	220

The amounts recognised in the statement of total recognised gains and losses would be:

Actual return less expected return on pension scheme assets	(10,093)
Experience losses arising on the scheme liabilities	(412)
Changes in assumptions underlying the present value of the scheme liabilities	(1,725)
Actuarial loss recognised in the statement of recognised gains and losses	(12,230)

The movement in the deficit during the year is as follows:

Deficit in the scheme at the beginning of the year	(3,400)
Current service cost	(1,738)
Employer contributions	1,363
Past service costs	-
Other financial income	220
Actuarial loss	(12,230)
Actuarial loss recognised in the statement of recognised gains and losses	(15,785)

Notes to the Accounts

5 Pensions *(continued)*

The history of experience gains and losses is as follows:

	% of scheme assets	£000
Difference between expected and actual return on assets	29%	(10,093)
Experience gains and losses on scheme liabilities	1%	(412)
Total amount recognised in the statement of total recognised gains and losses	24%	(12,230)

6 Net interest payable and similar charges

	2003 £000	2002 £000
Interest payable:		
on bank loans and overdrafts	**5,187**	5,157
on mezzanine debt	**2,070**	2,125
on shareholder loan stock	**8,946**	7,886
on hire purchase agreements and finance leases	**10**	1
Amortisation of debt issue costs	**794**	901
	17,007	16,070
Interest receivable	**(249)**	(771)
	16,758	15,299

Interest payable and similar charges can be further analysed as follows:

Cash interest payable:		
Bank loans and overdrafts (net)	**4,900**	4,386
Cash element of interest on mezzanine debt	**1,412**	1,489
Cash element of interest on shareholders loan stock	**-**	-
Hire purchase and finance leases	**10**	1
	6,322	5,876
Non cash interest:		
Capitalised mezzanine interest	**658**	636
Deferred interest on shareholder loan stock	**7,048**	4,407
Capitalised interest on shareholder loan stock	**1,936**	3,479
Amortisation of debt issue costs	**794**	901
	10,436	9,423
	16,758	15,299

The shareholder loan stock interest payable is currently deferred and can only be paid from the date that one of the following two tests is passed:

Test 1 : following a successful syndication of the debt, defined as when the total outstanding amounts under the Term Loans, Loan Note Guarantee, Working Capital and Mezzanine facilities is £45 million or less;

Test 2 : when the ratio of Senior Debt Drawings to EBIT (earnings before interest and taxation) is equal to or less than 3:1, calculated on a rolling twelve month basis ending on 30 April, 30 June, 31 October or 31 January. Senior Debt Drawings is defined as the sum of all Term Loans and Loan Note Guarantees plus any Working Capital facility utilisation in excess of £5 million.

It is not expected that either of the above conditions will be satisfied during the forthcoming twelve month period.

Notes to the Accounts

7 Tax on loss on ordinary activities

	2003 £000	2002 £000
UK Corporation tax on profits of the year	**(24)**	(10)
Adjustments in respect of previous periods	**382**	-
	358	(10)
Share of joint venture's taxation	**(56)**	(31)
Overseas taxation	**(7)**	-
Total current tax credit / (charge)	**295**	(41)
Deferred tax:		
Origination and reversal of timing differences	**2,515**	924
Overseas timing differences	**(17)**	(24)
Total tax credit	**2,793**	859

The tax assessed for the year is higher than the standard rate of tax in the UK. The factors affecting the tax charge for the period are analysed below:

	2003 £000	2002 £000
Loss on ordinary activities before tax	**(20,922)**	(12,993)
Loss on ordinary activities at standard rate of UK corporation tax - 30% (2001: 30%)	**6,277**	3,898
Effects of:		
Expenses not deductible for tax purposes	**(2,798)**	(3,669)
Timing differences	**(3,579)**	(305)
Higher rate tax on overseas earnings	**13**	49
Adjustments to tax charge in respect of previous periods	**382**	(14)
Current tax credit / (charge) for the year	**295**	(41)

8 Loss of the holding company

Perdix Investments Limited has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The loss dealt with in the accounts of the company is £10,447,000 (2002: £8,723,000).

Notes to the Accounts

9 Intangible fixed assets

Group	Goodwill £000	Trade Name £000	Total £000
Cost:			
At 1 May 2002	77,474	58	77,532
Amendment to goodwill arising on acquisition in previous year	844	-	844
At 30 April 2003	**78,318**	**58**	**78,376**
Amortisation:			
At 1 May 2002	9,012	8	9,020
Charge for the year	3,924	50	3,974
At 30 April 2003	**12,936**	**58**	**12,994**
Net book value:			
At 30 April 2003	**65,382**	**-**	**65,382**
At 30 April 2002	68,462	50	68,512

The amendment to goodwill arising on the acquisition in previous year results from the completion of the exercise to review the fair value of the net assets of FPT Group Limited and its subsidiaries, which was acquired by the Group on 7 March 2002, and the finalisation of acquisition costs.

A summary of the adjustments and their effect on the previously reported fair values in given below:

		Adjustments				
	Fair value as stated in the 2002 financial statements **£000**	Alignment of accounting policies **£000**	Alignment of stock valuation and provisioning policies **£000**	Provision for leasehold dilapidations **£000**	Additional costs of acquisition **£000**	Fair value as now restated **£000**
Tangible fixed assets	1,497	(340)	-	-	-	1,157
Intangible fixed assets	58	-	-	-	-	58
Investments	80	-	-	-	-	80
Stocks	7,362	-	(336)	-	-	7,026
Debtors	9,374	68	-	-	-	9,442
Taxation	334	-	-	-	-	334
Cash at bank and in hand	396	-	-	-	-	396
Borrowings	(6,047)	-	-	-	-	(6,047)
Creditors	(11,401)	(619)	-	433	-	(11,587)
Net assets	1,653	(891)	(336)	433	-	859
Cost of acquisition (including expenses)	1,941	-	-	-	50	1,991
Goodwill	**288**	**891**	**336**	**(433)**	**50**	**1,132**

Notes to the Accounts

10 Tangible fixed assets

	Freehold properties	Leasehold properties: Leases of 50 years and over	Leasehold properties: Leases of under 50 years	Plant, equipment and vehicles	Total
	£000	**£000**	**£000**	**£000**	**£000**
Group					
Cost					
At 1 May 2002	8,832	2,411	217	35,350	46,810
Additions	-	-	23	3,019	3,042
Fair value adjustments (note 9)	(44)	(35)	-	(3,556)	(3,635)
Disposals	(848)	(230)	-	(1,145)	(2,223)
Currency adjustments	(71)	-	1	(187)	(257)
At 30 April 2003	**7,869**	**2,146**	**241**	**33,481**	**43,737**
Depreciation:					
At 1 May 2002	1,098	329	24	23,585	25,036
Fair value adjustments (note 9)	(42)	(11)	-	(3,243)	(3,296)
Charge for the year	137	54	25	3,307	3,523
Disposals	(49)	(33)	-	(711)	(793)
Currency adjustments	(16)	(1)	-	(102)	(119)
At 30 April 2003	**1,128**	**338**	**49**	**22,836**	**24,351**
Net book value:					
At 30 April 2003	**6,741**	**1,808**	**192**	**10,645**	**19,386**
At 1 May 2002	7,734	2,082	193	11,765	21,774

The total net book value of fixed assets includes an amount of £73,000 (2002: £834,000) in respect of assets capitalised under finance leases or hire purchase.

The company held no tangible fixed assets at any time during the year.

Future capital expenditure

Capital commitments at 30 April 2003 for which no provision has been made in the accounts are as follows:

	2003	2002
	£000	£000
Contracted for	**233**	-

Notes to the Accounts

11 Investments

Group

	£000
At 1 May 2002	213
Added in the year	131
At 30 April 2003	344

The Group holds 51% of the issued ordinary share capital of Rencol MMI Technology Pte Limited, a company incorporated in Singapore to manufacture and distribute tolerance rings. The Directors believe that the Group shares effective control of the company with the holder of the remaining 49% of the shares and consequently have treated the investment as an investment in a joint venture.

	2003	2002
	£000	£000
Group share of gross assets of the joint venture	**421**	306
Group share of the gross liabilities of the joint venture	**(157)**	(173)
Investment in joint venture	**264**	133

The Group also holds an investment in EuroSourceLine UK Limited. The investment is included in the Group accounts at cost of £80,000, as the Directors do not believe that any significant influence can be exercised over the company.

Company	Investment in subsidiaries **£000**
Cost:	
At 1 May 2002 and 30 April 2003	116,095

Principal subsidiary companies	Country of Incorporation	Holding	Class of Shares	Nature of Business
Wyko Group Limited	UK	100%	Ordinary	Holding company
Wyko Investments Limited	UK	100%	Ordinary	Holding company
Wyko Industrial Services Limited *	UK	100%	Ordinary	Industrial Services
Serco Ryan Limited *	UK	100%	Ordinary	Industrial Services
Wyko Inc. Engineering *	USA	100%	Ordinary	Manufacture of tyre building equipment
Lilleshall Plastics & Engineering Ltd *	UK	100%	Ordinary	Industrial Services
Lilleshall Limited *	UK	100%	Ordinary	Holding Company
FPT Group Limited *	UK	100%	Ordinary	Holding company
FPT UK Limited *	UK	100%	Ordinary	Industrial distribution
Wyko Overseas Holdings *	UK	100%	Ordinary	Holding company

Subsidiaries marked * are held via intermediate holding companies

Notes to the Accounts

12 Stocks

	Group 2003 £000	Group 2002 £000
Raw materials and consumables	257	1,731
Work in progress	3,182	2,857
Finished goods and goods held for resale	29,668	34,013
	33,107	38,601

The company did not hold stock at any time during the year.

13 Debtors

	2003 Group £000	2003 Company £000	2002 Group £000	2002 Company £000
Amounts falling due within one year				
Trade debtors	42,580	-	46,913	-
Amounts owed by group undertakings	-	18,307	-	18,345
Corporation tax recoverable	99	2,052	187	3,035
Deferred taxation recoverable	2,943	2	432	-
Other debtors	1,090	-	931	44
Called up share capital not paid	13	13	13	13
Prepayments and accrued income	4,377	-	4,235	29
	51,102	20,374	52,711	21,466

14 Creditors: amounts falling due within one year

	2003 Group £000	2003 Company £000	2002 Group £000	2002 Company £000
Borrowings (see note 16)	17,341	6,573	13,355	8,049
Other creditors				
Trade creditors	34,506	-	39,386	-
Amounts owed to group undertakings	-	5	-	5
Corporation tax	-	-	398	-
Other taxation and social security	3,476	7	3,189	28
Other creditors	3,949	94	4,305	37
Accruals and deferred income	4,194	68	3,385	116
	46,125	174	50,663	186

Notes to the Accounts

15 Creditors: amounts falling due after more than one year

	2003		2002	
	Group £000	**Company £000**	Group £000	Company £000
Borrowings (see note 16)	**135,218**	**135,110**	135,234	135,095
Other creditors				
Deferred interest payments	**14,016**	**14,016**	7,006	7,006

16 Borrowings

	Group 2003		Company 2003		2002	
	Within one year £000	**After one year £000**	**Within one year £000**	**After one year £000**	Group £000	Company £000
Overdrafts	**10,503**	**-**	**-**	**-**	4,717	-
Senior debt	**5,900**	**38,900**	**5,900**	**38,900**	46,967	46,967
Mezzanine debt	**-**	**19,111**	**-**	**19,111**	18,452	18,452
10 % Loan stock - "issue 1"	**-**	**62,422**	**-**	**62,422**	61,646	61,646
- "issue 2"		**17,422**		**17,422**	16,262	16,262
LIBOR Loan notes	**1,310**	**-**	**1,310**	**-**	3,993	3,993
	17,713	**137,855**	**7,210**	**137,855**	152,037	147,320
European Coal and Steel Community loan	**-**	**-**	**-**	**-**	72	-
Hire purchase and finance leases	**48**	**108**	**-**	**-**	177	-
4% / 7% Loan notes	**217**	**-**	**-**	**-**	479	-
Gross borrowings	**17,978**	**137,963**	**7,210**	**137,855**	152,765	147,320
Deferred costs of raising debt finance	**(637)**	**(2,745)**	**(637)**	**(2,745)**	(4,176)	(4,176)
Net borrowings	**17,341**	**135,218**	**6,573**	**135,110**	148,589	143,144

The information provided in this note reflects the funding positions of the Group at the year end. Subsequent to the year end a refinancing has been agreed, as detailed in note 27.

The Group has committed working capital facilities totalling £21 million.

£32,472,000 of the senior debt is repayable in quarterly instalments ending on 31 October 2007 and the remaining £12,328,000 is repayable in full on 31 October 2008. Interest on the senior debt is charged at a margin over LIBOR.

The mezzanine loan is repayable in full on 31 October 2009 and carries interest at a margin over LIBOR. 50% of the interest premium over LIBOR is capitalised.

The loan stock is repayable in five equal annual instalments commencing 31 October 2009 and bears interest at 10%. For the 6 months ended 31 October 2002, 25% of the interest charge on "issue 1" of the loan stock was capitalised. From 1 November 2002 the entire charge became payable.

For the period to 31 October 2002, 80% of the interest charge on "issue 2" of the loan stock was capitalised. This percentage fell to 60% from 1 November 2002 and will fall to 40% from 1 November 2003. From 1 November 2004 the entire charge will become payable.

Notes to the Accounts

16 Borrowings (*continued*)

Under the terms of the intercreditor agreement between the holders of the loan stock and the Senior debt providers, payment of interest on the loan stock is subject to restrictions as described in Note 7 to the accounts.

The LIBOR loan notes are repayable at the request of note holders on 31 October and 30 April each year and no later than 30 April 2005. Repayments of LIBOR loan notes are financed by drawing-down an equivalent amount of Senior Debt.

The costs of raising debt finance are being written off over the average life of the debt. The remaining unamortised costs are shown separately above.

In order to manage interest rate risk the Group entered into an interest rate swap agreement covering £69,498,000 of its borrowings. The agreement, which expired on 30 April 2004, fixed 3-month LIBOR interest at 5.245%.

The bank overdraft, the senior debt and the mezzanine debt are secured by fixed and floating charges over the assets of the company and its principal subsidiary companies.
The LIBOR loan notes and the 7% loan notes are unsecured, but are guaranteed by the Group's principal bankers, The Bank of Scotland.

£262,000 of the 7% loan notes outstanding at 30 April 2002 were repaid in the year. The remaining 7% loan notes, which were repayable on 1 June 2002, had their latest repayment date extended to 1 June 2006 and their interest rate reduced to 4%.

Analysis by year of repayment

	Group 2003			Group 2002	**Company 2003**	Company 2002
	Bank loans and overdrafts £000	**Other Borrowings £000**	**Total £000**	Total £000	**Total £000**	Total £000
Due within one year	**16,403**	**1,575**	**17,978**	14,149	**7,210**	8,843
Amounts payable by instalments						
between 1 and 2 years	**6,975**	**-**	**6,975**	5,938	**6,975**	5,900
between 2 and 5 years	**19,597**	**1,527**	**21,124**	21,988	**19,597**	21,887
after 5 years	**31,438**	**79,844**	**111,282**	110,690	**111,282**	110,690
Due after more than 1 year	**58,010**	**81,371**	**139,381**	138,616	**137,854**	138,477
Gross borrowings	**74,413**	**82,946**	**157,359**	152,765	**145,064**	147,320

Notes to the Accounts

16 Borrowings (*continued*)

	Group	
Hire purchase and finance lease obligations included above are as follows:	**2003**	2002
	£000	£000
Amounts payable:		
Within one year	**55**	49
Between 1 and 2 years	**53**	49
Between 2 and 5 years	**61**	131
	169	229
Less: finance charges allocated to future periods	**(13)**	(52)
	156	177
Hire purchase and finance lease obligations are analysed as follows:		
Current obligations	**48**	38
Non-current obligations	**108**	139
	156	177

17 Provision for liabilities and charges

	Property provisions		Deferred Taxation	
	Group	**Company**	**Group**	**Company**
	£000	**£000**	**£000**	**£000**
At 1 May 2002	(3,658)	-	-	-
Transfer from debtors	-	-	432	-
Transfer (from) / to profit and loss account	16	-	2,498	2
Fair value adjustments	433	-	-	-
Utilised in the year	260	-	-	-
Exchange movement	-	-	13	-
	(2,949)	-	2,943	2
Transfer to debtors	-	-	(2,943)	(2)
At 30 April 2003	**(2,949)**	**-**	**-**	**-**

The property provisions represent the directors' assessment of the Group's liability for leasehold dilapidations and the anticipated future costs to be incurred over the remaining lease terms of vacant properties.

Full provision has been made for deferred taxation at 30% in respect of:

	2003		2002	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Depreciation in excess of capital allowances	**2,876**	**-**	644	-
Other timing differences	**188**	**2**	(62)	-
Overseas timing differences	**(121)**	**-**	(150)	-
Tax losses carried forward	**-**	**-**	-	-
	2,943	**2**	432	-

No provision has been made for deferred tax assets, resulting from unutilised losses totalling £10,245,000, as it is not clear whether these amounts will be utilised in the foreseeable future

No provision has been made for overseas withholding tax that would be payable if retained earnings of overseas subsidiaries were distributed. There is presently no intention to distribute these earnings. No provision has been made for any liabilities arising on the sale of Group properties as they are covered by brought forward capital losses.

Notes to the Accounts

18 Share Capital

	Authorised		Allotted and called up			
	Number	£000	Number	Fully paid £000	Part Paid £000	Total £000
Ordinary shares of £1 each						
At 1 May 2002 and 30 April 2003	475,558	476	475,558	463	13	**476**
A ordinary shares of £1 each						
At 1 May 2002 and 30 April 2003	2,155,630	2,155	1,972,350	1,972	-	**1,972**
Total at 30 April 2003	3,106,746	2,631	2,923,466	2,435	13	**2,448**

The rights relating to each class of share in issue at 30 April 2003 are as follows:

i) the ordinary shares and A ordinary shares rank pari passu as if one class of share for the purposes of income;

ii) in the event of winding up the company or otherwise reducing capital, the assets shall be applied;

first in paying the holders of A ordinary shares £1 per share together with any arrears or accruals of dividends on the shares; then

in paying the holders of ordinary shares £1 per share; then

the balance of the assets, up to £1,000,000 per share shall be distributed amongst the holders of the A ordinary share and ordinary shares pari passu as if the shares constituted one class;

iii) the ordinary and A ordinary shares each carry one vote per share.

19 Reserves

	Other reserves £000	Profit and loss account £000
Group		
At 1 May 2002	383	(24,119)
Loss for the year deducted from reserves	-	(18,129)
Foreign exchange adjustments	(4)	-
At 30 April 2003	**379**	**(42,248)**
Company		
At 1 May 2002	-	(9,984)
Loss for the year deducted from reserves	-	(10,447)
At 30 April 2003	**-**	**(20,431)**

Notes to the Accounts

20 Net cash flow from operating activities

	2003 £000	2002 £000
Continuing activities		
Group operating (loss) / profit	**(4,937)**	2,595
Depreciation / amortisation	**7,497**	7,239
Decrease / (increase) in stocks	**5,159**	(142)
Decrease in trade debtors	**4,482**	2,337
(Increase) / decrease in prepayments / other debtors	**(391)**	921
(Decrease) / increase in trade creditors	**(4,880)**	121
Increase / (decrease) in other taxation and social security	**287**	(593)
Decrease in accruals/other creditors and provisions	**(441)**	(362)
Exchange rate adjustments	**46**	(33)
	6,822	12,083

21 Reconciliation of net cash flow to movement in net borrowings

	2003 £000	2002 £000
Decrease in cash in the year	**(5,650)**	(5,455)
Cash inflow from new loans	**-**	-
Cash outflow from the repayment of loans and finance leases	**5,205**	5,067
Change in net debt resulting from cash flows	**(445)**	(388)
Other non-cash items		
HP contracts acquired with new subsidiaries	**-**	(185)
Capitalised interest	**(2,595)**	(4,115)
Amortisation of debt issue costs	**(794)**	(901)
Exchange rate adjustments	**44**	(8)
Movement in net borrowings during the year	**(3,790)**	(5,597)
Net borrowings at 1 May	**(141,862)**	(136,265)
Net borrowings at 30 April	**(145,652)**	(141,862)
Cash at bank and in hand	**6,907**	6,727
Borrowings due within one year (see Note 16)	**(17,341)**	(13,355)
Borrowings due after one year (see Note 16)	**(135,218)**	(135,234)
	(145,652)	(141,862)

Notes to the Accounts

22 Analysis of net borrowings

	At 1 May 2002 £000	Cash Flow £000	Non cash changes £000	Exchange Move-ments £000	At 30 April 2003 £000
Cash at bank and in hand	6,727	136	-	44	6,907
Overdrafts	(4,717)	(5,786)	-	-	(10,503)
	2,010	(5,650)	-	44	(3,596)
Debt due within 1 year	(9,394)	5,184	(3,217)	-	(7,427)
Debt due after 1 year	(138,477)	-	622	-	(137,855)
Finance leases	(177)	21	-		(156)
Cost of debt finance	4,176	-	(794)	-	3,382
	(143,872)	5,205	(3,389)	-	(142,056)
Net borrowings	**(141,862)**	**(445)**	**(3,389)**	**44**	**(145,652)**

23 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land & Buildings £000	**Other £000**	Land & Buildings £000	Other £000
Group				
Operating leases which expire:				
Within 1 year	**101**	**436**	107	410
Between 1 and 5 years	**1,288**	**1,706**	1,651	2,149
After 5 years	**2,089**	**1**	1,852	1
	3,478	**2,143**	3,610	2,560

Company

The company had no operating lease commitments at any time during either year.

Notes to the Accounts

24 Contingent liabilities

At 30 April 2003 there were contingent liabilities to the Group's bankers as follows:

	2003		2002	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Performance bonds and guarantees	**458**	-	543	-
Forward exchange contracts	**127**	-	-	-
Letters of credit	**419**	-	719	-
	1,004	-	1,262	-

The company guarantees the borrowings of its principal subsidiaries to its bankers. The contingent liability at 30 April 2003 was £6,228,000 (2002: £2,882,000)

25 Related party transactions

The company has taken advantage of the exemption, allowed by Financial Reporting Standard No. 8, not to disclose transactions and balances with related party undertakings which are at least 90% owned by the Group.

During the year the Group traded with Rencol MMI Technology Pte Limited, making sales of 101,000 (2002: £74,000) and receiving fees of £263,000 (2002: £187,000).

26 Ultimate controlling party

The directors' interests in the ordinary shares of the company are shown in the directors' report. Of the 1,972,350 A ordinary shares, 59.27% are held by Royal Bank Investments Limited and 23.89% held by RBDC Parallel Ventures Limited Partnership.

27 Post balance sheet events

At the close of business on 4 June 2003 Wyko Industrial Services Limited, a subsidiary company, sold the business and net assets of its Calibration Services division to its management for a cash consideration of £1,000,000.

On 4 November 2003 RS Johnson and WA Link resigned as directors of the company. On 23 December 2003 WCN Wilson and MRG Dixon were appointed as directors. On 28 February 2004 GD Winters resigned as a director and on 19 March AN Morris and CA Lyne resigned as directors and JC Cook was appointed to the board.

Following the management changes in November 2003, refinancing proposals have been made by the Group to its bankers. This refinancing, for which Heads of Terms have been signed by all parties involved with the intention of completing all contractual terms by 11 June 2004, has resulted in revisions to the repayment terms of the Senior and mezzanine debt and a change to the interest rate charged on the Overdraft, Senior debt and Mezzanine debt. The changes to these terms are detailed below: -

Senior and Mezzanine debt repayment date amended to 31st January 2006.
no capital repayments of senior debt until 30 April 2005
Senior debt and overdraft interest margins increased by 0.5%.
Mezzanine debt interest margins increased by between 2.75% and 3.00%.

In addition, new covenants associated with the refinancing have been set, superceding all previous covenants.