

CML Group Limited

Annual Report

Year ended 31 March 2003



CML GROUP LIMITED

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CML GROUP LIMITED

COMPANY INFORMATION

Directors	I D Brodie - Chairman K N Edwards D N Haden D J Ison G D Stewart
Secretary	K N Edwards
Registered office	PO Box 25 South Marston Park Swindon Wiltshire SN3 4TR
Registered number	1564040
Auditors	RSM Robson Rhodes LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank PLC 10-14 High Street Swindon Wiltshire SN1 3ED

CML GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2003.

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

Given the inevitable downturn in the aerospace sector following the events of September 2001 the company has experienced a period of consolidation but at the same time the company has been successful in winning new significant contracts to support the Airbus fleet of aircraft.

The company sees a more optimistic future than at the same time last year and believes it is now well placed to move forward with some confidence. Close attention to manufacturing efficiencies and cost reduction will enable the company to continue to service the needs of our customers.

Dividends

The directors propose a final dividend for the year of £Nil (2002 : £22,000).

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 2003 and the beginning of the year in the ordinary share capital of Intelek plc, other than for main board directors are detailed below:

	Ordinary shares of 5p each					
	Beneficial		Options under Executive Scheme		Options under the Savings Related Scheme	
	2003	2002	2003	2002	2003	2002
D N Haden	-	-	30,000	5,000	-	-
G D Stewart	-	-	100,000	40,000	-	-
D J Ison	-	-	22,500	12,500	-	-

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

The options granted under the terms of the Executive Scheme are exercisable between 2003 and 2013 at prices of between 10.5p and 25p per share.

REPORT OF THE DIRECTORS
(Continued)

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors have:

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

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

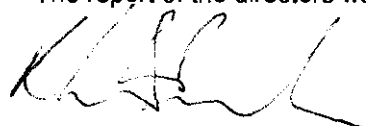
The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Auditors

On 3 May 2003, the auditors RSM Robson Rhodes transferred their business to RSM Robson Rhodes LLP. The auditors, RSM Robson Rhodes LLP, are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 10 June 2003 and signed on its behalf by:



K N EDWARDS
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CML GROUP LIMITED

We have audited the financial statements on pages 5 to 16.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Birmingham, England
10 June 2003

CML GROUP LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover - continuing operations	2	8,059,682	10,188,826
Cost of sales		(4,416,875)	(5,994,024)
		<hr/>	<hr/>
Contribution		3,642,807	4,194,802
Overheads		(3,518,997)	(4,037,599)
Other operating income		6,018	14,541
		<hr/>	<hr/>
Operating profit before management charges - continuing operations		129,828	171,744
		<hr/>	<hr/>
Group management charges		(239,000)	(169,000)
		<hr/>	<hr/>
Operating (loss)/profit after management charges - continuing operations.	3	(109,172)	2,744
Interest	4	6,385	18,455
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(102,787)	21,199
Taxation	7	36,101	22,927
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation		(66,686)	44,126
Equity dividends	8	-	(22,000)
		<hr/>	<hr/>
Retained (loss)/profit for the year	17	(66,686)	22,126

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2003

	2003 £	2002 £
(Loss)/profit on ordinary activities after taxation	(66,686)	44,126
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(66,686)	44,126
Prior year adjustment for deferred tax	-	(180,400)
	<hr/>	<hr/>
Total gains and losses recognised since the last Annual Report	(66,686)	(136,274)
	<hr/>	<hr/>

There is no material difference between the reported result above and the result of on an historical cost basis.

CML GROUP LIMITED**BALANCE SHEET**
at 31 March 2003

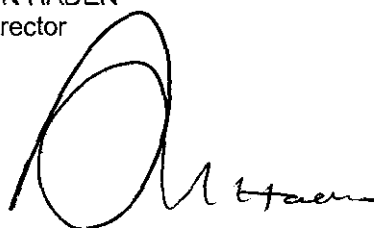
	Note	2003 £	2002 £
Fixed assets			
Tangible assets	9	1,661,566	1,849,123
Current assets			
Stocks	10	604,129	788,384
Debtors	11	2,209,339	1,579,351
Cash at bank and in hand		1,557,531	1,393,374
Creditors: Amounts falling due within one year	12	4,370,999 (2,093,860)	3,761,109 (1,600,609)
Net current assets		2,277,139	2,160,500
Total assets less current liabilities		3,938,705	4,009,623
Creditors: Amounts falling due after more than one year			
Interest free loan from parent company	13	2,788,000	2,788,000
Other creditors	13	66,329	110,637
Provision for liabilities and charges	14	231,900	189,500
Deferred Income	15	15,113	17,437
		3,101,342	3,105,574
Capital and reserves			
Called up share capital	16	100,000	100,000
Profit and loss account	17	737,363	804,049
Equity shareholders' funds	18	837,363	904,049
Source of capital		3,938,705	4,009,623

The financial statements were approved by the Board on 10 June 2003 and signed on its behalf by:

G D STEWART
Director



D N HADEN
Director



NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

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

Depreciation

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

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

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

Stock and work in progress

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

Deferred taxation

Deferred 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.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

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.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

1. ACCOUNTING POLICIES (continued)

Foreign currencies

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

Pensions

In accordance with SSAP 24, contributions to the group defined benefit pension scheme are charged to profit on the recommendation of a qualified actuary using the defined accrued benefit method so as to spread the cost of pensions over the anticipated service lives of scheme members. Contributions to defined Contribution Schemes are charged to profits as they fall due. Deferred tax is fully accounted for on any difference between accumulated pension costs charged against profit and accumulated contributions paid.

As indicated above the company is part of the Inteltek plc pension scheme, which is a multi-employer arrangement. Based on the advice of the Scheme actuary, it is not possible for the company's share of assets and liabilities of the scheme to be separately valued in accordance with FRS 17. As a result no additional disclosures can be given under FRS 17 and the scheme will be treated as a defined contribution arrangement on full adoption of the standard. Full disclosures as required by FRS 17 of the aggregate valuation as at 31 March 2003, is given in the financial statements of Inteltek plc.

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 Inteltek plc for which consolidated financial statements have been prepared.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

2. TURNOVER BY GEOGRAPHICAL MARKET

	2003 £	2002 £
United Kingdom	7,853,146	9,179,580
Other EC Countries	2,208	-
Rest of Europe	20,586	-
North America	179,887	1,009,246
South America	3,855	-
	<u>8,059,682</u>	<u>10,188,826</u>

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.

3. OPERATING PROFIT

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

	2003 £	2002 £
Depreciation	387,648	417,642
Amortisation of government grants	(2,324)	(9,075)
Profit on sale of fixed assets	(6,018)	(14,541)
Operating lease rentals		
plant and machinery	260,221	286,845
land and buildings	298,500	296,933
Auditors' remuneration	10,800	8,500
Fees paid to Robson Rhodes for other services	-	-
	<u></u>	<u></u>

4. INTEREST

	2003 £	2002 £
Bank loan and overdrafts repayable:		
within five years	-	7,192
Finance leases and hire purchase	11,338	18,075
Other loans	-	2,783
	<u>11,338</u>	<u>28,050</u>
Interest receivable	(17,723)	(46,505)
	<u>(6,385)</u>	<u>(18,455)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

5. EMPLOYEES

Average monthly number of employees, including directors:

	2003 No	2002 No
Production	130	173
Administration	19	19
	<u>149</u>	<u>192</u>

Staff costs, including directors:

	2003 £	2002 £
Wages and salaries	3,305,020	3,975,511
Social security costs	266,263	322,527
Other pension costs	231,331	300,527
	<u>3,802,614</u>	<u>4,598,565</u>

6. DIRECTORS

Emoluments of the company's directors:

	2003 £	2002 £
Emoluments	192,426	181,331
Pension contributions	16,473	16,792
	<u>208,899</u>	<u>198,123</u>

Emoluments excluding pension contributions:

	2003 £	2002 £
Highest paid director	83,693	76,974

All other directors accrue retirement benefits within the parent company.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

7. TAXATION

	2003 £	2002 £
United Kingdom Corporation tax		
Current tax on income for the year	-	7,500
Adjustment in respect of prior year	(4,138)	(4,717)
	<hr/>	<hr/>
Total	(4,138)	2,783
	<hr/>	<hr/>
Group relief payable		
Current tax on income for the year	(73,664)	29,390
Adjustment in respect of prior year	(699)	-
	<hr/>	<hr/>
Total	(74,363)	29,390
	<hr/>	<hr/>
Current taxation	(78,501)	32,173
Deferred taxation	42,400	(55,100)
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	(36,101)	(22,927)
	<hr/>	<hr/>
Current tax reconciliation		
	2003 £	2002 £
(Loss)/profit on ordinary activities before taxation	(102,787)	21,199
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate 30% (2002 : 30%)	(30,836)	6,360
Effects of:		
- Marginal rate tax	-	(3,750)
- Adjustments in respect of prior years	(4,837)	(4,717)
- Expenditure that is not tax deductible	(428)	4,671
- Accelerated capital allowances	(42,400)	29,609
	<hr/>	<hr/>
Actual current taxation (credit)/charge	(78,501)	32,173
	<hr/>	<hr/>

8. EQUITY DIVIDENDS

	2003 £	2002 £
Final proposed at £Nil (2002: £0.22) per share		22,000
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

9. TANGIBLE ASSETS

	Leasehold improve- ments £	Plant and fixtures £	Motor vehicles £	Total £
Cost				
At 1 April 2002	696,076	5,884,836	68,371	6,649,283
Additions	7,846	194,672	-	202,518
Disposals	(81,765)	(18,547)	(40,221)	(140,533)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	622,157	6,060,961	28,150	6,711,268
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2002	427,092	4,327,101	45,967	4,800,160
Charged in year	40,745	338,065	10,413	389,223
Disposals	(81,765)	(17,695)	(40,221)	(139,681)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	386,072	4,647,471	16,159	5,049,702
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2003	236,085	1,413,490	11,991	1,661,566
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	268,984	1,557,735	22,404	1,849,123
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of the tangible fixed assets includes £148,643 (2002 - £188,358) in respect of assets held under finance leases and hire purchase. Depreciation charged in the year on those assets amounted to £39,715 (2002 - £42,019).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

10. STOCKS

	2003 £	2002 £
Raw materials and consumables	222,212	317,980
Work in progress	374,167	382,092
Finished goods and goods for resale	7,750	88,312
	<u>604,129</u>	<u>788,384</u>

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

11. DEBTORS

	2003 £	2002 £
Trade debtors	1,725,833	1,453,856
Amounts owed by group undertakings	-	13,134
Other debtors	1,143	2,140
Prepayments and accrued income	408,699	110,221
Taxation recoverable	73,664	-
	<u>2,209,339</u>	<u>1,579,351</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Obligations under finance leases	44,308	40,392
Trade creditors	887,712	719,224
Amounts due to group undertakings	447,596	277,729
Corporation tax	-	8,333
Group relief payable	-	29,390
Other taxation and social security	332,908	209,386
Other creditors	128,489	83,196
Accruals	252,847	210,959
Proposed dividend	-	22,000
	<u>2,093,860</u>	<u>1,600,609</u>

	Government grant £
At 1 April 2002	17,437
Transfer to profit and loss account	(2,324)
	<hr/>
At 31 March 2003	15,113

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

16. SHARE CAPITAL

	2003 £	2002 £
Authorised, allotted and fully paid 100,000 ordinary shares of £1 each	100,000	100,000

17. RESERVES

	Profit and loss account £
At 1 April 2002	804,049
Loss for the year	(66,686)
At 31 March 2003	737,363

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
(Loss)/profit after taxation	(66,686)	44,126
Dividends	-	(22,000)
Net (decrease)/increase in shareholders funds	(66,686)	22,126
Opening shareholders' funds	904,049	881,923
Closing shareholders' funds	837,363	904,049

19. CONTINGENT LIABILITY

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

20. FINANCIAL COMMITMENTS**Operating lease commitments**

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

	2003 £	2002 £
Land and buildings, leases expiring		
within one year	-	-
between one and five years	9,000	9,000
beyond five years	289,500	289,500
	<hr/>	<hr/>
	298,500	298,500
	<hr/>	<hr/>
Plant and machinery, leases expiring		
within one year	28,016	40,227
between one and five years	517,924	184,105
beyond five years	-	-
	<hr/>	<hr/>
	545,940	224,332
	<hr/>	<hr/>

21. PENSION SCHEME

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

The latest actuarial valuation of the pension scheme was prepared as at 30 September 1999. A summary of the results of this valuation is contained within the financial statements of the parent company.

22. RELATED PARTY DISCLOSURES

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

23. PARENT UNDERTAKING

The ultimate parent company is Intelek plc, which is registered in England and Wales. Its group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.