

NCMT LIMITED

Report and Financial Statements

28 February 2003

**Deloitte & Touche
180 Strand
London
WC2R 1BL**



NCMT LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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NCMT LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Burke (Chairman) - Retired 25 April 2003
P V Cornford
P G Keates
N D Pickles FCA

SECRETARY

N D Pickles FCA

REGISTERED OFFICE

Ferry Works
Summer Road
Thames Ditton
Surrey
KT7 0QJ

BANKERS

Bank of Scotland
Beaumont House
3 Queens Road
Reading
Berkshire
RG1 4AR

SOLICITORS

Lovegrove & Elliot
4 Park Street
Windsor
Berkshire
SL4 1JS

AUDITORS

Deloitte & Touche
Chartered Accountants
180 Strand
London
WC2R 1BL

NCMT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 28 February 2003.

ACTIVITIES

NCMT Limited is the parent company of companies engaged principally in the provision of engineering solutions and supply of related capital goods for the UK manufacturing sector. This incorporates automation and other related equipment, supported by a technical and services support function. Also the provision of full services to implement and support customer manufacturing programmes effectively on an outsourcing basis.

REVIEW OF DEVELOPMENTS

The year under review has shown a continuing steep decline in UK Manufacturing. The industry has been mired in recession and capital investment has significantly reduced, resulting in lack of competitiveness and productivity. Utilising own resources, the company continues to invest in new high-technology manufacturing developments that can make significant reductions in customers' manufacturing costs.

FUTURE PROSPECTS

Trading prospects remain very difficult. The directors can see no current upturn in general business opportunities for the foreseeable future although it is anticipated that Manufacturing capital investment will increase next year. There are, however, some encouraging opportunities with the development of new manufacturing processes which will allow the company to sell to new markets which has not been the case previously.

RESULTS AND DIVIDENDS

Turnover from activities decreased by £7,120,000 (26%) from £26,897,000 to £19,777,000. Operating profit decreased by £1,055,000 from a profit of £632,000 to a loss of £423,000.

No dividend is recommended by the Directors (2002: £3 per share).

FIXED ASSETS

During the year the company continued to invest in telecommunications and computers at a cost of £16,000. Motor cars were replaced at a cost of £155,000.

NCMT LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEE INVOLVEMENT

A news bulletin is distributed to all employees and includes articles relating to company activities.

SHARE CAPITAL

At the AGM of the company on 17 September 2002 the share capital of the company was amended by Special Resolution. The authorised and issued £1 shares were changed to £0.10p shares on a 10:1 split.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year (except as noted) are shown on page 1.

The directors' interests in the ordinary shares of the Company at 28 February 2003 and 1 March 2002 were:

	Ordinary shares	
	£0.10 each 2003 Number	£1 each 2002 Number
P V Cornford	115,000	11,500
P G Keates	115,000	11,500
N D Pickles	115,000	11,500

The directors do not have any interests in the share capital of any other group company requiring disclosure under the Companies Act 1985.

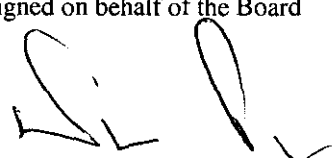
DONATIONS

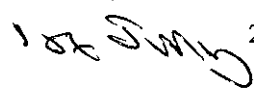
During the year no donation was made (2002 - £37,500). The 2002 donation was unpaid at the year end.

AUDITORS

On 1 August 2003, Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. However, at present they remain the company's auditors and have signed the accounts in that capacity. The company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003. Accordingly, although the accounts have been signed in the name of Deloitte & Touche, a resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board


N D Pickles
Secretary

 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NCMT LIMITED

We have audited the financial statements of NCMT Limited for the year ended 28 February 2003 which comprise the consolidated profit and loss account, the statement of movements on reserves, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the notes to the consolidated cash flow statement, the reconciliation of movements on consolidated shareholders' funds and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 circumstances of the company and the group, 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 the company and the group as at 28 February 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

London

1 July 2003

NCMT LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 28 February 2003

	Note	2003 £'000	2002 £'000
TURNOVER	2	19,777	26,897
Cost of sales		(14,632)	(19,748)
Gross profit		5,145	7,149
Administrative costs		(4,878)	(5,666)
Distribution costs		(690)	(851)
OPERATING (LOSS)/ PROFIT		(423)	632
Interest receivable and similar income	5	24	110
Interest payable and similar charges	6	(81)	(63)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(480)	679
Tax credit/(charge) on (loss)/profit on ordinary activities	7	72	(346)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(408)	333
Equity dividends	8	-	(206)
Retained (loss)/profit for the year		(408)	127

All amounts derive from continuing operations.

The group has no recognised gains or losses for the current and prior years other than as stated above.

NCMT LIMITED

STATEMENT OF MOVEMENTS ON RESERVES

As at 28 February 2003

	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
The Group			
At 1 March 2002	162	5,183	5,345
Loss for the year	-	(408)	(408)
At 28 February 2003	162	4,775	4,937
The Company			
At 1 March 2002	162	5,274	5,436
Loss for the year	-	(431)	(431)
At 28 February 2003	162	4,843	5,005

NCMT LIMITED

CONSOLIDATED BALANCE SHEET

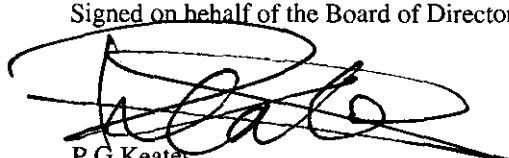
As at 28 February 2003

		2003	2002
		£'000	£'000
FIXED ASSETS			
Tangible assets	10	2,761	2,953
CURRENT ASSETS			
Stocks	12	5,233	11,084
Debtors	13	3,576	5,280
Cash at bank and in hand	20	-	126
		8,809	16,490
CREDITORS: amounts falling due within one year	14	(5,873)	(13,092)
NET CURRENT ASSETS		2,936	3,398
TOTAL ASSETS LESS CURRENT LIABILITIES		5,697	6,351
CREDITORS: amounts falling due after one year	15	(308)	(563)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(364)	(355)
		5,025	5,433
CAPITAL AND RESERVES			
Called up share capital	18	88	88
Capital redemption reserve		162	162
Profit and loss account		4,775	5,183
EQUITY SHAREHOLDERS' FUNDS		5,025	5,433

These financial statements were approved by the Board of Directors on

1 JULY 2003.

Signed on behalf of the Board of Directors


P G Keates

Director


N D Pickles

Director

NCMT LIMITED

COMPANY BALANCE SHEET

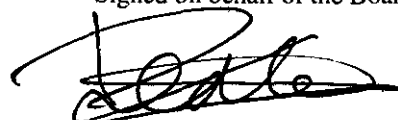
As at 28 February 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	10	2,761	2,953
Investments	11	-	-
		<u>2,761</u>	<u>2,953</u>
CURRENT ASSETS			
Stocks	12	5,189	10,872
Debtors	13	3,677	5,559
Cash at bank and in hand	20	-	126
		<u>8,866</u>	<u>16,557</u>
CREDITORS: amounts falling due within one year	14	(5,862)	(13,068)
NET CURRENT ASSETS		<u>3,004</u>	<u>3,489</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,765</u>	<u>6,442</u>
CREDITORS: amounts falling due after one year	15	(308)	(563)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(364)	(355)
		<u>5,093</u>	<u>5,524</u>
CAPITAL AND RESERVES			
Called up share capital	18	88	88
Capital redemption reserve		162	162
Profit and loss account		4,843	5,274
EQUITY SHAREHOLDERS' FUNDS		<u>5,093</u>	<u>5,524</u>

These financial statements were approved by the Board of Directors on

1 JULY 2003.

Signed on behalf of the Board of Directors



P G Keates

Director



N D Pickles

Director

NCMT LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 28 February 2003

	Note	£'000	2003 £'000	£'000	2002 £'000
Net cash inflow/(outflow) from operating activities	1		110		(321)
Returns on investments and servicing of finance					
Interest received		24		110	
Interest paid		(81)		(63)	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(57)		47
Taxation					
Corporation tax paid			(50)		(276)
Capital expenditure					
Payments to acquire tangible fixed assets		(171)		(126)	
Receipts from sale of tangible fixed assets		123		2	
Net cash outflow from capital expenditure			(48)		(124)
Dividends					
Equity dividends paid			-		(343)
Net cash outflow before financing			(45)		(1,017)
Net cash outflow from financing			(239)		(214)
Decrease in cash in the year	3		(284)		(1,231)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 28 February 2003

1. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003	2002
	£'000	£'000
Operating (loss)/profit	(423)	632
Depreciation	272	342
Profit on sale of tangible fixed assets	(32)	-
Decrease/(increase) in stocks	5,851	(3,093)
Decrease in debtors	1,778	138
(Decrease)/increase in creditors	(7,346)	1,771
Increase/(decrease) in warranty cost provision	10	(111)
Net cash inflow/(outflow) from operating activities	110	(321)

2. ANALYSIS OF THE BALANCES OF NET DEBT AS SHOWN IN THE BALANCE SHEET

	2002	Cashflow	2003
	£'000	£'000	£'000
Cash at bank and in hand	126	(126)	-
Bank overdraft	-	(158)	(158)
	<u>126</u>	<u>(284)</u>	<u>(158)</u>
Debt due within one year	(236)	(16)	(252)
Debt due after one year	(563)	255	(308)
	<u>(673)</u>	<u>(45)</u>	<u>(718)</u>

3. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2003	2002
	£'000	£'000
Decrease in cash for the year	(284)	(1,231)
Cash outflow from decrease in debt financing	239	214
Change in net funds resulting from cash flows	(45)	(1,017)
Net (debt)/funds at 1 March	(673)	344
Net debt at 28 February	(718)	(673)

NCMT LIMITED

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

Year ended 28 February 2003

	2003	2002
	£'000	£'000
(Loss)/profit on ordinary activities after taxation	(408)	333
Dividends	-	(206)
Net (reduction in)/addition to shareholders' funds	(408)	127
Opening shareholders' funds	5,433	5,306
Closing shareholders' funds	5,025	5,433

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiary undertakings drawn up to 28 February each year.

Tangible fixed assets

Fixed assets are stated at cost net of depreciation.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	The shorter of the duration of any lease and 10 years
Motor vehicles	25% per annum
Office equipment	33 $\frac{1}{3}$ %/20% per annum
Freehold and long leasehold property	4% per annum

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Long-term contracts

Long-term contract work-in-progress is stated at cost plus, where the outcome can be assessed with reasonable certainty, (invariably on acceptance by customers that machines are working to the agreed performance criteria) estimated profits attributable to the stage of completion, less provision for any known or expected losses and progress payments receivable on account.

Advance and progress payments are included under creditors to the extent that they exceed the related work-in-progress.

Work-in-progress is shown under stocks, except where it includes attributable profit when it is shown under debtors as amounts recoverable under contracts.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS
Year ended 28 February 2003

1. ACCOUNTING POLICIES (continued)

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date or at specific contract forward currency rates. These translation differences are dealt with in the profit and loss account.

Warranty costs

Full provision is made for likely services and spares costs in respect of machine tools sold and which are still under warranty at the year end.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax.

Pensions

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred tax

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, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets; and
- deferred tax assets are recognised only to the extent that directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

2. ANALYSES OF TURNOVER

	Turnover	
	2003	2002
	£'000	£'000
Machine tools, automation and related equipment	15,343	22,410
Tooling	899	968
Service and spares	3,535	3,519
	<u>19,777</u>	<u>26,897</u>

Exports amounted to £500,000, all remaining turnover is derived within the United Kingdom.

NOTES TO THE ACCOUNTS
Year ended 28 February 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Directors' emoluments		
Emoluments (including pension contributions and all taxable benefits)	505	550
	<u>£'000</u>	<u>£'000</u>
Remuneration of highest paid director	180	191
	<u>£'000</u>	<u>£'000</u>

Three directors (2002 - three) were members of a defined contribution pension scheme. The aggregate of contributions paid to directors in respect of a defined contribution pension scheme was £33,930 (2002 - £123,700).

The contribution paid on behalf of the highest paid director in respect of a defined contribution pension scheme was £13,590 (2002 - £55,100).

	No.	No.
Employees		
Average number of persons employed		
Service and other engineers	59	66
Sales and technical engineers	22	24
Administration	31	33
	<u>112</u>	<u>123</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs during the year (including directors) in respect of these employees were:		
Wages and salaries	3,661	3,649
Social security	435	596
Pension costs	210	314
	<u>4,306</u>	<u>4,559</u>
	<u>£'000</u>	<u>£'000</u>

NOTES TO THE ACCOUNTS
Year ended 28 February 2003

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before taxation is after charging:		
Depreciation on owned assets	272	342
Redundancy costs	118	-
Auditors' remuneration - group	22	25
- company	19	21
- non audit fees	28	5
Rentals under operating leases:		
Other operating leases	318	331
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Bank interest	21	87
Other income	3	23
	<u> </u>	<u> </u>
	24	110
	<u> </u>	<u> </u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Interest payable on bank overdrafts and bank charges	81	63
	<u> </u>	<u> </u>

7. TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

a) Analysis of credit/(charge) in the year

	2003 £'000	£'000	2002 £'000	£'000
<i>Current tax:</i>				
UK corporation tax on (losses)/profits of the period	(150)		153	
Adjustments in respect of previous periods	2		82	
	<u> </u>		<u> </u>	
<i>Total current tax (note b)</i>		(148)		235
<i>Deferred tax:</i>				
Reversal of timing differences	76		111	
	<u> </u>		<u> </u>	
<i>Total deferred tax</i>		76		111
		<u> </u>		<u> </u>
<i>Tax on (loss)/profit on ordinary activities</i>		(72)		346
		<u> </u>		<u> </u>

There are tax losses of £35,980 to be carried forward against future profits.

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

b) Factors affecting tax credit/(charge) for period

The tax assessed for the period differs to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before taxation	<u>(480)</u>	<u>679</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001-30%)	(144)	204
<i>Effects of:</i>		
Expenses not deductible for tax purposes	59	60
Capital allowances for period in excess of depreciation	(52)	(12)
Movement in short term timing differences	(13)	(99)
Adjustments to tax charge in respect of previous periods	<u>2</u>	<u>82</u>
<i>Current tax (credit)/charge for period</i>	<u>(148)</u>	<u>235</u>

8. EQUITY DIVIDENDS

	2003 per share	£'000	2002 per share	£'000
Final proposed	<u>£nil</u>	<u>-</u>	<u>£3</u>	<u>206</u>

The trustees of trusts in which 194,360 shares are held waived their right to dividends.

9. (LOSS)/PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year after a tax credit, but before dividends, amounted to £431,000 (2002 : profits £367,000).

NOTES TO THE ACCOUNTS

Year ended 28 February 2003

10. TANGIBLE FIXED ASSETS

Group and company	Freehold properties £'000	Long leasehold property £'000	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost						
At 1 March 2002	186	2,921	558	361	1,569	5,595
Additions	-	-	-	155	16	171
Disposals	-	-	-	(278)	-	(278)
At 28 February 2003	186	2,921	558	238	1,585	5,488
Accumulated depreciation						
At 1 March 2002	22	517	552	222	1,329	2,642
Charge for the year	4	87	1	65	115	272
Disposals	-	-	-	(187)	-	(187)
At 28 February 2003	26	604	553	100	1,444	2,727
Net book value						
At 28 February 2003	160	2,317	5	138	141	2,761
At 28 February 2002	164	2,404	6	139	240	2,953

11. INVESTMENTS HELD AS FIXED ASSETS

The subsidiaries of the company which are wholly owned and registered in England and Wales are as follows:

Company	Country of incorporation	Activity	Proportion of ordinary shares held
NCMT Automation Ltd	Great Britain	Factory Automation	100%
Eton Machine Tools Ltd	Great Britain	Sale of Machine Tools	100%

The cost and net book value of the investments held at 28 February 2003 was £102 (2002 - £102).

12. STOCKS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Machine tools and related equipment:				
Cost	8,208	10,786	8,164	10,742
Less payments on account	(4,387)	(1,266)	(4,387)	(1,266)
Net cost	3,821	9,520	3,777	9,476
Tooling	147	208	147	208
Spares	1,265	1,188	1,265	1,188
Automation	-	168	-	-
	5,233	11,084	5,189	10,872

NOTES TO THE ACCOUNTS
Year ended 28 February 2003

13. DEBTORS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors due within one year	3,022	3,953	3,022	3,923
Trade debtors due greater than one year	-	1,000	-	1,000
Trade debtors	3,022	4,953	3,022	4,923
Amounts owed by subsidiary undertakings	-	-	96	309
Other debtors	49	21	49	21
Prepayments	169	152	169	152
Accrued income	130	22	130	22
Corporation tax recoverable	150	-	155	-
Deferred tax asset (Note 17)	56	132	56	132
	<u>3,576</u>	<u>5,280</u>	<u>3,677</u>	<u>5,559</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Overdraft	158	-	158	-
Mortgage loan (see note 21)	252	236	252	236
Payments on account of stock	539	3,616	539	3,616
Trade creditors	3,215	6,248	3,204	6,205
Other taxes and social security	359	592	359	592
Current corporation tax	20	68	20	101
Proposed dividend	204	204	204	204
Accruals	1,126	2,128	1,126	2,114
	<u>5,873</u>	<u>13,092</u>	<u>5,862</u>	<u>13,068</u>

15. CREDITORS: AMOUNT FALLING DUE AFTER ONE YEAR

	Group and Company	
	2003 £'000	2002 £'000
Mortgage loan (note 21)	<u>308</u>	<u>563</u>

NOTES TO THE ACCOUNTS
Year ended 28 February 2003

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provision £'000
Group and Company	
At 1 March 2002	355
Movement in year:	
Charge/(credit) to the profit and loss account	9
	<u> </u>
At 28 February 2003	<u>364</u>

This relates to the warranties granted on machines sold. The calculation has been based on the percentage of the total warranty included in the year, and the weighted average revenue relating to this year.

17. DEFERRED TAXATION

	Deferred tax asset £'000
Group and Company	
At 1 March 2002	132
Current year charge	(76)
	<u> </u>
At 28 February 2003	<u>56</u>

The amount of deferred tax asset recognised in the financial statements (within Note 13) are:

	Amounts provided	
	2003	2002
	£'000	£'000
Depreciation and amortisation in excess of capital allowances	24	76
Short term timing differences	32	56
	<u> </u>	<u> </u>
	56	132
	<u> </u>	<u> </u>

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets.

This tax will become payable if the replacement assets are sold and further rollover relief is not obtained.

The estimated amount of tax that would become payable in these circumstances is £59,000.

A deferred tax asset has not been recognised in respect of timing differences relating to revenue losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £11,000. The asset will be recovered if sufficient trading profits are made in the future.

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NOTES TO THE ACCOUNTS Year ended 28 February 2003

18. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
10,000,000 ordinary shares of £0.10 each (2002: 1,000,000 ordinary shares of £1 each)	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:		
875,000 ordinary shares of £0.10 each (2002: 87,500 ordinary shares of £1 each)	<u>88</u>	<u>88</u>

At the AGM of the company on 17 September 2002 the share capital of the company was amended by Special Resolution. The authorised and issued £1 shares were changed to £0.10p shares on a 10:1 split.

As at 28 February 2003, the parent company had options outstanding, which are exercisable by employees, as follows:

Number of £0.10 shares	Option price	Option period ending
1000	£0.10	30 November 2003

19. OPERATING LEASE COMMITMENTS

At 28 February 2003, the Group was committed to making the following payments during the next year in respect of operating leases:

	Other 2003 £'000	2002 £'000
Leases which expire:		
Within one year	115	60
Within two to five years	<u>104</u>	<u>216</u>
	<u>219</u>	<u>276</u>

20. CASH AT BANK AND IN HAND

	Group and Company 2003 £'000	2002 £'000
Cash at bank and in hand	<u>-</u>	<u>126</u>

The cash balance includes a restricted holding of £nil (2002 – £2,326,000). The restriction on these funds will be released on acceptance of machines by customers.

NOTES TO THE ACCOUNTS
Year ended 28 February 2003

21. BORROWINGS

	Group and Company	
	2003	2001
	£'000	£'000
Analysis of loan repayments:		
Mortgage loan:		
Within one year	252	236
Between two and five years	308	563
	<u>560</u>	<u>799</u>

The mortgage loan bears interest at 2% above the bank's base rate.

The mortgage loan is secured by a debenture incorporating fixed and floating charges on the assets of the group.

The mortgage loan is due to be repaid by April 2005.

22. PENSION SCHEMES

The company runs defined contribution pension schemes subject to review by professional pension advisers. Employees aged between 18 and 65 years are entitled to join the Scheme. Employees and the employer are required to contribute at a minimum rate of 2.5% for employees and 7.5% for the employer. The pension charge for the year was £210,000 (2002 - £314,000), see Note 3.