ROSS GROUP PLC

FINANCIAL STATEMENTS

31 DECEMBER 2003

<u>EVERETT & SON</u>
Chartered Accountants & Registered Auditors
35 Paul Street
London
EC2A 4UQ

ROSS GROUP PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the next Annual General Meeting of Ross Group plc will be held at the Company's offices at Brunel Road, Totton, Southampton, Hants SO40 3YS on Friday 28 May 2004 at 12.00 noon for the following purposes:

Ordinary Business

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 December 2003 and the Report of the Auditors thereon.

2. To confirm the appointment since the notice of the last Annual General Meeting of the following as a Director of the Company:

   T Wilkinson, appointed on 9 July 2003

   and to re-elect the following Directors who retire by rotation

   A C C Ma
   M J Simon

3. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

4. To transact any other ordinary business.

Every member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote on their behalf.
A proxy need not also be a member of the company.
A form of proxy is enclosed.
Completed forms of proxy must be lodged with the Registrar at the address shown on the form not less than 48 hours before the time appointed for the holding of the meeting.

BY ORDER OF THE BOARD

35 Paul Street
London
EC2A 4UQ

R LEE

Secretary

15th April 2004

A C C Ma (chairman and managing director)

Adrian Chi Chiu Ma was appointed to the board on 8 February 2000 and is 59 years old. He is a commerce graduate from Birmingham University, England and a member of the Institute of Chartered Accountants in England and Wales. Mr Ma has more than 20 years experience in the finance and operations of the computer peripheral and electronics industry. He is also an executive director of The Grande Group.

T Wilkinson (deputy managing director)

Trevor Wilkinson, aged 57, was appointed to the board on 9 July 2003 and was subsequently promoted to the role of Deputy Managing Director. He graduated from University College London and is a Fellow of the Chartered Institute of Management Accountants. He has over 30 years experience as a Financial Controller and Director of multinational corporations and was previously Managing Director of a large consumer electronics manufacturing plant based in Wales.

M A B Binney (executive director)

Michael Andrew Barclay Binney, aged 44, was appointed to the board on 11 February 2000. He studied at Coventry University, England and is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants. Mr Binney has extensive experience in manufacturing and operations of the consumer and computer electronics industry. He is also an executive director of The Grande Group.

R Lee (executive director)

Ruby Lee, aged 42, was appointed to the board on 10 September 2001. She is a law graduate from the University of Singapore, and is called to the Singapore Bar. She also holds a masters in law from the London School of Economics, University of London. Prior to joining The Grande Group, Ms Lee was in legal practice and she now leads the legal and company secretarial team of The Grande Group.

M J Simon (non executive director)

Michael Jonathan Simon, aged 44, was appointed to the board on 28 March 2000. He is an economics graduate from the University of Cambridge and a fellow of the Institute of Chartered Accountants in England and Wales and also of the Association of Chartered Certified Accountants. Mr Simon is in a partnership in public practice.

ROSS GROUP PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Company registration number:	131902
Registered office:	35 Paul Street London EC2A 4UQ
Directors:	A C C Ma T Wilkinson (appointed 09/07/03) R Lee M A B Binney M J Simon A Eman (resigned 31/07/03)
Secretary:	R Lee
Bankers:	HSBC Bank PLC Corporate, Investment Banking and Markets Industrials Level 19, 8 Canada Square London EI4 5HQ
Solicitors:	Nicholson Graham and Jones 110 Cannon Street London EC4N 6AR
Auditors:	Everett & Son Chartered Accountants & Registered Auditors 35 Paul Street London EC2A 4UQ
Other advisors:	Corporate Synergy PLC 12 Nicholas Lane London EC4N 7BN

ROSS GROUP PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

INDEX **PAGE**

RESULTS

The Group result, before tax, for the year ended 31 December 2003 was a profit of £57,000 (Year ended 31 December 2002: loss £808,000). This result demonstrates a turn around in fortune for the group and is the first recorded annual profit since 1997. The Group's turnover increased by £400,000 to £2.866m and combined with improved gross margins, a reduction in both overhead and interest charges, the group has been returned to profitable trading.

The Board cannot announce the payment of a dividend because of the brought forward trading losses from recent years. However if the trading position continues to be positive the Board will endeavour to return to making regular dividend payments as soon as is practicable.

DIVISIONS OF THE GROUP

The Group trades through its two operating subsidiaries which concentrate on the following activities:-

- The design and manufacturing of engineering projects through GEL Engineering Ltd.
- The distribution of battery chargers and electrical adaptors through Tadmod Ltd.

The Group continues to retain its wholly owned Hong Kong registered subsidiary San Gain Industrial Company Ltd which operates as a financial services company.

Further details on the performance and activities of these subsidiaries are included in the Operating and Financial Review section of these Financial Statements.

STRATEGY

The Board of Directors has reviewed in depth the direction of the Group to secure an improvement in the results and long term financial security. The re-financing by way of the Open Offer in February 2003 provided the basis to restoring profitability. The directors have secured long term financial backing from the main shareholder that has seen short term debt converted to long term, significantly improving the company's liquidity. The Board is now considering the wide range of opportunities that are available to ensure a continuation in growth and profitability during 2004.

The Engineering sales activities were further strengthened during the year by the employment of a new Business Development manager and investment in marketing materials. A network of contacts has been established to ensure the earlier recognition of project quotation opportunities.

The Board has recognised the downturn in Tadmod's market sector for vehicle battery chargers and is currently reviewing the options, including a potential sale, with regard to the ongoing business for this company.

The Group has used its Hong Kong based subsidiary, San Gain Industrial Company Ltd, to handle the re-financing from the main shareholder's financial services company.

The expansion into consumer electronics which formed part of the Open Offer forecast has been delayed by the loss of the initial opportunity, but the management are still confident of making progress into this market sector with support from the main shareholder.

OPEN OFFER AND FINANCING

As previously reported the Company raised £1.361m net of expenses by way of an Open Offer, the proceeds of which have been used to repay a £1.3m term loan extended by the company bankers, HSBC. The Grande Group, who are the main shareholder, has extended a long term facility of £1.295m in line with the Open Offer documentation which was used repay the inter-company loan and to provide working capital. A further working capital facility extended to the trading subsidiaries by HSBC of £1.3m was repaid in October 2003 by a new loan from The Grande Group.

The directors believe that the strengthening of the Company's financial position, together with the continued support of The Grande Group, will continue to significantly enhance and support the company's future prospects.

APPRECIATION

I would like to take this opportunity to thank our Employees, Shareholders, Bankers, Advisers, Suppliers and Customers for their continuing support.

A C C Ma
Chairman

15th April 2004

The two operating companies within the group both made positive contributions to the overall group profit. The Group turnover has increased by 17% over the previous financial period due to increasing output from the engineering activities.

Engineering

This division operates under the name "GEL Engineering Limited".

GEL Engineering Limited successfully delivered a wide range of specialist equipment during the year. It continued to provide sophisticated software-driven solutions for equipment testing, expanded its activities in the market for trainers for the defence industry, whilst continuing to sell high quality fully customised containers. An increased concentration on sales activities along with the expansion of the sales team towards the end of the year is expected to result in the receipt of several large profitable orders in the first half of 2004. The Company has already quoted over £3m of specialist vehicles for export. In addition 2004 will see the near completion of an aircraft trainer for the United States Air Force priced at over $2m.

The company has strived to satisfy its customers demand for ground breaking technological test systems in the automotive and aerospace industries. Its software-driven rigs offer simple to operate test solutions with a higher degree of technical "know how" compared to traditional hydraulically operated equipment. The Company is seeking new opportunities to move this section of the business forward.

Power Supplies

This division operates under the name "Tadmod Limited".

The results for the year show a small increase in the adaptor and small charger section of the business along with the leisure charger products. The vehicle battery charger activities continued to suffer from a contracting market due to the increased availability of cheap replacement batteries and portable battery banks.

The effect of the diminishing market on the company is being assessed with a view to deciding the best way forward to benefit the group. The weakness of the dollar and a saving on overhead costs should contribute towards a steady start to 2004 pending any further reorganisation.

The directors present their report together with audited financial statements for the year ended 31 December 2003.

Principal activities and business review

The principal activities of the group are primarily the design and manufacture of engineering projects and the importation, distribution and sale of battery chargers and electrical adaptors.

Significant changes in the activities of the company and group during the year are detailed in the Operating and Financial Review.

Results and dividends

The result for the period is set out in the profit and loss account on page 15.

There was a profit for the year after taxation amounting to £57,000 (2002: loss £808,000). The directors do not recommend payment of a dividend and the profit has therefore been added to reserves.

Payment policy and practice

It is the policy of the company that it and each of its subsidiaries should agree appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them. At the period end the average number of day's purchases in trade creditors was 46 days (31 December 2002: 53 days).

Post balance sheet events

There have been no post balance sheet events other than those which have been reflected in the Financial Statements.

Employee involvement

The directors recognise the importance of good communications and relations with employees and the company regularly consults and informs them regarding matters affecting them. It is the policy of the group to consider applications for employment from disabled persons and to provide training, career progression and promotion as and when warranted.

Directors

The directors had no interests in contracts of significance with the company.

The present membership of the board is as set out below.

In accordance with the Articles of Association members will be asked to confirm the appointment of all directors.

The interests of the directors in the ordinary share capital as at 1 January 2003 (or the date of their appointment to the Board if later) and 31 December 2003, were as follows:

Present Members of the Board	New Ordinary Shares of 1p each 31 December 2003	Ordinary Shares of 5p each 1 January 2003
A C C Ma	-	-
T Wilkinson	-	-
R Lee	-	-
M A B Binney	-	-
M J Simon	305,460	101,820

Substantial shareholdings

As at 31st December 2003 the following were registered as being materially interested in 3% or more of the company's issued share capital:

	Number of New Ordinary Shares	% of issued share capital
The Grande Holdings Limited	10,909,077	8.0
The Grande Holdings Limited also had the following interests through its nominees:		
The Alpha Capital Limited	63,294,837	46.5
Escalating Investments Limited	22,200,720	16.3

The total number of shares controlled by The Grande Holdings Limited, directly and indirectly, at the date of this report was 96,404,634 (71%) (2002: 96,404,634).

Charitable and political contributions

During the period the group made no donations to charitable or political organisations.

Directors' responsibilities for the financial statements

United Kingdom company law requires the directors to prepare financial statements for each 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, subject to any material departures disclosed and explained in the financial statements
- 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 maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and comply with the Companies Act 1985 .They are also responsible for the system of internal controls, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Everett & Son offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

R Lee
Secretary

15th April 2004

The group is required to confirm its compliance with The Combined Code as incorporated in the UK Listing Rules of the Financial Services Authority. The Board makes every effort to ensure compliance and where any areas are identified which might give cause for concern action is taken to adopt the principles of the Code to ensure the maximum amount of compliance for a listed group of its size.

The group has complied apart from Code provision A.3.1 which requires that at least one third of the Board should consist of non-executive directors. The group at present has only one non-executive director, who is a Chartered Accountant and a small shareholder of the Group.

The group continues to actively seek to appoint additional non-executive directors of the correct experience and calibre. Furthermore whilst the future strategy of the Group continues to develop, the board feels that it is essential that any additional non-executive director is brought on board with the correct skill-sets to enhance the overall abilities of the board. The improvement in the results and financial standing of the Group should assist with appointing additional non executive directors and thus strengthening the board.

The Board

There is an effective and appropriately constituted board which receives such information as is required to properly fulfil its duties.

The board comprises the chairman and managing director (A C C Ma), the deputy managing director (T Wilkinson) one non-executive director (M J Simon) and two further executive directors (M A B Binney and R Lee).

Although there is no separate chairman and managing director the division of responsibility between those two roles is dealt with by the deputy managing director, who is permanently based in the UK, having responsibility for the managing director role on a day to day basis.

The board is of the opinion that taking into account the number of members on the board a Nomination Committee is currently not required. With the exception of the non-executive director who is on a one-year appointment at a fixed fee, all of the other directors are subject to periodic re-election and the full board considers all appointments. A director will require re-election within a maximum period of three years.

As mentioned above the board has one non-executive director who is a member of the Audit and Remuneration Committees. As an ongoing part of the reorganisation process the Group is committed to re-examine the constitution of the board and to recruit at the earliest opportunity non-executive directors as necessary .The Group's definition of a non-executive director is one who considers the interest of all the shareholders and this is demonstrated during the board meetings.

Biographies of the board are included in the Financial Statements. These indicate a wealth of experience, which is essential in effectively managing the activities of the Group. In addition to this the board members, where appropriate, attend seminars and courses of their respective professional organisations.

The board meets every two to three months and there is a full board meeting twice a year. With the exception of A C C Ma, R Lee and M A B Binney, who attend only the full board meetings (this is as a result of the directors being based overseas) all of the other directors attend each of the these meetings. The overseas based directors participate in board meetings by conference call if they are not present in the UK.

An agenda is prepared prior to each meeting and this would normally cover areas of the Group's finance operations and personnel matters. All current operating, financial and strategic information is submitted to the Board together with representations from the divisional managers. The chairman ensures that all members of the board are properly briefed on issues arising at the meetings through the prepared agendas, post meeting circulars and opportunities for questions during the meetings. Additional information can be obtained at any time from the other executive directors.

The Board has now established procedures in respect to access to the Company Secretary and the Directors have access to consult the Company Secretary when required.

All Shareholders have the opportunity to put forward questions to the Board during the Company's Annual General Meeting and the Board communicates with the Shareholders via the notices and other papers relating to the Annual General Meeting. The Company also welcomes and responds to written communication from its shareholders.

Remuneration Policy

The Board has in place a Remuneration Committee, comprising the non executive director and an executive director, to determine the remuneration of the Board.

With the exception of the deputy managing director and the non-executive director, the other members of the current board do not receive remuneration at the present time. The remuneration of the deputy managing director and the non executive director is discussed and recommended by the committee and ratified by the full Board. The remuneration at present comprises only annual salary packages with no additional remuneration elements. The total of salaries paid in the year to 31 December 2003 was £54,889(2002:£49,020) of which £27,106(2002:£41,820) was paid to Mr A Eman, £19,592(2002:£Nil) to Mr T Wilkinson and £8,190(2002:£7,200) was paid to Mr M Simon.

No director has a service contract with a notice period in excess of 12 months. Mr T Wilkinson is entitled to a notice period of one month which would attract compensation of £5,833, for loss of office.

The Group does not operate a director's share option scheme or a long-term incentive scheme.

Internal audit and control

The respective responsibilities of the directors and the auditors in connection with the Financial Statements are set out on page 11 to the Financial Statements.

The directors have overall responsibility for the effectiveness of the Group's whole system of internal control, including financial and other controls, which are designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures that the directors have established to provide effective internal financial control are as follows:

<u>Financial Reporting</u>
There is a comprehensive system for reporting performance. During the course of the year, a one year rolling budget is prepared for each company within the Group and a consolidated budget is prepared for the whole Group. The Board then formally approves the budgets. The monthly results are then reported to the Board for their consideration and forecasts are revised accordingly.

Quality and Integrity of Personnel
The integrity of the Group is maintained through the appointment of experienced and professional staff and the application of appropriate policies and procedures.

Capital Investment
The Group has set procedures for capital expenditure. These include annual budgets, appraisals and review of the required expenditure, approvals at the right levels of authority and the commissioning of independent professional advice where appropriate.

Professional advice is usually sought on contentious and disclosure issues, this being as a result of discussions during the Board Meetings. During the year the Chairman can seek independent professional advice in relation to matters affecting the Group.

The group has an ongoing system for identifying, evaluating and managing the significant risks faced by the Group. The directors have reviewed the effectiveness of the system of internal financial control during the year from information provided by the management and the Group's external auditors. It must be recognised that such a system can only provide reasonable and not absolute assurance, and in that context, the review revealed nothing which, in the opinion of the directors, indicates that the system was inappropriate or unsatisfactory.

The Group has no formal internal audit function and the Board has determined that there is no need for one.

Going Concern

The directors confirm that after making the appropriate enquires, they are of the opinion that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future and therefore have prepared the Financial Statements on a going concern basis.

External Audit and Audit Committee

The Audit Committee comprises the non-executive director and an executive director. Although this does not meet the provision of code 3.1, the spirit of the provision is in force and as stated above the Board is seeking to recruit additional non-executive directors during 2004.

The Audit Committee meets periodically to review the adequacy of the Group's internal control systems, accounting policies, corporate governance policies and compliance with applicable accounting standards and to consider the appointment of the external auditors and to review their fees. Everett & Son is invited to attend these meetings. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and obtain external professional advice as is necessary.

Corporate Social Responsibility

The Board, through local management, ensures that the Group addresses those corporate social responsibilities which are recognised as being of prime importance to the company. The responsibility for CSR rests with the Deputy Managing Director who will bring to the Board any major issues which require their approval and updates the Board as required. The views of shareholders and interested external parties are considered when developing the ongoing policy to CSR.

The Group considers the following areas of CSR to have been addressed and agree with the policy adopted by its management:

- The development of a culture and environment which suits the retention and recruitment of the highest calibre of staff. To ensure the all staff are trained to the appropriate standard required to fully meet their job specifications.
- The establishment of a framework within which health and safety at work is of prime importance and is given the appropriate consideration on all occasions.
- The appropriate sourcing and consuming of product to minimise any detrimental affect on the environment and to support re-cycling where possible.
- Responding to the needs of its customers to ensure complete satisfaction.
- To support the local community and develop a close relationship within its area of operation.

The Group will continue to enhance its approach to CSR to ensure that it supports the principles as it expands its range of activities and welcomes any suggestions on how it can improve in this area.

By order of the Board

A C C Ma

Chairman

15th April 2004

We have audited the financial statements on pages 13 to 34 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 and 14.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 review whether the statement on pages 7 to 10 reflects the company's compliance with the seven provisions of the combined code specified for our review by the Listing Rules, and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications on our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 group'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.

ROSS GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROSS GROUP PLC (CONTINUED)

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs and of the group as at 31 December 2003 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

EVERETT & SON
CHARTERED ACCOUNTANTS &
REGISTERED AUDITORS
35 Paul Street
London
EC2A 4UQ

Date: 15th April 2004

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, as modified for the revaluation of certain fixed assets.

The principal accounting policies of the group have remained unchanged from the previous period and are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 December 2003. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition and those disposed of during the year have been included up to the effective date of disposal. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired. Goodwill arising subsequent to the adoption of Financial Reporting Standard No. 10 is capitalised and is amortised on a straight line basis over its estimated useful life up to a maximum of 20 years. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates. Goodwill previously charged to the special reserve has now been charged to the profit and loss account in relation to subsidiaries disposed of.

CASH AND LIQUID RESOURCES

These comprise cash in hand and bank balances.

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided to third parties, excluding VAT.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than investment properties by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold improvements	-	over the term of the lease
Plant, equipment and vehicles	-	10% to 33%

STOCKS AND LONG-TERM CONTRACTS

Stocks other than long-term contracts are stated at the lower of cost and net realisable value.

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

DEFERRED TAXATION

Deferred tax is provided for if material, using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that an asset will crystallise.

FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. These transaction differences are dealt with in the profit and loss account. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme
The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the period of the lease and their expected useful lives. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a sum of digits basis..

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

CLOSURE, DISPOSAL, AND REORGANISATION COSTS

The cost of closure, disposal and related major reorganisation programmes arising through the discontinuance of a significant part of a Group business activity are charged as exceptional items. Other reorganisation costs, in continuing or discontinued business activities, are charged against profit and loss before taxation and separately disclosed if material. Amounts charged include provision for foreseeable future costs.

ROSS GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £000	*2002* *£000*
Group turnover	1	**2,855**	*2,449*
Cost of sales	3	**(2,104)**	*(2,057)*
Gross profit		**751**	*392*
Administrative expenses	3	**(651)**	*(894)*
Other operating income	2	**5**	-
Operating loss		**105**	*(502)*
Loss on sale/termination of discontinued operations	5	-	*(26)*
		105	*(528)*
Interest receivable		-	*2*
Interest payable	6	**(48)**	*(282)*
Profit/(loss) on ordinary activities before taxation	1	**57**	*(808)*
Tax on profit/(loss) on ordinary activities	7	-	-
Retained profit/(loss) for the financial year	9	**57**	*(808)*
Basic and diluted earnings per share (pence)	8	**0.04**	*(1.21)*
Adjusted earnings per share (pence)	8	**0.04**	*(1.17)*

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2003 £000	*2002* *£000*
Profit / (loss) on ordinary activities before taxation	**57**	*(808)*
Difference between historical cost depreciation charge and deprecation charge based on revalued amounts	**6**	*6*
Historical cost profit/(loss) on ordinary activities before taxation	**63**	*(802)*
Historical cost profit/(loss) transferred to reserves	**63**	*(802)*

There were no recognised gains or losses other than the loss for the year.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £000	£000	*2002 £000*
Profit/(Loss) for the financial year		57	*(808)*
New equity share capital subscribed	691		-
Premium on new share capital subscribed	864		-
Costs associated with the issue of shares	(194)		-
		1,361	-
Net addition/(reduction) to funds		1,418	*(808)*
Opening shareholders' equity deficit		(3,746)	*(2,938)*
Closing shareholders' equity deficit		(2,328)	*(3,746)*

The accompanying accounting policies and notes form an integral part of these financial statements.

ROSS GROUP PLC

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	2003 £000	£000	*2002 £000*
FIXED ASSETS				
Tangible assets	9		52	*63*
CURRENT ASSETS				
Stocks	11	289		*833*
Debtors	12	546		*274*
Cash at bank and in hand		106		*2*
		941		*1,109*
CREDITORS: Amounts falling due within one year	13	(945)		*(4,913)*
Net current liabilities			(4)	*(3,804)*
Total assets less current liabilities			48	*(3,741)*
CREDITORS: Amounts falling due after more than one year	14		(2,376)	*(5)*
			(2,328)	*(3,746)*
CAPITAL AND RESERVES				
Called-up equity share capital	18		11,136	*10,444*
Share premium account	19		2,317	*1,647*
Revaluation reserve	19		16	*22*
Other reserves	19		15,384	*15,384*
Profit and loss account	19		(31,181)	*(31,243)*
DEFICIENCY			(2,328)	*(3,746)*

These financial statements were approved by the directors on the 15th April 2004 and are signed on their behalf by:

A C C Ma
Director

M A B Binney
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

ROSS GROUP PLC

BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	2003 £000	£000	*2002 £000*
Current assets				
Debtors	12	983		*1,026*
Cash at bank and in hand		55		
CREDITORS: Amounts falling due within one year	13	(423)		*(4,069)*
Net current liabilities			615	*(3,043)*
Total assets less current liabilities			615	*(3,043)*
CREDITORS: Amounts falling due after more than one year	14		(2,308)	*(5)*
			(1,693)	*(3,746)*
Capital and reserves				
Called-up equity share capital	18		11,136	*10,444*
Share premium account	19		2,317	*1,647*
Other reserves	19		30,937	*30,938*
Profit and loss account	19		(46,083)	*(46,072)*
Deficiency			(1,693)	*(3,043)*

These financial statements were approved by the directors on the 15th April 2004 and are signed on their behalf by:

A C C Ma
Director

M A B Binney
Director

The accompanying accounting policies and notes form an integral part of these financial statements

ROSS GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £000	£000	*2002 £000*
Net cash (outflow)/inflow from operating activities	21		(967)	*228*
Returns on investments and servicing of finance				
Income from other fixed asset investments		-		-
Interest received		-		*2*
Interest paid		(47)		*(218)*
Interest element of finance leases		(1)		-
Net cash outflow from returns on investments and servicing of finance			(48)	(216)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(11)		*(7)*
Receipts from sale of fixed assets		1		-
Net cash outflow for capital expenditure and financial investment			(10)	*(7)*
Cash inflow/(outflow) before financing				
Financing				
Issue of equity share capital		691		-
Share premium on issue of equity share capital		864		-
Expenses paid in connection with share issue		(194)		-
New loan issue		2,374		
Capital element of finance leases		(3)		*(1)*
Net cash inflow from financing			3,732	*(1)*
Increase in cash	22		2,707	*4*

The accompanying accounting policies and notes form an integral part of these financial statements.

ROSS GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

1. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities before tax are attributable to the following classes of business.

The turnover and profit before tax are attributable to the principal activity of the group.

An analysis of turnover is given below:

		Turnover
	2003	2002
	£000	£000
Power	**711**	*1,080*
Technical services	**2,144**	*1,369*
	2,855	*2,449*
United Kingdom	**2,295**	*2,053*
Rest of Europe	**535**	*316*
Rest of the World	**25**	*80*
	2,855	*2,449*

Class of business segments:	**Inter-segment turnover**		**External turnover**	
	2003	*2002*	**2003**	*2002*
	£000	*£000*	**£000**	*£000*
Power	-	-	**711**	*1,080*
Technical services	-		**2,144**	*1,369*
	-	-	**2,855**	*2,449*

Profit/(Loss) before tax and net assets/(liabilities):	**Profit/(Loss) before tax**		**Net assets/(liabilities)**	
	2003	*2002*	**2003**	*2002*
	£000	*£000*	**£000**	*£000*
Power	**36**	*(129)*	**(56)**	*(92)*
Technical services	**69**	*(411)*	**(615)**	*(650)*
Central (liabilities)	-	-	**(1,657)**	*(3,004)*
Exceptional items	-	*12*	-	-
Net interest payable	**(48)**	*(280)*	-	-
Group profit/(loss) before tax and net (liabilities)	**57**	*(808)*	**(2,328)**	*(3,746)*

ROSS GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

1. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

Geographical segments:

Turnover	Turnover by origin				Turnover by destination	
	Inter-segment		External			
	2003	*2002*	**2003**	*2002*	**2003**	*2002*
	£000	*£000*	**£000**	*£000*	**£000**	*£000*
United Kingdom	-	-	**2,855**	*2,449*	**2,295**	*2,053*
Rest of Europe	-	-	-	-	**535**	*316*
Rest of World	-	-	-	-	**25**	*80*
		-	**2,855**	*2,449*	**2,855**	*2,449*

Profit/(Loss) before tax and net assets/(liabilities):	Profit/(Loss) before tax		Net assets/(liabilities)	
	2003	*2002*	**2003**	*2002*
	£000	*£000*	**£000**	*£000*
United Kingdom	**57**	*(829)*	**(2,363)**	*(3,785)*
China	-	*21*	**35**	*39*
Group Profit/(Loss) before tax and net (liabilities)	**57**	*(808)*	**(2,328)**	*(3,746)*

The profit(loss) on ordinary activities is stated after:	2003	2002
	£000	£000
Auditors' remuneration		
Audit services	**40**	40
Non-audit services	**6**	6
Depreciation and amortisation:		
Tangible fixed assets, owned	**19**	32
Tangible fixed assets, leased	**3**	1
Operating lease – Land and buildings	**138**	59
Other operating lease rentals	-	14

2. OTHER OPERATING INCOME

	2003	2002
	£000	£000
Rent receivable	**5**	-

3. OPERATING CHARGES

	2003 £000	2002 £000
Cost of sales	2,104	2,057
Operating charges:		
Administrative expenses	651	894

4. DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2003 £000	2002 £000
Wages and salaries	1,125	970
Social security costs	89	71
Other staff costs	11	10
	1,225	1,051

The average monthly number of employees of the group during the year were as follows:

	2003 Number	2002 Number
Warehousing and manufacturing	23	25
Administration, selling, distribution and management	15	10
	38	35

Remuneration in respect of directors was as follows:

	2003 £000	2002 £000
Emoluments	55	49

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2003 £000	2002 £000
Salary and other emoluments	27	42

5. EXCEPTIONAL ITEMS

The group experienced the following exceptional items which are separately disclosed on the face of the profit and loss account.

	2003 £000	*2002 £000*
Profit/(Loss) on sale/termination of discontinued operations:		
	-	
Profit on termination of GEL (Rhayader) Limited	-	20
(Loss) on termination of Ross Autotronics Limited	-	(1)
Liquidation costs for dormant group companies	-	(28)
Total	-	(9)
Exchange (loss) on San Gain Industrial Limited	-	*(17)*
Net Exceptional Items	-	*(26)*

6. NET INTEREST

	2003 £000	*2002 £000*
On bank loans and overdrafts	**168**	*193*
Other interest payable and similar charges	**(120)**	*89*
	48	*282*
Other interest receivable and similar income	-	*(2)*
	48	*280*

The negative interest payable charge for the year is as a result of the write back of interest charged by an associate in respect of this and previous years.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

No provision in respect of corporation tax has been made because the company had sufficient taxable losses brought forward.

Subject to the agreement with the Inland Revenue, the company has taxable trading losses at 31st December 2003 for set-off against future trading profits of £2,506,422 (31st December 2002: £2,595,972) and capital losses for set-off against future capital gains of £9,026,555 (31st December 2002: £9,026,555).

7a. FACTORS AFFECTING CURRENT PERIODS TAX CHARGE

	2003 £000	*2002 £000*
Profit/(loss) on ordinary activities by the current periods tax charge – 19% (2002: 19%)	**10,830**	*(153,520)*
Expenses not deductible for tax	**20,166**	*26,405*
Profit on the sale of fixed assets	**162**	-
Capital allowances in excess of depreciation	**(34,233)**	*(43,860)*
Tax losses carried forward	**3,075**	*170,975*
Tax charge for the period	-	-
Group tax losses brought forward	**8,822,825**	*7,922,957*
Group tax losses carried forward	**8,838,011**	*8,822,825*
Group capital losses brought forward and carried forward	**9,026,555**	*9,026,555*

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The figure for diluted earnings per share is no different than the figure for basic earnings per share.

Reconciliations of the earnings and weighted average number of shares (in thousands) used in the calculation are set out below.

	2003			*2002*		
	Earnings £000	**Weighted average number of shares/ (£000's)**	**Per share amount pence**	*Earnings*	*Weighted average number of shares/ (£000's)*	*Per share amount pence*
Basic earnings per share	**57**	**136,181**	**0.04**	*(808)*	*67,052*	*(1.21)*
Exceptional items per note 5	-			*26*		
Adjusted earnings per share	**57**	**136,181**	**0.04**	*(782)*	*67,052*	*(1.17)*

9. TANGIBLE FIXED ASSETS

	Leasehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2003	21	200	11	232
Additions	-	1	9	10
	21	201	20	242
Depreciation				
At 1 January 2003	5	163	1	169
Charged for the year	4	13	4	22
	9	176	5	190
Net book amount at 31 December 2003	**12**	**24**	**15**	**52**
Net book amount at 31 December 2002	16	37	10	63

Assets held under finance leases and hire purchase originally cost £11,000 (2002 - £11,000) and have a net book value of £7,000. Depreciation charged was £3,000 (2002 - £1,000).

10. FIXED ASSETS INVESTMENTS

At 31 December 2003 the company held 100% of the allotted equity share capital of the following:-

Name of undertaking	Country of registration and incorporation	Class of share capital held	Nature of business
Subsidiary undertakings:			
Tadmod Limited	England and Wales	Ordinary	Distribution of battery chargers.
GEL Engineering Limited	England and Wales	Ordinary	Engineering project, design, manufacturing and management.
San Gain Industrial Company Limited	Hong Kong	Ordinary	Financial services.

All subsidiaries operate in the United Kingdom except for San Gain Industrial Company Limited.

The costs of the fixed asset investments have been written off over the previous periods.

11. STOCKS

	Group 2003 £000	Group *2002* *£000*
Raw materials and consumable stores	**2**	*2*
Work in progress on long term contracts	**200**	*651*
Finished goods	**87**	*180*
	289	*833*

12. DEBTORS

	Group		Company	
	2003 £000	*2002* *£000*	2003 £000	*2002* *£000*
Trade debtors	**295**	*161*	**-**	*4*
Amounts owed by group undertakings	**-**	-	**831**	*1,000*
Amounts owed by associates	**47**	*5*	**40**	-
Other debtors	**46**	*40*	**46**	-
Prepayments and accrued income	**158**	*68*	**66**	*22*
	546	*274*	**983**	*1,026*

13. CREDITORS: Amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans and overdrafts		2,603		2,620
Trade creditors	**201**	439	**4**	17
Amounts owed to associates	**174**	1,594	**12**	1,363
Amounts owed to group undertakings	**-**	-	**358**	-
Social security and other taxes	**35**	50	**1**	4
Other creditors	**411**	77	**10**	9
Accruals	**121**	147	**38**	56
Amounts due under finance leases	**3**	3	**-**	-
	945	4,913	**423**	4,069

Bank loans and overdrafts amounting to £Nil (31st December 2002: £2,603,000) are secured by a fixed and floating charge over the assets of the group.

14. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Loan from Associate	**2,374**	-	-	-
Finance lease agreements	**2**	5	-	-
Loan from group company			**2308**	
	2,376	5	**2,308**	-

Refer to note 28 for details on the loan from the Associate.

15. FINANCIAL INSTRUMENTS

The group uses financial instruments, other than derivatives, comprising borrowings, cash, liquid resources and various items, such as trade debtors, trade creditors etc., that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The group did not enter into derivatives transactions such as interest rate swaps, forward rate agreements and forward foreign currency contracts.

The board of the group considers that the interest rate risk, liquidity risk and foreign currency risks arising from the group financial instruments are low. However it reviews policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous periods.

It is and has been throughout the year under review, the group policy that no trading in financial instruments shall be undertaken.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

15. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The group finances its operations through a mixture of borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities.

The interest rate exposure of the financial liabilities of the group as at 31 December 2003 was:

	Interest Rate			
	Fixed £000	Floating £000	Zero £000	Total £000
2003				
Loans from associate	-	2,374	-	2,374
	-	2,611	-	2,611
2002				
Bank borrowings	-	2,603	-	2,603
Overdrawn current account with associate	-	1,092	-	1,092
	-	3,695	-	3,695

The net bank borrowings bear interest at an average rate of 7% during the year.

The loans from the associate bear interest at a nominal rate of 6.9% per annum. In previous years the overdrawn current account with associates bore interest at rates which varied in accordance with the rate charged by Alpha Capital Group Limited. The average rate during 2002 was 6.75%.

Liquidity risk

The group relies on an overdrawn current account with its Associate, The Grande Capital Group Limited, to ensure sufficient liquidity is available to meet foreseeable needs.

15. FINANCIAL INSTRUMENTS (Continued)

Maturity of financial liabilities

The group financial liabilities analysis at 31 December 2003 was as follows:

	Group		Company	
	2003	*2002*	**2003**	*2002*
	£000	*£000*	**£000**	*£000*
In less than one year or on demand				
Bank borrowings		*2,603*		*2,620*
Trade creditors	**201**	*439*	**4**	*17*
Finance leases	**3**	*3*	**-**	*-*
Amounts owed to associates & group undertakings	**174**	*1,594*	**1,555**	*1,363*
Other financial liabilities	**567**	*274*	**49**	*69*
In more than one year				
Finance leases	**2**	*5*	**-**	*-*
Borrowings from associate	**2,374**	*5*	**-**	*-*
	3,558	*4,918*	**1,845**	*4,069*

There are no borrowings repayable after five years.

Borrowing facilities

The group has £295,000 available from the open offer loan from the parent company, having drawn £1m from the £1.295m facility.

Currency risk

The group does not have foreign investments held in foreign currencies.

The group's exposure to translation and transaction foreign exchange risk is considered to be low by the board.

About 20% (2002: 16%) of sales by the group's UK businesses are to customers in continental Europe and other foreign countries. These sales are invoiced in US dollars. The board does not consider there is a need for group policy to manage the currency risk as it considers the risk to be low.

All other sales by UK businesses are denominated in sterling.

15. FINANCIAL INSTRUMENTS (Continued)

Fair values

Set out below is a comparison of fair values and book values of all the group financial instruments by category.

	2003		*2002*	
	Book value £000	**Fair value £000**	*Book value £000*	*Fair value £000*
Primary financial instruments held or issued to finance the group operations				
Bank borrowings	237	237	*2,603*	*2,603*
Overdrawn current account with Associate	-	-	*1,092*	*1,092*
Loans from Associate	2,374	2,374	-	-

Where available fair value is taken as the market value of similarly traded financial instruments.

Where market prices are not available for a particular instrument, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates.

16. COMMITMENTS UNDER FINANCE LEASES AGREEMENTS

	Group		**Company**	
	2003 £000	*2002 £000*	**2003 £000**	*2002 £000*
Amounts payable within 1 year	3	*3*	-	-
Amounts payable between 1 and 2 years	2	*5*	-	-
	5	*8*	-	-

17. COMMITMENTS UNDER OPERATING LEASES

Group	**Land and buildings**	
	2003 £000	*2002 £000*
Operating leases which expire:		
Within 1 year	43	-
After more than 5 years	95	*95*
	138	*95*

18. SHARE CAPITAL

	31st December 2003 £000	*31st December 2002 £000*
Authorised share capital:		
90,000,000 Ordinary shares of 5p each	–	*4,500*
195,000,000 Deferred shares of 4.8p each	9,360	*9,360*
300,000,000 Ordinary shares of 1p each	3,000	–
67,052,306 Deferred shares of 4p each	2,682	–
	15,042	*13,860*
Allotted, called up and fully paid:		
67,052,306 Ordinary shares of 5p each	–	*3,352*
147,745,300 Deferred shares of 4.8p each	7,091	*7,092*
136,180,924 Ordinary shares of 1p each	1,362	–
67,052,306 Deferred shares of 4p each	2,682	–
	11,136	*10,444*

The ordinary shares have both voting rights and the right to dividends.

The deferred shares are classified as non-equity shares on the basis that they have no rights to dividends and no voting rights. On a winding up the holders of the deferred shares of 4.8p each shall be entitled to receive 1p per share after the repayment of all amounts payable to the holders of any other class of share and the payment of £5,000 on each Ordinary share for the time being in issue. The deferred shares of 4.8p each are redeemable at the company's option any time at a price of 1p for each of the deferred shares held by any member. The deferred shares of 4p each will be cancelled in accordance with the terms of the open offer.

19. SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1 January 2003	1,647	22	15,384	(31,243)
Retained profit for the year	-	-	-	57
Other movements				
New equity share capital subscribed	864	-	-	-
Costs associated with equity share issue	(194)	-	-	-
Transfer from revaluation reserve to profit and loss account	-	(6)	-	6
At 31 December 2003	2,317	16	15,384	(31,181)

19. SHARE PREMIUM ACCOUNT AND RESERVES (Continued)

Other reserves of the group consist of a Capital Redemption Reserve of £1,920,000 (31 December 2002: £1,920,000), a non-distributable Capital Reserve of £3,333,000 (31 December 2002: £3,333,000), and a Special Reserve of £10,131,000 (31 December 2002: £10,131,000).

Company	**Share premium account £000**	**Other reserves £000**	**Profit and loss account £000**
At 1 January 2003	**1,647**	**30,938**	**(46,072)**
Loss for the year	–	–	**(12)**
Other movements			
New equity share capital subscribed	**864**	–	–
Costs associated with the issue of equity shares	**(194)**	-	–
At 31 December 2003	**2,317**	**30,938**	**(46,083)**

Other reserves of the company consist of a Capital Redemption Reserve of £1,920,000 (31st December 2002: £1,920,000) and a Special Reserve of £29,018,000 (31st December 2002: £29,018,000).

At an Extraordinary General Meeting held on 17 February 2003 the following resolutions were duly passed:

a) Each ordinary share of 5 pence be sub-divided into one new ordinary share of 1 pence and one deferred share of 4 pence.

b) Sub-divide each authorised but unissued Existing Ordinary Share into five ordinary shares of 1 pence.

c) The authorised share capital be increased by £1,182,092.24 to £15,042,092.24 by the creation of 118,209,224 new ordinary shares of 1 pence.

d) The directors are authorised to issue a maximum nominal amount of £1,341,046.12 in connection with a rights issue and otherwise up to £670,523.06.

20. PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes a loss of £11,000 (31 December 2002: profit of £465,000) which is dealt with in the financial statements of the company.

21. NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003	2002
	£000	£000
Operating profit/(loss) on continuing activities	**105**	(502)
Depreciation	**22**	33
Profit on disposal of fixed assets	**(1)**	-
Decrease/(increase) in stocks	**545**	(203)
(Increase) in debtors	**(272)**	795
(Decrease)/increase in creditors	**(1,366)**	131
Net cash (outflow)/inflow from continuing operating activities	**(967)**	254
Net cash (outflow) in respect of discontinued activities and reorganisation costs	**-**	(26)
Net cash (outflow)/inflow from operating activities	**(967)**	228

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003	2002
	£000	£000
Increase in cash in the year	**2,707**	4
New loan issued during the year	**(2,374)**	
Cash (inflow)/outflow from finance leases in the year	**3**	(8)
Movement in net debt in the year	**336**	(4)
Net debt at 1 January 2003	**(2,609)**	(2,605)
Net debt at 31 December 2003	**(2,273)**	(2,609)

23. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2003	**Cash flows**	**Non-cash items**	**At 31 December 2003**
	£000	**£000**	**£000**	**£000**
Net cash:				
Cash in hand and at bank	**2**	**341**		**343**
Overdrafts	**(2,603)**	**2,366**		**(237)**
Debt	**-**	**(2,374)**		**(2,374)**
Finance leases	**(8)**	**-**	**3**	**(5)**
	(2,609)	**333**	**3**	**(2,273)**

24. CONTINGENT LIABILITIES

The company has a contingent liability to its bankers in respect of composite guarantees given on behalf of its subsidiary undertakings. The amount outstanding at 31 December 2003 was £Nil (31 December 2002: £2,600,836).

25. CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 31 December 2003 or 31 December 2002.

26. PENSIONS

Defined Contribution Scheme

The group operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the group. None of the current Ross Group PLC Board directors is a member of this scheme.

27. ULTIMATE CONTROLLING PARTY

The directors consider that the ultimate controlling party of this company for this year and comparative period is The Grande Holdings Limited, a company which is incorporated in Bermuda. The Grande Holdings Limited holds, directly and indirectly, 71% of the issued share capital of the company. Copies of the group accounts for The Grande Holdings Limited can be obtained from its registered office at Bank of Bermuda Building, 6 Front Street, Hamilton HM11, Bermuda.

28. RELATED PARTY DISCLOSURE

In addition the Group has charged management fees of £ Nil (2002: £37,535) by N.A.K.S. (Europe) Limited, a company owned by The Grande Holdings Limited.

During the period sales of £9,114 (2002: £82,259) were made to San Gain Industrial Company Limited, BVI and £6,552 (2002: £ Nil) to Tomei Components Limited, companies owned by The Grande Holdings Limited. Purchases of £382,372 (2002: £693,472) were also made from San Gain Industrial Company Limited, BVI during the year. The net amount owed to San Gain Industrial Company Limited, BVI at the year end was £84,857 (2002: £160,384).

The above transactions were at normal commercial terms.

During the year £2,309,000 was advanced from The Grande Capital Group Limited, a company wholly owned by The Grande Group. At the year end the amount outstanding was £2,374,000, consisting of the initial amount advanced, issue costs and interest accruing at an average annual rate of 6.9%.