



ACAL plc
C/NO 2008246
annual report and accounts
for the year ended 31 March 2005

distribution of technology...



Acal plc is a leading pan-European value-added distributor providing specialist design-in sales and marketing services for international suppliers.

The business provides opportunities for growth, a high return on capital employed and a positive cashflow. The strategic plan is to invest cashflow in organic growth and in similar complementary business opportunities. This will enhance shareholder value and utilise the skills of the Group, providing career development for employees and a dynamic organisation to promote better service for both suppliers and customers.

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highlights

- 9% growth in sales in the Components Divisions with EBITA* up 8%
- Offset by 11% reduction in sales and 18% reduction in EBITA* in the IT Divisions
- Underlying sales stable compared to last year (at constant exchange rates and eliminating the effects of acquisition and closed activities)
- Improved gross margins: up at 26.6% overall from 25.9% last year
- Pre-tax return of 36% on average capital employed
- Further dividend growth: up 3% at 21.6p per share
- Acal is well positioned to take advantage of opportunities for extending product and service offerings

* EBITA = Operating profit excluding amortisation of goodwill and the Group's share of operating profit of associates

	2005 £'000	2004 £'000 Restated	2005 £'000	2004 £'000 Restated
Sales	260,687	268,445	381,880	387,635
Profit before tax:				
Profit before goodwill amortisation, exceptionals and tax	11,266	12,586	16,504	18,174
Amortisation of goodwill	(3,048)	(2,927)	(4,465)	(4,227)
Exceptionals	–	(600)	–	(866)
Profit before tax	8,218	9,059	12,039	13,081
Tax	(3,759)	(4,138)	(5,507)	(5,975)
Profit after tax	4,459	4,921	6,532	7,106
Earnings per share	15.3p	17.9p	£0.22	£0.26
Earnings per share excluding goodwill amortisation	26.9p	29.0p	£0.39	£0.42
Earnings per share excluding goodwill amortisation and exceptionals	26.9p	31.3p	£0.39	£0.45
Dividends per ordinary share	21.6p	21.0p	£0.32	£0.30

acal's business

The needs of the market require a decentralised organisation. Each operating company has, within the context of the Group's overall strategy, considerable autonomy to meet the specific

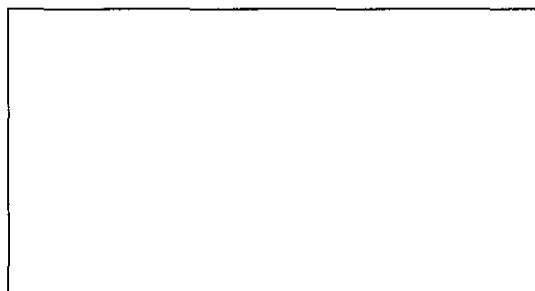
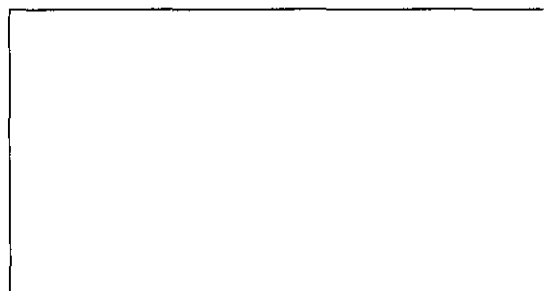
components

electronic components

Distributes a range of electronic components including frequency control devices, electromechanical and magnetic components, specialist semiconductors, capacitors, power supplies, RF and microwave components, systems and instrumentation. A presence throughout Western Europe and trading links into Eastern Europe.

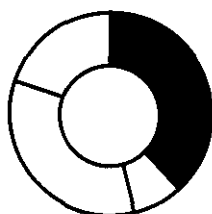
industrial controls

Predominantly distributes air conditioning and refrigeration components as well as medical diagnostic equipment. The air conditioning and refrigeration business has an international network of offices and has grown significantly in the Far East.



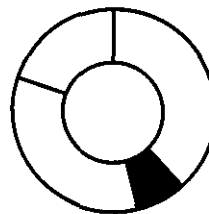
sales

£100.1m



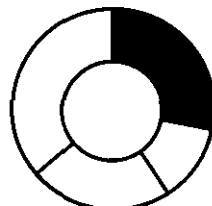
sales

£20.6m



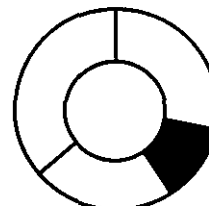
EBITA

£3.6m



EBITA

£1.6m



demands of its local marketplace and provide a stimulating environment in which to work. The Group has four principal product groupings.

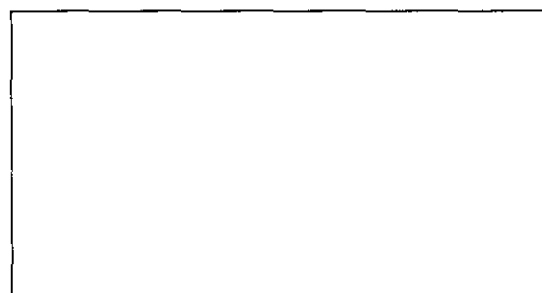
IT

IT products

Provides document management and imaging products together with associated software and service, trading under the Headway name. It also provides networking products, including wireless devices and products for the rapidly growing storage networking market.

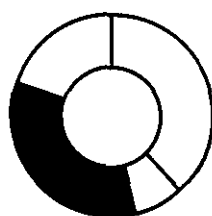
IT parts services

Trading through EAF, ATM and CPI this division provides a range of distribution and logistics solutions for service components and sub-assemblies for pc's, related peripherals and automated teller machines as well as mid-range and higher-end computers.



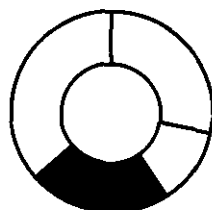
sales

£88.7m



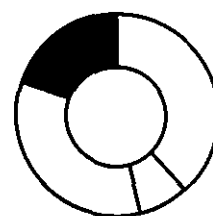
EBITA

£2.9m



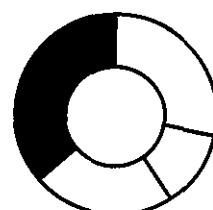
sales

£51.3m



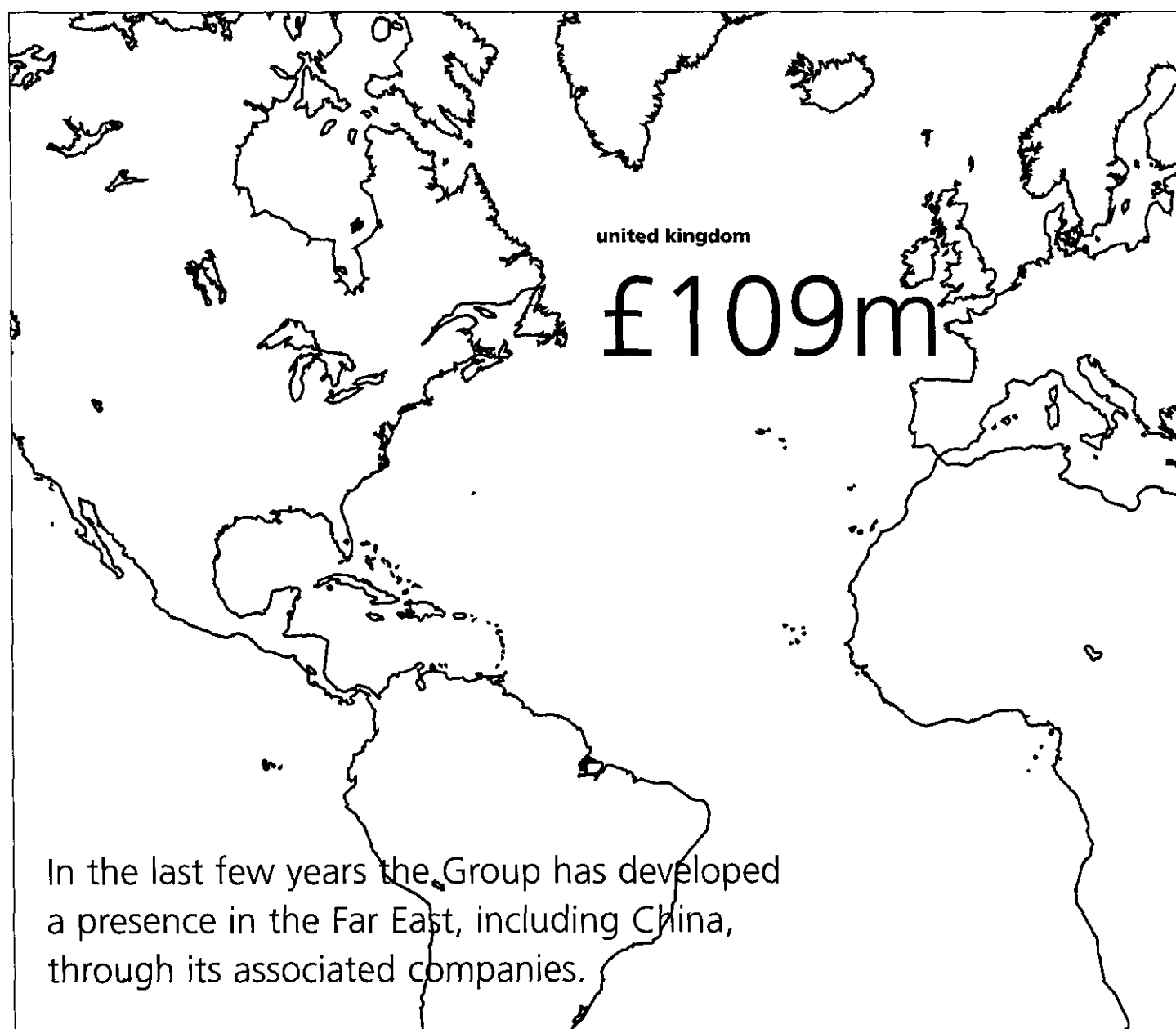
EBITA

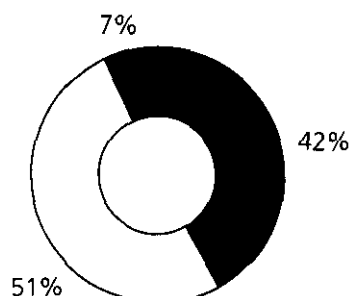
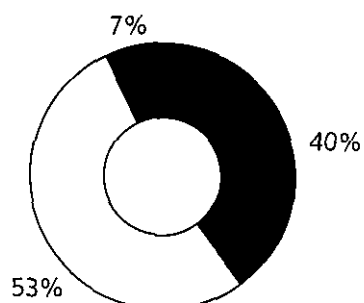
£4.6m



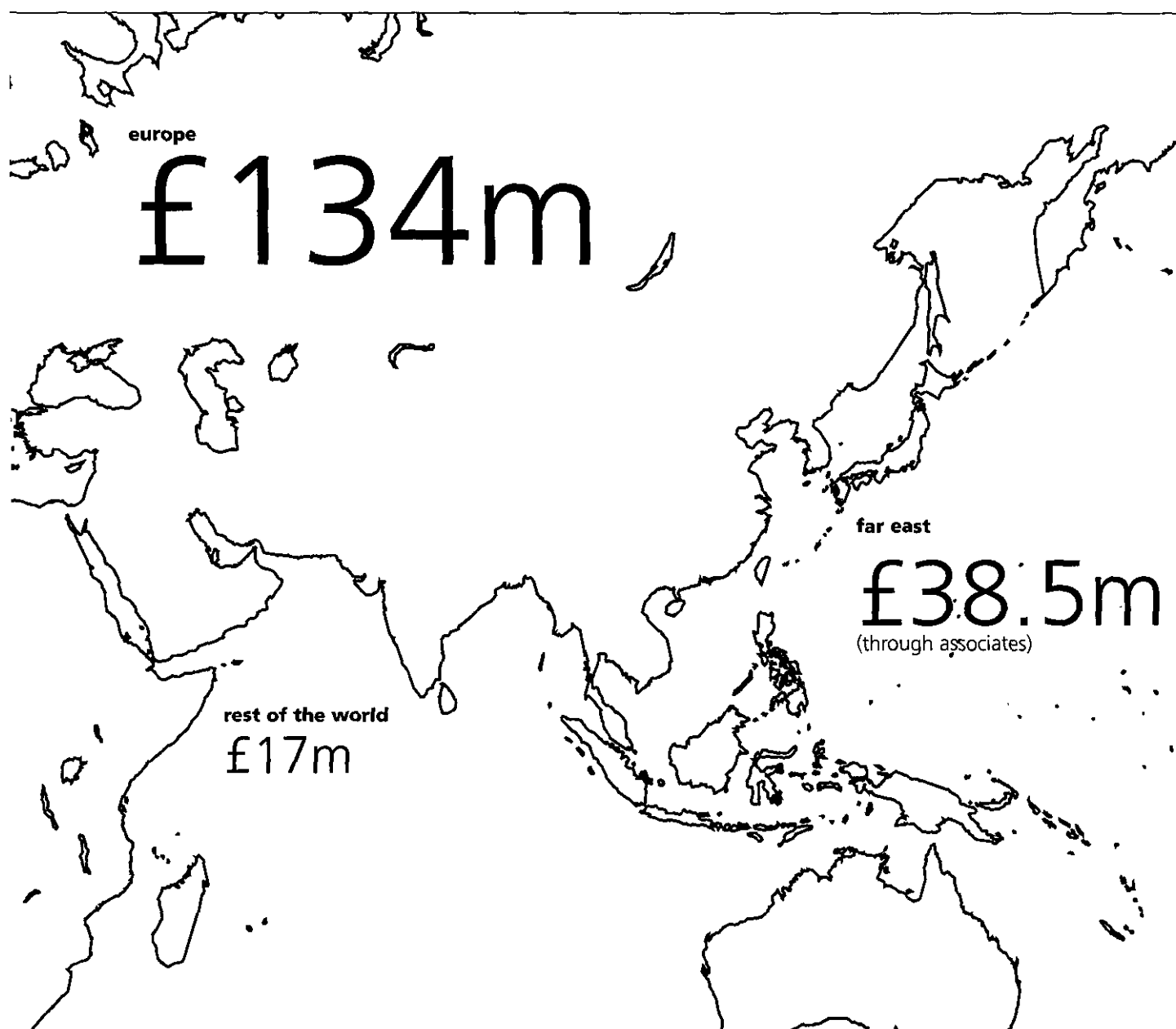
global reach

The Group, which has 21 principal trading companies, eleven in Continental Europe, nine in the UK and one in the USA, employs approximately 1,000 people with particularly strong technical sales and marketing expertise. These skills have established a reputation with international suppliers and customers.

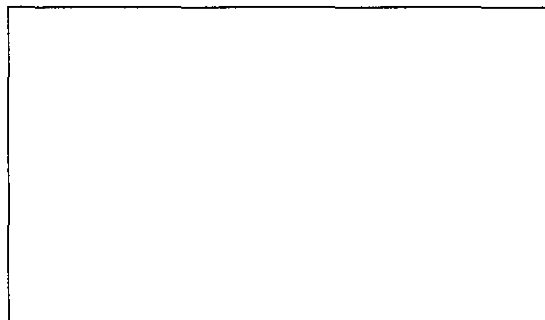


geographic coverage of sales (excluding associates)**2005****2004**

- UK
- continental europe
- rest of world



chairman's statement



Since being appointed Chairman on 1 April I have spent time getting to know Acal and considering how, working with the Board, I can best add value for our shareholders. Put simply this involves framing the appropriate strategy for the Group, ensuring the right team is in place to deliver it and monitoring the team's performance against it. In addition we need to maintain high standards in our corporate governance and integrity whilst promoting effective and open communications, both within the Board and in the Group as a whole.

Turning to last year, the Group has continued to operate in the difficult economic climate and demanding market conditions which have characterised recent years. This has seen sales fall to £261m from £268m, a reduction of 3%, whilst operating profit before goodwill amortisation at £13.3m fell from £14.4m last year, a reduction of 8%. Despite this the Group continued to make a healthy 36% return on average capital employed.

Costs remained under close scrutiny with further selective headcount reductions and the implementation of the UK Electronic Components and IT Product businesses re-organisation announced in the interim report which is now complete.

Profit before taxation, goodwill amortisation and, last year, exceptionals was £11.3m (2004: £12.5m). This reflects the fall in operating profits of £1.1m described above and a small increase in interest expense.

From 2005/6 Acal will report its financial results under International Financial Reporting Standards (IFRS) and later this year it is our intention to restate the results for 2004/5 in accordance with these new standards.

dividend

The Board is recommending a final dividend of 14.4p per share (2004: 14p) payable to shareholders on the register as at 17 June 2005. Together with the interim dividend of 7.2p it will make a total of 21.6p (2004: 21p) for the year. This represents an increase of approximately 3% on last year.

strategy

During the Group's annual long term planning review each separate subsidiary/division formulates its own strategy for maximising business results. These individual plans are then reviewed by the Board as part of the formulation of an overall Group plan.

Acal will continue to review its strategy for growth and maximising shareholder value within the context of a technology distribution group focused on Electronic and Industrial Components, IT Products and IT Parts Services.

Further consolidation is expected in the Electronics Components sector and Acal expects to play an active part in this process. Geographically we have our roots in Western Europe but have a strategically important investment in the Far East.

corporate governance

There has been much change in this area for all companies, both in how they report to stakeholders and in the priority this is given. We seek standards which are high for a Company of our size and we are reporting continuing compliance with the Combined Code, now in its revised form.

chairman's statement continued

board composition

I have taken over from John Curry under whose stewardship, together with that of Tony Laughton, Acal has grown into one of the UK's leading value-added distributors. The Board is grateful to John for his great contribution over many years and wishes him a long and happy retirement.

Rhys Williams, who has been Acal's Senior Independent Director, is to stand down at the AGM after 11 years as a Non-executive Director. His wise counsel and judgement will be missed but, at the age of 71, Rhys has decided to retire. Again the Board takes this opportunity to thank him for his outstanding service and to wish him well for the future. We are, however, pleased to announce that Eric Barton has agreed to assume the role of Senior Independent Director with effect from the AGM. A search has already commenced to find a new Non-executive Director.

Following a process of appraisal and review by the Board, I am pleased to recommend both Jim Virdee and Eric Barton for re-election as Directors. In addition, having been appointed during the year, I am required to submit myself for election. The Board, under the leadership of the Senior Independent Director, is recommending my election.

employees

Despite another tough year the Board would like to acknowledge the contribution and effort made by its hard working and loyal work force. Their efforts are very much appreciated.

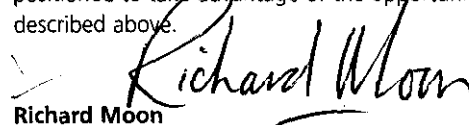
trading outlook

Acal's Components activities showed growth in the year to 31 March 2005, although order patterns in recent months would suggest that the rate of growth is slowing down, particularly in Continental Europe. However our focus on demand creation and value-added distribution is producing opportunities for us to extend our product range and the geographical coverage of our existing products.

Demand in the IT Products activities remains weak and often volatile, but we continue to develop our product range concentrating on the higher margin value-added activities.

The Group's IT Parts Services activities have in the recent past been affected by changes in channel strategy by some major brand OEMs. However recent success in winning new contracts demonstrates our skills in enabling service organisations to outsource their parts management and procurement, and these, we believe, will continue to offer significant further opportunities.

The general economic backdrop has deteriorated over recent months, and we do not expect any meaningful improvement in market conditions in the short-term. We will continue to take measures to enhance the service we provide to our customers and suppliers, and to improve our financial returns. Acal is well positioned to take advantage of the opportunities described above.



Richard Moon
Chairman
6 June 2005

operating review

introduction

Whilst the past year saw a continuation of the difficult economic climate in Europe with sales falling from £268m to £261m, including this year's small acquisition, there have been some very positive developments. The most important of these are the growth in each of our Components businesses in both sales and profits and the improvement of our gross margins.

Our IT product businesses suffered primarily as a result of price pressures and whilst IT Parts Services had reduced sales, elimination of losses enabled this division to achieve a very creditable 8.9% net margin.

Overall, we have confidence in the positioning of each of the businesses from the key standpoints of our product and service offerings, our technical and commercial abilities and our competitive position.

electronic components

The Electronic Components Division produced an impressive increase in sales of 9% from £91.9m to £100.1m with a 6% improvement in EBITA up from £3.4m to £3.6m.

The improvement has come not from an increase in the available market, which grew at less than half our growth rate, but from a combination of factors which lie at the heart of our electronic components strategy. These comprise the continued focus on demand creation, which not only differentiates Acal from most of its competitors but also provides enhanced margins, greater customer loyalty, increased supplier support and superior staff satisfaction. As a result we have been able to expand our product coverage, particularly in the key area of niche semiconductors where historically we have not been sufficiently

performance review

The performance of Acal's divisions in each of the years ended 31 March 2005 and 2004 is set out below:

	2005				2004 (restated)*			
	Sales £m	As % of Group	EBITA £m	As % of Sales	Sales £m	As % of Group	EBITA £m	As % of Sales
Electronic Components	100.1	38%	3.6	3.6%	91.9	34%	3.4	3.7%
Industrial Controls	20.6	8%	1.6	7.8%	18.7	7%	1.4	7.5%
Components total	120.7	46%	5.2	4.3%	110.6	41%	4.8	4.3%
IT Products	88.7	34%	2.9	3.3%	98.7	37%	4.3	4.4%
IT Parts Services	51.3	20%	4.6	8.9%	59.1	22%	4.9	8.2%
IT total	140.0	54%	7.5	5.4%	157.8	59%	9.2	5.8%
	260.7	100%	12.7	4.9%	268.4	100%	14.0	5.2%

EBITA is operating profit excluding goodwill amortisation and the Group's share of operating profit of associates.

*The restatement of the prior year's figures arises from a change in accounting policy relating to service contract revenues.

operating review continued

represented. This has had a two-fold effect – firstly of course that of expanding sales – but almost as importantly it provides an important rationale for new customers to consider Acal as their preferred supplier. With consolidation taking place in the component distribution market we anticipate that our supplier portfolio and the geographical coverage of our existing suppliers will continue to grow.

Pursuing this strategy of enhancing our semiconductor product offering, in July 2004 we acquired Mecodis SA, a specialised French company which is that country's number one distributor for Microchip Technology Inc, in turn the world's leading microcontroller manufacturer.

In November 2004 we appointed Steve Sydes to the position of UK Divisional Director. Steve had previously been Managing Director of Acal Technology, a role he retains and one of his first tasks has been to rationalise our approach to the UK market. This has involved merging the components activities of Acal Electronics into Acal Technology to provide one of the most powerful, technically orientated distributors in the market.

industrial controls

Another good performance was achieved by our Industrial Controls Division with sales up 10% from £18.7m to £20.6m and EBITA up 14% from £1.4m to £1.6m. There have been a number of successes in the year and of particular note are the sales in Russia, India, the Asia Pacific region and via our medical instrumentation business.

During the year our major Air Conditioning and Refrigeration supplier Sporlan Valve, was acquired by Parker Hannifin Corp and I am glad to be able to report that our rapport with the new owners remains as strong as previously and we anticipate being able to build the business faster as a result of the increased product capability they are able to provide.

IT products

Sales of our IT Products declined 10% in the year from a restated £98.7m to £88.7m with EBITA down 33% from £4.3m to £2.9m.

The major part of the profit reductions are as a result of price and margin erosion in our storage networking business in the UK and Germany. Volumes steadily increased but not sufficiently to offset this erosion.

Headway, our document imaging and management product group, has however grown its sales and market share whilst largely being able to maintain margins. The third of our IT Products groups, Networks, also had considerable sales reduction but this was largely by design as we gradually wound down our computer component sales from £12.2m in 2003/04 to £5.4m in this year. This business ceased at the year end.

On a more positive note Benelux based AVAS (Acal Value Added Services) produced an excellent performance growing its maintenance, service, training, installation and network managed security activities which support and enhance our hardware sales.

Just prior to the year end a distribution agreement was signed with EMC, the world's largest storage company, for their Centera product range. Whilst this occurred too late to benefit the results, it should enhance and strengthen our storage business in the new year.

Immediately post the year end we merged all the UK IT Products activities into one location in order to facilitate a greater degree of synergistic sales plus some back office efficiencies. This new organisation, Acal IT, is now managed totally by David Lewis who had previously been responsible for the Headway activity alone.

operating review continued

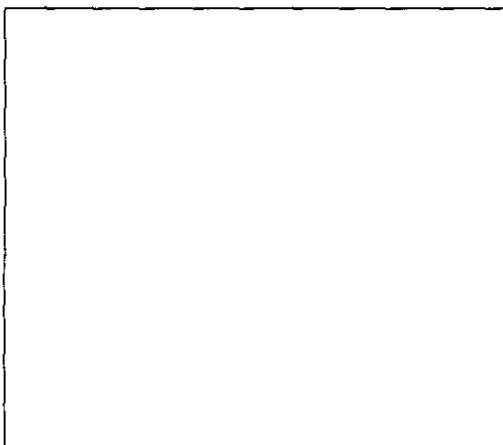
IT parts services

This division had a reduction in sales of 13% from £59.1m to £51.3m and EBITA down 6% from £4.9m to £4.6m. The reductions were across all business units except CPI, the business we bought in May 2003, which grew both sales and profits. As stated above, the elimination of the loss making business in the prior year enabled us to achieve a net margin of 8.9%, up from 8.2%.

Whilst the business in 2004 was depressed there has been a marked change since the beginning of this calendar year. The second half of 2004/05

experienced sales and EBIT growth of 8% and 19% respectively and this trend is forecast to continue as the leading European Service Organisations prepare to outsource their non-core activities. This has led to significant opportunities for this division in our core business of parts management and supply. There was a major win in this area in the UK in April which we anticipate will be one of a number of contracts that we expect during the course of the year. The importance of such contracts is their sustainability for the medium term, typically three to five years, which will help to minimise our recent experiences of the unpredictability of demand.

electronic components



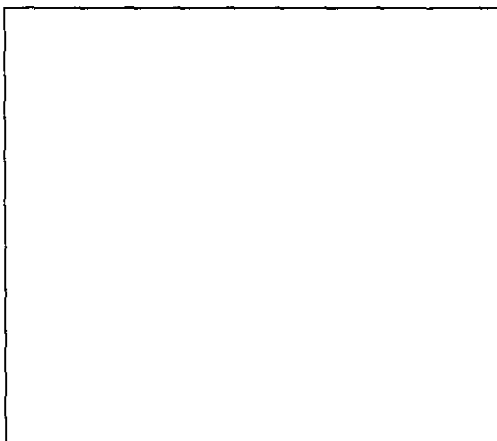
Safety at sea

Ships equipped with the universal automatic identification system (UAIS) can accurately plot the position, heading and speed of other ships equipped with UAIS. The system uses GPS positioning for determining position and speed relying on sophisticated VHF communication and powerful data processing for the calculation and presentation of data. Acal AB has successfully designed in and supplied a range of products to manufacturers of UAIS systems in Sweden and Norway.

industrial controls

Fresher fruit

Over half of energy consumption in most supermarkets is accounted for by refrigeration. Acal has worked with supermarkets around the world to design in electronic valves and controls to improve refrigeration efficiency by enabling precise control of temperatures to fine tolerance levels. This not only reduces energy consumption, but also improves product quality and reduces spoilage by efficient management of the refrigeration and defrosting process.



operating review continued

Acal IT systems

Our ERP system has now been extended to all the intended pan-European locations and has already facilitated the reorganisation of part of the UK Electronic Components business and Acal IT as mentioned above. We will continue to develop enhancements, both for efficiency and to meet the demands of our suppliers and customers.

John Curry

Whilst reference to John Curry's premature retirement has been made elsewhere I must add my appreciation

to John for all that he has done during our 18 years together since Acal started. We all wish him a long, well deserved and happy retirement.

Tony Laughton

Chief Executive

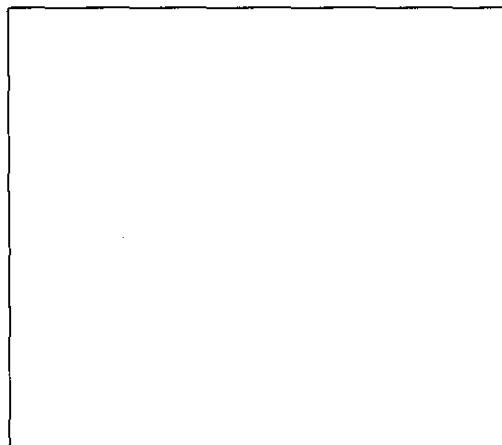
6 June 2005



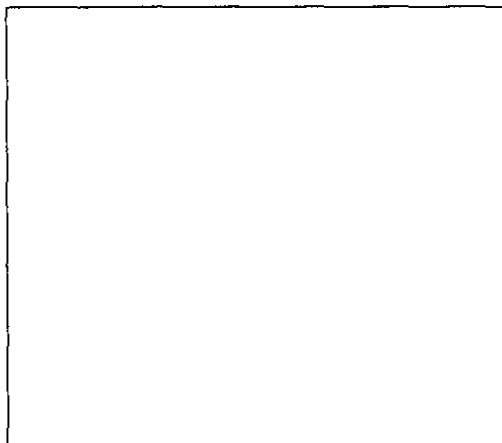
IT products

Cutting down on paper

A major UK bank, in its administration of investments department, handles a vast amount of customer correspondence and documentation. Working with its partners Headway developed a technological solution to scan documents enabling storage electronically for ease of use, and on microfilm to provide added security and legal admissibility.



IT parts services



Tried and tested

The purpose built air conditioned computer room facility at Computer Parts International Limited, houses a wide range of server and mainframe equipment, primarily IBM, HP, Compaq and DEC. The facility is used for internal and external training of engineers, supporting services to customers by providing test bed facilities for the in-house repairs department and providing a source of critical 'hot-spares' for contract clients.

financial review

results for the year

The Group's overall sales for the year ended 31 March 2005 were £260.7m (2004: £268.4m, as restated) and operating profit excluding goodwill amortisation and the Group's share of associated undertakings ('EBITA') was £12.7m (2004: £14.0m, as restated). The restatement of the prior year's figures arises from a change in accounting policy relating to service contract revenues.

Acal's Components activities have increased sales by 9% whereas the IT activities have contracted by 11%, resulting in their relative contribution to the Group's sales changing to 46% and 54% respectively as compared to 41% and 59% respectively in the prior year. During the year the computer components activity in the Netherlands, which was part of the IT Products division, was closed. Similarly last year the EAF operation in the Netherlands, which was part of the IT Parts Services division, was closed. If the sales of these closed activities are excluded, the IT division saw sales of ongoing activities reduce from £142.9m in the year to 31 March 2004 to £134.6m in the year to 31 March 2005, a reduction of 6%.

The year under review saw sterling, on average, approximately 1.4% stronger as compared to the Euro and approximately 8.2% as compared to the US Dollar. The table below shows the effect of acquisitions, the closure of the EAF operation in the Netherlands last year, the closure of the computer components activity in the Netherlands this year and movements in exchange rates on the Group's sales.

	£m	Sales Change
Year ended 31 March 2004	268.4	
Acquisition	3.0	+1.1%
Effect of closed activities	(9.5)	-3.5%
Effect of exchange rate movements	(2.3)	-0.9%
Underlying increase	1.1	+0.4%
Year ended 31 March 2005	260.7	-2.9%

Thus overall sales were stable at constant exchange rates when the effect of the acquisition and closed activities is excluded.

The global downturn in the technology industries over the last few years has affected the Group's activities in Continental Europe more severely than those in the UK, resulting in relatively lower levels of profits denominated in currencies other than sterling. Accordingly exchange rate movements had no material effect on the Group's results.

Acal's strategy of focusing on value-added distribution has continued to show its benefits in the gross margins being achieved. Pricing pressures in storage area networking products have resulted in some weakening of margins in that activity. However the improvements in other areas more than compensated for this and overall Group margins increased to 26.6% from 25.9% last year.

Net operating expenses (excluding goodwill amortisation) for the year were £56.8m compared to £55.4m, for the prior year. The net effect of acquisitions and closures was immaterial, thus the underlying change was an increase of 2.5%. The number of employees working for the Group at the end of the year was 998, as compared to 1020 for the previous year, and this includes 25 employees who joined the Group with the acquisition of Mecodis. In reviewing its overheads, Acal endeavours to ensure that its long-term strategy of growth and its 'design-in' activities are not adversely affected by any cost-saving measures adopted.

During the year we sold our investment in our South African associate, Premark Products (Pty) Ltd, resulting in a small profit. Our main associated company is Westech, which distributes electronic components in the Far East. It continues to grow its coverage of the Far East and its sales for the year to 31 March 2005

financial review continued

were S\$119m (approximately £38.5m) compared to S\$107m (approximately £36.3m) in the prior year. The contribution of associated companies to the Group's operating profit was £0.6m (2004: £0.4m).

The expense for goodwill amortisation was £3.0m this year compared to £2.9m last year, the small increase reflecting the acquisition of Mecodis in July 2004.

Net interest cost for the year was £1.8m (2004: £1.6m) before the FRS17 financing cost of £0.2m (2004: £0.3m) and was covered 7.4 times (2004: 9 times) by operating profit before goodwill amortisation. The higher interest cost for 2004/05 reflects the higher average debt level during the year and slightly higher interest rates.

The Group's effective tax rate was 33.4% (2004: 34.5%, as restated) based on the profit before taxation and amortisation of goodwill, reflecting a lower level of unrelieved tax losses in some operating companies as compared to the prior year.

Earnings per share were 26.9p (2004: 29.0p, as restated) before goodwill amortisation and 15.3p (2004: 17.9p, as restated) after goodwill amortisation.

The interim and proposed final ordinary dividends for the year will absorb £5.7m (2004: £5.5m), and are covered 1.2 times (2004: 1.4 times) by attributable profit before goodwill amortisation.

working capital and balance sheet

The Group places particular emphasis on the management of working capital, especially in periods of economic downturn. For this purpose Acal uses a model which is based on comparing each item of trading assets to the three-month moving average of sales (TMMA). The table below shows the model and how the actual position compared with the model. For example, it shows that our target for stock is that it should represent 1.2 months of sales and the actual level of stock at 31 March 2005 represented 1.2 months of sales, thus achieving the target:

	Target model TMMA ratio	31 March 2005 TMMA ratio	31 March 2004 TMMA ratio
Trading fixed assets	0.5	0.5	0.6
Current assets:			
Stock	1.2	1.2	1.1
Debtors	2.3	2.4	2.1
Current liabilities:			
Creditors	(2.2)	(2.6)	(2.1)
Tax	(0.2)	(0.1)	(0.1)
Total trading assets	1.6	1.4	1.6

Note: This trading assets model excludes goodwill, investments, net debt/cash and long-term liabilities)

Stock levels increased from £23.6m at 31 March 2004 to £25.5m at 31 March 2005, reflecting in part a need to increase stock in some instances to improve customer service, and partly the taking on of new stock in the IT Parts division in order to be able to service a new contract which commenced in April 2005. This level is consistent with our TMMA target of 1.2 months. Although there was an overall reduction in working capital, this was achieved in part as a result of terms negotiated with suppliers, some of the benefit of which may be short-term. We will continue to endeavour to improve our performance on management of debtors and stock to ensure that working capital levels continue at efficient levels even if this benefit reverses.

Capital expenditure for the year was £2.2m (2004: £3.7m) as compared to depreciation of £3.2m (2004: £3.5m). The programme of implementation of the Group's new ERP system was completed in October 2004 and thus capital expenditure will be returning to more normal levels, although this year it has been lower than would be normal. Following the acquisition of Mecodis in July 2004, consideration amounting to £4.9m (£3.3m) was paid during the year ended 31 March 2005. A further amount, currently estimated to be around £0.4m, will be payable during the year ending 31 March 2006, based on the performance of the business acquired.

financial review continued

Shareholders' funds at 31 March 2005 were £65.3m, after further goodwill amortisation of £3.0m during the year, as compared to £66.7m (as restated) a year before. Net debt at 31 March 2005 was £12.3m (representing 18.8% of shareholders' funds) as compared to £15.2m (representing 22.8% of shareholders' funds) a year earlier.

The Group's debt is provided principally by bilateral bank facilities negotiated centrally in the UK as well as locally at the operating companies. There are committed long-term facilities of around £35 million available to the Group in addition to short-term facilities which are mainly used for working capital needs.

return on capital employed

Return on average capital employed (which is calculated using operating profit before goodwill amortisation and net assets excluding goodwill and adding back net debt) was 36% compared to 38% last year. Although not up to our target of 40%, and the levels we have been used to, we believe that this was a satisfactory performance in a period of difficult trading conditions in technology-based industries.

pensions

It has always been Acal's policy that its pension schemes should be of the defined contribution type so that the extent of the Group's financial obligations can be clearly ascertained. However, when Sedgemoor Limited, then a listed public company, was acquired in June 1999, it brought with it certain defined benefit schemes, the principal one of which is the Sedgemoor Group Pension fund (together 'the Sedgemoor Scheme'). Soon after the acquisition the Sedgemoor Scheme was curtailed and all future service accrual ceased.

In 2003 we adopted FRS17 relating to pension schemes. The effect in respect of the Sedgemoor Scheme was that a net pension liability of £5.9m was recognised in the financial statements. At 31 March 2005 the net liability was £4.5m (2004: £4.8m),

reflecting primarily the appreciation of investments as a result of stronger stock markets and contributions made since that date. The next triennial actuarial valuation of the Sedgemoor Scheme is due at 31 March 2006.

international financial reporting standards

Following the decision of the European Union, International Financial Reporting Standards ('IFRS') are to be implemented by listed companies for reporting periods commencing on or after 1 January 2005. Thus Acal will apply IFRS in its financial statements for the year ending 31 March 2006, including the interim results for the six months ending 30 September 2005. Acal has established a project for the implementation of IFRS and this project is on schedule. The Group intends to provide a reconciliation of its results for the six months ended 30 September 2004 and the year ended 31 March 2005, prepared under Generally Accepted Accounting Principles in the UK (UK GAAP) and under IFRS, prior to the publication of its first set of IFRS results which will cover the period of six months ending 30 September 2005.

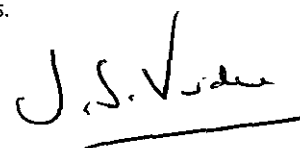
The principal effects of IFRS on the Group's financial statements are expected to be as set out below:

- Goodwill: IFRS 3 – Business Combinations does not permit the amortisation of goodwill through the profit and loss account. Instead, goodwill is carried at cost and reviewed for impairment annually and also when there are indications that the carrying value may not be recoverable. Under the transitional arrangements of IFRS 1 – First Time Adoption, the Group has decided to apply the standard prospectively rather than restate all previous business combinations and reinstate goodwill previously amortised. Consequently, all prior business combination accounting will be frozen at the transition date of 1 April 2004 and amortisation of the remaining goodwill through the profit and loss account will cease.

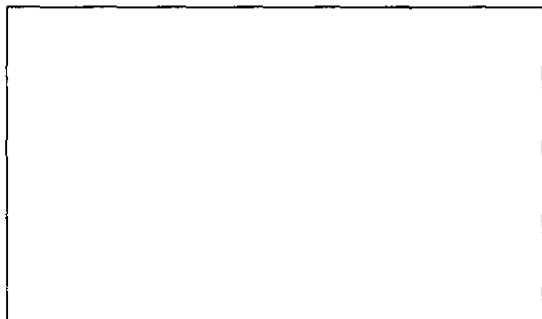
financial review continued

- **Share-based payments:** Under IFRS 2 – Share-based Payments, the Group will be required to recognise a charge to income representing the fair value of any share based payments, ie, awards made under its Share Option schemes. The Group intends to calculate this charge using an appropriate options valuation model and to expense the overall amount, as adjusted to reflect actual and expected levels of vesting, over the relevant vesting periods. Under the transitional arrangements of IFRS 1 – First Time Adoption, the Group intends to apply this standard to share-based payments made since 7 November 2002.
- **Proposed dividends:** IAS 10 – Events After the Balance Sheet Date prohibits the recording of a balance sheet liability in relation to a proposed final dividend distribution until the distribution has formally been approved.
- **Reporting of Group's share of results of associated undertakings:** IAS 1 – Income Statement and Balance Sheet requires the Group's share of operating profit, interest and tax from its associated undertakings to be reported as a single line item on the face of the profit and loss account, whereas UK GAAP requires these items to be reported separately under each line item within the profit and loss account.
- **Deferred tax:** IAS 12 – Income Taxes requires a deferred tax provision for all capital gains rolled over and inherent in revalued fixed assets. Under IAS 12, the Group will be required to recognise a deferred tax liability in relation to the surplus recorded on property revaluations.
- **Pensions accounting:** The accounting treatment required under IAS 19 – Employee Benefits is now broadly similar to that under FRS 17. One minor difference is that IAS 19 allows financing costs in relation to retirement benefit schemes to be recorded within operating profit. FRS 17 requires financing costs or income recognised in relation to retirement benefit schemes to be recorded as other financing charges or income. Further IAS 19 permits a range of options in relation to the recognition of actuarial gains or losses. The Group intends to continue with its policy of recognising such gains or losses immediately through the IFRS statement which is equivalent to the UK GAAP's statement of recognised gains and losses.

Jim Virdee
Finance Director
6 June 2005

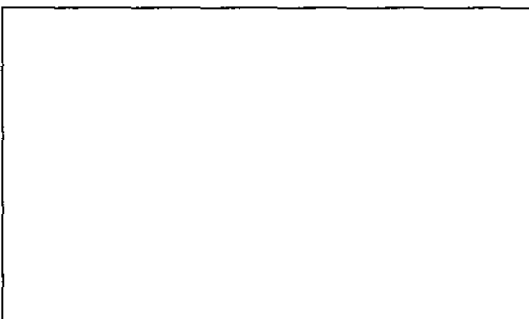


directors

**R J Moon**

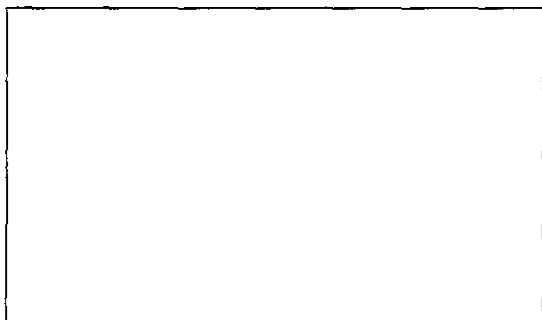
Non-executive Chairman,

Joined the Board in September 2004 and became Chairman in April 2005. He was formally a director of Racal Electronics plc and Chief Executive of Thales plc. He holds non-executive positions in a number of companies in the UK and Europe.

**E A Barton MA**

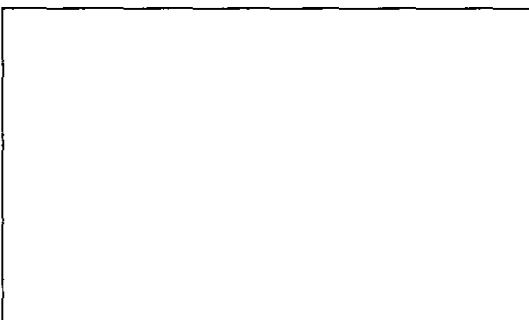
Non-executive Director,

Appointed August 2002, was a director of 3i plc between 1986 and 1999. He has experience as a Non-executive Director across a number of public and private companies and is currently also a Non-executive Director of Morse plc and Telecity plc.

**A J Laughton**

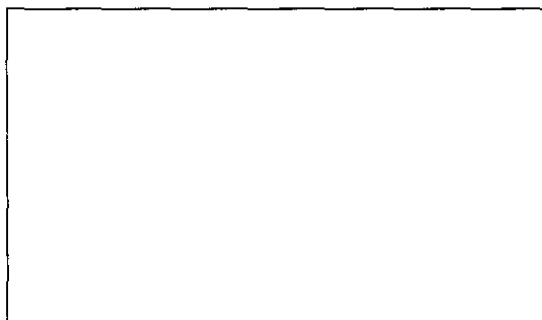
Chief Executive,

Founded his first electronic component business in 1975. This became the forerunner of Centre Industries which in turn became part of Acal in 1987. Initially he was Chief Operating Officer, then Managing Director and has been Chief Executive since August 2001. He is also Non-executive Chairman of Triage Services Limited.

**G J Williams MBA CA**

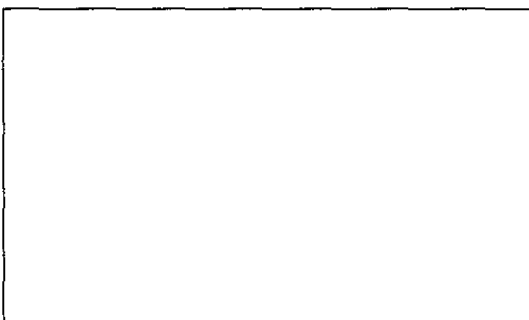
Non-executive Director,

Appointed December 2003, gained his early business experience in private equity with Charterhouse and Barclays Private Equity, both in the UK and France. He was on the Board of Hays plc for 19 years both as a private and public company.

**J S Virdee FCA MA MSc**

Finance Director,

Was director of Kleinwort Benson Limited (now Dresdner Kleinwort Wasserstein) until 1989. Before joining Acal in 1993, he was finance director of Grosvenor Estate Holdings and Sycamore Taverns Limited.

**R J Williams BSc**

Non-executive Director,

Appointed April 1994, was a director of GEC plc and is now chairman of Radstone Technology plc, as well as Non-executive Director of Filtronic plc.

financials

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corporate information

secretary and registered office

N Rowe MA LLM ACIS

2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

Registered number 2008246

stockbrokers

JPMorgan Cazenove

principal bankers

Barclays Bank PLC
Lloyds TSB Bank plc

auditors

Ernst & Young LLP

registrars

Lloyds TSB Registrars

financial calendar 2005/2006

Annual General Meeting	20 July 2005
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results

Interim report for the six months to 30 September 2005	Early December 2005
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Preliminary announcement for the year to 31 March 2006	Early June 2006
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Annual Report 2006	Late June 2006
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dividend payments

Final dividend 2004/2005	25 July 2005
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Interim dividend 2005/2006	Late January 2006
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Final dividend 2005/2006	Late July 2006
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directors' report

The Directors submit their Nineteenth Annual Report with the audited financial statements of the Company for the year to 31 March 2005.

activities

Acal plc is the parent company of a Group engaged in the sale and marketing of electronic and industrial control products. The Group does not undertake any significant research and development activities. Further details of the Group's activities are set out on pages 2 and 3.

results

The results of activities of the Group for the year to 31 March 2005 are set out in detail in the consolidated profit and loss account on page 31. A review of the results and future prospects is included in the Chairman's Statement, the Operating Review and the Financial Review on pages 6 to 15.

The Directors recommend a final dividend of 14.4p per share (2004: 14p). The final dividend together with the interim dividend of 7.2p (2004: 7.0p) makes a total dividend for the year of 21.6p per ordinary share (2004: 21p). The total dividends on ordinary shares will absorb £5,706,000 (2004: £5,548,000).

fixed assets

The Directors are of the opinion that the market value of land is not significantly different from its book value.

acquisition

On 16 July 2004 the Company announced the acquisition of the entire issued share capital of Mecodis SA, a value-added distributor of electronic components based in France. The consideration consisted of initial cash payments of £3.3m plus a deferred cash element estimated to be £0.4m.

directors

The current directors of the Company and the changes that have occurred since 1 April 2004 are detailed in the Corporate Governance Report on page 20. Directors' remuneration, service contracts and interests are disclosed in the Directors' Remuneration Report on pages 24 to 27.

issue of shares under option schemes

During the year the Company issued 50,000 ordinary shares of 5p each under the Group's executive share option scheme.

substantial shareholdings

As at 6 June 2005 the Company had been notified of the following major shareholdings (in addition to the interests of Messrs Curry and Laughton) equal to or in excess of three per cent of the issued share capital.

	Holdings of ordinary shares (5p)
Artemis Investment Management Ltd	1,621,631
The Capital Group Companies Inc	1,593,220
Herald Investment Trust plc	1,042,196
Aberforth Smaller Companies Trust plc	835,000
Fleming Mercantile Investment Trust plc	831,347
Legal and General Investment Management Ltd	793,925

In certain cases the holdings above are for investment management clients of the groups specified.

donations

During the year £550 (2004: £1,262) was donated by Group companies for charitable purposes. No contributions (2004: £nil) were made for political purposes.

auditors

During the year and following a review by the Audit Committee, Deloitte & Touche LLP resigned as Auditors and were replaced by Ernst & Young LLP. The directors used their power under the Companies Act 1985 to appoint Ernst & Young LLP to fill the vacancy created by the resignation of Deloitte & Touche LLP.

A resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of Ernst & Young LLP as auditors of the Company.

directors' report continued

employment policies

The Group is committed to the principle of equal opportunity in employment regardless of a person's race, creed, colour, nationality, gender, age, marital status, sexual orientation, religion or disability. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Group's businesses. These policies ensure that everyone is accorded equal opportunity for recruitment, training and promotion. Where an employee becomes disabled whilst employed by a Group company, every effort is made to allow that person to continue in employment.

It is Group policy to communicate with employees on major matters to encourage them to take an interest in the affairs of their employing company and the Group. It is the responsibility of each of the Group's operating companies to develop effective arrangements in this regard.

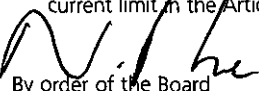
supplier payments

The Group makes arrangements for payment of suppliers in the ordinary course of its business, taking into account local good practice. It is the Group's policy to adhere to agreed arrangements when goods or services have been delivered satisfactorily.

special business at the annual general meeting

At the Annual General Meeting to be held on 20 July 2005, a total of six resolutions comprising items of special business will be proposed:

- (a) Resolution 8 would renew the authority for the Company to purchase its own shares. The maximum number of shares capable of being purchased under the proposed authority is 2,600,000 ordinary shares of 5p each (representing approximately 10% of the issued share capital of the Company) at a price not exceeding 105% of the average middle market quotation for an ordinary share derived from the UK Listing Authority's Daily Official List for the five business days immediately preceding the day on which the purchase is made and at a price not less than 5p per ordinary share. Such authority shall expire on the earlier of the next Annual General Meeting of the Company or 15 months from the passing of the resolution. The Directors have no present intention of exercising this authority. Any authority granted would only be exercised if the Directors had an expectation that such purchase would result in an increase in earnings per share and would be in the best interests of shareholders generally.
- (b) Resolution 9 would authorise the Directors to issue authorised but unissued share capital of the Company of up to 8,800,000 ordinary shares of 5p each (being approximately 33% of the existing issued ordinary share capital). The Directors have no present intention of exercising this authority.
- (c) Resolution 10 would disapply the pre-emption provisions of Section 89 of the Companies Act 1985 to allow the Directors to allot equity securities up to an aggregate nominal amount of £66,000 (being approximately 5% of the existing issued ordinary share capital of the Company) for cash otherwise than pro rata to existing shareholders.
- (d) Resolutions 11, 12 and 13 relate to the payment of fees to the Company's Non-executive Directors. It has come to the Company's attention that its Articles of Association, which were adopted in 1991, include a provision that fees paid to Non-executive Directors are limited to £40,000 per annum aggregate. Under the Articles of Association it is possible to increase this limit by ordinary resolution and Resolution 11 would accordingly raise the limit to a maximum aggregate amount of £500,000 in any year. This should avoid the need to seek further increases to the limit in the foreseeable future. Resolution 12 seeks to ratify past payments made to Non-executive Directors to the extent that such payments have exceeded the current aggregate limit of £40,000. Resolution 13 seeks to release directors of the Company from any personal liability to the extent that they have received or authorised payments in excess of the current limit in the Articles of Association.



By order of the Board
N Rowe
Secretary
6 June 2005

2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

corporate governance

The Acal Group is committed to effective corporate governance and operates principles and procedures that are appropriate to its business. This statement describes how Acal applies the principles of the revised combined code ('the Code') by considering each of the main headings included within the Code. Acal complied with all provisions of the Code throughout the year to 31 March 2005.

the board

Acal is led by a strong and experienced Board with a broad range of business and financial skills. Throughout the year under review it consisted of Mr J A H Curry as Chairman, Mr A J Laughton as Chief Executive, Mr J S Virdee as Finance Director, and following the retirement of Mr D Channing-Williams as a Non-executive director on 30 April 2004, three Non-executive Directors, which rose to four again on the appointment Mr R J Moon on 1 September 2004. Mr Moon was appointed Deputy Chairman on 6 December 2004 and, upon Mr Curry's retirement from the Board on 31 March 2005, was, with effect from 1 April 2005, appointed Non-executive Chairman. Mr R A Allen served as an Executive Director through part of the year but left the Company's employment and ceased to be a director on 5 November 2004. The Board therefore now consists of two Executive Directors, a Non-executive Chairman and three Non-executive Directors. Mr R J Williams will stand down as a Non-executive Director at the Annual General Meeting, and it is the intention of the Board to seek a suitable replacement.

The Board operates within a framework of controls used to minimise risks, including a formal schedule of matters reserved for its decision. These are matters of a material nature and include the determination of the Group's overall strategy, the approval of financial statements, dividends, significant accounting policies, annual operating plans, significant financial matters, major capital expenditure and any litigation of a material nature. The schedule is reviewed from time to time and the current version was adopted in March 2005. The Board met formally on six occasions during the year to 31 March 2005, with all directors attending all meetings. All directors also attended the meetings of all Committees on which they serve.

chairman and chief executive

The Company has both a Chairman and Chief Executive. There is a clear division of responsibilities which has been agreed by the Board and is available from the Company on request. The Chairman is responsible for running the Board which includes the operation of the Board's overall procedures, providing a forum for constructive discussion and ensuring receipt of clear and timely information. The Chief Executive is responsible for the management of the Group's businesses and reporting their progress to the Board. Major decisions have to be made by the Board as a whole, and no one individual has unfettered power of discretion. On his appointment as Chairman Mr R J Moon satisfied the independence criteria specified in the Code.

board balance and independence

The Board now comprises two Executive Directors and, including the Chairman, four Non-executive Directors. Each director has a role, and no individual or small group of individuals determines the Board's decision-making.

No Non-executive Director who served during the year:

- has been an employee of the Group within the last five years;
- has, or has had within the last three years, a material business relationship with the Group;
- receives remuneration other than a director's fee;
- has close family ties with any of the Group's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; or
- represents a significant shareholder; and
- has, with the exception of Mr R J Williams, served on the Board for more than nine years.

Mr R J Williams has served as a director for more than nine years but is considered by the Board in the absence of any other conflicting relationship to be independent. Mr R J Williams is the Senior Independent Director and is available to shareholders should they have concerns that cannot be resolved through other channels. As mentioned above, Mr R J Williams will retire from the Board at the Annual General Meeting, at which time Mr E A Barton will assume the role of Senior Independent Director.

The Chairman meets with the Non-executive Directors as and when required. The Non-executive Directors meet when required without the Chairman present and as stated below the Senior Independent Director leads the process of appraising the Chairman's performance in conjunction with the other Non-executive directors.

appointments to the board

The Nomination Committee leads the process for ensuring that an appropriate balance of skills is retained on the Board and appropriate succession planning is in place.

The Nomination Committee was chaired by Mr J A H Curry until his retirement at which time Mr R J Moon assumed this role. The Company's three Non-executive Directors and the Chief Executive are the other members of the Committee.

corporate governance continued

Mr D Channing-Williams also served on the Committee until his retirement from the Board. Meetings are held as necessary to review and to make recommendations to the Board in respect of candidates for appointment to the Board.

Before any appointment to the Board is considered, a job specification is prepared and agreed by the Nomination Committee. Unless the appointment is as an Executive Director for which a suitable candidate is available from within the Group, appropriate executive search or other organisations with databases of candidates are consulted before a short-list of suitable candidates is produced for agreement by the Nomination Committee. Candidates meet all members of the Nomination Committee which then makes recommendations to the Board. All members of the Board would usually meet with the relevant candidate before an appointment is finally made.

The Nomination Committee met twice during the year and the process outlined above was followed on the appointment of Mr R J Moon to the Board. On the appointment of Mr Moon as Chairman an assessment was made of the time commitment expected and Mr Moon's other significant commitments. Mr Moon holds non-executive positions with Securistyle Limited, Oxford Bio-Signals Limited, e-San Limited and Netia SA.

The terms of reference for the Nomination Committee are available on request.

information

Papers are circulated well in advance of Board meetings, and directors are invited to request such further information as they may require to ensure that proper consideration can be given to all matters. Between meetings, directors are kept abreast of progress by circulation of monthly reports together with ad hoc meetings as and when required. Copies of management committee meetings, press announcements and stockbrokers' reports to which the Company has access, are also circulated to the Board. All directors attend the Group's long-term planning meeting which is held in January. A procedure is in place whereby directors may have access to independent professional advice at the Company's expense and directors have access to the advice and services of the Company Secretary. An induction process is in place for any new directors joining the Board.

performance evaluation

During the year the Board repeated the process of evaluating its own performance, together with that of its Committees and individual directors, including the Chairman. Each director is asked to prepare an appraisal of each of these areas. The Chairman co-ordinates discussion with individual directors as to their performance and the Senior Independent Director co-ordinates discussion with the Chairman. The results of the process are then summarised for presentation to the Board and areas for improvement identified. These are then discussed by the Board as a whole and any necessary action taken.

re-election of directors

The Company's Articles of Association require that one third of the directors retire by rotation each year and seek re-election. In addition, any director appointed by the Board must retire and seek re-election at the next Annual General Meeting. It is Acal's policy to operate these provisions in a manner which ensures that each director faces re-election at least once every three years.

At the next Annual General Meeting of the Company, resolutions will be proposed for the election of Mr R J Moon, who was appointed during the year, as well as for the re-election of Mr E A Barton and Mr J S Virdee. Having taken into account the formal evaluation of their performance, the Board believes that they all make an effective contribution to the Board, demonstrate commitment to their roles and can be recommended for re-election. Biographical details are shown on page 16 and further details of Mr Moon's other commitments are shown above.

the level and make-up of directors' remuneration

The level and make-up of directors' remuneration is set out in the Directors' Remuneration Report. As this shows, a proportion of Executive Directors' remuneration is linked to corporate performance through the Annual Bonus Scheme and the Executive Share Option Scheme.

procedure on board remuneration

The remuneration of the Executive Directors is the responsibility of the Remuneration Committee, which is more fully described in the Directors' Remuneration Report. The remuneration of the Non-executive Directors is determined by the Non-executive Directors' Remuneration Committee. No director is involved in deciding his own remuneration.

financial reporting

The directors have acknowledged in the Statement of Directors' Responsibilities their responsibility for preparing the financial statements of the Company and the Group. The Auditors have included in their report a statement of their responsibilities. The directors are also responsible for the publication of the interim report of the Group which provides balanced and understandable assessments of the Group's financial position for the first six months of the year.

Having taken into account the cash flow projections of the Group and the banking facilities available to it, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

corporate governance continued

internal controls

The Combined Code includes a requirement that the Board reviews the Group's system of internal controls. This requirement covers all controls including operational, compliance and risk management as well as financial controls. Formal guidance on the review of non-financial controls was published by the Institute of Chartered Accountants in England & Wales in September 1999, following which the Board approved a framework for the implementation of this guidance. The relevant procedures have been in place throughout the year ended 31 March 2005 and up to the date of this annual report.

The Board has overall responsibility for the Group's system of internal controls and regularly reviews the effectiveness of the system. Whilst no system of controls can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that any problems are identified on a timely basis and dealt with appropriately. In establishing and reviewing the system of internal controls, the Audit Committee, on behalf of the Board, has regard to the significance of the risks involved, the likelihood of a loss being incurred and the costs of the relevant controls.

The foundation of the Group's system of internal controls is the value which it places on the quality and integrity of its employees. Its principal components are:

- a clearly defined organisation structure with short and clear reporting lines;
- an ongoing process for the identification, regular review and management of the principal risks and issues affecting the business, both at Group and operating levels;
- a regular review of the principal suppliers and customers of the Group, and how each impacts upon the Group's business;
- a comprehensive planning process which starts with a strategic plan and culminates in an annual budget;
- regular forecasting throughout the year of orders, sales, profitability, cash flow and balance sheets;
- regular review of actual performance against budget and forecasts;
- clearly defined procedures for the authorisation of major new investments and commitments;
- a requirement for each operating company to maintain a system of internal controls appropriate to its own local business environment; and
- an annual process under which each operating company reviews its own system of internal controls and reports on the results to the Audit Committee and the Board.

The above procedures encompass Acal plc and its subsidiary companies, but do not include the Group's associated undertakings which operate their own individual system of internal control. Acal endeavours to persuade associated undertakings to comply with similar standards of internal control to its subsidiaries.

The Board receives regular submissions from management concerning the matters set out above and other matters relevant to internal controls and the identification, evaluation and management of risk. In addition, the Audit Committee, on behalf of the Board, has conducted a specific annual review of the effectiveness of the Group's system of internal controls and risk management. The Group has embedded internal control and risk management into the operations of the business and continues to deal with areas of improvement which come to the attention of management and the Board. The Audit Committee, on behalf of the Board, has considered the need for separate internal audit personnel and concluded that this is not necessary at present as the objectives, processes and responsibilities of such a function have been built into the review, control and monitoring roles of financial managers who are based at Head Office and are independent of operating entities for which they have responsibility. In addition, the external auditors report to the Audit Committee on any inconsistencies between what they find in the course of their work and the internal control system of the Group.

audit committee and auditors

The Audit Committee is comprised of Mr E A Barton, who is the Chairman, together with Mr R J Williams and Mr G J Williams. Mr R J Moon served as a Committee member but stood down on his appointment as Chairman on 1 April 2005. Mr D Channing-Williams served as a member of the Committee until his retirement from the Board. The Finance Director attends meetings although no Executive Director has a right of attendance. The Board is satisfied that all the members of the Committee have recent and relevant financial experience. In addition Mr G J Williams is a qualified chartered accountant.

The Committee is responsible for reviewing the scope and results of the audit, the accounting policies and systems of internal control of the Group as well as the effectiveness and cost-efficiency of the audit. In addition it considers and monitors the independence and objectivity of the auditors as well as the extent of any non-audit services provided by the auditors and the need or otherwise for an internal audit function. The interim statement, the preliminary announcement of results and the annual financial statements are considered by the Audit Committee prior to their approval by the Board. The Chairman of the Audit Committee maintains direct communication with the external auditors, independently of the management of the Company.

corporate governance continued

The Audit Committee met three times during the year and its principal activities during the period included:

- a review of the interim and full year results;
- a review of the internal control systems of the Company;
- a review of the scope and results of the external audit;
- ensuring the continued independence and objectivity of the external auditors, including the understanding of the external auditors' own standards and procedures for maintaining the independence and reviewing the level of non-audit services provided by the auditors in order to ensure that these were not significant enough to prejudice their independence and objectivity;
- a review of the need for an internal audit function;
- reviewing the external auditors' appointment and as a result overseeing the change of auditors from Deloitte & Touche LLP to Ernst & Young LLP together with the agreement of the terms of their engagement;
- a review of arrangements whereby staff may raise, in confidence, any concern they may have about possible improprieties.

Part of at least one meeting a year is held with only members of the Committee and the external auditors' present providing an opportunity for any concerns to be raised without executive management present.

The Chairman of the Audit Committee reports to the Board on any significant matters arising from the activities of the Committee.

The only non-audit services provided by Ernst & Young LLP relate to taxation. The Committee has formed the view that given the size of the Company and the detailed level of understanding that is required of the Group's business the provision of such services by a third party is inappropriate. As stated above, however, the matter is kept under review by the Committee.

The terms of reference of the Audit Committee are available on request.

dialogue with institutional shareholders

The Board believes that it is an important part of its responsibilities to maintain effective and timely communications with the Company's shareholders and institutional investors. The Company's Annual Report includes a statement from the Chairman, an operations review by the Chief Executive and a financial review by the Finance Director. At the half year an Interim Report is published.

Throughout the year regular meetings are held with institutional shareholders as well as stockbroking analysts. These meetings would include discussion of governance and strategy as required and it is the responsibility of the Chairman to ensure that shareholder views are communicated to the Board as a whole. Investor relations information as well as presentations and news releases are made available on the Company's website (www.acalplc.co.uk). Members of the Board and the Chairman of the Remuneration and Audit Committees are available at the Annual General Meeting to answer any questions and throughout the year the Company responds to any questions from shareholders generally. The Senior Independent Director is available to deal with issues which cannot be resolved through the Chairman or executive management.

Any feedback received by the Company from meetings with institutional shareholders and stockbroking analysts is discussed at financial management meetings and the relevant minutes are circulated to the Board. Periodically the Company's stockbrokers and public relations advisers follow up meetings held with institutional investors and stockbroking analysts in order to try and obtain feedback on these meetings which may not have been provided directly to the Company. The results of such follow-up discussions are circulated to the Board.

annual general meeting

The level of proxy voting together with the number of votes cast for and against each resolution together with abstentions will be made available at the Annual General Meeting after voting is completed on a show of hands. A separate resolution has been presented on each substantially separate issue and the Chairman of each Board Committee will attend the meeting. Notice of the meeting has been sent to shareholders at least 20 working days before the meeting.

directors' remuneration report

This report has been prepared in accordance with the provisions of Schedule 7A of the Companies Act 1985. It also meets the relevant requirements of the Listing Rules of the UK Listing Authority and describes how the Board has applied the principles of Good Governance relating to directors' remuneration. As required by regulation, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

unaudited information

remuneration committee

The Remuneration Committee comprises Mr R J Williams as Chairman of the Committee, Mr G J Williams, Mr E A Barton, and Mr R J Moon who was appointed a member of the Committee on 1 September 2004. Mr D Channing-Williams was a member of the Committee until he retired from the Board. The Committee determines the remuneration of Executive Directors on behalf of the Board and keeps remuneration payable to other members of the senior management team under review. The Committee met on three occasions during the year to 31 March 2005 and its terms of reference are available on request.

In determining the Executive Directors' remuneration, the Committee received assistance from Mr J A H Curry, the Chairman of the Company at that time, and also took into account current surveys of directors' remuneration. The Committee takes advice from external consultants as and when it is deemed necessary, although it did not do so in the year under review. It is the Committee's policy that any consultants that are used do not provide other services to the Acal Group.

Remuneration of the Executive Directors centres on ensuring that packages are sufficiently competitive in both fixed and variable terms to attract, retain and motivate senior management of the right calibre. To achieve this, it is necessary to provide packages that reflect individual experience and performance as well as taking account of local market practice and the specific characteristics of the Company. The ability to recruit high quality staff in new and higher technology areas is critical in enabling the Group to grow. The four main elements of the remuneration package for Executive Directors and senior management are:

- basic annual salary and benefits
- annual bonus payments (short-term incentives)
- share option incentive schemes (long-term incentives)
- pension arrangements

Each of the above is described in detail below.

Executive Directors may accept non-executive appointments outside the Company with the consent of the Board. The Board requires to be satisfied that the time commitment involved is consistent with the responsibilities of the relevant Executive Director. Where fees from such appointments are not required to be accounted for to the Company, the relevant time commitment is taken into account in determining the relevant director's remuneration.

The remuneration of the Non-executive Directors is determined on behalf of the Board by the Non-executive Directors' Remuneration Committee. The Committee consists of Mr A J Laughton as Chairman and Mr J S Virdee. Mr J A H Curry served as a member of this Committee until his retirement on 31 March 2005 and Mr R Allen served as a member until his resignation on 5 November 2004. The remuneration of Non-executive Directors is determined in accordance with their experience as well as surveys of fees paid to Non-executive Directors of similar companies. Fees paid to Non-executive Directors are set out in the audited section below.

It is not envisaged that remuneration policy for the year to 31 March 2006 will differ materially from that which applied during the year under review.

salaries, fees and benefits

An Executive Director's basic salary is reviewed by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the role and responsibilities of the relevant director as well as his experience and performance, and if considered necessary takes appropriate external advice. In addition to basic salary, the Executive Directors receive certain benefits-in-kind, principally comprising a car or car allowance, life assurance and private medical insurance.

Fees for Non-executive Directors are determined by the Non-Executive Directors' Remuneration Committee having regard to fees paid to Non-executive Directors in other UK quoted companies, the time commitment and the responsibilities of the role. Non-executive directors cannot participate in any of the Company's share option schemes.

short-term incentive arrangements

The Company's policy is that a substantial proportion of the Executive Directors' remuneration should be performance-related. The average value of annual bonus as a percentage of the basic salaries of Executive Directors has been 25% over the last five years. The Committee reviews and determines the financial objectives that must be met before the start of each financial year.

Whilst the principal long-term measure of shareholder interests is total shareholder return, the Company believes that for the purposes of determining annual bonuses, account has to be taken of those aspects of trading performance which senior management can influence by their actions. Thus the annual bonuses depend on specific targets in respect

directors' remuneration report continued

of return on capital employed, the growth of profits and the quality of profits which is measured by the net margin as a percentage of sales. The Remuneration Committee has agreed a cap to the aggregate amount that may be paid to the Executive Directors by way of annual bonus in any year. This cap is currently fixed at £250,000.

executive share option scheme

The Group operates an approved and an unapproved executive share option scheme, the rules of which are similar in all material respects. The grant of options to executive directors and senior management is recommended by the Committee on the basis of their contribution to the Group's success. The exercise of options is subject to the meeting of performance targets set by the Committee. It is Acal's policy to grant options to employees on a phased and regular basis and not in one block. However, at certain times, particularly when recruiting new people or to reward major achievements, it may be necessary to apply the policy flexibly. It also Acal's policy not to grant executive share options at a discount to market price.

The performance criterion that must be met was determined when the relevant schemes were established, and requires that the growth in the Company's earnings per share in any three-year period before exercise must have exceeded the percentage increase in the Retail Price Index over the same period plus two per cent per annum. This criterion is kept under review.

The Company does not operate any long-term incentive schemes other than the share option schemes described above.

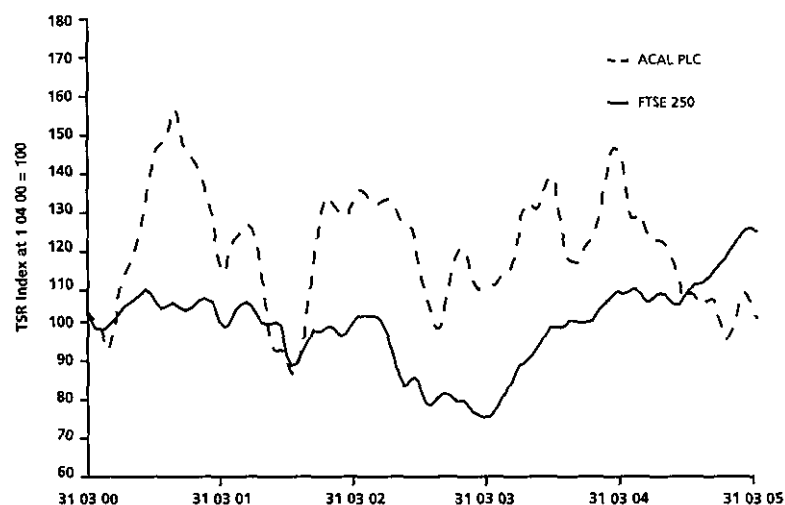
pension arrangements

The Executive Directors are members of the Group's pension scheme, which is a defined contribution scheme. In respect of these directors, as in the case of all other members of the scheme, the Company makes contributions of one per cent of pensionable salary plus the amount of the director's own contribution provided the Company's contribution does not exceed 6.5% of pensionable salary. Pensionable salary includes payments made to Executive Directors under the annual bonus scheme. Given that the scheme operates on a defined contribution basis and that the Company's maximum percentage contribution is relatively low it is considered that the inclusion of bonus payments for pension purposes, both for directors and employees, is not unreasonable. All members of the scheme are eligible for a further Company contribution which is not guaranteed and may be paid depending on the performance of the Company. No such performance-related contribution has been payable since 31 March 2001. In recognition of long service, however, special contributions of £10,000 and £8,000 were made by the Company in respect of A J Laughton and J S Virdee respectively in the year to 31 March 2005.

performance graph

The following graph compares the Company's performance, measured by total shareholder return with the performance of the FTSE mid 250 index also measured by total shareholder return. The FTSE mid 250 index is made up of companies in the FTSE 350, excluding those in the FTSE 100 index. Total shareholder return measures share price growth with dividends deemed to be reinvested gross on the ex-dividend date and the data points are shown using a moving one-month average. Although the Company is not currently a member of the FTSE 250, it aspires to be so and continues to use this index as its comparator.

total shareholder return for period 1 April 2000 to 31 March 2005



directors' contracts

It is the Company's policy that Executive Directors should have service contracts incorporating a maximum period of one year's notice. However, it may be necessary occasionally to apply this policy flexibly and offer longer initial notice periods to new directors. Any termination payments are not agreed in advance and are determined in accordance with the director's contractual rights taking account of the circumstances and the director's duty to mitigate loss. Mr A J Laughton also served as Non-executive chairman of Triage Services Limited in respect of which he received and retained fees of £24,000.

directors' remuneration report continued

All Non-executive Directors have specific terms of engagement, which provide for a notice period of no more than six months and all of which would terminate automatically in the event of the Non-executive Director not being re-elected by shareholders.

directors' interests

The interests of the directors who served during the year (including family interests) in the shares of the Company were as follows:

	At 31 March 2005		At 31 March 2004	
	Ordinary shares (5p) fully paid Beneficial	Non-Beneficial	Ordinary shares (5p) fully paid Beneficial	Non-Beneficial
J A H Curry	2,600,000	715,000	2,600,000	715,000
A J Laughton	1,500,900	—	1,500,900	—
J S Virdee	105,778	—	105,778	—
R A Allen*	—	—	—	—
R J Moon*	—	—	—	—
R J Williams	2,345	—	2,345	—
G J Williams	1,000	—	—	—
E A Barton	1,000	—	1,000	—
D Channing-Williams*	—	—	—	—

* The interests shown for R A Allen and D Channing-Williams at 31 March 2005 are those at their respective dates of resignation. The interests shown for R J Moon as at 31 March 2004 are as at his date of appointment.

J A H Curry's non-beneficial shareholding at 31 March 2005 comprised 715,000 shares (2004: 715,000) owned by E I F Consultants Limited, a company of which his wife is a director and shareholder.

The interests of directors in the shares of the Company at 6 June 2005 are unchanged from those at 31 March 2005.

audited information

The total amounts for directors' remuneration were as follows:

	2005 £	2004 £
Fees	111,259	70,666
Salary and benefits	783,860	848,933
Performance-related bonuses	55,000	81,500
Money purchase pension contributions	65,844	59,583
Compensation for loss of office	165,500	—
	1,181,463	1,060,684

Details of the remuneration of directors who served during the years ended 31 March 2005 and 31 March 2004 are as follows:

	Salary or fees £	Bonus £	Benefits £	Pensions contributions £	Compensation for loss of office £	2005 Total £	2004 Total £
Executive directors							
J A H Curry	200,000	15,000	15,678	—	—	230,678	257,624
A J Laughton	276,340	25,000	15,032	29,652	—	346,024	338,682
J S Virdee	165,560	15,000	23,453	19,801	—	223,814	217,387
R A Allen*	80,500	—	7,297	16,391	165,500	269,688	171,556
J Pomeroy	—	—	—	—	—	—	4,769
Non-executive directors							
R J Moon*	31,250	—	—	—	—	31,250	—
R J Williams	27,917	—	—	—	—	27,917	23,000
G J Williams	22,917	—	—	—	—	22,917	6,500
D Channing-Williams*	2,925	—	—	—	—	2,925	19,500
E A Barton	26,250	—	—	—	—	26,250	21,666
	833,659	55,000	61,460	65,844	165,500	1,181,463	1,060,684

directors' remuneration report continued

* The emoluments of Mr R A Allen and Mr D Channing-Williams relate to the period up to their respective resignations on 5 November 2004 and 30 April 2004. The emoluments of Mr R J Moon relate to the period from his appointment on 1 September 2004.

Mr A J Laughton was the highest paid director (both including and excluding pension contributions) in the year ended 31 March 2005 (2004: Mr A J Laughton). No director made any gain on exercise of share options during the year. In the year to 31 March 2004 Mr A J Laughton and Mr J S Virdee made gains of £179,900 and £71,750 respectively upon exercise of share options.

Movements in the directors' holding of options under the Acal plc Executive Share Option Scheme during the year were as follows:

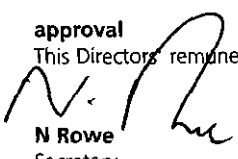
Director	Number held at 1.04.04	Movements during the year		Number held at 31.03.05	Date of grant	Exercise price	When exercisable
		Granted	Exercised				
J A H Curry	72,000	-	-	72,000	June 1998	363.5p	June 2001 to June 2005
J A H Curry	50,000	-	-	50,000	July 1999	462.5p	July 2002 to July 2006
J A H Curry	110,000	-	-	110,000	July 2000	517.5p	July 2003 to July 2007
J A H Curry	34,000	-	-	34,000	July 2001	537.5p	July 2004 to July 2008
J A H Curry	23,000	-	-	23,000	June 2002	586.5p	June 2005 to June 2009
A J Laughton	72,000	-	-	72,000	June 1998	363.5p	June 2001 to June 2005
A J Laughton	50,000	-	-	50,000	July 1999	462.5p	July 2002 to July 2006
A J Laughton	50,000	-	-	50,000	July 2000	517.5p	July 2003 to July 2007
A J Laughton	34,000	-	-	34,000	July 2001	537.5p	July 2004 to July 2008
A J Laughton	23,000	-	-	23,000	June 2002	586.5p	June 2005 to June 2009
A J Laughton	20,000	-	-	20,000	June 2003	525.0p	June 2006 to June 2010
A J Laughton	-	15,000	-	15,000	July 2004	480.0p	July 2007 to July 2011
J S Virdee	30,000	-	-	30,000	July 1999	462.5p	July 2002 to July 2006
J S Virdee	35,000	-	-	35,000	July 2000	517.5p	July 2003 to July 2007
J S Virdee	18,000	-	-	18,000	July 2001	537.5p	July 2004 to July 2008
J S Virdee	13,000	-	-	13,000	June 2002	586.5p	June 2005 to June 2009
J S Virdee	12,000	-	-	12,000	June 2003	525.0p	June 2006 to June 2010
J S Virdee	-	10,000	-	10,000	July 2004	480.0p	July 2007 to July 2011
R A Allen	10,000	-	-	10,000	July 1999	462.5p	July 2002 to July 2006
R A Allen	19,000	-	-	19,000	July 2000	517.5p	July 2003 to July 2007
R A Allen	16,000	-	-	16,000	July 2001	537.5p	July 2004 to July 2008
R A Allen	11,000	-	-	11,000	June 2002	586.5p	June 2005 to June 2009
R A Allen	10,000	-	-	10,000	June 2003	525.0p	June 2006 to June 2010
R A Allen	-	10,000	-	10,000	July 2004	480.0p	July 2007 to July 2011

The market price of the shares at 31 March 2005 was 367.5p and the range during the year ended on that date was 342.5p to 545p. Mr J A H Curry retired as a director on 31 March 2005 and his options will, in accordance with the rules of the Acal plc Executive Share Option Scheme, lapse prior to the exercisable dates shown above. The options held by Mr R A Allen shown at 31 March 2005 are those held at the date of resignation, and all of which, in accordance with the rules of the Executive Share Option Scheme, have since the year end, lapsed.

Mr A J Laughton and Mr J S Virdee each has a service contract with the Acal Group dated 21 March 2002 incorporating a notice period of one year. Other than their service contracts, no contract of significance to which any member of the Acal Group is a party and in which a director is or was materially interested, subsisted at the end of, or during the year.

approval

This Directors' remuneration report has been approved by the Board and signed on its behalf by


N Rowe

Secretary

6 June 2005

corporate social responsibility

While the management of Acal is primarily accountable to its shareholders, in managing the business it takes into account all stakeholders in Acal including employees, customers and suppliers, as well as the local communities and environment in which it operates. In a balanced way, without unnecessarily restricting the optimisation of returns, it endeavours to identify and manage any risks to the value of Acal's business from social, environmental and ethical matters, and to take *any opportunities presented by a sensible and considerate approach to such matters to enhance shareholder value*. The Board of Acal has adopted policies in relation to corporate social matters, and day-to-day responsibility for implementation of these policies is delegated to the management of Acal's operating companies. In implementing these policies the Group endeavours to ensure that the cost of managing risks is proportionate to their significance to Acal and its business partners. More specifically, Acal's policies cover the following:

general

Management at all levels in the organisation is committed to taking account of its corporate social responsibility in its actions and endeavours to show due respect for human rights and works to high standards of integrity and ethical propriety. As a multinational organisation, Acal takes account of cultural differences between the various territories in which it operates.

employees, health and safety

Acal provides equal opportunities to all employees and prospective employees, and does not discriminate on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation.

Clear and fair terms of employment as well as a fair and competitive remuneration policy are put in place. Employees are encouraged to develop their knowledge and skills and to progress their careers to the mutual benefit of themselves and the companies they work for. It is the responsibility of management to ensure that they comply with all local regulations including those relating to the employment of underage staff. Local business units are responsible for developing and implementing effective arrangements for employee communication.

A great deal of importance is attached to the provision of clean, healthy and safe working conditions. In addition to compliance with all local regulations, Acal promotes working practices which protect the health and safety of its employees and other persons who come on to its premises. The Group endeavours to protect employees from and does not tolerate any sexual, physical or mental harassment. Health and safety matters are kept under regular review by local management and by the Group management committees.

The Group operates a 'whistle-blowing' policy whereby employees may report in confidence any suspected wrongdoing.

business relationships

All Acal Group members seek to be honest, fair and competitive in their relationships with all customers and suppliers. Every attempt is made to ensure that products and services are provided to the agreed standards and all reasonable steps are taken to ensure the safety and quality of the goods and services provided. Payment is made to suppliers in accordance with the agreed terms, the relevant goods or services having been satisfactorily delivered. It is Acal's policy that no one in the Group should offer or accept any bribes or other corrupt payments, engage in any anti-competitive practices or knowingly be involved in any fraud or money laundering.

So far as it is able to and taking into account local cultural and regulatory differences, Acal encourages organisations and people with whom it does business to abide by principles of good practice in relation to their corporate social responsibility.

community and environment

Each Acal Group company aims to be sensitive to the local community's cultural, social and economic needs, and seeks to ensure that its activities do not harm the communities as places to work and live in. The Group seeks to ensure that its operations do not have a negative impact on the environment. Apart from compliance with all local environmental regulations, Group companies endeavour to promote the effective management of natural resources and encourage energy efficient as well as waste minimisation and recycling where economically viable means of doing so are available. Although the vast majority of products Acal deals with are non-hazardous, where such products are involved it minimises the environmental risks by use of appropriate labelling and technical information in conjunction with proper training and procedures for the handling, storage and disposal of such products. The Group is cognisant of the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment Regulations 2004 and the Waste Electrical and Electronic Equipment Regulations, and has implemented procedures to achieve compliance with them.

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 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*; and
- use the going concern basis unless it is inappropriate to presume that the Company and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

report of the auditors

independent auditors' report to the members of Acal plc

We have audited the financial statements of Acal plc for the year ended 31 March 2005 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated statement of cash flows, consolidated statement of total recognised gains and losses, reconciliation of movement in consolidated shareholders' funds and the related notes 1 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

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

The directors are responsible for preparing the annual report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the statement of directors' responsibilities in relation to the financial statements. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the directors' report, unaudited part of the directors' remuneration report, chairman's statement, operating and financial review and corporate governance statement. 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 other information.

basis of audit opinion

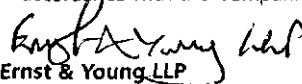
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the profit of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditors
London

6 June 2005

consolidated profit and loss account

for the year to 31 March 2005

	notes	2005 £'000	2004 £'000 Restated*
Turnover			
Ongoing activities		252,302	253,579
Closed activities		5,379	14,866
Acquisition		3,006	–
	1	260,687	268,445
Operating profit			
Excluding goodwill amortisation		12,622	14,049
Goodwill amortisation	10	(3,046)	(2,925)
Group operating profit (excluding associated undertakings)	2	9,576	11,124
Group share of operating profits of associated undertakings		629	430
Total operating profit (including associated undertakings)			
Excluding goodwill amortisation		13,253	14,481
Goodwill amortisation		(3,048)	(2,927)
	3	10,205	11,554
Loss on termination of operations		–	(600)
Net interest payable and similar charges – group	4	(1,927)	(1,853)
Net interest payable and similar charges – associated undertakings		(60)	(42)
Profit before taxation			
Excluding goodwill amortisation		11,266	11,986
Goodwill amortisation		(3,048)	(2,927)
Profit on ordinary activities before taxation		8,218	9,059
Taxation on profit on ordinary activities			
United Kingdom		(3,352)	(3,792)
Overseas		(278)	(200)
Associated undertakings		(129)	(146)
	5	(3,759)	(4,138)
Profit after taxation			
Excluding goodwill amortisation		7,507	7,848
Goodwill amortisation		(3,048)	(2,927)
Profit on ordinary activities after taxation		4,459	4,921
Minority interest		(412)	(206)
Profit attributable to ordinary shareholders		4,047	4,715
Dividends on ordinary shares	6	(5,713)	(5,548)
Retained loss for the year	20	(1,666)	(833)
Earnings per share	8	15.3p	17.9p
Diluted earnings per share	8	15.3p	17.9p
Earnings per share excluding goodwill amortisation	8	26.9p	29.0p
Earnings per share excluding goodwill amortisation and exceptionals	8	26.9p	31.3p

The results for the year and the prior year relate wholly to continuing operations. The impact of the acquisition on the Group's operating profit for the period was not material.

*See note 21.

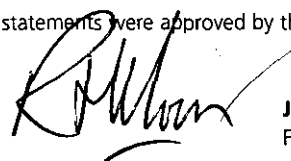
balance sheets

at 31 March 2005

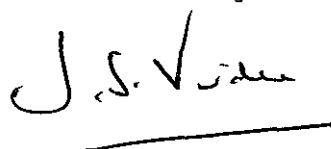
	notes	Group 2005 £'000	Group 2004 £'000 Restated*	Parent Company 2005 £'000	Parent Company 2004 £'000
Fixed assets					
Intangible assets	10	45,684	46,859	–	–
Tangible assets	11	12,511	14,101	–	–
Investments	12	6,140	6,429	116,382	116,386
		64,335	67,389	116,382	116,386
Current assets					
Stocks	13	25,474	23,610	–	–
Debtors	14	55,535	54,124	7,857	2,570
Cash at bank and in hand		15,947	10,828	345	230
		96,956	88,562	8,202	2,800
Creditors:					
amounts falling due within one year	15	(68,420)	(61,967)	(21,960)	(20,413)
Net current assets/(liabilities)		28,536	26,595	(13,758)	(17,613)
Total assets less current liabilities		92,871	93,984	102,624	98,773
Creditors:					
amounts falling due after more than one year	15	(20,247)	(20,341)	(20,000)	(20,000)
Provisions for liabilities and charges	17	(1,639)	(1,256)	–	(18)
Net assets excluding pension liability		70,985	72,387	(20,000)	78,755
Net pension liability	18	(4,453)	(4,816)	–	–
Net assets including pension liability		66,532	67,571	82,624	78,755
Capital and reserves					
Called up share capital	19	1,321	1,318	1,321	1,318
Share premium account	20	37,984	37,805	37,984	37,805
Revaluation reserve	20	332	323	–	–
Merger reserve	20	817	809	2,970	2,970
Profit and loss account	20	24,916	26,443	40,349	36,662
Equity shareholders' funds		65,370	66,698	82,624	78,755
Minority interest	27	1,162	873	–	–
Net capital employed		66,532	67,571	82,624	78,755

These financial statements were approved by the Board of Directors on 6 June 2005 and signed on its behalf by:

R J Moon
Chairman



J S Virdee
Finance Director



*See note 21.

consolidated statement of cash flows

for the year to 31 March 2005

	notes	2005 £'000	2004 £'000
Operating activities			
Net cash inflow from operating activities	25a	16,910	19,822
Dividends from associated undertaking		313	54
Returns on investments and servicing of finance			
Interest paid		(2,497)	(2,430)
Interest paid on finance leases		(1)	(17)
Interest received		571	594
Dividends paid to minority interests		(93)	–
		(2,020)	(1,853)
Taxation		(3,847)	(4,921)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(2,214)	(3,729)
Payments to acquire investments		–	(513)
Receipts from sale of tangible fixed assets		991	319
Receipts from the sale of investments		447	66
		(776)	(3,857)
Acquisitions and disposals			
Acquisition of subsidiary	9	(3,366)	(5,964)
Net cash/(overdrafts) acquired with subsidiary		1,060	(679)
Disposal of businesses		–	371
		(2,306)	(6,272)
Equity dividends paid		(5,601)	(5,365)
Net cash inflow/(outflow) before financing		2,673	(2,392)
Financing			
Issue of ordinary shares		182	705
Decrease in debt due within one year		(140)	(1,770)
Increase/(decrease) in debt due after more than one year		18	(2,000)
Payment of capital element of finance leases		(16)	(41)
		44	(3,106)
Increase/(decrease) in cash in the year	25b	2,717	(5,498)

reconciliation of net cash flow to movements in net debt

for the year to 31 March 2005

	notes	2005 £'000	2004 £'000
Increase/(decrease) in cash in the year	25b	2,717	(5,498)
Cash outflow from decrease in debt and lease financing		138	3,811
Change in net debt from cash flows		2,855	(1,687)
Translation difference and other movements		55	(133)
Movement in net debt in the period		2,910	(1,820)
Net debt at 1 April 2004		(15,224)	(13,404)
Net debt at 31 March 2005		(12,314)	(15,224)

consolidated statement of total recognised gains and losses

for the year to 31 March 2005

	2005 £'000	2004 £'000 Restated
Profit attributable to ordinary shareholders	4,047	4,715
Actuarial (loss)/gain on pension scheme	(21)	1,212
Deferred tax relating to pension scheme	(155)	(478)
Gain/(loss) on currency translation – Subsidiary Undertakings	324	(727)
Loss on currency translation – Associated Undertakings	(42)	(300)
Total recognised gains and losses for the financial year	4,153	4,422
Prior period adjustment (see note 21)	(978)	–
Total recognised gains and losses since last annual report	3,175	–

reconciliation of movements in shareholders' funds

for the year to 31 March 2005

	Group 2005 £'000	Group 2004 £'000	Parent Company 2005 £'000	Parent Company 2004 £'000
Profit attributable to ordinary shareholders	4,047	4,715	9,400	5,279
Dividends	(5,713)	(5,548)	(5,713)	(5,548)
Gain/(loss) on currency translation	282	(1,027)	–	–
New share capital issued	182	705	182	705
Actuarial (loss)/gain on pension scheme	(21)	1,212	–	–
Deferred tax relating to pension scheme	(155)	(478)	–	–
Goodwill written back on disposal	50	–	–	–
Net (reduction in)/addition to shareholders' funds	(1,328)	(421)	3,869	436
Shareholders' funds at 1 April (as previously reported)	67,676	67,963	78,755	78,319
Prior period adjustment (see note 21)	(978)	(844)	–	–
Shareholders' funds at 1 April (as restated)	66,698	67,119	78,755	78,319
Shareholders' funds at 31 March	65,370	66,698	82,624	78,755

All of the shareholders' funds are equity.

accounting policies

1: accounting convention

The financial statements are prepared in accordance with United Kingdom applicable accounting standards. The principal accounting policies are set out below.

2: basis of consolidation

The consolidated financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain assets. The consolidated financial statements comprise the financial statements of the parent company and all subsidiary undertakings prepared to 31 March. Sales between group undertakings together with related profits are eliminated on consolidation.

Accounting policies have been consistently applied throughout the current and preceding periods with the exception of a change in the accounting policy relating to revenue earned from service contracts which is discussed below.

3: change in accounting policy and presentation of financial information

Revenues earned from service contracts where the service was provided by third parties were previously included in turnover in the period in which the relevant contracts were sold with full provision for amounts payable to third parties which were to provide the services under these contracts. Where service under the contract was provided by the Group, revenues were included in turnover over the period of the contract with the costs of providing the service being charged as incurred. Recent developments in accounting practice in this area suggest that where the seller's contractual obligations are performed gradually over time, revenue should be recognised as contract activity progresses to reflect the seller's partial performance of its obligations.

Accordingly, turnover in respect of all service contracts is now recognised over the life of the agreement on performance of the contractual obligations to the customer. Related costs are charged to the profit and loss account as incurred. This change has been accounted for as a prior period adjustment and previously reported figures have been restated accordingly. The financial effects on the profit and loss account and balance sheet are set out in note 21.

4: subsidiary undertakings

The investment in subsidiary undertakings is stated in the parent company balance sheet at cost, less provision where appropriate for impairment. Cost comprises cash consideration, the fair value of shares issued as consideration and expenses of acquisition.

Where subsidiary undertakings are acquired or disposed of during the year, the Group's trading results include only profits or losses from the date of acquisition or to the date of disposal.

5: associated undertakings

The Group includes its share of associated undertakings' profits or losses in the consolidated profit and loss account. The investments in associated undertakings are stated in the consolidated balance sheet at the Group's share of the underlying net asset value.

6: investments

Trade investments held as fixed assets are stated at cost less any provision for impairment.

7: goodwill

Goodwill arising on acquisitions is capitalised within fixed assets in the year of acquisition and amortised on a straight line basis over its expected useful life. Goodwill represents the excess of the fair value of the consideration paid over the fair value of the net assets acquired.

Purchased goodwill arising on consolidation in respect of acquisitions before 1 April 1998, when FRS10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition as a matter of accounting policy. When a subsequent disposal occurs, any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

8: turnover

Turnover represents the invoiced value of goods, commission and other services provided to third parties, excluding VAT and similar taxes levied overseas. Revenue earned from service contracts is recognised as turnover over the life of the relevant contract.

accounting policies continued

9: depreciation and amortisation

Depreciation and amortisation of fixed assets is provided on a straight line basis at such rates as will write off the cost or valuation of the assets (less residual values) over their expected lives. The principal annual rates used for this purpose are:

Land	nil%
Buildings	2-3%
Leasehold property	10-20%
Plant, equipment and IT systems	10-33%
Goodwill	5%

10: taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell an asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

11: fixed assets

Fixed assets are stated at cost (adjusted for any revaluations made prior to the adoption of FRS15 'Tangible Fixed Assets' during the year ended 31 March 2000) less any provision for impairments.

12: stocks

Stocks and work in progress are stated at the lower of average cost and net realisable value.

13: pensions

The Group makes payments to various defined contribution pension schemes, the assets of which are held separately in independently administered funds. The amount charged to the profit and loss account represents employer contributions payable in respect of the accounting period.

When the Group acquired Sedgemoor Ltd in June 1999, it brought with it certain defined benefit schemes which have been curtailed and future service accrual under which has ceased.

For defined benefit schemes the amounts charged to operating profit are the gains and losses on settlements. They are included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Further information relating to pension schemes is set out in note 18 to the Financial Statements.

14: hire purchase contracts, finance leases and operating leases

The capital cost of assets acquired under hire purchase contracts and finance leases is included in tangible fixed assets and the capital element of future rentals and lease payments is treated as a liability. Interest is charged to the profit and loss account over the period of the contract in proportion to the balance outstanding.

Expenditure on operating leases is charged to the profit and loss account on a straight line basis over the lease period.

15: foreign currency and financial instruments

Exchange profits and losses resulting from trading are accounted for in the results for the period.

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year, or at forward rates where covered by forward exchange contracts. Results of foreign subsidiary undertakings are translated at the average rate of exchange for the year. Differences on exchange arising from the translation of the net assets and results of those subsidiary undertakings are taken to reserves on consolidation.

notes to the financial statements

1: turnover

	2005 £'000	2004 £'000 Restated
Sales were made to the following markets:		
Continental Europe (excluding UK)	134,281	142,827
United Kingdom	109,371	106,785
Rest of the World	17,035	18,833
	260,687	268,445

Only one class of business, the sale and marketing of electronics and industrial control products, is undertaken within the Group. Due to the nature of the Group's relationships with suppliers in each territory, the analysis of sales by origin is not materially different from the analysis of sales by destination as reported above. Further geographical analysis of sales, net assets and results has not been given since, in the opinion of Directors, this would be seriously prejudicial to the commercial interests of the Group.

The closure of EAF Nederland BV was announced on 29 March 2004 and completed during the half year ended 30 September 2004. Acal Netherlands Computer Components activity was closed during the second half of the year ended 31 March 2005. The turnover of these activities is shown under 'Closed activities'. The acquisition of Mecodis SA was announced on 16 July 2004. Its turnover is shown under 'Acquisition'.

2: cost of sales and net operating expenses

	2005 £'000	2004 £'000 Restated
Operating profit is stated after deducting cost of sales and net operating expenses as shown below:		
Cost of sales	191,297	198,994
Gross margin	69,390	69,451
Net operating expenses:		
Distribution and selling costs	33,112	33,204
Goodwill amortisation	3,046	2,925
Administrative expenses – excluding goodwill	24,164	22,808
Total administrative expenses	27,210	25,733
Less: other operating income	60,322 (508)	58,937 (610)
	59,814	58,327

The acquisition of Mecodis SA does not have a material impact on cost of sales, distribution costs and administration expenses.

notes to the financial statements continued

3: operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned	3,262	3,491
Depreciation of tangible fixed assets – leased	3	21
Profit on disposal of fixed assets and investments	(359)	(88)
Amortisation of goodwill in respect of:		
Subsidiary undertakings	3,046	2,925
Associated undertakings	2	2
Auditors' remuneration in respect of:		
Service as auditors (of which, Parent Company £29,000 (2004: £23,800))	253	247
Tax compliance and advisory services	84	133
Other non-audit services	–	26
Operating lease rentals:		
Plant and machinery	398	545
Land and buildings	3,455	3,371

4: net interest payable and similar charges

	2005 £'000	2004 £'000
This comprises:		
Interest on bank overdrafts and loans	2,336	2,105
Interest on finance leases	1	17
Interest payable	2,337	2,122
Less: interest receivable and similar income	(571)	(594)
Net interest payable	1,766	1,528
Expected return on pension scheme assets	(1,584)	(1,367)
Interest cost on pension scheme liabilities	1,745	1,692
Net interest payable and similar charges	1,927	1,853



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notes to the financial statements continued

5: tax on profit on ordinary activities

	2005 £'000	2004 £'000
The tax charge represents:		
UK Corporation tax at 30% (2004: 30%)		
Current year	3,273	3,483
Prior year	(153)	21
	3,120	3,504
Overseas tax		
Current year	229	391
Prior year	(88)	(54)
	141	337
Associated undertakings	129	146
Total current tax	3,390	3,987
Deferred tax – UK	32	288
Deferred tax – overseas	337	(137)
	3,759	4,138

The current tax charge for the year can be reconciled to the United Kingdom standard rate of corporation tax as follows:

	2005 £'000	2004 £'000 Restated
Profit on ordinary activities before tax	8,218	9,059
Tax on profit at UK standard rate of 30%	2,465	2,718
Foreign tax charges at a higher rate	171	5
Expenses not deductible for tax purposes	1,364	579
Capital allowances in excess of depreciation	(152)	(156)
Other timing differences	(217)	874
Amounts in respect of prior years	(241)	(33)
Current tax	3,390	3,987

6: dividends

	2005 £'000	2004 £'000
These comprise:		
Ordinary equity shares		
Interim dividend	1,909	1,857
Proposed final dividend	3,804	3,691
	5,713	5,548

The total dividends payable on ordinary shares for the year represent an amount of 21.6p (2004: 21.0p) per ordinary share.

notes to the financial statements continued

7: directors and employees

(a) The aggregate emoluments of the Directors were:

	2005 £	2004 £
Fees	85,009	70,666
Salary and benefits	783,860	848,933
Performance-related bonuses	55,000	81,500
Pension contributions	65,844	59,585
	989,713	1,060,684

During the year A J Laughton, J S Virdee and R A Allen were members of the Group's pension scheme which is a defined contribution scheme. Further details of the emoluments of and options held by the Directors, including the highest paid director, are set out under Audited Information in the Directors' Remuneration Report.

(b) The monthly average number of employees (including Executive Directors) during the year was as follows:

	No	No
Marketing, sales and service	792	824
Administration	203	213
	995	1,037

(c) Group employment costs for all employees (including Executive Directors) were as follows:

	2005 £'000	2004 £'000
Salaries and bonuses	30,494	29,786
Social security costs	4,577	4,420
Pension contributions	1,381	1,322
	36,452	35,528

Further details on pension contributions are shown in note 18.

8: earnings per share

Earnings per share of 15.3p (2004: 17.9p) represent the profit attributable to shareholders of Acal plc of £4,047,000 (2004: £4,715,000) divided by 26,416,854 (2004: 26,300,789) being the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are calculated after recognising weighted average dilutive options in respect of 181,000 (2004: 1,146,398) ordinary shares, adjusted by a weighting factor between the average exercise price of the share options and the average market price per share during the year. The number of shares used for the calculation is 26,445,212 (2004: 26,394,760).

Earnings per share excluding goodwill amortisation of 26.9p (2004: 29.0p) has been presented to provide additional information to shareholders and is equal to the earnings per share of 15.3p (2004: 17.9p) plus 11.6p (2004: 11.1p) in respect of goodwill amortisation excluded of £3,048,000 (2004: 2,927,000) based on the same weighted average number of ordinary shares as for earnings per share. Earnings per share excluding goodwill amortisation and exceptionals of 26.9p (2004: 31.3p) is equal to the earnings per share excluding goodwill amortisation of 26.9p (2004: 29.0p) plus 0.0p (2004: plus 2.3p) in respect of exceptional costs excluded of £nil (2004: exceptional costs £600,000).

notes to the financial statements continued

9: acquisition

On 16 July 2004, the Group acquired all of the issued share capital of Mecodis SA for a consideration of £3.7 million (including costs). An analysis of the consideration paid, assets acquired and goodwill arising is set below. The estimated deferred consideration payable of £403,000 is based on Mecodis SA's gross margin for the twelve months ending 15 July 2005, and is anticipated to be between £350,000 and £450,000. The profits after taxation of Mecodis SA were as follows:

	Profit after tax £'000
1 January 2004 to the date of acquisition	52
Preceding financial year ended 31 December 2003	158

This acquisition has been accounted for using the acquisition method.

The following table summarises the book value of the major category of assets and liabilities included in the consolidated financial statements at the date of acquisition.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	23	–	23
Stock	350	(35)	315
Debtors	1,309	–	1,309
Cash and financing	1,060	–	1,060
Creditors	(728)	(113)	(841)
Net assets	2,014	(148)	1,866
Provisional goodwill arising on acquisition			1,820
Total investment			3,686
Satisfied:			
Cash			3,283
Deferred consideration			403
			3,686

Fair value adjustments have been made to certain liabilities and to stock in order to align Mecodis policies with those of the Group.

During the year the Group acquired a further 1% in Computer Parts International Ltd for £83,000. Additional assets acquired as a result of this were £30,000, giving an increase in goodwill of £53,000.

Net cash outflows in respect of these acquisitions comprise:

	CPI £'000	Mecodis £'000	Total £'000
Cash consideration	83	3,283	3,366
Cash at bank and in hand acquired	–	(1,060)	(1,060)
	83	2,223	2,306

notes to the financial statements continued

10: goodwill

	Associated undertakings £'000	Subsidiary companies £'000	Total £'000
Cost of goodwill:			
At 1 April 2004	39	59,541	59,580
Additions during the year (see note 9)	–	1,873	1,873
At 31 March 2005	39	61,414	61,453
Amortisation:			
At 1 April 2004	11	12,710	12,721
Amortisation during the year	2	3,046	3,048
At 31 March 2005	13	15,756	15,769
Net book value of goodwill at 31 March 2005	26	45,658	45,684
Net book value of goodwill at 31 March 2004	28	46,831	46,859

11: tangible fixed assets

	Freehold Property £'000	Leasehold property (short) £'000	Plant and equipment £'000	Total £'000
Group				
Cost or valuation:				
At 1 April 2004	3,089	2,926	23,694	29,709
Acquisitions	–	–	23	23
Additions	1	8	2,205	2,214
Disposals	(560)	(102)	(3,330)	(3,992)
Exchange adjustments	42	6	207	255
At 31 March 2005	2,572	2,838	22,799	28,209
Depreciation:				
At 1 April 2004	852	1,468	13,288	15,608
Charge for the year	86	290	2,889	3,265
Disposals	(75)	(101)	(3,163)	(3,339)
Exchange adjustments	15	3	146	164
At 31 March 2005	878	1,660	13,160	15,698
Net book value at 31 March 2005	1,694	1,178	9,639	12,511
Net book value at 31 March 2004	2,237	1,458	10,406	14,101

notes to the financial statements continued

11: tangible fixed assets continued

	Freehold Property £'000	Leasehold property (short) £'000	Plant and equipment £'000	Total £'000
Comparable amounts under the historical cost convention:				
Cost	2,365	2,838	22,969	28,172
Accumulated depreciation	(800)	(1,660)	(13,330)	(15,790)
Net book value at 31 March 2005	1,565	1,178	9,639	12,382

The historical cost depreciation charge for the year would have been £3,257,000 being £8,000 lower than the amount charged in the year as set out above.

A freehold property was revalued at 31 March 1993 at open market valuation of £931,000 based on the report of independent professional valuers. Freehold property includes land at £464,000 (2004: £444,000) which has not been depreciated.

The net book value of assets held under finance leases at 31 March 2005 was £7,000 (2004: £41,000). The only class of assets held under finance leases in both periods was motor vehicles.

12: investments

(a) Movements

	Associates £'000	Trade investments £'000	Total group £'000	Parent Company £'000
At 1 April 2004	4,139	2,290	6,429	116,386
Additions	—	—	—	83
Disposals	(282)	(92)	(374)	(87)
Share of retained profit of associated undertakings	440	—	440	—
Dividends received from associated undertakings	(313)	—	(313)	—
Exchange adjustments	(42)	—	(42)	—
At 31 March 2005	3,942	2,198	6,140	116,382

The Group's investments are mainly in unlisted undertakings and include £2,903,000 (2004: £3,062,000) in respect of the post-acquisition retained profits of associated undertakings. The investment in associates is net of a £187,000 provision (2004: £187,000).

Listed UK trade investments were carried at a cost of £1,852,000 (2004: £1,942,000) and the market value at 31 March 2005 was £2,226,000 (2004: £2,259,000).

Investments in the Parent Company balance sheet represent the investment in shares of Group undertakings including an amount of £2,055,000 (2004: £2,142,000) in respect of associated undertakings.

The further investments by the Parent Company during the year relate to the acquisition of further shares in Computer Parts International Ltd. The disposal relates to the sale of the entire holding of the company's associate Premark Products (Pty) Ltd.

notes to the financial statements continued

12: investments continued

(b) Principal group and associated undertakings and other investments as at 31 March 2005

Name of Undertaking	Country of incorporation or registration and operation	Type of shares/investment	Percentage of issued ordinary share capital held by Parent Company	by Subsidiary Undertakings
Agency, marketing and distribution				
Acal Controls Ltd	England	Ordinary	100%	–
Acal Electronics Ltd	England	Ordinary	–	100%
EAF (UK) Ltd	England	Ordinary	–	100%
Acal Technology Ltd	England	Ordinary	–	100%
Headway Technology Group Ltd	England	Ordinary	100%	–
Acal Electronic Services Ltd	England	Ordinary	–	100%
Stortech Electronics Ltd	England	Ordinary	–	100%
Vertec Scientific Ltd	England	Ordinary	–	100%
ATM Parts Company Ltd	England	Ordinary	100%	–
Computer Parts International Ltd	England	Ordinary	71%	–
Acal SAS	France	Ordinary	–	100%
Mecodis SA	France	Ordinary	–	100%
EAF France SA	France	Ordinary	–	100%
Acal NV/SA	Belgium	Ordinary	–	100%
Acal Networking and Security NV/SA	Belgium	Ordinary	–	100%
Acal GmbH	Germany	Ordinary	–	100%
EAF Computer Service Supplies GmbH	Germany	Ordinary	–	100%
Acal AB	Sweden	Ordinary	–	100%
Acal Nederland BV	Netherlands	Ordinary	–	100%
Acal Italia Srl	Italy	Ordinary	–	100%
Acal Iberia SL	Spain	Ordinary	–	100%
Acal New York Inc	USA	Ordinary	–	100%
Acal Australia Pty Ltd	Australia	Ordinary	100%	–
Ceratech Holdings PLC (Associate)	England	Ordinary	–	30%
Scientific Digital Business (Pte) Ltd (Associate)	Singapore	Ordinary	40%	–
Westech Electronics (Pte) Ltd (Associate)	Singapore	Ordinary	36.7%	–
Sartek (UK)	England	Preference	–	–
Management Services				
Acal Management Services Ltd	England	Ordinary	100%	–

The issued share capital of Ceratech Holdings PLC comprises 100,000 £1 shares of which a Group undertaking owns 30,000. There are no debt securities or loan capital in issue. The year end accounting date is 31 December. The Group has included its appropriate share of the results based on the audited accounts for the year ended 31 December 2004.

The issued share capital of Premark Products (Pty) Ltd, which trades as Imagetek, comprises 1,000 ordinary shares of R1 each, of which 450 were owned by the Group. Its accounting period ends on 31 March and the Group has included its appropriate share of the results up to the date of disposal.

The issued share capital of Scientific Digital Business (Pte) Ltd comprises 416,667 ordinary shares of S\$1 each, of which the Group owns 166,667. In addition, the Group owns the entire issued preference share capital of Scientific Digital Business (Pte) Ltd comprising 100,000 preference shares of S\$1 each. Its accounting period ends on 31 December and the Group has included its appropriate share of the results to 31 December 2004.

The issued share capital of Westech Electronics (Pte) Ltd comprises 112,460,000 ordinary shares of \$0.10 each, of which the Group owns 41,287,000. Its accounting period ends on 31 December and the Group has included its appropriate share of the results to 31 March 2005.

notes to the financial statements continued

13: stocks

	Group 2005 £'000	Group 2004 £'000	Parent Company 2005 £'000	Parent Company 2004 £'000
Finished goods and goods for resale	25,474	23,610	–	–

There were no significant differences between the replacement cost and the carrying value of finished goods and goods for resale.

14: debtors

	Group 2005 £'000	Group 2004 £'000 Restated	Parent Company 2005 £'000	Parent Company 2004 £'000
Trade debtors	48,241	47,048	–	–
Amounts owed by subsidiary undertakings	–	–	7,322	2,396
Amounts owed by associated undertakings	228	205	–	–
Other debtors	1,641	1,305	533	171
Prepayments and accrued income	5,425	5,566	2	3
	55,535	54,124	7,857	2,570

No debtors were receivable after more than one year (2004: £nil).

15: creditors

	Group 2005 £'000	Group 2004 £'000 Restated	Parent Company 2005 £'000	Parent Company 2004 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	8,009	5,690	1,200	371
Trade creditors	36,338	32,976	34	–
Amounts owed to subsidiary undertakings	–	–	16,644	16,129
Other creditors	1,457	1,695	7	12
Corporation tax	998	1,641	–	–
Social security and other taxes	4,236	4,176	–	–
Proposed dividend	3,804	3,691	3,804	3,691
Accruals and deferred income	13,573	12,077	271	210
Finance lease obligations	5	21	–	–
	68,420	61,967	21,960	20,413

Bank loans and overdrafts of certain subsidiary undertakings amounting to £52,000 (2004: £64,000) included above were secured on the assets of those subsidiary undertakings.

notes to the financial statements continued

15: creditors continued

	Group 2005 £'000	Group 2004 £'000	Parent Company 2005 £'000	Parent Company 2004 £'000
Amounts falling due after more than one year:				
Secured Borrowings				
Long term loans secured by fixed charges over certain group freehold property at market interest rates:				
Repayable 1-2 years	48	51	-	-
Repayable 2-5 years	124	139	-	-
Repayable after 5 years	-	28	-	-
	172	218	-	-
Unsecured Borrowings				
Term loans at market interest rates:				
Repayable 1-2 years	7,069	58	7,000	-
Repayable 2-5 years	13,006	20,065	13,000	20,000
	20,075	20,123	20,000	20,000
Total loans (secured and unsecured)	20,247	20,341	20,000	20,000

16: financial instruments

Financial instruments are used as appropriate to achieve the operational and financial objectives of the Group. Bank loans and overdrafts both in sterling and foreign currencies are used to finance local working capital.

It is the Group's policy to hedge foreign currency exposure on trading transactions into the local currencies of the operating companies conducting the relevant transactions. This is carried out primarily by entering into short term forward contracts to match cashflows. It is not the Group's policy to hedge the net investment in overseas subsidiaries.

Short term debtors and creditors have been excluded from the disclosures in this note, with the exception of the currency profile note below.

financial liabilities

An analysis of bank loans, overdrafts and finance leases by currency is as follows: Sterling dominated £20,284,000 (2004: £21,544,000); Euro denominated £7,030,000 (2004: £3,755,000); US\$ denominated £661,000 (2004: £437,000) and other currencies £286,000 (2004: £316,000).

cash

An analysis of cash by currency is as follows: Sterling dominated £1,354,000 (2004: £1,714,000); Euro denominated £9,122,000 (2004: £8,267,000); US\$ denominated £4,913,000 (2004: £581,000); and other currencies £558,000 (2004: £266,000). Cash balances carry floating rate interest based on relevant national interbank rates.

interest rate profile

Bank overdrafts carry floating rate interest based on relevant national inter bank rates. Group and parent company loans include a sterling denominated term loan of £13 million (2004: £13 million) which carries interest based on Libor, a further sterling loan of £7 million (2004: £7 million) which carries a rate of interest based on Libor and a loan of £123,000 (2004: £182,000) which carries an interest rate of 10.3%. The weighted average maturity of sterling denominated loans is 2.0 years (2004: 3.0 years). The balance of group loans of £239,000 (2004: £300,000) are Euro dominated and carry fixed interest rates of between 4.25% and 5.70%. The weighted average rate of these loans is 4.92% (2004: 5.05%) and is fixed until maturity in an average of 2.30 years (2004: 2.59 years).

currency profile

Group companies reporting in Sterling had net currency monetary assets as follows:

US\$ £1,157,000 (2004: £1,396,000), Euro £3,400,000 (2004: £2,693,000) and other £181,000 (2004: £503,000).

Group companies reporting in Euros had net monetary (liabilities)/assets as follows:

Sterling (£616,000) (2004: £73,000). US\$ £1,358,000 (2004: (£727,000)) and other £nil (2004: (£88,000)).

notes to the financial statements continued

16: financial instruments continued

Group companies reporting in other currencies had net monetary (liabilities)/assets as follows: Sterling (£28,000) (2004: £438,000). US\$ £117,000 (2004: £546,000) and Euro (£482,000) (2004: £47,000).

borrowing facilities

The Group had undrawn committed borrowing facilities at 31 March 2005 as follows:

	2005 £'000	2004 £'000
Expiring in more than one year but less than two years	3,000	–
Expiring in more than two years	12,000	10,000
	15,000	10,000

fair values

There is no material difference between the fair value and book value of cash, borrowings, other financial liabilities and forward exchange contracts. The fair value of listed investments held by the Group exceeds the book value by £374,000 (see note 12).

gains and losses on financial instruments

At 31 March 2005 the Group had total unrecognised gains and losses relating to forward exchange contracts entered into to hedge cash flows amounting to £68,994 and £51,796 respectively. These gains and losses are expected to be recognised in the profit and loss accounts in the year ending 31 March 2006 so as to match equal and opposite gains and losses on the underlying cash flows which were being hedged by these instruments. Gains and losses unrecognised in previous years of £38,647 and £113,667 respectively were included in the profit and loss account for this year, and matched by equal and opposite gains and losses on the underlying cash flows which were being hedged.

17: provisions for liabilities and charges

(a) Provisions for liabilities and charges are as follows:

	Severance indemnity £'000	Deferred tax £'000	Other £'000	Total £'000
Group				
At 1 April 2004	838	328	90	1,256
Charge to profit and loss	337	369	16	722
Deferred consideration on purchase of subsidiary (see note 9)	–	–	410	410
Utilised	(702)	–	(54)	(756)
Exchange adjustments	7	(4)	4	7
At 31 March 2005	480	693	466	1,639

The provision for severance indemnity includes costs associated with the operation terminated during the previous year, which are expected to be utilised within the next year.

(b) Deferred taxation provided in the Group is as follows:

	2005 £'000	2004 £'000
Difference between accumulated depreciation and capital allowances	(762)	(614)
Other timing differences	64	281
Capital gains	5	5
	(693)	(328)

In the Company there are no deferred taxation liabilities provided or unprovided for (2004: nil).

No provision has been made for the taxation liabilities which could arise in the Group if certain freehold properties were realised at their balance sheet values. The potential liability is estimated at £328,000 (2004: £326,000).

No provision has been made for the additional taxation liabilities which may arise if retained profits of certain overseas subsidiaries and associated undertakings were remitted to the United Kingdom.

notes to the financial statements continued

18: pensions

The Group makes payments to various defined contribution pension schemes, the assets of which are held in separately administered funds. In the United Kingdom the relevant scheme is the Acal Group Employee Pension Scheme ('the Acal Scheme'). The amount charged to the profit and loss account represents employer contributions payable in respect of the accounting period of £640,000 (2004: £612,000). Employer contributions charged in respect of overseas pension schemes were £741,000 (2004: £710,000).

The Sedgemoor Group's principal pension scheme was the Sedgemoor Group Pension Fund ('the Sedgemoor Scheme'). The Sedgemoor Scheme provides retirement benefits based on final pensionable salary and its assets are held in a separate trustee-administered fund.

Following the acquisition of Sedgemoor by Acal in June 1999, the Sedgemoor Scheme was closed to new members. Shortly thereafter employees were given the opportunity to join the Acal Scheme and future service benefits ceased to accrue to members under the Sedgemoor Scheme.

FRS 17 disclosures

The latest actuarial valuation of the scheme was carried out as at 31 March 2003 and updated to 31 March 2005 by a qualified actuary. The main actuarial assumptions used are set out as follows:

	2005 £'000	2004 £'000	2003 £'000
Rate of increase of salaries	n/a	n/a	n/a
Rate of increase of pensions in payment	2.75%	2.75%	2.5%
Discount rate	5.4%	5.5%	5.5%
Inflation assumption	2.75%	2.75%	2.5%

The fair value of assets and expected rates of return are as follows:

	2005	2005 £'000	2004	2004 £'000	2003	2003 £'000
Equities	7.4%	13,561	7.5%	12,948	7.5%	11,380
Gilts	5%	13,361	5%	12,844	4.5%	9,500
Cash	4%	209	4%	120	3.75%	198
Total market value of assets		27,131		25,912		21,078
Actuarial value of liability		(33,493)		(32,792)		(29,551)
Deficit in the scheme		(6,362)		(6,880)		(8,473)
Related deferred tax asset		1,909		2,064		2,542
Net pension liability		(4,453)		(4,816)		(5,931)

There was no impact on operating profit as there is no current service cost and the scheme has been curtailed.

An analysis of the movement in the scheme deficit in the year is as follows:

	2005 £'000	2004 £'000
Deficit in scheme at start of year	(6,880)	(8,473)
Current service costs	—	—
Contributions	700	706
Net interest costs	(161)	(325)
Actuarial (loss)/gain:		
Actual return less expected return on assets	662	2,358
Changes in actuarial assumptions	(683)	(1,146)
Deficit in scheme at end of year	(6,362)	(6,880)

notes to the financial statements continued

18: pensions continued

History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on pension scheme assets:			
Amount (£'000)	662	2,358	(5,178)
Percentage of pension scheme assets	2%	9%	(24%)
Experience gains and losses on pension scheme liabilities:			
Amount (£'000)	–	–	–
Percentage of present value of pension scheme liabilities	0%	0%	0%
Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses:			
Amount (£'000)	(21)	1,212	(7,150)
Percentage of present value of pension scheme liabilities	0%	4%	(24%)

19: called up share capital

	Authorised number	Authorised nominal value £'000	Issued (fully paid) number	Issued (fully paid) nominal value £'000
At 1 April 2004	35,000,000	1,750	26,366,854	1,318
Issued under option schemes	–	–	50,000	3
At 31 March 2005	35,000,000	1,750	26,416,854	1,321

All ordinary shares in issue have equal voting and dividend rights.

The following options over ordinary shares have been granted under various Group share option schemes and remain outstanding at 31 March 2005:

Outstanding at 31 March 2004	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2005	Exercise price	Exercise dates
185,000	–	(4,000)	–	181,000	363.50	2001-2005
169,000	–	–	–	169,000	462.50	2002-2006
405,000	–	(31,000)	–	374,000	517.50	2003-2007
102,000	–	–	–	102,000	537.50	2004-2008
237,500	–	(52,000)	–	185,500	515.00	2004-2008
252,500	–	(17,500)	–	235,000	586.50	2005-2009
179,000	–	(11,000)	–	168,000	525.00	2006-2010
–	141,500	(2,000)	–	139,500	480.00	2007-2011
1,530,000	141,500	(117,500)	–	1,554,000		

As part of the acquisition of Sedgemoor, certain option holders in Sedgemoor converted their holdings to options in Acal. The movements on these options are as follows:

Outstanding at 31 March 2004	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2005	Exercise price	Exercise dates
8,556	–	–	8,556	465.72p	2001-2008

Although no share options were exercised during the year, 50,000 shares were allotted relating to options exercised in the prior year.

notes to the financial statements continued

20: reserves

Movements in the year are as follows:

	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss Profit & loss account £'000	Goodwill elimination £'000	Total £'000
Group						
At 1 April 2004	37,805	323	809	43,862	(16,441)	27,421
Prior period adjustment	-	-	-	(978)	-	(978)
At 1 April 2004 restated	37,805	323	809	42,884	(16,441)	26,443
Retained loss for the year	-	-	-	(1,666)	-	(1,666)
Gain on currency translation	-	9	8	265	-	265
Actuarial loss on pension schemes	-	-	-	(21)	-	(21)
Deferred tax relating to pension scheme	-	-	-	(155)	-	(155)
Issue of shares	179	-	-	-	-	-
Other reserve movements	-	-	-	-	50	50
At 31 March 2005	37,984	332	817	41,307	(16,391)	24,916

The goodwill elimination represents the cumulative amount of goodwill on acquisitions written off (net of goodwill attributable to subsidiary undertakings or businesses disposed of) prior to the introduction of FRS 10. The profit and loss account excluding the pension deficit of £4,453,000 (2004: £4,816,000) was £29,369,000 (2004: £32,237,000).

	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss Profit & loss account £'000	Goodwill elimination £'000	Total £'000
Parent Company						
At 1 April 2004	37,805	-	2,970	36,662	-	36,662
Retained profit for the year	-	-	-	3,687	-	3,687
Issue of shares	179	-	-	-	-	-
At 31 March 2005	37,984	-	2,970	40,349	-	40,349

Under the exemption given in the Companies Act 1985 S230 the Parent Company does not present its own profit and loss account. The profit for the financial year ended 31 March 2005 was £9,400,000 (2004: £5,279,000).

21: prior period adjustment

The change in accounting policy relating to the deferral of service contract revenue as described in accounting policy note 3 has resulted in comparative figures for 2003/4 being restated as follows:

	As previously reported £'000	Prior period adjustment £'000	As restated £'000
Profit and loss account			
Turnover	268,920	(475)	268,445
Profit on ordinary activities before taxation	9,193	(134)	9,059
Balance sheet			
Debtors:			
Prepayments and accrued income	2,221	3,345	5,566
Creditors falling due within the year:			
Accruals and deferred income	(7,754)	(4,323)	(12,077)
Effects on cumulative reserves brought forward		(978)	

The impact of the new accounting policy on the current period's turnover and profit on ordinary activities before taxation is a decrease of £843,000 and £239,000 respectively.

notes to the financial statements continued

22: capital commitments

At 31 March 2005 capital expenditure for the Group amounting to £221,000 (2004: £70,000) had been approved and contracted for. The Parent Company had no capital commitments (2004: £nil).

23: contingent liabilities

At 31 March 2005 Group companies had given counter indemnities to bankers in respect of their guarantees to the value of £2,210,000 (2004: £2,210,000).

The Parent Company has given guarantees and offset arrangements to support bank facilities made available to subsidiary undertakings. As at 31 March 2005 the relevant subsidiary bank borrowings amounted to £2,303,000 (2004: £1,729,000).

24: commitments under leases

a) The Group has annual commitments (Parent Company £nil) under non cancellable operating leases having expiry periods as follows:

	2005 Land and buildings £'000	2005 Other £'000	2004 Land and buildings £'000	2004 Other £'000
Within one year	488	130	182	178
Between 2-5 years	965	436	808	532
After 5 years	1,556	8	1,769	76
	3,009	574	2,759	786

b) The Group has the following obligations (Parent Company £nil) under non cancellable finance leases payable over the following period:

	2005 £'000	2004 £'000
Within one year	5	16
Between 2-5 years	—	5
	5	21

25: notes to the consolidated statement of cash flows

a) Reconciliation of operating profit to net cash inflow from operating activities:

	2005 £'000	2004 £'000 Restated
Operating profit	9,576	11,124
Depreciation and amortisation	6,311	6,437
Change in provisions	(235)	(451)
Pension scheme funding	(700)	(706)
Profit on sale of fixed assets and investments	(359)	(88)
(Increase)/decrease in stocks	(1,285)	2,618
Decrease in debtors	611	2,829
Increase/(decrease) in creditors	2,991	(1,941)
Net cash inflow from operating activities	16,910	19,822

notes to the financial statements continued

25: notes to the consolidated statement of cash flows continued

b) Analysis of changes in net debt:

m	At 1 April 2004 £'000	Cash flow £'000	Other movements £'000	Exchange movement £'000	At 31 March 2005 £'000
Cash in hand and at bank	10,828	4,910	–	209	15,947
Overdrafts	(5,555)	(2,193)	–	(146)	(7,894)
	5,273	2,717	–	63	8,053
Debt due within a year	(135)	140	(118)	(2)	(115)
Debt due beyond a year	(20,341)	(18)	118	(6)	(20,247)
Finance leases	(21)	16	–	–	(5)
	(20,497)	138	–	(8)	(20,367)
Total	(15,224)	2,855	–	55	(12,314)

c) Analysis of cashflows

Subsidiary undertakings acquired in the year utilised £307,000 of the Group's net operating cashflows, paid £60,000 in respect of net returns on investments and servicing of finance, and utilised £4,000 for capital expenditure and financial investment.

26: related party transactions

The Group has taken advantage of the exemption under FRS 8(3) not to disclose transactions with other members of the group.

During the year the Group had interests in Ceratech Holdings Ltd, Premark Products (Pty) Ltd, Scientific Digital Business (Pty) Ltd and Westech Electronics (Pty) Ltd, all of which were Associated Undertakings (together 'Related Parties').

During the year ended 31 March 2005, purchases amounting in aggregate to £nil (2004: £nil) were made from Related Parties and sales amounting in aggregate to £nil (2004: £51,000) were made to them. In addition fees amounting to £45,000 (2004: £19,000) were charged in respect of services provided to them. All these transactions were on an arms length basis.

At 31 March 2005 aggregate amounts of £228,000 (2004: £208,000) were receivable from Related Parties and of £nil (2004: £nil) were payable to them.

During the year ended 31 March 2005 interest of £nil (2004: £13,000) was received from Related Parties.

27: minority interest

	£'000
At 1 April 2004	873
Further acquisition of shares	(30)
Profit on ordinary activities after tax	412
Dividends paid	(93)
At 31 March 2005	1,162

five year record

	2005 £'000	2004 £'000 Restated	2003 £'000	2002 £'000	2001 £'000
Group profit & loss					
Turnover	260,687	268,445	272,141	297,013	325,329
Profit before tax, goodwill amortisation and exceptionals	11,266	12,586	15,592	16,903	22,568
Amortisation of goodwill	(3,048)	(2,927)	(2,776)	(2,616)	(2,473)
Exceptionals	–	(600)	575	–	–
Profit before tax	8,218	9,059	13,391	14,287	20,095
Tax	(3,759)	(4,138)	(5,362)	(5,654)	(7,842)
Profit after tax	4,459	4,921	8,029	8,633	12,253
Minority interests	(412)	(206)	–	–	–
Attributable profit	4,047	4,715	8,029	8,633	12,253
Dividends	(5,713)	(5,548)	(5,262)	(4,769)	(4,294)
Retained (loss)/profit	(1,666)	(833)	2,767	3,864	7,959
Group balance sheet					
Intangible fixed assets	45,684	46,859	46,287	42,383	44,915
Tangible fixed assets	12,511	14,101	13,827	12,506	10,165
Investments	6,140	6,429	6,028	4,556	3,995
Net current assets	28,536	26,595	32,518	27,073	24,536
Other creditors	(20,247)	(20,341)	(22,487)	(15,369)	(15,669)
Provisions for liabilities and charges	(1,639)	(1,256)	(2,279)	(1,215)	(4,353)
Net assets excluding pension liability	70,985	72,387	73,894	69,934	63,589
Net pension liability	(4,453)	(4,816)	(5,931)	(1,473)	–
Net assets including pension liability	66,532	67,571	67,963	68,461	63,589
Represented by:					
Shareholders' funds	65,370	66,698	67,963	68,461	63,589
Minority interests	1,162	873	–	–	–
	66,532	67,571	67,963	68,461	63,589
Statistics					
Earnings per ordinary share	15.3p	17.9p	30.7p	33.2p	47.3p
Earnings per share before goodwill amortisation	26.9p	29.0p	41.3p	43.2p	56.8p
Earnings per share before goodwill amortisation and exceptionals	26.9p	31.3p	39.1p	43.2p	56.8p
Dividends (net) per Acal ordinary share	21.6p	21.0p	20.1p	18.3p	16.5p
Return on capital employed*	40%	40%	49%	48%	68%

* Return on capital employed is based on profit before interest, goodwill amortisation and tax and net tangible assets adding back net debt but not deducting net cash.

Periods prior to 2004 have not been adjusted for the change in accounting policy.

notice of annual general meeting

Notice is hereby given that the Nineteenth Annual General Meeting of Acal plc will be held at the Company's offices, 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, GU2 7AH on 20 July 2005 at 11.00 am for the following purposes:

Resolutions (being ordinary resolutions unless otherwise stated):

- 1 To receive and adopt the report of the Directors and the financial statements for the year ended 31 March 2005.
- 2 To approve the final dividend.
- 3 To approve the Directors' Remuneration Report as set out on pages 24 to 27 of the Annual Report and Accounts.
- 4 To elect Mr R J Moon as a director of the Company.
- 5 To re-elect Mr E A Barton as a director of the Company.
- 6 To re-elect Mr J S Virdee as a director of the Company.
- 7 To consider and if thought fit pass the following resolution:

"That Ernst & Young LLP be and is hereby re-appointed auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company at a remuneration to be agreed by the Directors."
- 8 To consider and if thought fit pass the following resolution which will be proposed as a special resolution:

"That subject to the provisos hereto the Company be and is hereby generally authorised to purchase any of its own ordinary shares of 5p each by a market purchase or purchases (as defined by Section 163 of the Companies Act 1985) provided always that this power shall:

 - i be limited to a purchase or purchases up to an aggregate of 2,600,000 issued ordinary shares of 5p each of the Company;
 - ii be limited to a purchase or purchases at a price per ordinary share (exclusive of dealing and other incidental costs and stamp duty) not below 5p and not above an amount equal to 105 per cent of the average of the middle market quotations as derived from the Financial Services Authority's Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and
 - iii unless renewed, varied or revoked by the Company in general meeting expire on the earlier of the next Annual General Meeting of the Company or 15 months from the passing of this resolution and the Company may make a purchase of its own shares in accordance with this authority after the expiry of the said time limit imposed above where the contract of purchase is concluded before such authority expires and the Company is hereby permitted to make a contract of purchase which would or might be executed wholly or partly after the authority shall have expired."
 - 9 To consider and if thought fit pass the following resolution:

"That the Directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £440,000 such authority to expire on 20th July 2010 save that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired and provided further that the authority conferred by this resolution shall be in substitution for any prior authorities conferred on the Directors to allot relevant securities save to the extent that any offer or agreement which would or might require relevant securities to be allotted pursuant thereto shall have been made."
 - 10 To consider and if thought fit pass the following resolution which will be proposed as a special resolution:

"That subject to the passing of resolution 9 to be proposed at the Annual General Meeting of the Company to be held on 20 July 2005 the Directors be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) pursuant to the authority conferred by resolution 9 above as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited to:

 - a the allotment of equity securities in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of ordinary shares and such other persons' holdings (or as appropriate to the number of such shares which such other persons are for these purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange, in any territory; and
 - b the allotment (otherwise than pursuant to paragraph (a) of this resolution) of equity securities up to an aggregate nominal amount of £66,000;

and shall expire at the conclusion of the Annual General Meeting of the Company next following the meeting at which this resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities to such offer or agreement as if the power conferred hereby had not expired and shall be in substitution for any prior authorities conferred upon the Directors to allot equity securities save to the extent that any offer or agreement which would or might require equity securities to be allotted for cash pursuant thereto shall have been made."

notice of annual general meeting continued

11 To consider and if thought fit pass the following resolution:

"That for the purpose of article 84 of the Company's Articles of Association the maximum total amount that may be paid to directors of the Company (excluding the emoluments of the executive directors) be increased to £500,000 per annum."

12 To consider and if thought fit pass the following resolution:

"That any remuneration paid to non-executive directors of the Company in financial years up to and including the financial year ended 31 March 2005 in excess of the amount permitted in the Company's Articles of Association (the 'Payments') be approved and ratified as being in the best interests of the Company."

13 To consider and if thought fit pass the following resolution:

"That each and every director (whether past or present) of the Company who received Payments or who participated at the board meetings at which the decisions to make the Payments were taken or who otherwise authorised the Payments be released from all claims, demands and liabilities whatsoever and whether past, present or future which the Company may have in respect of all or any breaches of the Companies Act 1985, the directors' common law duties to the Company and any other obligations or duties owed by the directors to the Company in respect of the Payments."

By order of the Board

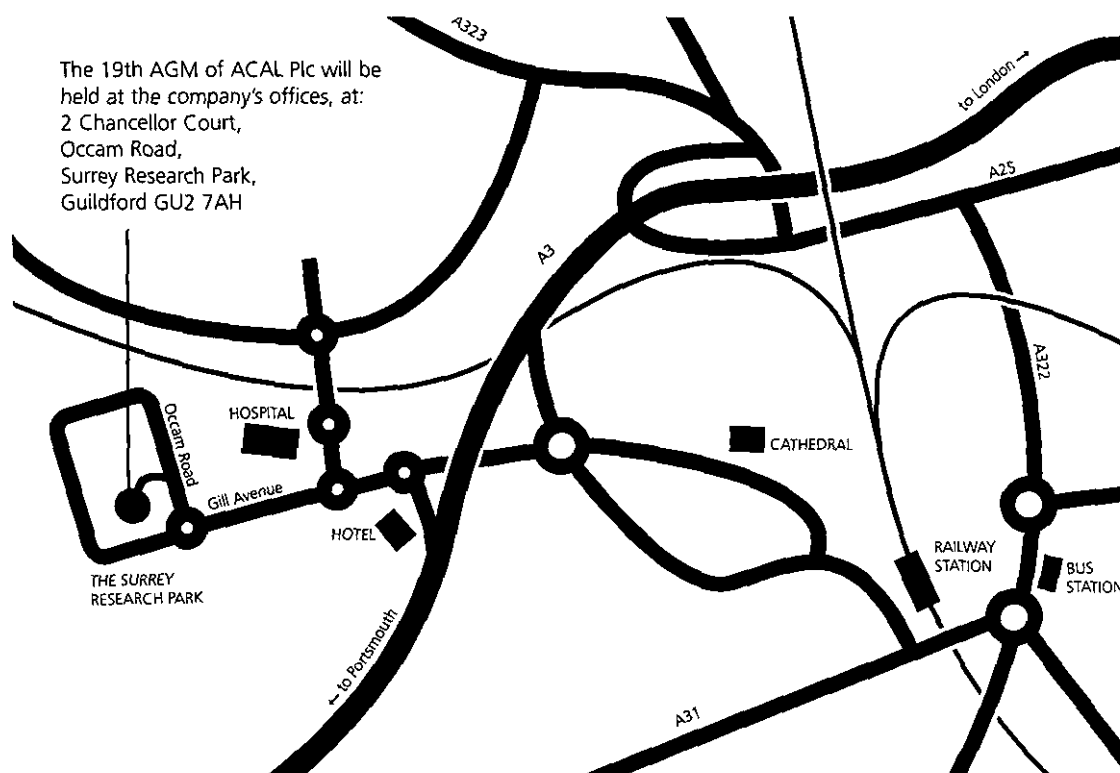
N Rowe
Secretary

20 June 2005

Notes

Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed and this must be lodged at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.

There are no service agreements with a notice period of more than one year between any of the Directors and any member of the Acal Group.



principal locations

country	company/division	locations
electronic components		
United Kingdom	Acal Technology Ltd Acal Radiatron Stortech Electronics Ltd Acal TC	Wokingham, Berkshire Egham, Surrey Harlow, Essex Leicester
Belgium	Acal NV/SA	Brussels
France	Acal SAS/Mecodis SA	Paris
Germany	Acal GmbH	Flein/Heilbronn Munich Hamburg Milan
Italy	Acal Italia Srl	Eindhoven
Netherlands	Acal Nederland BV	Stockholm
Sweden	Acal AB	Honefoss
Norway	Acal AB	Helsinki
Finland	Acal AB	Copenhagen
Denmark	Acal AB	Madrid
Spain	Acal Iberia SL	
industrial controls		
United Kingdom	Acal Controls Ltd Vertec Scientific Ltd	Church Crookham, Hampshire Aldermaston, Berkshire
France	Acal SAS	Paris
Germany	Acal GmbH	Flein/Heilbronn
USA	Acal New York Inc	New York Florida
Rest of the World	Acal New York Inc	Singapore Shanghai, China New Delhi, India Beirut, Lebanon Melbourne, Australia
IT products		
United Kingdom	Acal IT Ltd	Church Crookham, Hampshire
Belgium	Acal NV/Headway Technology Acal Networking & Security NV SA	Brussels Brussels
France	Acal SAS/Headway Technology	Paris
Germany	Acal GmbH/Headway Technology	Munich Hanover
Netherlands	Acal Nederland BV/Headway Technology	Eindhoven
Scandinavia	Acal AB	Copenhagen
IT parts services		
United Kingdom	EAF (UK) Ltd ATM Parts Company Ltd Computer Parts International Ltd	Wokingham, Berkshire Camberley, Surrey Nottingham
France	EAF France SA	Paris
Germany	EAF Computer Service Supplies GmbH	Goch

Further details of the Group's locations can be found on the Acal plc website

www.acalplc.co.uk

