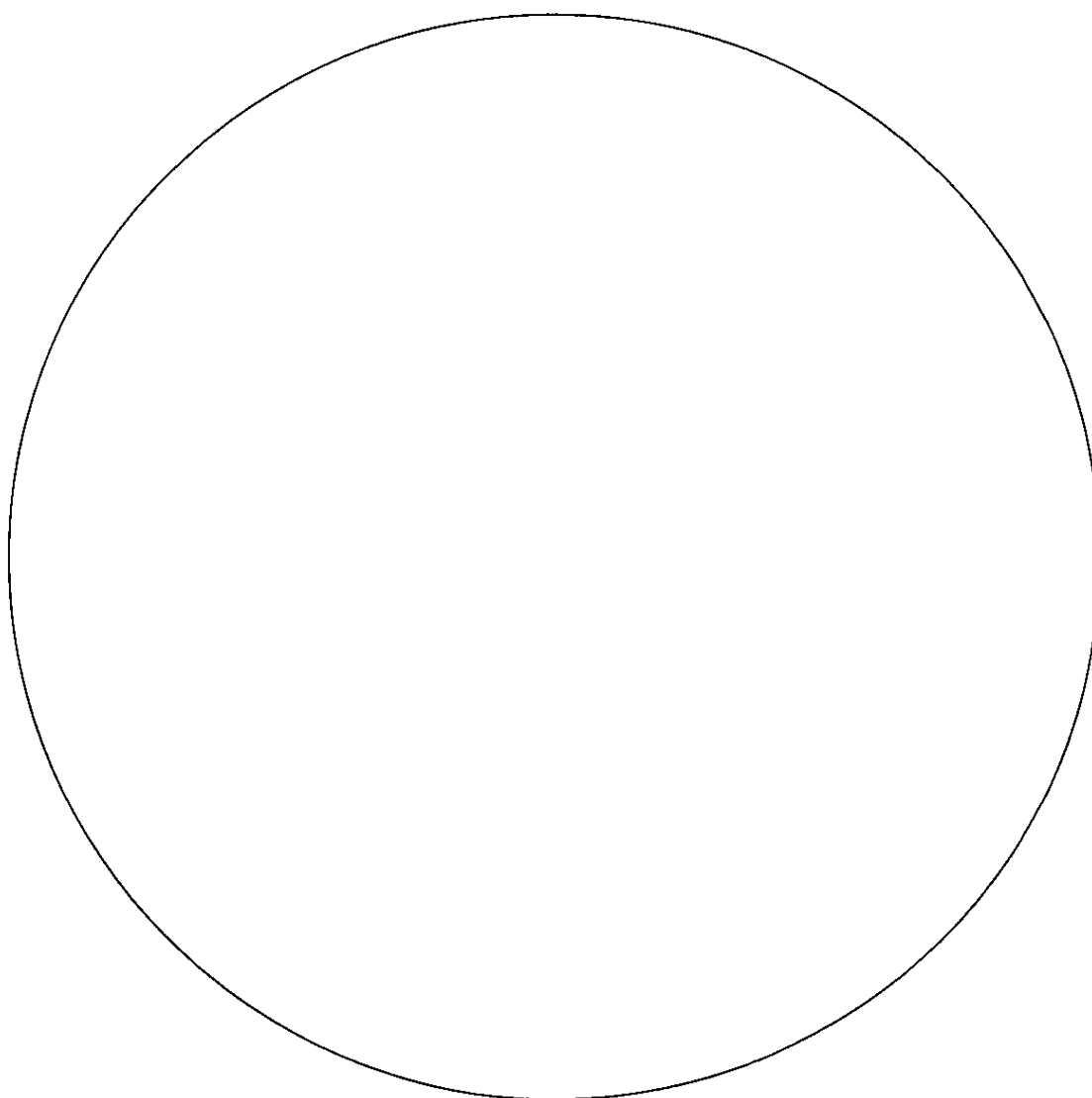




ACAL plc

Annual report and accounts
for the year ended 31 March 2007

Distribution of technology...



WEDNESDAY



AEEUVRXF
A25 08/08/2007 157
COMPANIES HOUSE

Acal plc

Acal is one of Europe's leading value-added distributors in the electronics and IT industry supplying a wide range of complementary products, solutions and services.

The Group has approximately 950 employees located in offices throughout Western Europe who serve and support sales to customers from concept to fulfilment.

The business provides opportunities for growth, a high return on capital employed and a positive cash flow. The strategy is to invest in further development organically or by acquisition where this complements our current activities. This will enhance shareholder value and provide further opportunities for our staff, our customers and our suppliers.

Contents

Highlights	1	Report of the auditors – Group	31
Chairman's statement	2	Consolidated income statement	33
Acal's business	4	Consolidated statement of recognised income and expense	34
Chief Executive's review	8	Consolidated balance sheet	35
Finance Director's review	12	Consolidated cash flow statement	36
Directors	16	Notes to the group financial statements	37
Corporate information	17	Report of the auditors – Company	69
Directors' report	18	Company balance sheet	71
Board report on corporate governance	20	Notes to the company financial statements	72
Directors' remuneration report	24	Five year record	77
Corporate social responsibility	28	Notice of annual general meeting	78
Statement of directors' responsibilities	29	Principal locations	80

Highlights

- Sales of ongoing activities up 1.5% at £260.9m
- Profit before tax and exceptionals of ongoing activities up 14.0% at £9.8m
- EPS of ongoing activities before exceptionals up 27.6% at 25.0p
- Electronics: Financial performance now benefiting from growing higher technology product portfolio
- Parts Services: Weaker demand experienced in this division
- IT Solutions: Major success in networking and security products; stability in margins
- Total dividends for the year up 1.4% at 21.9p per share

	2007 £m	2006 £m	Change
Turnover – ongoing activities**	260.9	257.0	+1.5%
EBIT* – ongoing activities	10.5	9.9	+6.1%
Profit before tax			
– ongoing activities (excluding exceptionals)	9.8	8.6	+14.0%
– including disposed activities	14.8	9.7	
Basic earnings per share			
– ongoing activities (excluding exceptionals)	25.0p	19.6p	+27.6%
– including disposed activities	44.4p	22.3p	
Dividends per share – relating to year	21.9p	21.6p	+1.4%

* EBIT – Earnings before interest, tax, the Group's share of profit of associated companies and exceptional items

** Disposed activities represent the sold AC&R business and ongoing activities represent the remaining business of the Group

Chairman's statement

Following the disposal of the Air Conditioning & Refrigeration business in July 2006 the focus of the Company has been on implementing our strategy of increasing market share to achieve profitable growth. In October 2006 as part of the group's consolidation ACAL acquired the remaining minority interest in CPI and commenced the process of integration of its customer-facing activities with EAF, our other major Parts Services business.

Sales of ongoing activities grew 1.5% to £260.9m despite an 8.8% fall in Parts Services. EBIT for the year grew by 6.1% to £10.5m reflecting significant improvement in the performance of both Electronics and IT Solutions offsetting the reduced profit in Parts Services. The Group's ongoing activities made a 40% return on average capital employed, before exceptional items, up from 31% for the prior year.

Costs have remained under close control across all businesses with further consolidation of logistic and back office functions resulting in selective headcount reductions. However, due to recent successes in mainland Europe we have recruited additional staff in both Germany and Italy to address new Electronics business.

Profit before taxation and exceptional items from ongoing activities grew by 14.0% from £8.6m to £9.8m and the corresponding earnings per share increased 27.6% to 25.0p.

realising potential..

Our strategy remains, to concentrate on Europe and selectively expand our supplier base and service offerings.

Dividend

The Board is recommending a final dividend of 14.7p per share payable to shareholders on the register as at 15 June 2007. This together with the interim dividend of 7.2p will make a total of 21.9p for the year, an increase of 1.4%.

Board composition and governance

There have been no changes to the composition of the Board or any of its Committees during the year. The Directors remain of the view that the Board, as currently constituted, is appropriate for a Company of Acal's size and incorporates a suitable balance of skills. The matter is, however, kept under review. Acal continues to strive for high standards of corporate governance, full details of which are set out in the governance statement included as part of the Annual Report and Accounts.

Employees

To succeed in a competitive environment requires commitment and dedication from staff. We are fortunate at Acal to have a motivated, loyal and committed workforce and I take this opportunity to thank them personally and on behalf of the Board for their continued hard work and support.

Strategy and the future

The growth in sales and profits of our two largest divisions, Electronics and IT Solutions, has been very much in line with our plans and we continue to invest in new resources, particularly in Electronics. The Parts Services business, after an excellent prior year, suffered this year as a result of weaker demand in the first half and a significant slowdown on a major contract. Whilst there continue to be major opportunities going forward, their timing remains difficult to predict.

Our strategy remains unchanged: to concentrate on Europe, selectively to expand our supplier base in Electronics and IT Solutions and to extend our offerings to the supply chain in Parts Services. We plan to continue our progress by growing our market share rather than relying on market growth.

We strive for greater efficiency and continue to consolidate many administrative and logistical functions across all three divisions. We continue to consider ways of enhancing shareholder value and whilst our strategy is primarily based upon organic growth we will consider selective acquisitions where they accelerate the delivery of this strategy.

Richard Moon
Chairman
4 June 2007

Acal's business

Acal is a leading distributor of technology products for the electronics and IT industries. With offices throughout Europe it is in a pre-eminent position to service this market with technically trained personnel and strategically located inventory.

Unparalleled expertise

Acal's key differentiators compared to others in the same field are its unparalleled expertise in Electronic Components of the design-in philosophy, in IT of the solution sell and in Parts Services of the processes required from planning to fulfilment

Pan-European Footprint

Acal's pan-European coverage ensures that service and support can be provided wherever customers may be located in Europe. This capability is also valuable to suppliers who look for a common sales and marketing message to the European market

Technical & Market Knowledge

Acal sales teams possess in-depth knowledge of their markets and customers and are supported by technical and application engineers to assist in some of the most demanding requirements

Customer Response

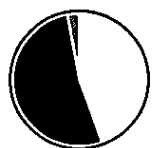
Acal's 25 offices in Western Europe staffed with direct sales, sales support and customer service personnel who have many years experience of the varied purposes for which our products and services are required, ensure that response times are both rapid and accurate

Geographic coverage of sales (excluding associates)



2007

- UK – 38%
- Continental Europe – 59%
- Rest of World – 3%



2006

- UK – 45%
- Continental Europe – 53%
- Rest of World – 2%

Electronics Division

Acal's largest division with sales of £108m and Europe's premier technical, demand creation Electronic Component distributor. With operations in 11 countries this business has pan-European coverage, centralised logistics and local customer interface.

The 2:1 ratio of Field Sales Engineer to Product Management and Application Engineers is key to our ability to service the demand creation role that is a major differentiator between Acal and others in the sector.

Apart from the product knowledge/intellectual property value-add, there is significant physical added value in the form of semiconductor programming, microsystem configuration and electromechanical component assembly all to provide bespoke solutions for our customers.

Our markets and customers

The customer profile of this division contains all the major electronic equipment manufacturers in Europe as well as thousands of SMEs and contract manufacturers. The market place that these customers occupy is today extremely wide. Having just 4/5 years ago been dominated by the major telecommunication companies it is now spread across such diverse activities as aerospace, broadcasting, metering,

medical, automation, transportation, communications, industrial controls, motor controls and security.

Our suppliers and products

Our product profile is divided into seven generic groups:

Semiconductors	Passive components
Power products	Frequency control components
RF & Wireless	Electromechanical components
Boards and Systems	

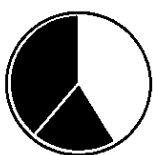
We focus on a maximum of 10 specialist suppliers in each of the above with an emphasis on specialist rather than commodity product. Thus we have developed a high class franchise portfolio which guarantees no overlap and therefore a unique share of mind for our suppliers.

Our strategy

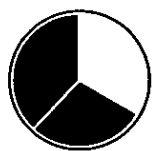
With the product profile now available, our sales and marketing activities are geared to ensuring that we succeed in promoting increasing numbers of products with each new customer design. This strategy is enhanced with the extension of our semiconductor portfolio which accounts for in excess of 50% of the available electronic components market.

extending our product portfolio...

Sales and EBIT – Electronics Division



Sales
£107.6m



EBIT
£3.5m

Locations

United Kingdom
Belgium
France
Germany
Italy
Netherlands

Sweden
Norway
Finland
Denmark
Spain



Parts Services Division

Acial Parts Services (APS) provides spare parts, logistics planning and added value services to pan-European Field Services organisations in the IT and ATM marketplace. With offices in the UK and Germany, the Group sells and manages stock in locations all over Europe and as far afield as Australia, South Africa and the Americas.

APS has developed into a services based organisation that has become an integral part of our customers' supply chain resulting from our ability to assess demand patterns based on host equipment to be supported.

Our markets and customers

APS operates in three fields:

- **Spare parts supply for field service organisations**
We work with our clients to ensure that the spare parts they need to maintain their customers' IT and ATM infrastructure are always available.
- **Added value distribution**
We provide distribution and services such as warranty management, engineering and performance reporting to leading Printer and PC manufacturers.

• Refurbishment and re-sale

We help several of the leading OEMs to manage their returned equipment and gain maximum financial return by refurbishing and re-selling it for them.

Our products and suppliers

APS sources its products worldwide. Parts are tested and backed by our quality assurance and warranty programmes.

We supply parts for everything from PCs right up to Mainframe Computers. In the ATM field we sell parts for the major brands and supply second user ATM machines into emerging markets.

Our unique engineering expertise and quality standards and the fact that we have become a 'one-stop shop' for many of our customers has been one of the cornerstones of our success.

Our strategy

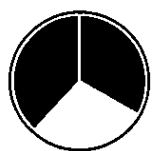
APS has become a key part of our customers' supply chain and we see this outsourcing trend continuing and expanding beyond IT and ATM hardware.

expanding our outsource solutions...

Sales and EBIT – Parts Services Division



Sales
£51.9m



EBIT
£3.0m

Locations
United Kingdom
Germany



IT Solutions Division

With annual sales at £100m Acal's IT Solutions division is a technically led specialist distributor providing high technology IT products and services to a wide range of channel partners across Europe

The division is focused on five main areas. Acal's electronic document management solutions, trading as **Headway Technology**, provides document capture, storage and display technologies. **Acal Storage Networking** provides a range of connectivity products and software. **Acal Networking and Security** supplies a wide range of network and security products around wired and wireless technologies. **Acal Value Added Services (AVAS)**, our in-house services group, provides installation, maintenance, training and professional services and finally **Vertec** operates exclusively in the medical field, providing specialist scanning and diagnostic products.

In each case our business units provide a high level of technical knowledge and advice to help our customers tailor the right solutions to their business needs.

Our markets and customers

With the exception of Vertec, our IT business route to market is focused on channel partners such as corporate resellers, specialist integrators, OEMs, managed service providers and VARs. In addition, we provide support at an

end user level to assist our customers in specifying the right solution. Vertec is focused on direct sales to hospitals, clinicians and health authorities.

Our suppliers and products

Our suppliers are market leaders in each field allowing Acal to offer 'Best of Breed' solutions to the market. Many of our suppliers have a long term relationship with Acal which results in a close working partnership at development and production levels to ensure our customers can purchase with confidence, knowing that we and the suppliers are working as one in our customers' interest.

Our strategy

The markets in each of our focused areas are showing growth and our intent is to be a major supplier in these sectors, supplying the best solutions from the best manufacturers. Working in close relationship with both our existing and appropriate new suppliers, Acal IT Solutions will help bring the right business solutions to the market incorporating the latest technologies.

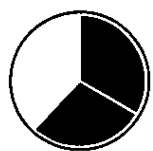
Whilst the IT business units are focused on Europe, UK-based Vertec has recently established an operation in South Africa which has been identified as an area for rapid growth of its products.

bringing business solutions to the market...

Sales and EBIT – IT Solutions Division



Sales
£101.4m



EBIT
£4.0m

Locations

United Kingdom
Belgium
France

Germany
Netherlands
Scandinavia



Chief Executive's review

Acal has a great team of people – enthusiastic, hardworking, motivated and always prepared to go the extra yard for the customer.

The Group is a leading distributor of technology products and services for the electronics and IT industries throughout Europe

Performance review table

The performance of Acals divisions in each of the years ended 31 March 2007 and 2006 is set out below

	2007				2006			
	Sales £m	as % of Group	EBIT* £m	as % of Sales	Sales £m	as % of Group	EBIT* £m	as % of Sales
Electronics	107.6	41%	3.5	3.3%	104.0	41%	2.4	2.3%
Parts Services	51.9	20%	3.0	5.7%	56.9	22%	5.2	9.1%
IT Solutions	101.4	39%	4.0	3.9%	96.1	37%	2.3	2.4%
	260.9	100%	10.5	4.0%	257.0	100%	9.9	3.9%

* EBIT = Earnings before interest tax the Group's share of profit of associates and exceptional items stated after full allocation of central costs

increasing market

A J Laughton
Chief Executive
4 June 2007

Last year saw an increase in both sales and profits in the two largest divisions, Electronics and IT Solutions and a decline in Parts Services. In total the ongoing businesses, after the sale in July 2006 of the Air Conditioning and Refrigeration division, showed a small increase in sales, up from £257.0m to £260.9m. More significantly however, profit before taxation and exceptionals of ongoing activities is up 14.0% from £8.6m in the prior year to £9.8m. Again this is due to the success of our Electronics and IT Solutions divisions.

Electronics

The only Pan-European Demand Creation Distributor

Sales up 3.5% from £104.0m to £107.6m
EBIT up 46% from £2.4m to £3.5m

Although the UK market for passive and electromechanical components has been somewhat soft, growth continues in this division with the success of our higher technology products, primarily semiconductors, power and RF & wireless products which have been, and remain, a prime focus. Specialised semiconductors now account for an increasing proportion of the division's sales. The major gains have been in Continental Europe as the expansion of the product portfolio took place earlier there than in the UK. There has also been significant investment in people, particularly in Germany and Italy where in the

second half of the year we have recruited in excess of twenty dedicated semiconductor staff. These comprise Sales Directors, Field Sales Engineers, Application Engineers and Product Managers.

The restructuring process continues with further consolidation of the UK passive and electromechanical components businesses. Radiatron has now merged with Acal Technology. Logistics (primarily inventory) is being centralised into two principal locations, one at Hook in the UK and the second in Eindhoven in the Netherlands.

In line with the growth of our higher technology products our market share is increasing, as too is our customer base which totalled nearly 9,500 Europe-wide by the end of the year. This, together with our emphasis on the design pipeline or funnel of prospects which continues to increase, provides a clear indication of projects and potential business in the future.

share...

IED Jammer

Improvised explosive devices (IEDs) have become the single deadliest threat to personnel in Iraq and have been employed by the Taliban in Afghanistan.

Acal helped reduce that threat by providing technical and commercial support to a customer that developed technology to jam the communications that control IEDs, thereby reducing bombings, assassinations and other terrorist acts.

Acal, through its RF expertise, helped select in this instance, components and power supplies that are used on both hand-held and vehicle-mounted IED jammers.

Parts Services

Europe's premier IT Parts Management Company

Sales down 8.8% from £56.9m to £51.9m
EBIT down 42% from £5.2m to £3.0m

After an excellent prior year, 2006/7 proved to be difficult, especially for CPI and particularly in the first half. This was as a consequence of weaker demand, some price erosion and cutbacks on a major contract. Despite this the division has produced a creditable overall EBIT return of 5.7% of sales after the allocation of central costs.

New 'preferred supplier' arrangements are being agreed with several customers and the 'opportunity funnel' is stronger than ever, although it can typically take some while before these convert into new business. In addition, following the acquisition of the minority interest in CPI we have completed the integration of the sales and business development teams of CPI and our other major UK IT parts operation, EAF. We are now better positioned to offer all the division's services to existing and prospective customers.

IT Solutions

Europe's Niche IT Solutions Distributor

Sales up 5.5% from £96.1m to £101.4m
EBIT up 74% from £2.3m to £4.0m

The outstanding successes here have been Networking and Security product sales and Acal Value Added Services (AVAS), but across the whole spectrum of this division the stabilisation, and in some cases improvement, of gross margins have had a major influence. This margin improvement has come in part from a shift in product mix to devices which have more capability and intelligence and in part from our focus of providing value added solutions which can command higher unit prices than discrete hardware and consequently better margins.

The Headway document management business, which has experienced relatively flat sales year-on-year, improved its profitability and is now embarking upon a number of new initiatives which fit closely with its core focus. Although it would be premature to forecast growth at this stage, there is considerable optimism that these will lead to both an increase in revenue and further margin improvement.

best of breed solut

Bull SA

Bull is the premier European-based global IT supplier, with a worldwide presence in more than 100 countries. As an information technology company they are dedicated to helping corporations and public sector bodies develop open and secure information systems to sustain their business strategies.

CPI, part of Acal Parts Services, has had an enduring relationship with Bull, working with the group since 1998.

Providing supply chain services to support Bull's European customer base with Intel to Hi-end server parts, this relationship has developed and expanded over time to include multi-vendor inventory management and repair services.

CPI's relationship with Bull has progressed dramatically over the years and it now works on a contractual basis with Bull in 12 European Countries.

Similarly the Storage Networking business had flat sales but also improved its profitability significantly. Again, this is largely due to a gradual shift to more advanced higher value products that command better margins.

Lastly, Vertec, our medical imaging and instrumentation business, again put in a strong performance with an improvement in both sales and net margins. Vertec has now established an operation in South Africa with the same key suppliers that it has worked with in the UK for many years. It is anticipated that this operation will quickly move into profit, benefiting from the reputation of its key suppliers and the market momentum behind private healthcare in that country.

Associates

Acal's major associate, Singapore-based Westech, in which we have a 36% shareholding, increased sales and profits in its year ended 31 December 2006 with sales up 65% to S\$330.2m and net profits up 69% to S\$6.1m.

ACAL people

Acal has a great team of people – enthusiastic, hardworking, motivated and always prepared to go the extra yard for the customer. As importantly, they are very supportive of the fact that change is the norm rather than the exception in our industries. This is a spirit which stands us in good stead for the future and provides a great deal of confidence in our ability to succeed.

I would like to express my appreciation and thanks to them all.

ions...

More House School

More House school is an independent boarding school for boys with specific learning difficulties. Constant network access is essential to enable students to keep up their studies and given the risk of server failure in the evening or at weekends the school needed a solution to enable IT managers to manage and reboot servers remotely.

Acal IT Solutions offered expert knowledge to propose and implement the most effective solution through the application of Lantronix's Secure Linx™ Remote Data Centre Management Solutions.

Students, teachers and parents alike now benefit from improved network access.

Finance Director's review

Results for the year

Following the sale of the Group's Air Conditioning and Refrigeration ('AC&R') business which was announced in May 2006 and completed in July 2006 that business has been described as 'disposed activities' and the remainder of the Group's business as 'ongoing activities' in the financial statements for the year ended 31 March 2007

Sales of the Group's ongoing activities increased from £257.0m in 2006 to £260.9m for the year ended 31 March 2007, an overall increase of 1.5%. This overall increase represented an increase of 3.5% for the Electronics division, an increase of 5.5% for the IT Solutions division and a decline of 8.8% for the Parts Services division. Earnings before interest, tax, the Group's share of associated companies and exceptional items ('EBIT') increased from £9.9m in the prior year to £10.5m for the year ended 31 March 2007, an increase of 6.1%. Both the Electronics and IT Solutions divisions showed significant increases in EBIT of 46% and 74% respectively, but the Parts Services division decreased by 42%. Further information on each division's performance is set out in the Chief Executive's Review.

Although most international business in the electronics industry is denominated in US dollars, the principal exchange rate which affects the translation of the results of the Group's non-UK activities is that between the Euro and Sterling. During the year under review, Sterling was, on average, marginally (0.6%) stronger against the Euro.

pan-european foot

Average gross margin for the Group's ongoing activities during the year to 31 March 2007 was 25.4%, slightly ahead of 25.3% for the previous year.

and 7.3% stronger against the US dollar as compared to the previous year. Consequently variations in exchange rates had an insignificant effect on the translation of Acal's sales and profits for the year to 31 March 2007 relative to those for the prior year.

Average gross margin for the Group's ongoing activities during the year to 31 March 2007 was 25.4%, slightly ahead of 25.3% for the previous year. Whilst all activities in the Electronics and IT Solutions divisions showed an improvement in gross margins, there was a decline in the Parts Services division resulting from a lower level of contracted business.

Net operating expenses of the Group's ongoing activities, excluding exceptional items, were £55.6m for the year ended 31 March 2007 (2006: £55.2m). Although the average number of employees working in Acal's ongoing activities during this period, at 954, was unchanged from that for the previous year, there was significant underlying change. There were some manning reductions in the passive and electromechanical activities of the Electronics division and the Parts Services division, but we have continued to invest in additional resources to support the Group's strategy of expanding its specialist semiconductor portfolio, in particular the establishment of dedicated teams, together comprising over 20 members, for these products in Germany and Italy during the second half of the year. Overall the Group has continued to maintain good control over operating costs.

The exceptional item of £0.4m in the year to 31 March 2007 represented the recovery of a receivable which was previously considered impaired and hence provided against. In the prior year there were two exceptional items, a profit of £0.6m on sale of investments and the cost of £0.8m of withdrawing from part of the IT Solutions business.

Acal's principal associated company is Westech Electronics Limited. It distributes electronic components throughout the Far East region, excluding Japan, and has its head office in Singapore. Westech's sales grew from S\$255m (approximately £86.3m) for the year ended 31 March 2006 to S\$321m (approximately £108m) for the year under review. In the corresponding periods the Group's share of profits of associate companies, which under International Financial Reporting Standards is reported after tax, increased from £0.4m to £0.6m.

Although interest rates were higher, average net debt during the year was lower and accordingly net interest cost at £1.1m (before IAS19 financing cost of £0.2m) was lower than the previous year's figure of £1.6m (before IAS19 financing cost of £0.1m). Thus net interest cost was covered 9.5 times (2006: 6.2 times) by operating profit (before exceptional items) arising from the Group's ongoing activities.

print...

Jim Virdee
Finance Director
4 June 2007

The Group's effective tax rate for the year to 31 March 2007, calculated on the basis of profit before taxation excluding the Group's share of post-tax profit from associates was 33.0% (2006 33.8%)

The table below explains the effect of the Group's disposed (AC&R) activities on the results for the year

	Before tax £m	Tax £m	After tax £m
Trading profit for the period	0.4	(0.2)	0.2
Profit on disposal	6.0	(0.1)	5.9
Provision for retained obligations	(1.8)	0.5	(1.3)
Total trading assets	4.6	0.2	4.8

The retained obligations referred to in the table above related to people, properties and IT systems

In October 2006, ACAL purchased the 28.4% minority interest in Computer Parts International Limited, which is part of the Parts Services division, for a consideration of approximately £6.7m. Hence the minority interest in the Group's profit ceased to arise from that time onwards.

ACAL's earnings per share from ongoing activities, before exceptional items, were 25.0p for the year ended 31 March 2007 as compared to 19.6p for the year before, an increase of 27.6%. Basic earnings per share, including disposed activities, were 44.4p (2006 22.3p).

The interim and proposed final ordinary dividends in respect of the year to 31 March 2007 will absorb £5.8m (2006 £5.7m). These are covered 2.0 times (2006 1.0 times) by basic earnings including disposed activities, and 1.1 times (2006 0.9 times) by earnings from ongoing activities before exceptional items.

Working capital and balance sheet

The Group continues to place particular emphasis on the management of working capital. For this purpose it uses a model which compares each item of trading assets to the three-month moving average of sales (TMMA). The table below shows the target model in comparison to the actual achievement.

Ongoing activities	Target TMMA ratio	31 March 2007 TMMA ratio	31 March 2006 TMMA ratio
Trading fixed assets	0.5	0.5	0.5
Current assets			
Stock	1.2	1.0	0.9
Debtors	2.3	2.4	2.4
Current liabilities			
Creditors	(2.2)	(2.5)	(2.4)
Tax	(0.1)	(0.1)	(0.1)
Total trading assets	1.7	1.3	1.3

Note: This trading assets model excludes goodwill, investments, non-current tax assets, net debt/cash and long term liabilities.

The above table shows, for example, that our target is for stock to represent 1.2 months of sales and the actual level of stock at 31 March 2007 represented 1 month of sales.

unparalleled exper

Overall the Group has continued to maintain good control over operating costs.

The level of working capital at 31 March 2007 had benefited from a number of short-term factors which were not sustainable and reversed in the period after the year-end. This effect is estimated to have amounted to around £4m to £5m and was reflected in the net debt of £5.4m (2006: £6.5m) at the year end. As reported last year there was a similar short-term benefit of between £8m to £9m at 31 March 2006.

The Group's debt is provided principally under bilateral bank facilities negotiated centrally in the UK and locally in territories where Acal operates. There are committed long-term facilities of £25m available to the Group as well as short-term facilities which are used mainly for working capital requirements.

Capital expenditure for the year to 31 March 2007 was £2.2m (2006: £2.5m) and the charge to profits in respect of depreciation and amortisation of fixed assets amounted to £3.1m (2006: £3.2m) for the same period.

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 liabilities 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 was the Sedgemoor Group Pension Fund (together 'the Sedgemoor Scheme'). Soon after acquisition the Sedgemoor Scheme was curtailed and all future service accrual ceased. A triennial actuarial

valuation of the Sedgemoor Scheme was conducted as at 31 March 2006. At that date the gross pension liability under IAS19 was £9.1m and net of the relevant deferred tax it was £6.4m.

Primarily as a result of movements in bond yields, but also the contributions made since then, the gross liability at 31 March 2007 was £7.4m and net of the relevant deferred tax it was £5.2m.

Shareholders funds at 31 March 2007 were £75.8m (2006: £69.9m), the improvement from last year primarily reflecting retained earnings. Net debt at that date represented 7.1% of shareholders funds as compared to 9.3% a year earlier.

Return on Capital Employed

Return on average capital employed of the Group's ongoing activities, which is calculated using operating profit before exceptional items and net assets excluding goodwill but adding back net debt, was 40% for the year to 31 March 2007 as compared to 31% for the year before.

tise...

Directors

Richard 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.

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.

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.

Audit Committee

E A Barton
G J Williams

Remuneration Committee

G J Williams
E A Barton
R J Moon

Nomination Committee

R J Moon
E A Barton
G J Williams
A J Laughton

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.

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.

Financial contents and corporate information

Financial contents

Directors' report	18
Board report on corporate governance	20
Directors' remuneration report	24
Corporate social responsibility	28
Statement of directors' responsibilities	29
Report of the auditors – Group	31
Consolidated income statement	33
Consolidated statement of recognised income and expense	34
Consolidated balance sheet	35
Consolidated cash flow statement	36
Notes to the group financial statements	37
Report of the auditors – Company	69
Company balance sheet	71
Notes to the company financial statements	72
Five year record	77
Notice of annual general meeting	78
Principal locations	80

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 2007/2008

Annual General Meeting	19 July 2007
------------------------	--------------

Results

Interim report for the six months to 30 September 2007	Late November 2007
--	--------------------

Preliminary announcement for the year to 31 March 2008	Early June 2008
--	-----------------

Annual Report 2008	Late June 2008
--------------------	----------------

Dividend payments

Final dividend 2006/2007	25 July 2007
--------------------------	--------------

Interim dividend 2007/2008	Late January 2008
----------------------------	-------------------

Final dividend 2007/2008	Late July 2008
--------------------------	----------------

Directors' report

The Directors present their Annual Report with the audited financial statements for the year ended 31 March 2007

Business review and principal activities

Acal plc is the parent company of a sales, marketing and services group with three divisions: Electronics, IT Solutions and Parts Services. During the year the Group disposed of its Air Conditioning and Refrigeration business to Parker Hannifin Corporation. There were no other major changes to the Group's activities during the year under review. On a regular basis the Board reviews all businesses within the Group to ensure that its strategy is being delivered and to examine other opportunities to enhance shareholder value. At the date of this report the Board had taken no decisions which could result in any significant changes in activities during the current financial year.

The key measures of the performance of the Group relate to the level of sales, gross margins, net margins and the return achieved on the capital employed.

During the year the Group's turnover on ongoing activities increased by 1.5% over the prior year whilst profit before tax on ongoing activities before exceptional items increased by 14%. Return on capital employed was 40% as compared to 31% in the previous year. The balance sheet as at the year-end and the equivalent statement as at 31 March 2006 are shown on page 35. Further detailed analyses of the performance of the Group's businesses over the year are contained in the Chief Executive's Review and Finance Director's Review on pages 8 to 15.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are:

- a) the state of the markets in which it operates and the competitive pressures within those markets
- b) the strength of relationships with major suppliers and customers and
- c) the ability to recruit, retain and motivate key employees

In developing its strategy and plans Acal takes full account of the need to minimise any adverse impact of the risks associated with its business.

Results

The results of activities of the Group for the year to 31 March 2007 are set out in detail in the consolidated income statement on page 32. A review of the results and future developments is included in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review.

The Directors recommend a final dividend of 14.7p per share (2006: 14.4p). The final dividend together with the interim dividend of 7.2p (2006: 7.2p) makes a total dividend for the year of 21.9p per ordinary share (2006: 21.6p). The total dividends on ordinary shares will absorb £5,786,000 (2006: £5,706,000).

The Directors have taken all steps that they ought to have in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. As far as the Directors are aware there is no relevant audit information of which the Company's auditors are unaware.

Fixed assets

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

Directors

The current directors of the Company 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 share option schemes

A total of 1,500 ordinary shares were issued during the year on exercise of options under the Group's executive share option scheme.

Substantial shareholdings

As at 4 June 2007 the Company had been notified of the following major shareholdings (in addition to those of Mr A J Laughton which are shown in the Directors' Remuneration Report) equal to or in excess of three per cent of the issued share capital:

Directors' report continued

	Holdings of ordinary shares (5p)
Aberforth Partners LLP	3,454,000
J A H Curry	3,225,000
Artemis Investment Management Ltd	1,621,631
Herald Investment Trust plc	1,042,196
Capital Group International Inc	1,041,115
M&G Investment Funds 3	1,400,000
Legal & General Investment Management Ltd	1,005,811

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

Donations

During the year no donations (2006 £1,600) were made by Group companies for charitable purposes. No contributions (2006 £nil) were made for political purposes.

Auditors

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.

Employment policies

The Group is committed to the principle of equal opportunity in employment. Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Group's business. 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.

Environment

ACAL plc recognises the importance of its environmental responsibilities which are more fully stated in the corporate social responsibility statement on page 28.

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, which can vary from supplier to supplier and territory to territory, when goods or services have been delivered satisfactorily.

Trade creditors of the Group at 31 March 2007 were equivalent to 69 days purchases (2006 74). The Company has no trade creditors.

Use of financial instruments

A statement in relation to the use of financial instruments by the Group is shown in note 28 to the Accounts on page 59.

Special business at the annual general meeting

At the Annual General Meeting to be held on 19th July 2007, a total of three resolutions comprising items of special business will be proposed:

- Resolution 7 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 (a) 105% of the average middle market quotation for an ordinary share derived from the London Stock Exchange 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 and (b) that stipulated by Article 5(1) of the Buyback and Stabilisation Regulations 2003. 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.
- Resolution 8 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.
- Resolution 9 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.

By order of the Board
N Rowe
 Secretary
 4 June 2007

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

Board report on corporate governance

The Acal Group is committed to effective corporate governance and continues to operate 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 2007.

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 R J Moon as Non-Executive Chairman, Mr A J Laughton as Chief Executive and Mr J S Virdee as Finance Director together with Messrs E A Barton and G J Williams as Non-Executive Directors. The size and composition of the Board is considered to be appropriate to the Group's business at present although this is kept under review by the Nomination Committee.

The Board operates within a framework of controls used to minimise the adverse impact of any 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 on a regular basis. The Non-Executive Directors challenge management proposals where appropriate and carefully monitor management performance and reporting throughout the year.

Certain matters are as detailed below, delegated to the Audit, Remuneration and Nomination committees. The Board also has a General Purposes Committee consisting of any two directors of the Company which has delegated authority to approve certain defined and routine matters between Board meetings. The Board met formally on six occasions during the year to 31 March 2007, with all directors attending all meetings. All directors also attended the meetings of all committees on which they serve.

The Company maintains appropriate Directors' and Officers' liability insurance.

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.

Board balance and independence

As noted above the Board currently comprises two Executive Directors and, including the Chairman, three 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 served on the Board for more than nine years

The Non-Executive Directors of the company are, therefore, considered to be independent.

Mr E A Barton is the Senior Independent Director and is available to shareholders should they have concerns that cannot be resolved through other channels.

The Chairman meets with the Non-Executive Directors, but without the Executive Directors present, 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 Director.

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 is chaired by Mr R J Moon. The Company's two Non-Executive Directors and the Chief Executive are the other members of the Committee.

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

Board report on corporate governance continued

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.

On the appointment of Mr R J Moon as Chairman an assessment was made of the time commitment expected and Mr Moon's other significant commitments. Mr Moon continues to hold non executive positions with Planet Holdings Limited, Oxford Bio-Signals Limited, t+ Medical Holdings Limited and Software Radio Technology plc.

The Nomination Committee met formally once during the year. The terms of reference for the Nomination Committee are available on request.

Information and professional development

Papers are circulated well in advance of Board and Committee meetings, and directors are invited to request such further information as they may require ensuring 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 and briefings 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. 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. The appointment or removal of the Company Secretary would be a matter for the Board as a whole. An induction process is in place for any new director joining the Board which would include meeting with the Company's senior management and visits to key locations as well as a comprehensive briefing pack.

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 re-election of Mr R J Moon and Mr J S Virdee. Having taken into account the formal evaluation of their performance, the Board believes that both 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.

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, as 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 which consists of the Executive Directors. 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, covering the first six months of the year, which in their opinion provides a balanced and understandable assessment of the Group's financial performance and position.

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.

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 and subsequently revised in October 2005 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 2007 and up to the date of this annual report.

Board report on corporate governance continued

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.

In addition to the above, and on an annual basis, all operating companies undertake a comprehensive review of the effectiveness of their internal controls. The results of these reviews are then consolidated before being considered by 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 systems 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 further 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 G J Williams. The Finance Director attends meetings although no Executive Director has a right of attendance. The Board is satisfied that both 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.

Board report on corporate governance continued

The Audit Committee met on three occasions 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 and risk management 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 performance of the external auditors and making a recommendation as to their re-appointment
- 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 representatives from 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 certain aspects of taxation. The Committee has formed the view that given the size of the Company and the detailed level of understanding of the Group's business that is required, the provision of these specific tax services by a third party is inappropriate. As stated above, however, the matter is monitored by the Committee to ensure that Auditors' objectivity and independence is not prejudiced

The Audit Committee has written terms of reference which 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, a 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 (address www.acalpic.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 AGM after voting is completed on a show of hands and will be published on the Company's website. A separate resolution has been presented on each substantially separate issue and the Chairman of each Board Committee will attend the meeting. The proxy form relating to the AGM includes an option for votes to be withheld. 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 G J Williams as Chairman of the Committee, Mr E A Barton, and Mr R J Moon. 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 held two formal meetings during the year to 31 March 2007, and its terms of reference are available on request.

The Committee takes advice from external consultants as and when it is deemed necessary. During the year under review the Committee took advice from Halliwell Consulting who they appointed for this purpose. It is the Committee's policy that any consultants that are used do not provide other services to the Acal Group. The Committee also took advice from the Group Chief Executive in relation to the benefits of other senior executives in the 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 to the Group's growth. 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 Loughton as Chairman and Mr J S Virdee. 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 2008 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 similarly sized 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 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 annual bonuses depend on specific targets for example of return on capital employed, the growth of sales and profits and the quality of profits (which is measured by the net margin as a percentage of sales) as well as the achievement of other objectives deemed relevant from time to time. Bonus payments to Executive Directors are capped at a level agreed by the Remuneration Committee from time to time.

Directors' remuneration report continued

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 is 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.

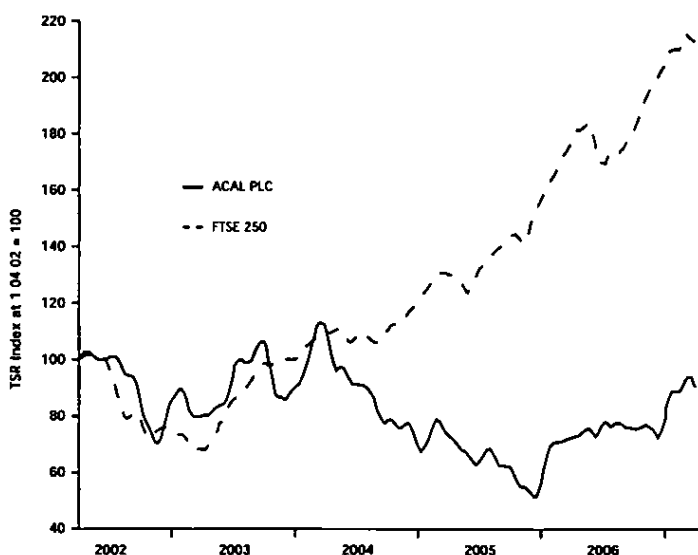
Pension arrangements

Under the terms of the Group's pension scheme the Company makes contributions of one per cent of pensionable salary plus the amount of an employee's own contribution provided the Company's contribution does not exceed 6.5% of pensionable salary. Pensionable salary generally includes payments made to employees under the annual bonus scheme. Given that the scheme operates on a defined contribution basis and that the Company's maximum percentage contribution of 6.5% 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 were previously eligible for a further Company contribution which was not guaranteed and may have been paid depending on the performance of the Company. No such performance-related contribution has been payable since 31 March 2001 and as a result, this has been withdrawn. In recognition of long service, special contributions of £10,000 and £8,000 were made by the Company in respect of Mr A J Laughton and Mr J S Virdee respectively in the year to 31 March 2007. Mr J S Virdee participated in the Group's pension scheme throughout the year under review. Mr A J Laughton ceased to participate in the Group's pension scheme with effect from 1 October 2006 since which time the Company has made and will continue to make such contributions to a personal pension arrangement established by Mr Laughton as it would otherwise have made to the Group pension scheme.

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 Acal plc is not currently a member of the FTSE 250, it is considered to be a reasonable comparator for the Company.

Total shareholder return for period 1 April 2002 to 31 March 2007



source: Thomson Datastream

Directors' remuneration report continued

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 the period up to 30 June 2006 in respect of which he received and retained fees of £6,000 (2006 £24,000).

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. The following letters of appointment are in place in relation to the Chairman and Non-Executive Directors

- (i) An agreement with Synergie Business Limited for the provision of the services of Mr R J Moon dated 31 March 2005 which expires on 31 March 2008 and which may be terminated by six months notice
- (ii) An agreement with Mr E A Barton for his services dated 31 May 2007 which expires on 30 June 2008
- (iii) An agreement with Mr G J Williams for his services dated 29 September 2003 which expires on 30 June 2008 and which may be terminated by three months notice

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

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 2007		At 31 March 2006	
	Ordinary shares (5p) fully paid Beneficial	Non-beneficial	Ordinary shares (5p) fully paid Beneficial	Non-beneficial
A J Laughton	1,400,900	-	1,500,900	-
J S Virdee	105,778	-	105,778	-
R J Moon	10,000	-	10,000	-
G J Williams	1,000	-	1,000	-
E A Barton	1,000	-	1,000	-

The interests of directors in the shares of the Company at 4 June 2007 are unchanged from those at 31 March 2007

Audited information

The total amounts for directors' remuneration were as follows

	2007 £	2006 £
Fees	189,000	193,144
Salary and benefits	526,408	509,217
Performance-related bonuses	102,290	35,760
Money purchase pension contributions	51,720	50,955
Compensation for loss of office	-	-
	869,418	789,076

Directors' remuneration report continued

Details of the remuneration of directors who served during the years ended 31 March 2007 and 31 March 2006 are as follows

	Salary or fees £	Bonus £	Benefits £	Total emoluments		Pension contribution	
				2007 £	2006 £	2007 Total £	2006 Total £
Executive directors							
A J Laughton	300 000	61,431	16,329	377,760	327,647	30,953	30,475
J S Virdee	183 000	40,859	27,079	250,938	217,330	20,767	20,480
Non-executive directors							
R J Moon*	131 000	-	-	131,000	131,000	-	-
R J Williams*	-	-	-	-	9,144	-	-
G J Williams	28 000	-	-	28,000	25,000	-	-
E A Barton*	30 000	-	-	30,000	28,000	-	-
	672,000	102,290	43,408	817,698	738,121	51,720	50 955

* The emoluments of Mr R J Williams relate to the period up to his retirement from the Board on 20 July 2005. The fees in respect of Mr R J Moon and Mr E A Barton were paid to Synergie Business Limited and Lancedale Limited being companies in which each has a respective interest.

Mr A J Laughton was the highest paid director (both including and excluding pension contributions) in the year ended 31 March 2007 (2006: Mr A J Laughton). No director made any gain on exercise of share options during the year or in the prior year.

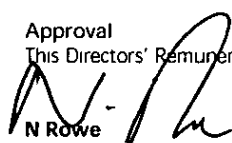
Movements in the directors' holding of options under the Acal plc Executive Share Option Scheme during the year were as follows:

Director	Number held at 1 04 06	Granted	Movements during the year		Number held at 31 03 07	Date of grant	Exercise price	When exercisable
			Granted	Lapsed				
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
A J Laughton	15,000	-	-	-	15,000	June 2005	335 0p	June 2008 to June 2012
A J Laughton	-	15,000	-	-	15,000	June 2006	367 5p	June 2009 to June 2013
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
J S Virdee	10,000	-	-	-	10,000	June 2005	335 0p	June 2008 to June 2012
J S Virdee	-	10,000	-	-	10,000	June 2006	367 5p	June 2009 to June 2013

The market price of the shares at 31 March 2007 was 398 5p and the range during the year ended on that date was 292p to 465p. The performance conditions in relation to the Acal plc Executive Share Option Scheme are described in the unaudited section of the report above.

Approval

This Directors' Remuneration Report has been approved by the Board and signed on its behalf by


N Rowe
Secretary
4 June 2007

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 the 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 efficiency 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 has implemented procedures to ensure compliance with the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment Regulations 2004, the Waste Electrical and Electronic Equipment Regulations and the Producer Responsibility Obligations (Packaging Waste) Regulations 2005.

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.

Acal plc

Group financial statements

for the year ended 31 March 2007

Report of the auditors

Independent auditor's report to the members of Acal plc

We have audited the group financial statements of Acal plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 39. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Acal plc for the year ended 31 March 2007 and on 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' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 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 group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Finance Director's Review, the Board Report on Corporate Governance and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group 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 group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Report of the auditors continued

Opinion

In our opinion

the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended
the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
the information given in the directors' report is consistent with the group financial statements



Ernst & Young LLP

Registered auditor

London

4 June 2007

Consolidated income statement

for the year ended 31 March 2007

	notes	Ongoing activities £m	Disposed activities (note 12) £m	2007 Total £m	2006 £m
Continuing operations					
Revenue	4,5	260 9	-	260 9	257 0
Cost of sales		(194 8)	-	(194 8)	(191 9)
Gross profit		66 1	-	66 1	65 1
Selling and distribution costs		(33 2)	-	(33 2)	(31 6)
Administrative expenses		(22 8)	-	(22 8)	(23 9)
Other operating income	7	0 8	-	0 8	0 9
Other operating expenses		-	(1 8)	(1 8)	(0 8)
Operating profit	8	10 9	(1 8)	9 1	9 7
Analysed between					
Operating profit before exceptional items	5	10 5	-	10 5	9 9
Exceptional items – provision for retained obligations	6	-	(1 8)	(1 8)	-
Exceptional items – recovery of impaired receivable	6	0 4	-	0 4	-
Exceptional items – profit on disposal of investments	6	-	-	-	0 6
Exceptional items – product withdrawal costs	6	-	-	-	(0 8)
Share of post-tax profits from associates	20	0 6	-	0 6	0 4
Finance costs	10	(1 7)	-	(1 7)	(2 3)
Finance revenue	10	0 4	-	0 4	0 6
Profit before tax		10 2	(1 8)	8 4	8 4
Analysed between					
Profit before taxation before exceptional items		9 8	-	9 8	8 6
Exceptional items – provision for retained obligations	6	-	(1 8)	(1 8)	-
Exceptional items – recovery of impaired receivable	6	0 4	-	0 4	-
Exceptional items – profit on disposal of investments	6	-	-	-	0 6
Exceptional items – product withdrawal costs	6	-	-	-	(0 8)
Corporation tax expense					
United Kingdom taxation		(2 6)	0 5	(2 1)	(2 6)
Overseas taxation		(0 5)	-	(0 5)	(0 1)
Taxation	11	(3 1)	0 5	(2 6)	(2 7)
Analysed between					
Taxation before exceptional items		(3 0)	-	(3 0)	(2 8)
Exceptional items – taxation credit arising consequent on the disposal		-	0 5	0 5	-
Exceptional items – taxation charge arising on recovery of impaired receivable		(0 1)	-	(0 1)	-
Exceptional items – taxation charge arising on profit on disposal of investments		-	-	-	(0 1)
Exceptional items – taxation charge arising on product withdrawal costs		-	-	-	0 2
Profit after taxation for the year from continuing operations		7 1	(1 3)	5 8	5 7
Discontinued operations					
Profit for the year from discontinued operations	12	-	6 1	6 1	0 9
Profit for the year		7 1	4 8	11 9	6 6
Attributable to					
Equity holders of the parent				11 7	6 0
Minority interests				0 2	0 6
				11 9	6 6

Consolidated income statement continued

for the year ended 31 March 2007

	notes	Ongoing activities £m	Disposed activities (note 12) £m	2007 Total £m	2006 £m
Earnings per share	14				
Continuing Operations					
Basic – including exceptional items		26 1p	(4 8p)	21 3p	19 1p
– excluding exceptional items		25 0p	–	25 0p	19 6p
Diluted – including exceptional items		26 1p	(4 8p)	21 3p	19 1p
– excluding exceptional items		25 0p	–	25 0p	19 6p
Including discontinued operations					
Basic				44 4p	22 3p
Diluted				44 4p	22 3p
Dividends					
Dividends per share declared in respect of the year				21 9p	21 6p
Dividends per share paid in the year				21 6p	21 6p
Dividends paid in the year				£5 7m	£5 7m

Consolidated statement of recognised income and expense

for the year ended 31 March 2007

	notes	2007 £m	2006 £m
Actuarial gain/(loss) on defined benefit pension scheme	36	0 9	(3 4)
Deferred tax relating to pension scheme	11	(0 5)	0 8
Investments – cumulative fair value adjustments taken to income statement on disposal	33	–	(0 4)
Foreign currency translation differences	33	(0 6)	0 7
Net income and expense recognised directly in equity		(0 2)	(2 3)
Profit for the year		11 9	6 6
Total recognised income and expense for the year		11 7	4 3
Restatement for the effects of IAS 32 and 39 (i)	21	–	0 4
Total recognised income and expense		11 7	4 7
Total recognised income and expense for the year attributable to			
Equity holders of the parent		11 5	4 1
Minority interests		0 2	0 6
		11 7	4 7

(i) On 1 April 2005 the balance sheet was restated for the effects of IAS 32 and 39

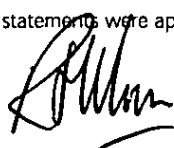
Consolidated balance sheet

at 31 March 2007

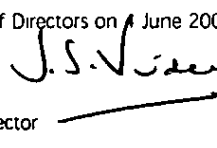
	notes	2007 £m	2006 £m
Non-current assets			
Property plant and equipment	16	63	67
Goodwill	17	535	488
Intangible assets – software	19	39	48
Investments in associates	20	50	47
Other financial assets	21	03	03
Deferred tax assets	11	40	40
		730	693
Current assets			
Inventories	22	237	214
Trade and other receivables	23	588	580
Current tax assets		04	17
Cash and cash equivalents	24	119	169
		948	980
Current liabilities			
Trade and other payables	30	(589)	(580)
Short-term borrowings	25	(72)	(112)
Current tax liabilities		(28)	(37)
Provisions	27	(21)	(10)
		(710)	(739)
Net current assets		238	241
Assets of discontinued operations classified as held for sale	12	-	62
Non-current liabilities			
Long-term borrowings	25	(101)	(122)
Pension liability	36	(74)	(91)
Deferred tax liabilities	11	(16)	(18)
Provisions	27	(19)	(07)
		(210)	(238)
Liabilities of discontinued operations classified as held for sale	12	-	(41)
Net assets		758	717
Equity			
Share capital	31	13	13
Share premium account	32	380	380
Share scheme reserve	32	03	02
Other reserves	33	12	18
Retained earnings	32	350	286
Equity attributable to equity holders of the parent		758	699
Minority interests	32	-	18
Total equity	32	758	717

These financial statements were approved by the Board of Directors on 1 June 2007 and signed on its behalf by

R J Moon
Chairman



J S Virdee
Finance Director



Consolidated cash flow statement

for the year ended 31 March 2007

	notes	2007 £m	2006 £m
Profit for the year		11 9	6 6
Taxation expense (includes £0 3m (2006 £0 4m) from discontinued operations)		2 9	3 1
Share of results of associates		(0 6)	(0 4)
Net finance costs		1 3	1 7
Depreciation of property, plant and equipment		1 9	2 1
Amortisation of intangible assets – software		1 2	1 1
Change in provisions		2 3	0 7
Gain on disposal of investments		(6 0)	(0 6)
Gain on disposal of property, plant and equipment		–	(0 1)
Pension scheme funding		(1 0)	(0 7)
Equity-settled share-based payment expense		0 1	0 1
Operating cash flows before changes in working capital		14 0	13 6
(Increase)/decrease in inventories		(2 5)	2 1
Increase in trade and other receivables		(1 9)	(5 7)
Increase in trade and other payables		1 6	5 9
(Increase)/decrease in working capital		(2 8)	2 3
Cash generated from operations		11 2	15 9
Interest paid		(1 5)	(2 1)
Income taxes paid		(3 4)	(2 9)
Net cash flows from operating activities		6 3	10 9
Cash flows from investing activities			
Acquisition of shares in subsidiaries		(6 7)	(0 4)
Proceeds from sale of subsidiaries		8 3	–
Net overdrafts disposed of with subsidiaries		0 4	–
Proceeds from sale of investments		–	2 5
Purchases of property, plant and equipment		(1 8)	(2 2)
Proceeds from sale of property, plant, equipment and intangibles		0 2	0 3
Purchase of intangible assets – software		(0 4)	(0 3)
Interest received		0 4	0 6
Dividends received from associates		0 2	0 1
Net cash inflow from investing activities		0 6	0 6
Cash flows from financing activities			
Repayments of borrowings		(7 1)	(3 1)
Dividends paid to company's shareholders	13	(5 7)	(5 7)
Dividends paid to minority interests		(0 1)	–
Net cash outflow from financing activities		(12 9)	(8 8)
Net (decrease)/increase in cash and cash equivalents		(6 0)	2 7
Cash and cash equivalents at 1 April		10 8	8 0
Effect of exchange rate fluctuations		–	0 1
Cash and cash equivalents at 31 March	24	4 8	10 8
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		4 8	10 8
Add back overdrafts		7 1	6 1
Cash and cash equivalents shown within current assets in the balance sheet		11 9	16 9

Notes to the group financial statements

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Acal plc for the year ended 31 March 2007 were authorised for issue by the Board of directors on 4 June 2007. Acal plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 1985.

The significant accounting policies adopted by the Group are set out in note 2.

2 Accounting policies

Basis of preparation

The consolidated financial statements of Acal plc and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated.

Basis of consolidation

The Group's financial statements consolidate the financial statements of Acal plc, entities controlled by the Company (its subsidiaries) and include the Group's share of the results of associates.

Subsidiaries and associates

A subsidiary is an entity controlled by Acal plc, i.e. the Company has the power to control the entity's financial and operating policies. The financial statements of subsidiaries are prepared for the same reporting year as the parent company.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which the Group no longer retains control. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

An associate is an undertaking in which the Group has significant influence and which is neither a subsidiary nor joint venture. Significant influence is the power and the ability to participate in its financial and operating policy decisions, but not control or joint control of those decisions.

Acal's investments in its associates are accounted for under the equity method of accounting. Under the equity method investments in associates are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value.

Minority interests

Minority interests represent the interests of non-Group shareholders in subsidiaries not wholly owned by the Group. Minority interests are presented within equity in the Group balance sheet, separately from the parent shareholders' equity.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale rather than from continued use. Assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell. IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which determines when an entity ceases to be consolidated, has been applied with effect from 1 April 2005.

Business combinations and goodwill

Goodwill represents the excess of the cost of the business combination over the fair value of the Group's share of the identifiable assets less liabilities and contingent liabilities of the acquired entity at the date of acquisition.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

Notes to the group financial statements continued

2 Accounting policies continued

At the acquisition date, goodwill acquired is recognised as an asset and is allocated to each of the cash generating units expected to benefit from the combination's synergies. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised immediately in profit or loss and is not subsequently reversed. Goodwill arising on the acquisition of associates is included within the carrying value of the investment.

Any intangible assets acquired as part of a business combination are recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before 1 April 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts having been tested for impairment at that date.

Intangible assets – software

Implementation costs of IT systems, and computer software, are amortised on a straight-line basis over their estimated useful lives at rates of 12.5-33%. Software is assessed for impairment in accordance with IAS 36, Impairment of Assets, when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis to write off the cost, less residual value, over the estimated useful life of the asset at the following rates:

Freehold land	nil
Freehold buildings	2-3%
Leasehold improvement costs	10-20%
Plant, equipment and IT hardware	10-33%

All property, plant and equipment assets are reviewed for impairment in accordance with IAS 36, Impairment of Assets, when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Impairment

At each balance sheet date the Group reviews the carrying value of its assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, or when annual testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised in the income statement.

Other financial assets

Investments are initially recognised at cost, being the fair value of the consideration given and including directly attributable transaction costs associated with the investment.

After initial recognition, investments in equity shares are treated as available for sale financial assets and are measured at their fair value with any gains or losses recognised in equity. When the investment is derecognised or impaired the cumulative gain or loss previously reported in equity is included in the income statement.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably valued are measured at cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Notes to the group financial statements continued

2 Accounting policies continued

Other financial assets are assessed for impairment in accordance with IAS 36, Impairment of Assets, when there are events or changes in circumstances that indicate that the carrying value may not be recoverable

Inventories

Inventories comprise goods held for resale and are stated at the lower of weighted average cost and net realisable value after making allowance for any obsolete or slow moving items. Cost includes carriage incurred

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and cash equivalents as defined above, net of outstanding bank overdrafts

Borrowings

Borrowings are initially recognised at fair value of the consideration received net of any associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the income statement using the effective interest method

Provisions

Provisions for warranties, onerous contracts and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Provisions are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the Income Statement

Currency gains and losses arising from the retranslation of the opening net assets of foreign operations are recorded as a movement on reserves, net of tax. The differences that arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate currency translation reserve. All other currency gains and losses are dealt with in the Income Statement

Revenue recognition

Revenue represents the invoiced value of goods, commission and other services provided to third parties, after deducting discounts, VAT and similar taxes levied overseas. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In particular:

- a Revenue from the sale of products is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to customers
- b Revenue from service contracts is recognised over the life of the contract reflecting performance of the contractual obligations to the customer
- c Interest income is recognised as the interest accrues using the effective interest method
- d Dividend income is recognised when the shareholders' right to receive the payment is established

Dividends

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when approved by the shareholders in general meeting and in relation to interim dividends, when paid

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases

Notes to the group financial statements continued

2 Accounting policies continued

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Pensions

Payments to defined contribution schemes are charged as an expense as they fall due.

In respect of defined benefit pension schemes, the obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognised past service cost, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Recognised Income and Expense.

Share-based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted, calculated using an option pricing model, and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of non-market vesting conditions.

No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

The Group has taken advantage of the exemption permitted under IFRS 1 in respect of equity-settled awards and IFRS 2 has only been applied to options awarded on or after 7 November 2002 that had not vested on or before 1 January 2005.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Financial instruments

The Group uses derivatives, principally forward currency contracts, to hedge risks associated with foreign currency fluctuations.

To 31 March 2005, assets and liabilities covered by forward exchange contracts were translated into sterling at forward rates. From 1 April 2005, the date of adoption of IAS 32/39, such derivatives are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Notes to the group financial statements continued

2 Accounting policies continued

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For those derivatives designated as hedges and for which hedge accounting is required, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. Any amounts previously recognised in equity remain in equity until the forecast transaction occurs. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity or as an asset or liability are transferred to profit or loss.

3 New accounting standards and financial requirements

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

		effective date
International Accounting Standards (IAS/IFRS)		
IFRS 7	Financial Instruments: Disclosures*	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment – Presentation of Financial Statement: Capital Disclosures	1 January 2007
IAS 23	Amendment – Borrowing Costs	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Services Concession Arrangements	1 January 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

- * This standard requires additional disclosures to be made for financial instruments and is to be adopted by the Group during the year ending 31 March 08. There is no impact on the reported amounts of financial instruments as a result of adopting this financial standard.

Notes to the group financial statements continued

4 Revenue

An analysis of the Group's revenue is as follows

	2007 £m	2006 £m
Sale of goods	241.2	240.6
Rendering of services	19.7	16.4
Total revenue	260.9	257.0

5 Segmental analysis

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other segments

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments

For management purposes, the group is organised into three business segments – Electronics, Parts Services and IT Solutions. These business segments are the basis on which the group reports its primary segment information.

Secondary segment information is based on geographic location, the group has activities in Europe and sales to the Rest of the World according to the location of the markets and customers.

There are immaterial sales between business segments. Segment assets include intangible assets, property, plant and equipment, inventories, trade and other receivables. Segment liabilities include trade and other payables and other provisions. Capital expenditure comprises the balance sheet additions for property, plant and equipment and intangible assets.

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years to 31 March 2007 and 31 March 2006. Discontinued operations relates to the air conditioning and refrigeration business – see note 12.

Year to 31 March 2007

	Electronics £m	Parts Services £m	IT Solutions £m	Unallocated £m	Total ongoing activities £m	Disposed activities £m	Total operations £m
Revenue	107.6	51.9	101.4	–	260.9	5.3	266.2
Segment result	5.2	3.8	5.6	(3.7)	10.9	0.4	11.3
Provision for retained obligations	–	–	–	–	–	(1.8)	(1.8)
Profit on disposal of activities	–	–	–	–	–	6.0	6.0
Net finance costs	–	–	–	(1.3)	(1.3)	–	(1.3)
Share of post-tax profits of associates	0.6	–	–	–	0.6	–	0.6
Profit before taxation	5.8	3.8	5.6	(5.0)	10.2	4.6	14.8
Taxation					(3.1)	0.2	(2.9)
Profit for the year					7.1	4.8	11.9

Notes to the group financial statements continued

5 Segmental analysis continued

The figures for total operations in the table above may be analysed between continuing and discontinued operations as follows

	Continuing operations £m	Discontinued operations £m	Total operations £m
Revenue	260.9	5.3	266.2
Segment result	10.9	0.4	11.3
Provision for retained obligations	(1.8)	–	(1.8)
Profit on disposal of activities	–	6.0	6.0
Net finance costs	(1.3)	–	(1.3)
Share of post-tax profits of associates	0.6	–	0.6
Profit before taxation	8.4	6.4	14.8
Taxation	(2.6)	(0.3)	(2.9)
Profit for the year	5.8	6.1	11.9

Assets and liabilities

	Electronics £m	Parts Services £m	IT Solutions £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Segment assets (excluding goodwill and associates)	41.6	18.9	35.4	95.9	–	95.9
Goodwill	36.8	16.4	0.3	53.5	–	53.5
Investment in associates	5.0	–	–	5.0	–	5.0
	83.4	35.3	35.7	154.4	–	154.4
Unallocated corporate assets						9.0
Current/deferred tax assets						4.4
Total assets						167.8
Segment liabilities	(25.5)	(5.8)	(26.6)	(57.9)	–	(57.9)
Unallocated corporate liabilities						(22.3)
Pensions						(7.4)
Current/deferred tax liabilities						(4.4)
Total liabilities						(92.0)
Net assets	57.9	29.5	9.1	96.5	–	75.8

Unallocated net assets comprise certain property, plant and equipment, intangibles, cash and all borrowings

Other segment information

	Electronics £m	Parts Services £m	IT Solutions £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Capital expenditures							
Property, plant and equipment	0.9	0.2	0.7	–	1.8	–	1.8
Intangible fixed assets	0.1	0.2	–	–	0.3	–	0.3
Depreciation	0.7	0.4	0.8	–	1.9	–	1.9
Amortisation	0.1	0.1	0.1	0.9	1.2	–	1.2
Change in provisions	0.2	0.2	0.3	3.0	3.6	–	3.6
Net inventory write downs	0.2	1.0	1.1	–	1.3	–	1.3

Notes to the group financial statements continued

5 Segmental analysis continued

Year to 31 March 2006

	Electronics £m	Parts Services £m	IT Solutions £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Revenue	104 0	56 9	96 1	–	257 0	18 4	275 4
Segment result	3 5	6 0	3 6	(3 2)	9 9	1 3	11 2
Exceptional items							
Profit on disposal of investments	–	–	–	0 6	0 6	–	0 6
Product withdrawal costs	–	–	(0 8)	–	(0 8)	–	(0 8)
Net finance costs	–	–	–	(1 7)	(1 7)	–	(1 7)
Share of post-tax profits from associates	0 4	–	–	–	0 4	–	0 4
Profit before taxation	3 9	6 0	2 8	(4 3)	8 4	1 3	9 7
Taxation					(2 7)	(0 4)	(3 1)
Profit for the year					5 7	0 9	6 6

Assets and liabilities

	Electronics £m	Parts Services £m	IT Solutions £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Segment assets (excluding goodwill and associates)	42 8	21 1	33 3	97 2	6 2	103 4
Goodwill	36 9	11 6	0 3	48 8	–	48 8
Investment in associates	4 7	–	–	4 7	–	4 7
	84 4	32 7	33 6	150 7	6 2	156 9
Unallocated corporate assets						10 9
Unallocated current/deferred tax assets						5 7
Total assets						173 5
Segment liabilities	(24 7)	(8 8)	(24 8)	(58 3)	(3 1)	(61 4)
Unallocated corporate liabilities						(25 8)
Pensions						(9 1)
Unallocated current/deferred tax liabilities						(5 5)
Total liabilities						(101 8)
Net assets	59 7	23 9	8 8	92 4	3 1	71 7

Other segment information

	Electronics £m	Parts Services £m	IT Solutions £m	Unallocated £m	Total continuing operations £m	Discontinued operations £m	Total operations £m
Capital expenditures							
Property plant and equipment	0 8	0 5	0 8	0 1	2 2	–	2 2
Intangible fixed assets	0 1	0 1	–	–	0 2	0 1	0 3
Depreciation	0 8	0 5	0 7	0 1	2 1	–	2 1
Amortisation	0 1	0 2	0 1	0 7	1 1	–	1 1
Change in provisions	(0 2)	0 2	–	0 5	0 5	0 2	0 7
Net inventory write downs	1 1	1 0	1 0	–	3 1	–	3 1

Notes to the group financial statements continued

5 Segmental analysis continued

Geographical segments

Revenue by geographic market

	2007 £m	2006 £m
Europe	253.4	250.8
Rest of the World	7.5	6.2
	260.9	257.0

Revenue by geographic markets is analysed further elsewhere in the report and accounts to provide additional information to users of these accounts

Capital expenditure by geographic origin

	2007 £m	2006 £m
Europe	2.2	2.4
Rest of the World	–	0.1
	2.2	2.5

Capital expenditure comprises additions of property plant and equipment and intangible assets (excluding goodwill)

Assets by geographic origin

	2007 £m	2006 £m
Europe	96.4	94.1
Rest of the World	0.1	1.4
Operating assets by segment	96.5	95.5
Unallocated corporate assets	9.0	10.9
Unallocated corporate liabilities	(22.3)	(25.8)
Pensions	(7.4)	(9.1)
Net tax assets	–	0.2
Total net assets	75.8	71.7

6 Exceptional items

Continuing operations

	2007 £m	2006 £m
Other operating income		
Profit on disposal of investments	–	0.6
Recovery of impaired receivable	0.4	–
Other operating expenses		
Product withdrawal costs	–	(0.8)
Provision for retained obligations	Note 12 (1.8)	–

Product withdrawal costs comprise inventory write downs of £0.4m and impairment of financial assets of £0.4m

Notes to the group financial statements continued

7 Other operating income

	2007 £m	2006 £m
Net gains on disposal of property, plant and equipment	0.2	0.1
Profit on disposal of investments	–	0.6
Dividends from investments	–	0.1
Recovery of impaired receivable	0.4	–
Other	0.2	0.1
	0.8	0.9

8 Operating profit

Operating profit including discontinued operations is stated after charging/(crediting)

	2007 £m	2006 £m
Employee costs (note 9)	37.6	38.4
Depreciation of property, plant and equipment (note 16)	1.9	2.1
Amortisation of intangible assets (note 19)	1.2	1.1
Inventories (amounts included in cost of sales)		
Cost of inventories	196.8	201.1
Write-down of inventories	2.0	3.2
Reversal of prior year write down of inventories*	(0.5)	(0.1)
Operating lease rentals		
Minimum lease payments recognised as an operating lease expense	4.0	4.1
Audit of the financial statements	0.1	0.1
Other fees to auditors – local statutory audits for subsidiaries	0.2	0.2

Fees in relation to tax services are £30,000 (2006: £28,000)

* Reversal relates to sales of goods previously written down

9 Employee costs

Including discontinued operations

	2007 £m	2006 £m
Wages and salaries	31.8	32.1
Social security costs	4.4	4.7
Pension costs	1.3	1.5
Equity settled share-based payments	0.1	0.1
	37.6	38.4

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

	2007 Number	2006 Number
Marketing, sales and service	791	807
Administration	175	191
	966	998

Details of Directors' emoluments are disclosed in the remuneration report on pages 24 to 27

Notes to the group financial statements continued

10 Finance costs/(revenue)

Including discontinued operations

	2007 £m	2006 £m
Interest expense on bank loans and overdrafts	1 5	2 2
Net pension finance charge	0 2	0 1
Finance costs	1 7	2 3
Interest receivable and similar income	(0 4)	(0 6)
Finance revenue	(0 4)	(0 6)

11 Taxation

The major components of corporation tax expense for the years ended 31 March 2007 and 2006 are

Consolidated income statement for total operations

	2007 £m	2006 £m
Current taxation		
UK corporation tax	3 0	3 2
UK adjustments in respect of prior years	0 1	0 1
	3 1	3 3
Overseas tax	1 0	0 3
Overseas adjustments in respect of prior years	(0 3)	(0 1)
	0 7	0 2
Total current taxation	3 8	3 5
Deferred taxation		
Origination and reversal of temporary differences within the UK	(0 9)	(0 7)
Origination and reversal of temporary differences overseas	–	(0 1)
Total deferred taxation	(0 9)	(0 8)
Tax reported in the consolidated income statement	2 9	2 7

Consolidated statement of changes in equity

	2007 £m	2006 £m
Decrease/(increase) in deferred tax asset on pension deficit	0 5	(0 8)
Tax reported in equity	0 5	(0 8)

Notes to the group financial statements continued

11 Taxation continued

Taxation for the year is lower (2006 higher) than the standard rate of taxation in the UK (30%). A reconciliation of the tax charge applicable to profit before tax at the statutory tax rate to the actual tax charge at the Group's effective tax rate for the years ended 31 March 2007 and 31 March 2006 respectively was as follows

	2007 £m	2006 £m
Accounting profit before tax	14.8	9.7
Profit before taxation multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	4.4	2.9
Effect of		
Different tax rates in overseas companies	0.1	-
Associate companies	(0.2)	(0.1)
Utilisation of tax losses not previously recognised	(0.1)	(0.2)
Current year losses not recognised	0.5	0.4
Non-taxable gain on disposal of business	(1.7)	-
Non-deductible expenses	0.1	0.1
Adjustments to tax expense in respect of prior years	(0.2)	-
At effective tax rate of 19.6% (2006 32.3%)	2.9	3.1
Tax expense reported in the consolidated income statement for continuing operations	2.6	2.7
Tax expense attributable to discontinued operations	0.3	0.4
Tax reported in the consolidated income statement	2.9	3.1

The current tax asset represents advance payments receivable within one year

Deferred tax

Deferred tax at 31 March 2007 relates to the following

	2007 £m	2006 £m
Deferred tax liabilities		
Accelerated capital allowances	(0.5)	(0.7)
Undistributed earnings of overseas associates	(0.5)	(0.4)
Other temporary differences	(0.6)	(0.7)
Gross deferred tax liabilities	(1.6)	(1.8)
Deferred tax assets		
Pensions	2.2	2.7
Tax losses	0.2	0.2
Other temporary differences	1.6	1.1
Gross deferred tax assets	4.0	4.0

Notes to the group financial statements continued

11 Taxation continued

Deferred tax in the income statement

	2007 £m	2006 £m
Consolidated income statement – total operations		
Deferred tax credit		
Accelerated capital allowances	(0 2)	0 1
Other temporary differences	(0 7)	(0 7)
	(0 9)	(0 8)

At 31 March 2007, the Group had recognised a deferred tax asset of £0.2 million (2006: £0.2 million) in respect of tax losses of approximately £0.7 million (2006: £0.7 million). These losses may all be carried forward indefinitely. At 31 March 2007 the Group had not recognised any deferred tax asset in respect of tax losses of approximately £7.2 million (2006: £6.3 million). Deferred tax assets are not recognised where there is insufficient evidence that losses will be utilised.

At 31 March 2007, there was no recognised deferred tax liability (2006: nil) for taxes that would be payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings, as the Group has determined that the undistributed profits of its overseas subsidiaries will not be distributed in the near future where an additional tax charge would arise.

12 Disposed activities

On 25 May 2006, the Company announced the disposal of its air conditioning and refrigeration business. The disposal was completed on 3 July 2006 for a cash consideration of £8.3 million. The results of this business have been presented under discontinued operations in the consolidated income statement.

	2007 £m	2006 £m
Sale proceeds	8 3	–
Total net assets sold	(2 3)	–
	6 0	–
Tax effect of disposal	(0 1)	–
Profit on disposal	5 9	–

In addition a provision of £1.8 million (charged to continuing operations) has been made to cover certain obligations of the disposed activities which have been retained by the Group. These obligations represent costs relating to people, properties and impairment of IT systems.

Total net assets sold comprised the following assets and liabilities:

	Total £m
Fixed assets and intangibles	0 1
Inventories	2 0
Debtors	4 4
Cash	0 3
Total assets sold	6 8
Bank overdrafts	(0 7)
Creditors	(3 8)
Total liabilities sold	(4 5)
Total net assets sold	2 3

Notes to the group financial statements continued

12 Discontinued operations continued

Profit from discontinued operations comprises

	2007 £m	2006 £m
Profit on disposal of air conditioning and refrigeration business	5 9	-
Profit for the period from trading of air conditioning and refrigeration business	0 2	0 9
Profit for the year from discontinued operations	6 1	0 9

The profit for the year from discontinued operations is derived as follows

	2007 £m	2006 £m
Revenue – sale of goods	5 3	18 4
Expenses	(4 9)	(17 1)
Profit before financing and tax	0 4	1 3
Finance costs (net)	-	-
Profit before tax	0 4	1 3
Income tax expense	(0 2)	(0 4)
Profit for the year from discontinued operations	0 2	0 9

Cash flows relating to discontinued operations are as follows

	2007 £m	2006 £m
Net cash inflows from operating activities	(0 5)	1 3
Net cash outflows from investing activities	-	(0 3)
Net cash flows from financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(0 5)	1 0

Assets classified as held for sale

The major classes of assets and liabilities classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell are

	2007 £m	2006 £m
Property, plant and equipment	-	0 1
Intangible assets – software	-	0 1
Inventories	-	2 1
Trade and other receivables	-	3 9
Total assets	-	6 2
Trade and other payables	-	(4 1)
Total liabilities	-	(4 1)

Notes to the group financial statements continued

13 Dividends

Amounts recognised in equity as distributions to equity holders in the year

	2007 £m	2006 £m
Equity dividends on ordinary shares		
Final dividend for the year ended 31 March 2006 of 14 4p (2005 14 4p)	3 8	3 8
Interim dividend for the year ended 31 March 2007 of 7 2p (2006 7 2p)	1 9	1 9
Total amounts recognised as equity distributions during the year	5 7	5 7

Proposed for approval at the AGM

	2007 £m	2006 £m
Equity dividends on ordinary shares		
Final dividend for the year ended 31 March 2007 of 14 7p (2006 14 4p)	3 9	3 8

14 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period

Basic earnings per share on discontinued operations is 22 9p (2006 3 2p)

In addition earnings per share from ongoing activities including exceptional items of 26 1p (2006 19 6p) and excluding exceptional items of 25 0p (2006 19 6p) have been presented to provide additional information to shareholders. These have been calculated on attributable ongoing profits of £6 9m (2006 £5 7m) and exceptional items net of tax £0 3m (2006 £0 1m)

The following reflects the income and share data used in the basic and diluted earnings per share computations

	2007 £m	2006 £m
Profit for the year from continuing operations attributable to equity shareholders of the parent – before exceptionals	6 6	5 2
Exceptional items net of tax – all continuing	(1 0)	(0 1)
Profit for the year from continuing operations attributable to equity holders of the parent – after exceptionals	5 6	5 1
Profit for the year from discontinued operations attributable to equity holders of the parent	6 1	0 9
Profit for the year attributable to equity holders of the parent – after exceptionals	11 7	6 0

	2007 million	2006 million
Weighted average number of shares for basic earnings per share	26 4	26 4
Effect of dilution – share options	–	–
Adjusted weighted average number of shares for diluted earnings per share	26 4	26 4

At the year end there were 1 0 million ordinary share options in issue that could potentially dilute earnings per share in the future but are not included in the calculation at the year end because they are anti-dilutive (2006 1 1 million)

Notes to the group financial statements continued

15 Acquisitions

On 13 October 2006 the Group acquired the remaining 28.4% of the issued share capital of Computer Parts International Limited for a cash consideration of £6.7 million. The purchase gave rise to further goodwill of £4.8 million.

The acquisition gave rise to no other gains or losses during the year.

16 Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 April 2005	2.6	2.8	13.8	19.2
Additions	-	0.2	2.0	2.2
Disposals	-	-	(2.5)	(2.5)
Disclosed as held for sale in the year	-	-	(0.3)	(0.3)
Exchange adjustments	-	-	0.1	0.1
At 31 March 2006	2.6	3.0	13.1	18.7
Additions	0.1	-	1.7	1.8
Disposals	-	-	(1.3)	(1.3)
Exchange adjustments	-	-	(0.2)	(0.2)
At 31 March 2007	2.7	3.0	13.3	19.0
Depreciation				
At 1 April 2005	0.9	1.6	9.8	12.3
Charge for the year	0.1	0.3	1.7	2.1
Disposals	-	-	(2.3)	(2.3)
Disclosed as held for sale in the year	-	-	(0.2)	(0.2)
Exchange adjustments	-	-	0.1	0.1
At 31 March 2006	1.0	1.9	9.1	12.0
Charge for the year	-	0.3	1.6	1.9
Disposals	-	-	(1.2)	(1.2)
Exchange adjustments	-	-	-	-
At 31 March 2007	1.0	2.2	9.5	12.7
Net book amount at 31 March 2007	1.7	0.8	3.8	6.3
Net book amount at 31 March 2006	1.6	1.1	4.0	6.7
Net book amount at 31 March 2005	1.7	1.2	4.0	6.9

Freehold property includes land with a cost of £0.5 million (2006: £0.5 million) that is not subject to depreciation. Assets held under finance leases with a net book amount of £nil (2006: £nil) are included in plant and equipment.

Capital expenditure commitments

	2007 £m	2006 £m
Capital expenditure commitments for tangible fixed assets for which no provision has been made	0.2	0.4

Notes to the group financial statements continued

17 Goodwill

	Subsidiary companies £m
Deemed cost	
At 1 April 2005	48.7
Exchange adjustments	0.1
Acquisition of a subsidiary	-
At 31 March 2006	48.8
Exchange adjustments	(0.1)
Acquisition of shares in a subsidiary	4.8
At 31 March 2007	53.5

Goodwill is not amortised but is subject to annual impairment testing

Goodwill arising in the year relates to the acquisition of the remaining shares in Computer Parts International Limited which is part of the Parts Services division. Further information is disclosed in Note 15.

18 Impairment testing of goodwill

The carrying amount of goodwill is divided as follows:

	2007 £m	2006 £m
ATM Parts Company Limited	5.4	5.4
Computer Parts International Limited	8.9	4.1
UK electronics businesses	34.4	34.4
Other	4.8	4.9
	53.5	48.8

Goodwill acquired through business combinations is allocated to cash-generating units (CGUs).

The recoverable amount of a CGU is based upon value in use calculations based upon the three year business plans approved by the Board. Cash flows beyond the plan period are extrapolated using a 3% growth rate (2006: 3%). This is based on the historic performance of the Group. This rate is believed to be reasonable in the light of historical experience of the markets in which the Group operates. This rate does not exceed the average long-term growth rate for the relevant markets. The discount rate applied to cash flow projections, based upon management's expectations of the weighted average cost of capital, is 8% (2006: 8%).

The impairment review results in no impairment of the goodwill carrying value.

Notes to the group financial statements continued

19 Intangible assets – software

	£m
Cost	
At 1 April 2005	9.1
Additions	0.3
Disposals	(0.4)
Disclosed as held for sale in the year	(0.2)
At 31 March 2006	8.8
Additions	0.4
Disposals	(0.4)
At 31 March 2007	8.8
Amortisation	
At 1 April 2005	3.4
Amortisation	1.1
Disposals	(0.4)
Disclosed as held for sale in the year	(0.1)
At 31 March 2006	4.0
Amortisation	1.2
Disposals	(0.3)
At 31 March 2007	4.9
Net book amount at 31 March 2007	3.9
Net book amount at 31 March 2006	4.8
Net book amount at 31 March 2005	5.7

Included in amortisation is an impairment of £0.2 million

The computer software capitalised principally relates to the implementation of one system through the majority of the Electronics and IT Solutions businesses. The ERP system has a carrying amount of £3.3 million (2006: £4.5 million) and a remaining amortisation period of 4.4 years.

Capital expenditure commitments in relation to IT software at 31 March 2007 were £nil (2006: £nil).

20 Investments in associates

	2007 £m	2006 £m
Cost		
At 1 April 2006	4.7	3.9
Share of profit for the year	0.6	0.4
Exchange adjustments	(0.1)	0.5
Dividends received from associates	(0.2)	(0.1)
At 31 March 2007	5.0	4.7

	Country of incorporation	% equity interest 2007	2006
Principal associates			
Ceratech Holdings PLC*	England	30	30
Scientific Digital Business (Pte) Ltd	Singapore	40	40
Westech Electronics (Pte) Ltd	Singapore	36.3	36.7

* Indirectly held

Notes to the group financial statements continued

20 Investments in associates continued

Westech Electronics Limited, an electronics and engineering solutions provider, is listed on the Singapore Stock Exchange. The investment had a book value at 31 March 2007 of £4.4 million (2006: £4.1 million) and a market value of £3.6 million (2006: £3.8 million).

The other associates are private entities which are not listed on any public exchange and therefore there is no published quotation price for the fair value of these investments.

The investments are held by Acal plc and Centre Industries Limited.

The following tables provide summarised information on the Group's investment in associate undertakings.

Share of associates' balance sheets

	2007 £m	2006 £m
Current assets	10.7	11.8
Non-current assets	1.4	1.3
Share of gross assets	12.1	13.1
Current liabilities	(7.0)	(8.3)
Non-current liabilities	(0.1)	(0.1)
Share of gross liabilities	(7.1)	(8.4)
Share of net assets	5.0	4.7

Summarised income statement information in respect of the Group's associates is set out below.

Share of associates' revenue and profit

	2007 £m	2006 £m
Revenue	39.9	32.3
Profit	0.6	0.4

21 Other financial assets

	2007 £m	2006 £m
Cost		
At 1 April 2006	0.3	2.2
Effect of adoption of IAS 32 and IAS 39	–	0.4
Disposals	–	(2.3)
At 31 March 2007	0.3	0.3
Non-current	0.3	0.3

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

They are unlisted securities and are stated at cost as management believes that there is no readily available fair value.

Notes to the group financial statements continued

22 Inventories

	2007 £m	2006 £m
Finished goods and goods for resale	23.7	21.4

23 Trade and other receivables

	2007 £m	2006 £m
Trade receivables	51.0	50.1
Amounts owed by associates	0.1	0.1
Other debtors	1.6	2.0
Prepayments and accrued income	6.1	5.8
	58.8	58.0

Trade and other receivables are generally non-interest bearing and on 30/60 day terms
Trade debtors are stated net of provisions of £0.8m

24 Cash and cash equivalents

	2007 £m	2006 £m
Cash at bank and in hand	11.9	16.9

Cash at bank earns interest at floating rates based on daily bank deposit rates

25 Financial liabilities

	Effective interest rate %	Maturity	Current		Non current	
			2007 £m	2006 £m	2007 £m	2006 £m
Bank overdrafts	Variable	On demand	7.1	6.1	-	-
Secured						
Bank loans	See below		0.1	0.1	0.1	0.2
Unsecured						
Revolving credit facility (£10m)	Variable	31 Oct 2006	-	5.0	-	-
Revolving credit facility (£25m)	Variable	1 Oct 2008	-	-	10.0	12.0
Total			7.2	11.2	10.1	12.2

Interest on overdrafts is based on floating rates linked to LIBOR
Interest rates on floating rate loans are all linked to LIBOR

Secured bank loans

The secured bank loans comprise a euro denominated loan of £0.2m which carries a fixed interest rate of 4.95%. The debt is secured on certain property, plant and equipment.

Revolving credit facility (£25m)

The revolving credit facility was entered into on 12 February 2004 and runs until 1 October 2008. Loans have variable interest rates linked to LIBOR.

Financial covenants

Revolving credit facilities

The debt is subject to certain financial covenants relating to gearing and net worth. In the event of a breach of these covenants, and during the period that the breach continues, the debt and any outstanding interest may become due and payable immediately on demand from the banks. In addition, the facilities may be repaid with 14 days notice.

Notes to the group financial statements continued

25 Financial liabilities continued

The maturity of the borrowings is as follows

Year ended 31 March 2007

	Within 1 year £m	2-5 years £m	Over 5 years £m	Total £m
Floating rate	7.2	10.1	–	17.3

Year ended 31 March 2006

	Within 1 year £m	2-5 years £m	Over 5 years £m	Total £m
Floating rate	11.2	12.2	–	23.4

The carrying amount of the Group's borrowings is denominated in the following currencies

	2007 £m	2006 £m
Pound sterling	10.5	17.1
Euro	2.8	4.4
US dollar	3.6	1.5
Other currencies	0.3	0.4
	17.3	23.4

At 31 March 2007, the Group had available £15.0 million (2006: £18.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met

26 Movements in cash and net debt

	31 March 2006 £m	Cash flow £m	Foreign exchange £m	31 March 2007 £m
Cash at bank and in hand	16.9			11.9
Overdrafts	(6.1)			(7.1)
Cash and cash equivalents	10.8	(6.0)	–	4.8
Loan capital under one year	(5.1)			(0.1)
Loan capital over one year	(12.2)			(10.1)
Total loan capital	(17.3)	7.1	–	(10.2)
Net debt	(6.5)	1.1	–	(5.4)

Notes to the group financial statements continued

26 Movements in cash and net debt continued

	31 March 2005 £m	Cash flow £m	Foreign exchange £m	31 March 2006 £m
Cash at bank and in hand	15.9			16.9
Overdrafts	(7.9)			(6.1)
Cash and cash equivalents	8.0	2.7	0.1	10.8
Loan capital under one year	(0.1)			(5.1)
Loan capital over one year	(20.2)			(12.2)
Total loan capital	(20.3)	3.0	-	(17.3)
Net debt	(12.3)	5.7	0.1	(6.5)

27 Provisions

	Onerous contracts £m	Severance indemnity £m	Other £m	Total £m
At 1 April 2006	0.6	0.3	0.8	1.7
Arising during the year	2.5	0.6	0.5	3.6
Utilised	(0.9)	(0.2)	(0.2)	(1.3)
At 31 March 2007	2.2	0.7	1.1	4.0

Analysis of total provisions

	2007 £m	2006 £m
Current	2.1	1.0
Non-current	1.9	0.7
	4.0	1.7

Onerous contracts

The onerous contracts provision relates to lease obligations in respect of unoccupied properties. Onerous contract provisions are expected to be used over periods of up to 5 years. The increase from 2006 reflects the provision for retained obligations arising from the disposal of the AC&R business.

Severance indemnity

The severance indemnity provision relates to severance costs payable to employees. The majority of the provisions are expected to be used up within one year.

Other

The other provision relates to other claims and is expected to be utilised within one year.

Notes to the group financial statements continued

28 Financial risk management objectives and policies

The Group's principal financial instruments other than forward currency contracts, comprise bank loans, overdraft facilities, cash and short-term deposits. The Group's financial instrument policies can be found in the accounting policies in note 2. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates to the Group's debt obligations. The Group has not hedged against interest rate risk. Based on the Group's net debt position at the year end, a 1% change in interest rates would affect costs by approximately £52,000 (2006: £61,000).

Liquidity risk

The Group mitigates liquidity risk by managing the cash generation of its operations, combined with bank borrowings and long-term debt. In its funding strategy the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans.

Excess cash used in managing liquidity is placed on interest-bearing deposit with maturities fixed at no more than three months.

Credit risk

There are no significant concentrations of credit risk within the Group.

The Group is exposed to some credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The amounts included in the balance sheet are net of allowances for doubtful debts, which have been estimated by management based on prior experience and known factors at the balance sheet date which may indicate that a provision is required.

With respect to credit risk relating to cash and cash equivalents the Group's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. Risk is limited as the Group only maintains liquid funds with banks with high credit ratings.

Currency risk

Currency risk is managed through the use of forward exchange contracts and are fair valued in the income statement.

29 Financial assets and liabilities

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements.

	Carrying amount 2007 £'000	Fair value 2007 £'000	Carrying amount 2006 £'000	Fair value 2006 £'000
Financial assets				
Cash and cash equivalents	11.9	11.9	16.9	16.9
Other financial assets	0.3	0.3	0.3	0.3
Financial liabilities				
Bank overdrafts and short-term borrowings	(7.2)	(7.2)	(11.2)	(11.2)
Interest bearing loans and borrowings				
Floating rate borrowings	(10.0)	(10.0)	(12.0)	(12.0)
Fixed rate borrowings	(0.1)	(0.1)	(0.2)	(0.2)

Short term trade receivables and payables have been excluded from the above table as book values approximate fair values.

Notes to the group financial statements continued

30 Trade and other payables

	2007 £m	2006 £m
Trade payables	37 1	36 3
Other payables	5 0	7 5
Accrued expenses and deferred income	16 8	14 2
	58 9	58 0

Trade payables are non-interest bearing and are settled taking into account local good practice

Other payables are non-interest bearing and settled throughout the year

Accruals are non-interest bearing and settled throughout the year

Deferred income is recognised throughout the year

31 Share capital

Authorised

	2007 million	2006 million
Ordinary shares of 5p each	1 75	1 75

Allotted, called up and fully paid

	2007 Number	£m	2006 Number	£m
Ordinary shares of 5p each	26,418,354	1 3	26,416,854	1 3
	26,418,354	1 3	26,416,854	1 3

There were 1,500 shares issued during the year at a price of £3.35 per share (2006: nil)

32 Reserves

	Attributable to equity holders of the parent					Minority interests	Total equity
	Issued capital £m	Share premium £m	Share scheme reserve £m	Retained earnings £m	Other reserves £m	Total £m	£m
At 31 March 2005	1 3	38 0	0 1	30 8	1 1	71 3	1 2
Effect of adopting IAS 32 and IAS 39	-	-	-	-	0 4	0 4	-
At 1 April 2005	1 3	38 0	0 1	30 8	1 5	71 7	1 2
Total recognised income and expense for the year	-	-	-	3 4	0 3	3 7	0 6
Share-based payments	-	-	0 1	-	-	0 1	-
Equity dividends	-	-	-	(5 7)	-	(5 7)	-
Dividends paid to minority interests	-	-	-	-	-	-	(0 1)
Movements in associates reserves	-	-	-	0 1	-	0 1	-
At 31 March 2006	1 3	38 0	0 2	28 6	1 8	69 9	1 8
Total recognised income and expense for the year	-	-	-	12 1	(0 6)	11 5	0 2
Share-based payments	-	-	0 1	-	-	0 1	-
Equity dividends	-	-	-	(5 7)	-	(5 7)	-
Dividends paid to minority interests	-	-	-	-	-	-	(0 1)
Acquisition of minority interests	-	-	-	-	-	-	(1 9)
At 31 March 2007	1 3	38 0	0 3	35 0	1 2	75 8	-

Notes to the group financial statements continued

32 Reserves continued

Nature and purpose of reserves

Share Scheme reserve

The share scheme reserve is used to account for share based payments

33 Other reserves

	Net unrealised gains reserve £m	Merger reserve £m	Currency translation reserve £m	Total £m
At 1 April 2005	0.4	0.8	0.3	1.5
Total recognised income and expense for the year	(0.4)	–	0.7	0.3
At 31 March 2006	–	0.8	1.0	1.8
Total recognised income and expense for the year	–	–	(0.6)	(0.6)
At 31 March 2007	–	0.8	0.4	1.2

Nature and purpose of other reserves

Net unrealised gains reserve

The net unrealised gains reserve is used to record changes in the fair value of available-for-sale financial assets

Merger reserve

The merger reserve arose as a consequence of the acquisition in 1987 of Centre Industries Limited and Acal Auriema Limited

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and other foreign currency investments

34 Commitments and contingencies

Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms escalation clauses and renewal rights.

The Group also leases certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2007 £m	2006 £m
Due within one year	3.9	2.8
Due after one year but not more than five years	9.2	8.6
Due after more than five years	4.6	3.0
	17.7	14.4

Contingent liabilities

There were no material contingent liabilities at 31 March 2007 or 31 March 2006.

Guarantees

At 31 March 2007 Group companies had given counter indemnities to bankers in respect of their guarantees to the value of £2.3 million (2006: £2.2 million). The Group also has guarantees and offset arrangements supporting subsidiary bank facilities.

Notes to the group financial statements continued

35 Share-based payment plans

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 Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. The exercise of options is subject to the meeting of performance criterion, namely, 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. Exercise of an option is subject to continued employment. The life of each option granted is seven years. There are no cash settlement alternatives.

Options are valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	30 June 2006	12 July 2005	17 June 2004
Share price at grant date	£3 675	£3 35	£4 80
Exercise price	£3 675	£3 35	£4 80
Number of employees	46	59	70
Shares under option	116,500	122,300	141,500
Vesting period (years)	3	3	3
Expected volatility	30.8%	28.0%	28.7%
Option life (years)	7	7	7
Expected life (years)	4.5	4.5	4.5
Risk free rate	4.8%	4.5%	5.06%
Expected dividends expressed as a dividend yield	5.0%	4.3%	4.3%
Fair value	£0.74	£0.70	£1.03

The expected volatility is based on historical volatility over the previous five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The total charge for the year relating to employer share based payment schemes was £0.1 million (2006: £0.1 million), all of which relates to equity-settled share based payment transactions. After deferred tax the total charge was £0.1 million (2006: £0.1 million).

Outstanding share options

A summary of the options over ordinary shares that have been granted under various Group share option schemes and remain outstanding at 31 March 2007 is given below:

Outstanding at 31 March 2006	Granted during the year	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2007	Exercise price (pence)	Exercise dates
104,000	-	(104,000)	-	-	-	462.50	2002-2006
230,000	-	-	(5,000)	-	225,000	517.50	2003-2007
52,000	-	-	-	-	52,000	537.50	2004-2008
165,500	-	-	(28,000)	-	137,500	515.00	2004-2008
186,000	-	-	(19,000)	-	167,000	586.50	2005-2009
148,000	-	-	(16,000)	-	132,000	525.00	2006-2010
123,750	-	-	(20,000)	-	103,750	480.00	2007-2011
120,800	-	-	(12,500)	(1,500)	106,800	335.00	2008-2012
-	116,500	-	(4,500)	-	112,000	367.50	2009-2013
1,130,050	116,500	(104,000)	(105,000)	(1,500)	1,036,050		

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 2006	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2007	Exercise price (pence)	Exercise dates
6,417	(4,278)	-	2,139	465.72	2001-2008

Notes to the group financial statements continued

35 Share-based payment plans continued

Changes in share options

A reconciliation of option movements over the year to 31 March 2007 is shown below

	2007		2006	
	Number (000)	Weighted average exercise price	Number (000)	Weighted average exercise price
Outstanding at 1 April 2006	1,136	£5 02	1,562	£5 02
Granted	116	£3 68	122	£3 35
Exercised	(1)	£3 35	–	–
Expired	(106)	£4 63	(183)	£3 63
Forfeited	(105)	£4 95	(365)	£5 18
Outstanding at 31 March 2007	1,038	£4 91	1,136	£5 02
Exercisable at 31 March 2007	713	£5 36	738	£5 28

The weighted average remaining contractual life for the share options outstanding as at 31 March 2007 is 2.7 years (2006 3.1 years)

The range of exercise prices for options outstanding at the end of the year was £3.35 to £5.865 (2006 £3.35 to £5.865)

36 Pensions

Defined contribution schemes

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). Contributions by both employees and Group companies are held in externally invested trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the Acal scheme, and thereafter has no further obligations in relation to the Acal scheme. The total cost charged to income in relation to the Acal scheme was £646,000 (2006 £708,000). Employer contributions in respect of overseas pension schemes were £689,000 (2006 £733,000). Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2006/7 but based on actual salary levels in 2007/8.

At the year end, 254 employees were active members of the scheme (2006 270).

Defined benefit schemes

The acquisition of the Sedgemoor Group in June 1999 brought with it certain defined benefit pension schemes, the principal one of which was the Sedgemoor Group Pension Fund (together the Sedgemoor Scheme). The Sedgemoor Scheme is funded by the Company, provides retirement benefits based on final pensionable salary and its assets are held in a separate trustee-administered fund.

Following the acquisition of Sedgemoor, 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.

Contributions to the Sedgemoor Scheme are determined in accordance with the advice of independent, professionally qualified actuaries.

Notes to the group financial statements continued

36 Pensions continued

The latest actuarial valuation of the scheme was carried out as at 31 March 2006 and updated to 31 March 2007 by a qualified actuary. The main actuarial assumptions used are set out as follows:

	2007	2006
Rate of increase of salaries	n/a	n/a
Rate of increase of pensions in payment	3.1%	3.0%
Discount rate	5.4%	5.0%
Inflation assumption	3.1%	3.0%

The discount rate is based on over 15 year AA grade sterling corporate bond yields at the balance sheet date. The expected rate of return on scheme assets is derived as an average, weighted according to the portfolio allocation at the balance sheet date. The expected rates of return on each class of asset are shown below. Pensioner mortality assumptions are based on the 92 series tables, issued by the Institute and Faculty of Actuaries, appropriate to the member's year of birth rated up by one year.

The amounts recognised in the income statement in respect of defined benefit schemes are as follows:

	2007 £m	2006 £m
Expected return on scheme assets	1.7	1.6
Interest cost on scheme liabilities	(1.9)	(1.7)
Other finance costs (note 10)	(0.2)	(0.1)

The net finance cost is reported within interest expense.

The amounts taken to the statement of recognised income and expense are as follows:

	2007 £m	2006 £m
Actual return on scheme assets	1.3	4.9
Less: expected return on scheme liabilities	(1.7)	(1.6)
Actuarial gains/(losses) on scheme liabilities	(0.4)	3.3
	1.3	(6.7)
Actuarial gains/(losses) recorded in the statement of recognised income and expense	0.9	(3.4)

Since the date of transition the cumulative value of actuarial gains and losses recorded in the statement of recognised income and expense is £2.5 million loss.

The fair value of assets and expected rates of return are used to determine the amounts recognised in the balance sheet as follows:

	2007	2007 £m	2006	2006 £m
Equities	7.6%	15.9	7.2%	16.3
Gilts	4.6%	14.1	4.2%	13.7
Cash	4.7%	0.5	4%	0.1
Fair value of scheme assets		30.5		30.1
Present value of funded defined benefit obligations		(37.9)		(39.2)
Liability recognised in the balance sheet		(7.4)		(9.1)

Notes to the group financial statements continued

36 Pensions continued

Changes in the present value of the defined benefit obligation are as follows

	2007 £m	2006 £m
Opening defined benefit obligation	39 2	33 5
Net interest cost	1 9	1 7
Actuarial (gains)/losses on scheme liabilities	(1 3)	6 7
Settlements	–	(1 0)
Benefits paid	(1 9)	(1 7)
Closing defined benefit obligation	37 9	39 2

Changes in the fair value of the scheme assets are as follows

	2007 £m	2006 £m
Opening fair value of plan assets	30 1	27 1
Expected returns on scheme assets	1 7	1 6
Actuarial (losses)/gains on scheme assets	(0 4)	3 3
Contributions	1 0	0 7
Settlements	–	(0 9)
Benefits paid	(1 9)	(1 7)
Closing fair value of plan assets	30 5	30 1

History of experience gains and losses

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Fair value of scheme assets	30 5	30 1	27 1	25 9	21 1
Defined benefit obligations	(37 9)	(39 2)	(33 5)	(32 8)	(29 6)
Deficit in the scheme	(7 4)	(9 1)	(6 4)	(6 9)	(8 5)
Experience adjustments on scheme assets	(0 4)	3 3	0 7	2 4	(5 2)
Experience adjustments on scheme liabilities	1 3	(6 7)	(0 7)	(1 1)	(2 0)

Notes to the group financial statements continued

37 Related party disclosures

The Group's principal subsidiaries are listed in the following table

Name and nature of business	Country of incorporation and registration	Type of share	Group effective shareholding held by Parent Company	by Subsidiary Undertakings
Agency, marketing and distribution				
Acal IT Ltd	England	Ordinary Shares	100%	–
Acal Technology Ltd	England	Ordinary Shares	–	100%
ATM Parts Company Ltd	England	Ordinary Shares	100%	–
Computer Parts International Ltd	England	Ordinary Shares	100%	–
EAF (UK) Ltd	England	Ordinary Shares	–	100%
Stortech Electronics Ltd	England	Ordinary Shares	–	100%
Vertec Scientific Ltd	England	Ordinary Shares	–	100%
Acal SAS	France	Ordinary Shares	–	100%
Mecodis SA	France	Ordinary Shares	–	100%
Acal NV/SA	Belgium	Ordinary Shares	–	100%
Acal Networking and Security NV/SA	Belgium	Ordinary Shares	–	100%
Acal GmbH	Germany	Ordinary Shares	–	100%
EAF Computer Service Supplies GmbH	Germany	Ordinary Shares	–	100%
Acal AB	Sweden	Ordinary Shares	–	100%
Acal Nederland BV	Netherlands	Ordinary Shares	–	100%
Acal Italia Srl	Italy	Ordinary Shares	–	100%
Acal Iberia SL	Spain	Ordinary Shares	–	100%
Management services				
Acal Management Services Ltd	England	Ordinary Shares	100%	–

All subsidiaries operate in their country of incorporation. All subsidiaries have a 31 March year end and have the same voting rights as the effective interest.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant year.

Related Party

	Sales to related parties £m	Amounts owed by related parties £m
Associates		
2006/7	0.5	–
2005/6	0.2	–

All other activities and balances with related parties total less than £50,000 and have therefore not been disclosed.

The Group considers key management personnel as defined under IAS 24 Related Party Disclosures to be the Directors of the Group. Disclosures on directors' remuneration are set out in the remuneration report on pages 24 to 27.

Associates

For details of the Group's investments in associates see note 20.

Terms and conditions of transactions with related parties

All transactions with related parties were on an arms length basis. Outstanding balances at year-end are unsecured and settlement occurs in cash.

Transactions with other related parties

Details of transactions with Directors are detailed in the remuneration report on pages 24 to 27.

Notes to the group financial statements continued

38 Events after the balance sheet date

A final dividend of 14.7p per share (2006: 14.4p) amounting to a dividend of £3.9m (2006: £3.8m) was declared by the Directors at their meeting on 25 May 2007. These financial statements do not reflect this dividend payable.

39 Significant accounting judgements and estimates

Estimation uncertainty

Key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The most significant areas in which assumptions are made and estimates used are in determining:

- the useful economic lives of property, plant and equipment and intangible assets
- any impairment of assets including goodwill and inventories
- the quantification of provisions
- the fair values of assets acquired in a business combination
- the underlying assumptions inherent in the calculation of the pension liability

The Group's accounting policies applied in respect of the above are set out in note 2 to these financial statements.

Acal plc

Company financial statements

for the year ended 31 March 2007

Report of the auditors

Independent auditor's report to the members of Acal plc

We have audited the parent company financial statements of Acal plc for the year ended 31 March 2007 which comprise the Balance Sheet and the related notes 1 to 13. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of Acal plc for the year ended 31 March 2007.

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, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company 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 whether in our opinion the information given in the directors' report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Finance Director's Review, the Board Report on Corporate Governance and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

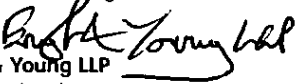
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Report of the auditors continued

Opinion

In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the parent company financial statements


Ernst & Young LLP
Registered auditor
London

4 June 2007

Company balance sheet

at 31 March 2007

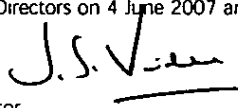
	notes	2007 £m	2006 £m
Fixed assets			
Investments	4	123.4	116.6
Current assets			
Debtors	5	0.9	11.6
Cash at bank and in hand		0.3	0.6
Total current assets		1.2	12.2
Creditors Amounts falling due within one year	6	(24.3)	(29.2)
Net current liabilities		(23.1)	(17.0)
Total assets less current liabilities		100.3	99.6
Creditors Amounts falling due after more than one year	6	(10.0)	(12.0)
Net assets		90.3	87.6
Capital and reserves			
Called up share capital	8	1.3	1.3
Share premium account	9	38.0	38.0
Merger reserve	9	3.0	3.0
Share scheme reserve	9	0.3	0.2
Profit and loss account	9	47.7	45.1
Equity shareholders' funds		90.3	87.6

These financial statements were approved by the Board of Directors on 4 June 2007 and signed on its behalf by

R J Moon
Chairman



J S Virdee
Finance Director



Notes to the Company financial statements

1 Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards

The Company has taken advantage of the provisions of FRS 1 (revised) which exempts companies which are part of a group for which a consolidated cash flow statement is prepared, from preparing a cash flow statement. The required consolidated cash flow statement has been included within the consolidated financial statements of the Group

2 Summary of significant accounting policies

Income recognition

Dividend income from subsidiary and associated undertakings is recognised in the profit and loss account on receipt of the cash

Fixed asset investments

Investments in subsidiary and associate undertakings are stated initially at cost being the fair value of the consideration given and including directly attributable transaction costs. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable

Financial assets

Investments are initially recognised at cost, being the fair value of the consideration given and including directly attributable transaction costs associated with the investment

After initial recognition, investments in equity shares are treated as available for sale financial assets and are measured at their fair value with any gains or losses recognised in equity. When the investment is derecognised or impaired, the cumulative gain or loss previously reported in equity is included in the income statement

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably valued are measured at cost

At each balance sheet date the Group reviews the carrying value of its assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists or when annual testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any

Share based payment scheme

In preparing the financial statements the Company has adopted FRS20 'share-based payments'. Although the Company does not incur a charge under this standard, the issuance by the Company to its subsidiaries of a grant over the Company's options, represents additional capital contribution by the Company in its subsidiaries. The additional capital contribution is based on the fair value of the grant issued allocated over the underlying grant's vesting period

3 Profit of the parent company

The profit of the parent company for the financial year amounted to £8.3 million (2006: £6.6 million). By virtue of section 230(4) of the Companies Act 1985 the Company is exempt from presenting a separate profit and loss account

4 Fixed asset investments

	Subsidiary undertakings £m	Associated undertakings £m	Other £m	Total £m
At 1 April 2005	114.1	2.1	0.3	116.5
Share-based payments	0.1	-	-	0.1
At 31 March 2006	114.2	2.1	0.3	116.6
Additions	6.7	-	-	6.7
Share-based payments	0.1	-	-	0.1
At 31 March 2007	121.0	2.1	0.3	123.4

Details of the principal subsidiary and associate undertakings are provided in notes 37 and 20 of the Group accounts. Details of the addition is provided in note 15 of the Group accounts

Notes to the Company financial statements continued

5 Debtors

	2007 £m	2006 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	-	11.1
Corporation tax	0.9	0.5
	0.9	11.6

6 Creditors

	2007 £m	2006 £m
Amounts falling due within one year		
Bank loans and overdrafts	0.8	5.7
Amounts owed to subsidiary undertakings	22.8	23.2
Accruals and deferred income	0.7	0.3
	24.3	29.2
Amounts falling due after more than one year		
Unsecured borrowings		
Term loans at market interest rates		
Repayable 1-2 years	10.0	12.0

The term loan falling due after more than one year is based on LIBOR plus a variable margin. This loan is repayable in full on 1 October 2008.

7 Derivatives and financial instruments

The Company's principal financial instruments comprise bank loans, overdraft facilities, bank balances and amounts due from its subsidiary companies. The main purpose of these financial instruments is to provide finance for the Company and its subsidiaries' operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The Company borrows at floating rates of interest. The company has not hedged against interest rate risk.

Credit risk

With respect to credit risk relating to cash and cash equivalents the Company's exposure to credit arises from default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

Foreign currency risk

The Company has not hedged against foreign currency exposure due to its minimal exposure to foreign currency movements as its business is conducted primarily in UK sterling.

Market risk

At 31 March 2007, £10.8 million (2006: £17.7 million) of the Company's revolving credit and overdraft facilities has been drawn. These borrowings are at a floating interest rate of LIBOR plus margin and are therefore subject to market risk through interest rate fluctuations. A 1% increase in LIBOR would increase the interest charge, and reduce the Company profit before taxation, by £108,000 (2006: £177,000).

Notes to the Company financial statements continued

7 Derivatives and financial instruments continued

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk

Year ended 31 March 2007

	Within 1 year £m	1 2 years £m	2 3 years £m	3 4 years £m	4 5 years £m	More than 5 years £m	Total £m
Floating rate							
Cash at bank and in hand	0.3	-	-	-	-	-	0.3
Bank overdrafts	(0.8)	-	-	-	-	-	(0.8)
Term bank loans	-	(10.0)	-	-	-	-	(10.0)
	(0.5)	(10.0)	-	-	-	-	(10.5)

Year ended 31 March 2006

	Within 1 year £m	1 2 years £m	2 3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Floating rate							
Cash at bank and in hand	0.6	-	-	-	-	-	0.6
Bank overdrafts	(0.7)	-	-	-	-	-	(0.7)
Term bank loans	(5.0)	(12.0)	-	-	-	-	(17.0)
	(5.1)	(12.0)	-	-	-	-	(17.1)

Due to the short term trading nature of debts due from/due to subsidiary undertakings no interest is charged

The Company borrows in UK sterling at LIBOR or base rates plus a margin

Borrowing facilities

The Company has revolving credit facilities which provides available facilities of £25 million (2006: £35 million). Additionally, the Company has overdraft facilities of £9.6 million (2006: £11.75 million) to support the future activities of the business.

The available but undrawn committed facilities at 31 March in respect of which all conditions had been met at that date are as follows:

Year ended 31 March 2007

	Within 1 year £m	1 2 years £m	2 3 years £m	3 4 years £m	4-5 years £m	More than 5 years £m	Total £m
Unsecured banking facilities	-	25.0	-	-	-	-	25.0
Drawn bank loans	-	(10.0)	-	-	-	-	(10.0)
Bank overdrafts	8.8	-	-	-	-	-	8.8
	8.8	15.0	-	-	-	-	23.8

Notes to the Company financial statements continued

7 Derivatives and financial instruments continued

Year ended 31 March 2006

	Within 1 year £m	1 2 years £m	2 3 years £m	3 4 years £m	4 5 years £m	More than 5 years £m	Total £m
Unsecured banking facilities	10 0	25 0	-	-	-	-	35 0
Drawn bank loans	(5 0)	(12 0)	-	-	-	-	(17 0)
Bank overdrafts	11 0	-	-	-	-	-	11 0
	16 0	13 0	-	-	-	-	29 0

Fair values

Set out below is a comparison by category of book values and fair values of all the Company's financial assets and liabilities as at 31 March

	2007 £m	Book value 2006 £m	Fair value 2007 £m	2006 £m
Primary financial instruments				
Financial liabilities				
Bank overdrafts	0 8	0 7	0 8	0 7
Amounts owed to subsidiary undertakings	22 8	23 2	22 8	23 2
Bank loans	10 0	17 0	10 0	17 0
Financial assets				
Cash at bank and in hand	0 3	0 6	0 3	0 6
Amounts owed by subsidiary undertakings	-	11 1	-	11 1

8 Share capital

	Authorised Number	Authorised £m	Allotted called up and fully paid Number	Allotted called up and fully paid £m
At 1 April 2006	35,000,000	1 75	26,416,854	1 3
Issued	-	-	1,500	-
At 31 March 2007	35 000,000	1 75	26,418 354	1 3

At 31 March 2007 there were outstanding options for employees to purchase up to 1,038 189 (2006 1,136 467) ordinary shares of 5p each between 2007 and 2013 at prices ranging from £3 35 per share to £5 865 per share. During the year to 31 March 2007 options on 1,500 ordinary shares were exercised by employees under the terms of the various share option schemes (2006 none)

Notes to the Company financial statements continued

10 Reconciliation of shareholders' funds and movements on reserves

	Called up share capital £m	Share premium account £m	Merger reserve £m	Share scheme reserve £m	Profit and loss account £m	Total £m
At 31 March 2005	1 3	38 0	3 0	0 1	44 2	86 6
Profit for the year	-	-	-	-	6 6	6 6
Dividends to shareholders	-	-	-	-	(5 7)	(5 7)
Share-based payments	-	-	-	0 1	-	0 1
At 31 March 2006	1 3	38 0	3 0	0 2	45 1	87 6
Profit for the year	-	-	-	-	8 3	8 3
Dividends to shareholders	-	-	-	-	(5 7)	(5 7)
Share-based payments	-	-	-	0 1	-	0 1
At 31 March 2007	1 3	38 0	3 0	0 3	47 7	90 3

11 Related parties

The Company has taken advantage of the exemption given in FRS 8 not to disclose transactions with other Group companies

12 Share-based payments

For detailed disclosures of share-based payments refer to Acal plc consolidated accounts note 35

13 Contingent liabilities

The parent company has given guarantees and offset arrangements to support bank facilities made available to subsidiary undertakings. As at 31 March 2007 the relevant subsidiary bank borrowings amounted to £2.3 million (2006: £2.7 million)

Five year record

	2007 (IFRS) £m	2006 (IFRS) £m	2005 (IFRS) £m	2004 (UK GAAP) £m	2003 (UK GAAP) £m
Group income statement					
Turnover – ongoing activities	260.9	257.0	243.7	268.4	272.1
Profit before tax, goodwill and exceptionals	9.8	8.6	9.9	12.6	15.6
Amortisation of goodwill	–	–	–	(2.9)	(2.8)
Exceptionals	0.4	(0.2)	–	(0.6)	0.6
Profit before tax	10.2	8.4	9.9	9.1	13.4
Tax	(3.1)	(2.7)	(3.3)	(4.2)	(5.4)
Profit after tax from ongoing activities	7.1	5.7	6.6	4.9	8.0
Disposed activities	4.8	0.9	0.8	–	–
Profit for the year	11.9	6.6	7.4	4.9	8.0
Attributable to					
Equity holders of the parent	11.7	6.0	7.0	4.7	8.0
Minority interests	0.2	0.6	0.4	0.2	–
Group balance sheet					
Net debt	(5.4)	6.5	12.3	15.2	13.4
Equity shareholders' funds	75.8	69.9	71.3	66.7	68.0
Statistics					
Earnings per ordinary share	44.4p	22.3p	26.6p	17.9p	30.7p
Earnings per share before goodwill amortisation	44.4p	22.3p	26.6p	29.0p	41.3p
Dividends per share – relating to the period	21.9p	21.6p	21.6p	21.0p	20.1p
Return on capital employed*	40%	37%	35%	40%	49%

* Return on capital employed is based on profit before interest, goodwill amortisation and tax and net tangible assets adding back net debt.
For 2005, 2006 and 2007, the figures reported relate to the ongoing activities.

Notice of Annual General Meeting

Notice is hereby given that the Twenty First 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 19th July 2007 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 2007
- 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 re elect Mr R J Moon as a director of the Company
- 5 To re elect Mr J S Virdee as a director of the Company

- 6 To consider and if thought fit pass the following resolution

That Ernst & Young LLP be and is hereby 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 "

- 7 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 the higher of (a) 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased and (b) that stipulated by Article 5(1) of the Buy back and Stabilisation Regulations 2003 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 "

- 8 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 19th July 2012 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 "

- 9 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 8 to be proposed at the Annual General Meeting of the Company to be held on 19 July 2007 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 8 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

Notice of Annual General Meeting continued

- 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 "

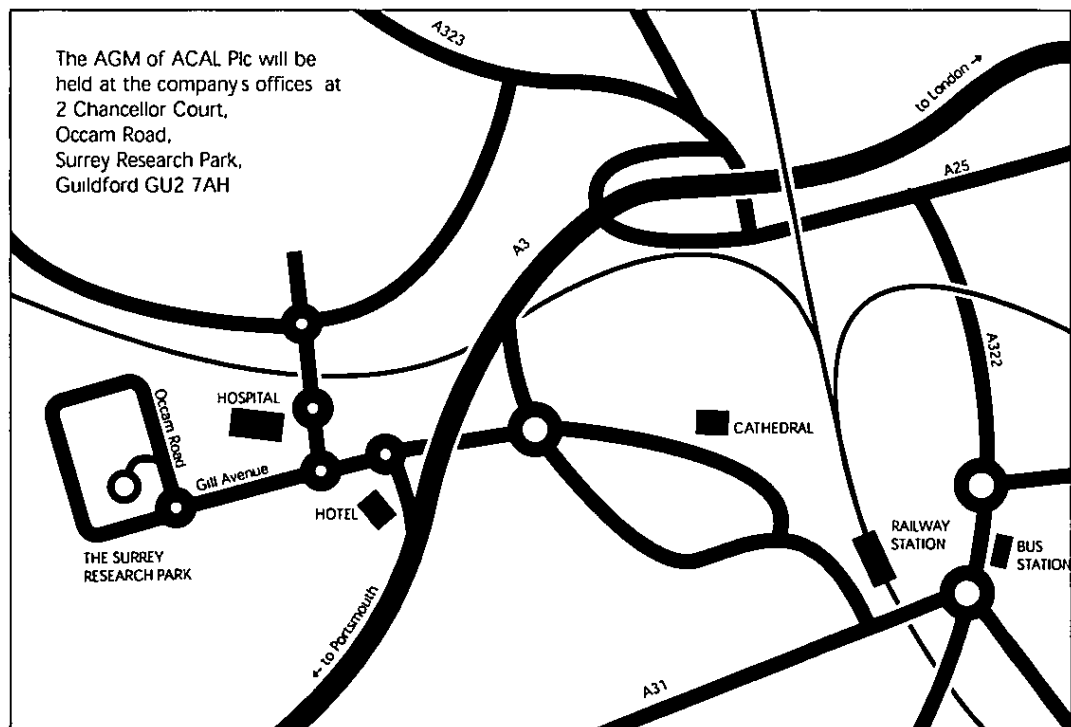
By order of the Board

N Rowe
Secretary

20 June 2007

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 offices of Lloyds TSB Registrars not less than 48 hours before the time appointed for the meeting.



Principal locations

Country	Company/division	Locations
ELECTRONICS		
United Kingdom	Acal Technology Ltd Stortech Electronics Ltd	Wokingham, Berkshire Harlow, Essex
Belgium	Acal TC	Leicester
France	Acal NV/SA	Brussels
Germany	Acal SAS	Paris
	Acal GmbH	Flein/Heilbronn Munich Hamburg
Italy	Acal Italia Srl	Milan
Netherlands	Acal Nederland BV	Eindhoven
Sweden	Acal AB	Stockholm
Norway	Acal AB	Honefoss
Finland	Acal AB	Helsinki
Denmark	Acal AB	Copenhagen
Spain	Acal Iberia SL	Madrid
PARTS SERVICES		
United Kingdom	EAF (UK) Ltd ATM Parts Company Ltd Computer Parts International Ltd	Wokingham, Berkshire Camberley, Surrey Nottingham
Germany	EAF Computer Service Supplies GmbH	Goch
IT SOLUTIONS		
United Kingdom	Acal IT Ltd Vertec Scientific Ltd	Church Crookham, Hampshire Aldermaston, Berkshire
Belgium	Acal NV/Headway Technology	Brussels
	Acal Networking & Security NV SA	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

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

www.acalplc.co.uk

Worldwide locations

- Electronics Division
- Parts Services Division
- IT Solutions Division



- Associate company offices





ACAL plc

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

Telephone +44 (0)1483 544500
Facsimile +44 (0)1483 544550
Email info@acalplc.co.uk

www.acalplc.co.uk