ELECO PLC

Registered Number: 0354915

ANNUAL REPORT AND ACCOUNTS

For the year ended 30TH JUNE 2003

Contents

Chairman's Statement

I am pleased to report on the Group's performance for the year ended 30 June 2003.

Group turnover for the year was £37.2 million (2002: £32.9 million), an increase of 13.0 per cent. Group operating profit was £1,975,000 (2002: £1,878,000), an increase of 5.2 per cent. with profit on ordinary activities before tax at £1,856,000 (2002: £1,736,000), an increase of 6.9 per cent. Earnings per share were lower at 2.8p (2002: 3.0p), reflecting in part the increase in share capital following the acquisition of Consultec in February 2003.

Net borrowings at 30 June 2003 amounted to £2,405,000 (Net cash balances at 30 June 2002: £464,000), representing gearing of 20.7 per cent. (2002: Nil) and reflecting our £4.2 million investment programme this year. Operating cash flow generation has remained strong at £2.6 million as has interest cover, with net interest covered 23 times by operating profits.

Eleco Building Systems continued to make excellent progress. Turnover for the Division in the year under review increased by 9.4 per cent. to £34.49 million (2002: £31.52 million), representing 93% of Group turnover. Operating profit, before the allocation of central costs was £3.34 million (2002: £2.61 million), 27.8 per cent. ahead of the previous year, with our precast concrete and timber engineering businesses making particularly strong contributions to this performance. Operating margins improved to 9.7 per cent. from 8.3 per cent.

Turnover of the Eleco Technology Division in the year under review was £2.67 million (2002: £1.35 million), of which £1.67 million was contributed by operations acquired during the year; its operating loss, before the allocation of central costs was £0.50 million (2002: loss £0.16 million). The task ahead now is to weld our software interests into a well co-ordinated, profitable construction software business.

We have now assembled within Eleco Technology a group of construction software businesses and programmes which are complementary as regards the industry they serve, and the technologies they use. During the year we undertook a major reorganisation of Eleco's existing software businesses and in July 2003, we also completed the acquisition of Softhold GmbH, which owns the rights to "Arcon" the leading German visual architectural software for £263,000 in cash. These are all significant steps towards achieving our objective of establishing Eleco as an international provider of high quality construction software and technologies.

Dividend

The Board has proposed a final dividend of 0.85p per share (2002: 0.80p) payable on 12 December 2003 to Shareholders on the Register on 28 November 2003. The final dividend, if approved by shareholders, would result in the payment of dividends for the year totalling 1.20p per share (2002: 1.15p), an increase of 4.3 per cent., which would be covered 2.2 times by earnings (2001: 2.6 times).

OPERATING REVIEW

Eleco Building Systems Precast Concrete

Bell & Webster Concrete

Bell & Webster Concrete, Eleco's pre-cast concrete business, was able to sustain the progress it made in the first six months of the year, despite being subjected early in the second half year to delays in starting production of a major student accommodation project. Demand for other products as well as FastBuild™ rooms for hotel projects ensured that the Grantham plant continued to operate at high levels of capacity.

First orders were placed for newly developed precast bases for social housing units with a national house builder. Ground beams, railway platforms and retaining walls all enjoyed a satisfactory year.

Roof, Cladding and Panel Systems

SpeedDeck Building Systems

The number of roofing projects supplied by SpeedDeck Building Systems during the year under review was higher than last year, although a reduction in the number of major orders received contributed to an overall 26 per cent. fall in sales. This, together with increased pressure on roofing margins, resulted in significantly lower operating profits.

Chairman's Statement

Demand increased for the successful Vitesse® composite wall panel with the product continuing to be installed on Porsche franchise dealerships across the country. Vitesse® was also supplied to two leading supermarket chains during the year.

To enable SpeedDeck Building Systems better to compete in an increasingly competitive market, it has introduced SpeedZip®, a true standing seam roofing product, to complement its existing SpeedDeck® secret fix roofing system. The product has seen an encouraging reception by our customers.

Downer Cladding Systems

Downer Cladding Systems, acquired in May 2002, continues to be acknowledged as a leading provider of fixing systems for rainscreen cladding and related technical assistance; the business made a useful contribution to Group profits.

Stramit Industries

I am pleased to say that the measures taken last year to restructure Stramit Industries' business and reduce its cost base were effective and the Company returned to profitability in the year under review. Management are now actively engaged in seeking new products to manufacture at Stramit Industries' factory at Eye in Suffolk.

Timber Engineering Systems

Gang-Nail Systems

Gang-Nail Systems had another excellent year, driven by a number of factors, the principal of which was the increased sales of metal webs for its successful Ecojoist® flooring product. The number of Ecojoist® licensed fabricators increased to ten during the year as the product increased its market share and gained technical approval from more national house builders.

New versions of the Gang-Nail Truss and Roof software were released during the year and were well received. The excellence of its software continues to be a key element in Gang-Nail Systems' success.

Eleco Bauprodukte

Eleco Bauprodukte continues to be affected by highly competitive local pricing but despite this it was able to maintain its market share in Germany. The continued investment in enhanced software for its truss fabrication business is an important contributor to its continued market penetration. It is also working closely with Consultec to introduce the latter's "Staircon" and "Post and Beam" software to the German market.

International Truss Systems

International Truss Systems produced an excellent trading performance. Sales increased by 44 per cent. and the Company made an outstanding contribution to Group profits for the year.

International Truss Systems' move to its new office and warehousing facilities undoubtedly enabled it to improve its distribution, product flow and customer service.

Eleco Technology

Consultec became part of Eleco in February 2003 and made a contribution to Group profit for the year before the amortisation of goodwill. Consultec UK (formerly MBA Consulting) made a loss in the year under review, which included the costs of the termination of its lease and relocation to other Group premises, as well as redundancies due to the reorganisation of its operations. Jason Ruddle was appointed Managing Director of Consultec UK in July 2003.

Forma Communications experienced cost overruns on some major projects, which resulted in the Company making a loss for the year. Leonardo Internet, based in Stafford, became part of the Eleco Group in February 2003 and has already developed a close working relationship with Forma Communications. Forma Communications was also responsible for the design of our Group intranet, which it installed during the year. Steven Tolley was appointed Managing Director of both companies in April 2003.

The o2e software and business was acquired in March 2003 and made a loss in the period.

Management and Employees

Paul Taylor has been appointed Group Commercial Director, responsible for corporate development and new product initiatives in addition to his existing responsibilities as Managing Director of SpeedDeck Building Systems and Stramit Industries. He was formerly Group Operations Director.

Tom Bayne has been appointed Group Operations Director. He is an engineer by training an also a Chartered Accountant. He was previously a Corporate Finance Director at Hawkpoint, the independent investment bank.

The number of people employed by Eleco companies increased again during the year. I welcome those who have joined us and, on your behalf, I would like to thank all our employees for the contribution they have made towards achieving these results.

Outlook

We have a sound financial base, strong operating cash generation and a range of high quality, innovative building products and software to offer to the building industry. The Group's established core businesses have again made excellent progress during the year under review and have entered the current year with healthy order books. I anticipate that the task of integrating our newly acquired software businesses and tailoring their software programmes to the needs of our existing markets, with the attendant costs, should be completed by the end of the current financial year. Against this background, and despite the current economic uncertainties, I have every confidence in our strategy for growing Eleco for the longer-term benefit of our customers, our shareholders and our employees.

John Ketteley
EXECUTIVE CHAIRMAN
17 October 2003

Financial Review

The year has been one of continued progress by Eleco Building Systems and of significant structural development, through acquisition, of Eleco Technology, which now comprises a group of construction software business with international opportunities for its products.

Trading results

The year's trading results include the impact of the acquisitions of the Consultec Group of companies, acquired on 3 February 2003 and Leonardo Internet Limited, acquired on 7 February 2003 and the o2c business, acquired on 3 March 2003. Their contribution to the Group's results for the year is separately reported within continuing operations.

Group sales of continuing operations rose by £4,287,000 in the year to £37,160,000, an increase of 13.0% on the previous year, 8.0% excluding the contribution to sales from the acquired operations. The software businesses within Eleco Technology contributed £2,666,000 of sales, representing 7.2% of the total. The largest contribution to the year on year movement in Group sales was from Bell & Webster Concrete. It increased its sales by 30.4% to over £14.9m.

Operating profits, before exceptional items, of continuing operations increased by £97,000 to £1,975,000, including a loss of £125,000 contributed by the acquired operations in respect of which the goodwill amortisation charged was £74,000.

The segmental analysis of results is shown in note 2 to the financial statements. After, the allocation of Corporate costs, as detailed therein, Eleco Building Systems produced an operating profit of £2,667,000 and Eleco Technology produced an operating loss of £692,000. Operating margins overall of continuing operations, declined to 5.3% from 5.7% last year. 0.2% of the reduction is due to the increase in goodwill amortisation costs. The remainder reflects the impact of increased losses from Eleco Technology. At the underlying level, before the allocation of Corporate costs, Eleco Building Systems increased its operating margins to 9.7% from 8.3% last year. Over the last five years since the year ended 30 June 1998, Eleco Building Systems, as currently constituted, has increased its operating margins by 69% from 5.7%.

The proportion of Group sales generated by the Group's overseas subsidiaries in Germany, South Africa and now Sweden, increased to approximately 13.9% from 9.3% last year. Operating profits, before goodwill amortisation, generated by the Group's overseas subsidiaries accounted for approximately 11.5% compared with approximately 1.3% last year. The movement in average exchange rates from last year to this year had the effect on translation of increasing sales originating in Germany and South Africa by approximately 4% with negligible impact on operating profits. The movement in the average rate of the Euro resulted in an increase in operating profits generated on sales to mainland Europe during the year of approximately £79,000.

Net interest payable was £86,000 (2002: £142,000), of which the charge for the second half-year was £57,000 (2002: £15,000). The reduction reflects a combination of factors. Average UK bank base rates during the period were approximately 0.43 percentage points lower than last year's average. More significant was the effect of cash generation, resulting in a reduced level of net borrowings during the first six months, compared with the same period in the previous year, prior to the expenditure on acquisitions during the latter part of the year. Following total expenditure in the period of £4,209,000 on the purchase of fixed assets, investments and acquisitions, net borrowings at 30 June 2003 were £2,405,000, compared with net cash balances of £464,000 at 30 June 2002. Net interest payable for the year was covered 23.0 times by operating profits before exceptional items (2002 – 13.2 times).

Taxation, earnings and dividend

A full reconciliation of the tax charge for the current year of £615,000 representing an effective rate of 33.1% (2002 – 28.6%) is detailed in note 9 to the financial statements. Items of particular note in the reconciliation are £166,000 of goodwill amortisation expense not deductible for taxation purposes, losses carried forward overseas of £120,000 and the deferred tax charge of £123,000 on account of capital allowances exceeding related depreciation.

Deferred taxation provided for at 30 June 2002 amounts to £384,000. Of this amount £278,000 relates to Industrial Building Allowances received in excess of the accumulated depreciation on buildings. This liability will ordinarily only start to crystallise from 2016 and then over an extended period thereafter. Despite the extended time period involved, the liability has not been discounted as is permitted under FRS19.

Other than for a modest balance of tax losses available to our operations in Germany, there are no tax losses held by our mainstream trading subsidiaries to reduce future taxable profits. For this reason, and owing to the increased incidence of goodwill amortisation, which is not deductible for tax, and the ongoing provision for deferred tax on account of accelerated capital allowances, the future rate of charge for taxation will be likely to be marginally above the full rate of mainstream UK corporation tax.

Profits after tax for the year were £1,241,000 (2002 – £1,239,000). Basic earnings per share were 2.8 pence, compared with 3.0 pence for the previous year. Fully diluted earnings per share, reflecting the impact of outstanding share options and share awards were the same as basic earnings in both years. A principal factor behind the reduction in earnings per share this year was the dilution resulting from the acquisitions made in the period, in connection with which the weighted average number of shares in issue was increased by 2,313,528 shares.

The final dividend proposed of 0.85 pence per share makes a total of 1.20 pence for the year, a 4.3% increase on the previous year. The total charge for ordinary dividends paid and proposed for the year of £571,000 is covered 2.2 times by the earnings attributable to ordinary shareholders (2002 – 2.6 times).

Shareholders' funds and net assets

At 30 June 2003, shareholders' funds amounted to £11,638,000 compared with £9,247,000 at 30 June 2002. In addition to the retained profit for the year of £762,000, other recognised profits of £221,000 (being the currency translation differences on the net investment in overseas subsidiaries, principally resulting from the near 27% increase in the South African Rand during the year) and £1,500,000 issued share capital in the year, account for the movement in shareholders' funds, as set out in the Reconciliation of Movements in Equity Shareholders' Funds.

A consequence of the strategic development of Eleco Technology has been the significant increase in goodwill and other intangible assets. As these intangible assets have increased and an element of term debt has been employed to part finance the acquisitions, in order to better utilise the Group's operating cash flow generation capability and enhance the earnings per share potential of the acquisitions over time, net tangible assets now account for 47% of total net assets compared with 82% the previous year.

The analysis of the Group's nets assets and borrowings by currency at 30 June 2003 is as follows.

£000's	Net assets before financing	Net cash/ (bank debt)	Net assets after financing	2002
Sterling	13,741	(4,345)	9,396	8,279
Euro	393	368	761	589
Swedish Krona	(600)	1,249	649	(4)
South African Rand	146	666	812	403
Other	(25)	45	20	(20)
	13,655	(2,017)	11,638	9,247

101% (2002 – 95%) of the Group's net assets before bank financing and 81% (2002 – 90%) of net assets are Sterling denominated. Since the year end, £763,000 of Swedish Krona cash balances have been converted to Sterling, resulting in pro-forma, year end Sterling net assets of 87%. Further analysis of the Group's transactional currency and interest rate exposures is given in note 32 to the financial statements.

Financial Review

The Group's financial risks associated with interest rate and foreign currency movements are managed centrally within policies approved by the Board. Where appropriate, hedging is undertaken to manage transactional risks arising from operational activities. There is no present policy to hedge the Group's exposures arising from profit translation or the effect of exchange rate movements on the Group's overseas net assets.

This is the third year of reporting under the transitional arrangements of FRS17 and the details of the Group's UK final salary scheme are set out in note 5 to the financial statements. The year has seen considerable volatility in investment markets. Equity markets remain depressed. At the same time, corporate bond yields continued to fall. Under the FRS17 prescribed valuation methodology, the net present value of pension liabilities has further increased owing to the further reduction in relevant corporate bond yields from 5.75% to 5.25% at our year end. Yields were close to their lowest levels at our valuation date and have since recovered somewhat. The further negative returns from equity markets in the period contrasts with the expectation of positive returns in the long-term. It is the lower levels of equities, potentially a shorter-term situation, contrasting with the longer-term actuarial view, which has resulted in the further significant actuarial loss reported in the year. In the last two years, the aggregate actuarial losses, arising from reductions in discount factors used and investment market movements, has been £5,332,000. It is a reflection of the volatility, which I have referred to, that by the end of the ensuing quarter a position somewhat improved on that reported at 30 June 2003 would be reported based upon subsequent equity markets and bond yields.

Following the last triennial valuation carried out at 30 June 2002, the employer contribution rates, agreed between the Company and the Trustees, were increased and have been further increased with effect from 1 July 2003 following an updated valuation. The level of contributions paid to the pension scheme during the year to 30 June 2003 exceeded by £102,000 the regular service cost and the cost associated with the deficit calculated by the scheme's independent actuary under SSAP24. Accordingly, this amount has been recorded on the balance sheet as a prepayment and not expensed, as is required by SSAP24.

In Sweden, the Consultec companies provide final salary benefits through a multi-employer scheme operated by Alecta, a Swedish insurance company. At 30 June 2003, the fund had a solvency margin of 117.7%, which compares with 111.9% at 31 October 2002.

Gearing and cash flow

Total net borrowings at 30 June 2003 amounted to £2,405,000. This was comprised of balances outstanding under term loans with a maturity of one year or more of £1,737,000, bank borrowings with a maturity of less than one year of £2,614,000 and lease borrowings of £388,000, all offset by net bank deposits of £2,334,000. Gearing of 20.7% at 30 June 2003 compares with negative gearing of 5.0% at the previous year end, the increase being the result of the acquisition and investment programme pursued during the year.

The summary Group cash flow is shown below. Operating cash flow was again strong at £2,560,000, representing 130% of operating profits. Working capital remained under tight control. The increase of £695,000 resulted partly from the higher levels of trading activity and also from the timing of receipts on major projects of Bell & Webster Concrete, which were not due until shortly after the year end. This compares with the exceptional reduction in working capital of £962,000 last year.

Capital expenditure during the year on tangible fixed assets, excluding assets acquired under leasing arrangements, amounted to £1,457,000, an increase of £543,000 on the expenditure in the previous year.

Free cash flow, representing the cash available to finance the payment of dividends, acquisitions and investments, the repayment of term borrowings and other financing items, was an inflow of £404,000. Free cash flow over the last five years has totalled £6,433,000, providing the finance to support the Group's investment programme over this period and for £1,845,000 of dividends.

£2,383,000 was expended on the acquisition of Consultec Group AB, Leonardo Internet Limited and o2c, net of cash acquired of £1,380,000.

Summary Group cash flow	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Cash inflow from continuing operations	2,560	4,191
Capital expenditure net of proceeds from fixed asset disposals	(1,435)	(849)
Interest	(89)	(142)
Tax	(632)	(6)
Free cash flow	404	3,194
Acquisitions and disposals	(2,383)	232
Financial investments net of sale proceeds	(296)	-
Loan to Employee Share Ownership Trust	(39)	(60)
Repayment of principal under finance leases	(246)	(282)
Equity dividends paid	(497)	(412)
Proceeds from issue of shares	45	5
Net cash (outflow)/inflow	(3,012)	2,677
Exchange adjustment	223	(87)
(Increase)/decrease in bank borrowings	(2,789)	2,590

Average year end working capital of the trading subsidiaries as a percentage of annual sales was 2.7% (2002 – 3.1%). Average year end trade working capital, i.e. stocks and trade debtors less trade creditors of the trading subsidiaries, as a percentage of annual sales is only slightly increased at 10.5% (2002 – 9.7%). This movement is almost entirely accounted for by the timing of receipts around the year end on major projects of Bell & Webster Concrete. Year end debtor days were 52 days, the number of days cost of sales accounted for by year end stocks was 30 days and year end creditor days were 59 days. These are all somewhat above the equivalent last year, reflecting in part the changing structure of the Group's activities and timing factors around the year end. We continue our strong management programmes focussing on asset utilisation.

Funding

The maturity profile of the Group's borrowings and bank borrowing facilities and the currency structure of the net bank borrowings at 30 June 2003 are set out in notes 21 and 32 to the financial statements .The principal financial borrowing covenants in relation to the facilities are for net interest to be covered not less than 3 times by operating profits and a balance sheet gearing of not more than 100%.

At 30 June 2003, the Group had available to it approximately £4.5m of undrawn committed bank facilities in addition to the £2.3m of cash held, a total availability of approximately £6.8m compared with £5.7m at 30 June 2002. Since the year end an additional £1m facility, which extends to 2007, not included in the above amounts, has been secured. The undrawn facilities provide resources available to support the Group's future investment programme in addition to substantial working capital support. Although the Group's current cash position and its cash generating performance causes an interest premium to be paid on existing, partly drawn down term lending as compared with interest receivable on bank deposits, the Board considers this premium to be worthwhile to ensure that the Group has significant committed term facilities available to underpin its development plans and to reduce liquidity risk.

David S Dannhauser
FINANCE DIRECTOR
17 October 2003

Group Directory

Eleco Building Systems

Structural Precast Concrete Systems

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Fax: +44 (0) 1476 562944
E-mail: bellandwebster@eleco.com
Website: http://www.eleco.com/bellandwebster

Manufacturer and supplier of FastBuild™ precast concrete rooms, retaining walls, terracing units and other concrete products.

Roofing Cladding and Panel Systems

SPEEDDECK BUILDING SYSTEMS LIMITED
Yaxley
Suffolk
Tel: +44 (0) 1379 788166
Fax: +44 (0) 1379 788161
E-mail: speeddeck@eleco.com
Website: http://www.eleco.com/speeddeck

Manufacturer and supplier of secret-fix and standing seam metal roofing and Vitesse® wall cladding systems.

DOWNER CLADDING SYSTEMS LIMITED
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Hampshire
Tel: +44 (0) 1794 830811
Fax: +44 (0) 1794 830284
E-mail: downer@eleco.com
Website: http://www.eleco.com/downer

Supplier of fixing and support systems for rainscreen cladding.

STRAMIT INDUSTRIES LIMITED
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Tel: +44 (0) 1379 783465
Fax: +44 (0) 1379 783659
E-mail: stramit@eleco.com
Website: http://www.eleco.com/stramit

Manufacturer and supplier of internal panel systems.

Nail-plate Systems

GANG-NAIL SYSTEMS LIMITED
Aldershot
Hampshire
Tel: +44 (0) 1252 334691
Fax: +44 (0) 1252 334562
E-mail: gangnail@eleco.com
Website: http://www.eleco.com/gangnail

Manufacturer and supplier of roof truss connector plates, Ecojoist® floor joist webs and associated computer software systems.

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E-mail: elecobauprodukte@eleco.com
Website: http://www.eleco.com/elecobauprodukte

Supplier of roof truss connector plates and associated computer software systems.

INTERNATIONAL TRUSS SYSTEMS (PTY) LIMITED
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Tel: +27 (0) 11 397 4441
Fax: +27 (0) 11 397 4929
E-mail: its@eleco.com
Website: http://www.eleco.com/its

Supplier of roof truss connector plates and associated computer software systems.

Eleco Technology

Specialist Construction Software

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Fax: +46 (0) 910 87809
E-mail: consultec@eleco.com
Website: http://www.eleco.com/consultec

Developer and supplier of construction planning, estimating and design software and provider of architectural consultancy services

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E-mail: consultec-uk@eleco.com
Website: http://www.eleco.com/consultec-uk

Developer and supplier of design software for the construction industry.

Internet Solutions

FORMA COMMUNICATIONS LIMITED
London
Tel: +44 (0) 20 7729 8808
Fax: +44 (0) 20 7729 0920
E-mail: forma@eleco.com
Website: http://www.eleco.com/forma

Designer of interactive multimedia solutions.

LEONARDO INTERNET LIMITED
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Tel: +44 (0) 1785 252333
Fax: +44 (0) 1785 252666
E-mail: leonardo@eleco.com
Website: http://www.eleco.com/leonardo

Developer of integrated web/print solutions.

Board of Directors and Company Advisers

John Ketteley FCA
Appointed Executive Chairman in 1997, John Ketteley has an investment banking background. He was formerly Non-Executive Chairman of BTP plc, Country Casuals plc and Prolific Income plc. He is currently a non-executive director of Clariant Holdings UK Limited. Age 64.

David Dannhauser MA ACA
Appointed Finance Director in February 1994. David Dannhauser was previously a director of Caverdale Group PLC. Age 48.

Tom Bayne BA ACA
Appointed Group Operations Director in September 2003. Tom Bayne was previously Corporate Finance Director at Hawkpoint Limited, the independent Investment Bank, where he specialised in advising smaller growth companies. Age 41.

Paul Taylor
Appointed Group Commercial Director in September, 2003 having previously held the position of Group Operations Director since July 2000. Prior to that Paul Taylor was head of the European operations of the NASDAQ listed company DeVlieg-Bullard Inc. Age 38.

Jonathan Cohen TD MA FCA*
Appointed a Non-Executive Director in November 2002. Jonathan Cohen was previously Chief Executive of County NatWest Limited and Vice Chairman of Charterhouse Bank Limited and is currently Chairman of Independent Direction Directors Advisory Service Limited and a Non-Executive Director of The Rose Partnership Limited. Age 59.

Tom Quinn*
Chairman of the Remuneration Committee
Appointed a Non-Executive Director in November 2000. Tom Quinn was previously a partner of W Greenwell and Company, stockbrokers, and a director of Samuel Montague and Company Limited, Barclays de Zoete Wedd Limited and Hambros Bank plc. Aged 64.

Herman Scopes BSc*
Chairman of the Audit Committee and Lead Non-Executive Director
Appointed a Non-Executive Director in August 1997. Herman Scopes was previously Chief Executive of ICI's international paints business, a non-executive director of Addis Group Limited and Deputy Chairman of the National Institute for Social Work. He is currently Chairman of the Ofwat Thames Customer Service Committee. Age 64.

*Member of the Audit and Remuneration Committees

Secretary
Laurence N Holdcroft FCIS

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Registered number
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Bankers
Lloyds TSB Bank Plc

Brokers
Cazenove & Co

Solicitors
Ashurst Morris Crisp
Berwin Leighton Paisner

Financial Public Relations
Holborn Public Relations Limited

Registrars and transfer office
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Kent BR3 4TU
Tel: +44 (0) 20 8639 2000

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 June 2003.

Review of the business

The Group's principal activities include the manufacture and supply of building systems products, and the design and supply of software systems. A list of the principal operating subsidiaries is set out in note 15 to the financial statements.

The accompanying Chairman's Statement provides a more detailed description of activities during the year and future prospects.

Results for the year

The Group profit on ordinary activities before taxation was £1,856,000 (2002: £1,736,000).

The detailed financial statements of the Group are set out on pages 20 to 44.

Dividends

An interim dividend of 0.35 pence per share was paid during the year. The Directors recommend for payment on 12 December 2003 a final dividend of 0.85 pence per share to ordinary shareholders on the register at the close of business on 28 November 2003. Combined with the interim dividend, this will make a total distribution for the year of 1.20 pence per share (2002: 1.15 pence per share).

Acquisitions

On 3 February 2003, the Company acquired the entire issued share capital of Consultec Group AB and on 7 February 2003 acquired the entire issued share capital of Leonardo Internet Limited. On 3 March 2003, the Group acquired the o2c business. Further details of the acquisitions are shown in note 25 to the financial statements.

Share capital and share option schemes

Further details of share capital and share option schemes are shown in note 23 to the financial statements.

Directors and their interests

The current composition of the Board of Directors is shown on page 11 and all the Directors except for J Cohen and T J E Bayne held office throughout the year.

Paul Taylor will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

Details of the interests of each Director who held office at 30 June 2003 in, and options and awards over, the share capital of the Company, together with details of service agreements and interests in contracts entered into by Group companies are shown in the Report on Remuneration on pages 16 to 18.

Substantial interests

As at the date of this Report, the Company has been notified of the following interests in the issued share capital of the Company in accordance with section 198 of the Companies Act 1985 (as amended)

	Number of shares	Percentages
J H B Kettelev	4,228,473	8.64 %
Caparo (LTI) Limited	3,131,270	6.40 %
Lowland Investment Company PLC	3,078,443	6.29 %
Rights and Issues Investment Trust PLC	3,075,000	6.28 %
Anders Lövgren	2,622,628	5.36 %
Mats Lövgren	2,622,628	5.36 %
Schroder Institutional UK Smaller Companies Fund	2,493,251	5.09 %
H A Allen	1,700,000	3.47 %

Research and development

Product innovation and development is a continuous process. The Group commits resources to the development of new products and quality improvements to existing products and processes in all its business segments.

Employee involvement

The Group attaches considerable importance to keeping its employees fully informed on matters regarding the performance and prospects of the business and is committed to a policy of involvement for all members of staff. Employees are encouraged to present their suggestions and views. The Group operates a savings-related share option scheme and a Long Term Incentive Plan involving share-based incentives.

Employment of disabled persons

The Company's policy is to provide equality of opportunity for all employees without discrimination and continues to encourage the employment, training and advancement of disabled persons in accordance with their abilities and aptitudes, provided that they can be employed in a safe working environment. Suitable employment would, if possible, be found for any employee who becomes disabled during the course of employment.

Policy regarding the payment of suppliers

The Company's policy is to agree the terms of payment with suppliers at the commencement of the trading or contractual relationship, and to operate within such terms subject to satisfactory completion of the suppliers' obligations. At 30 June 2003, the Group's average creditor payment period was 59 days.

Charitable contributions

During the financial year donations to charities and good causes totalled £1,178. The Group does not make any political donations.

Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 19, is made so that shareholders may distinguish between the respective responsibilities of the Directors and of the Auditors in relation to the financial statements. The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that, in preparing the financial statements, the Company has used appropriate accounting policies, applied consistently and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The Directors have responsibility for ensuring that accounting records are kept which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

This report embodies the separate statement on Corporate Governance, which can be found on pages 14 and 15.

Annual General Meeting

Your attention is drawn to the Notice of Meeting on page 46 convening the Annual General Meeting of the Company at 12:00 noon on 19 November 2003 at the London Capital Club, 15 Abchurch Lane, London EC4N 7BB. The Notice of Meeting sets out and explains the special and ordinary business to be conducted at the meeting.

Auditors

Messrs. Ernst & Young LLP have indicated their willingness to continue in office, and a resolution will be proposed at the Annual General Meeting to re-appoint them as Auditors and to authorise the Directors to fix their remuneration.

By order of the Board

LN Holdcroft

L N Holdcroft
SECRETARY
Eleco House
15 Gentlemen's Field
Westmill Road
Ware
Herts SG12 0EF

17 October 2003

Corporate Governance

The Principles of Good Governance

The Board is committed to ensuring that high standards of Corporate Governance are observed throughout the Group, as appropriate to its circumstances, and supports the Principles of Good Governance set out in the Combined Code, appended to the Listing Rules of the Financial Services Authority.

The Company is headed by its Board which consists of four Executive Directors and three independent Non-Executive Directors and which meets at least ten times throughout the year. It is the intention of the Board to lead and control the Group and to consider all matters reserved for the Board's decision including, but not exclusively, operational and financial performance and capital expenditure. The Directors are properly briefed on issues arising at Board meetings verbally and by means of Board papers circulated in advance of the meetings.

The posts of Chairman and Chief Executive are effectively combined in the position of Executive Chairman, which the Board currently considers satisfactory in view of the Company's size and organisation and the particular skills of the Executive Chairman. Great emphasis is, therefore, placed on the roles of the Non-Executive Directors in Board matters so as to ensure that balance is maintained within the Board, and their respective authority in this role is clearly defined.

Matters delegated to the Audit and Remuneration Committees of the Board are set out below.

Directors are subject to re-election every three years at the Annual General Meetings of the Company when, pursuant to the Company's Articles of Association, one third of the Board submits themselves for re-election. The name of the Director submitted for re-election at the Annual General Meeting being held on 19 November, 2003 can be found in the Directors' Report on page 12.

Information on Directors' remuneration is set out in the Report on Remuneration on pages 16 to 18. No Director is involved in deciding his own remuneration.

Relations with Shareholders

The Board values the views of its shareholders and recognises their interest in the Company's strategy and performance. Directors meet with institutional investors from time to time and are available to enter into dialogue with such shareholders outside close periods. The Company communicates with all shareholders through the issue of regular press releases and through its website at www.eleco.com and encourages all shareholders to make positive use of the Company's Annual General Meeting.

Through the Annual and Interim Reports of the Company, and market announcements where appropriate, the Directors seek to present a balanced and understandable assessment of the Company's position and prospects.

Audit Committee

The Audit Committee, which consists of the Non-Executive Directors and is chaired by HM Scopes, has specific terms of reference and meets at least twice a year. It reviews the financial statements prior to their recommendation to the Board for approval and assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Committee's duties also include keeping under review the scope and results of the audit and its cost effectiveness. The auditors, and by invitation, the Chief Executive and Finance Director normally attend the Audit Committee's meetings.

Remuneration Committee

The Remuneration Committee, which consists of the Non-Executive Directors and is chaired by T Quinn, has responsibility for making recommendations to the Board on the Company's remuneration policy for senior executives and for determining the remuneration arrangements of the Executive Directors.

Control Environment

The Board is responsible for the Group's systems of internal financial and other control. These are designed to manage rather than eliminate business risks and as such can only provide reasonable, and not absolute, assurance as to the reliability of information, the maintenance of proper accounting records, the safeguarding of assets against unauthorised use or disposition and that the Group's businesses are being operated effectively and efficiently with appropriate awareness of the operational risks to which they are exposed.

The Directors have established an organisational structure with clear lines of responsibility and delegated authority.

The systems include:

- the appropriate delegation of responsibility to operational management;
- financial reporting, within a comprehensive financial planning and accounting framework, including the approval by the Board of the detailed annual budget and the regular consideration by the Board of actual results compared with budgets and forecasts;
- clearly defined capital expenditure and investment control guidelines and procedures; and
- monitoring of business risks, with key risks identified and reported to the Board.

The management at each of the Group's subsidiaries are responsible for identifying the risks facing their operation, for initiating appropriate control procedures and for reporting any control issues and remedial action as and when they arise. These risks are periodically assessed and monitored by the Board within the framework of a policy established throughout the Group for reviewing operational risks and reporting to the Board on the outcome of these reviews.

The internal audit function previously established continues to be monitored by the Audit Committee.

Compliance with the Combined Code

The Company has complied with Section 1 of the Combined Code throughout the financial year except for the matters set out below.

1. The Board considers that the combined roles of Chairman and Chief Executive continues to be appropriate to the Company's circumstances for the reasons set out above and that the roles need not presently be separated as recommended by the Code, although this situation continues to be kept under review by the Board;
2. Up until 11 November 2002, the date of J Cohen's appointment as a Non-Executive Director of the Company, the Audit Committee consisted of two Non-Executive Directors rather than the three as required by the Combined Code.

The Company has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, as referred to above. This process has been in place throughout the financial year and up to the date of approval of this annual report and accounts and has been regularly reviewed by the Board who consider that the Group has been in full compliance with provision D2.1 of the Combined Code.

Going Concern

The financial statements, which appear on pages 20 to 44, have been prepared on a going concern basis. Having made appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

LN Holdcroft

SECRETARY

Report on Remuneration

1 The Remuneration Committee

The Remuneration Committee consists entirely of the Non-Executive Directors, including J Cohen from his appointment on 11 November 2002, under the chairmanship of T Quinn. The Committee, in determining its proposals, takes specialist advice from independent consultants, Monks Partnership, on the level and structure of executive remuneration generally in relation to the UK market. The Remuneration Committee has responsibility for making recommendations to the Board to determine the Company's general policy on remuneration and also specific packages for individual Directors. It carries out the policy on behalf of the Board and meets at least twice a year. The Executive Directors attend the meetings when the Committee discusses matters concerning senior executives within the Group other than the Executive Directors.

2 Policy on remuneration of Executive Directors and senior executives

a) The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive directors and senior executives of the right calibre.

b) The remuneration of the Executive Directors comprises five elements:

i) a basic salary together with benefits-in-kind (such as company car, private petrol and medical insurance);

ii) a performance-related bonus based on the Group's performance. The Executive Directors are contractually entitled to a bonus scheme, but the basis of bonus targets for Group profit performance and/or the achievement of key tasks, and the amount to be paid, is determined by the Remuneration Committee;

iii) a contribution to the personal pension schemes of the Executive Directors based solely on basic salary;

iv) performance-related share awards under the Company's Long Term Incentive Plan;

v) share options granted under the Company's Executive Share Option Scheme and Sharesave Scheme.;

c) Executive Directors' contracts

The Executive Directors have service agreements, which provide for a notice period for termination of up to 12 months. In the event that employment with the Company is terminated without notice, the contracts do not provide for payment of a specific sum for compensation.

Commencement dates for contracts (as amended) were as follows: D S Dannhauser (15 December 1994); J H B Ketteley (3 July 1997); P J Taylor (20 October 2000); T J E Bayne (29 September 2003).

d) Incentives

i) *Annual bonus*

Senior executives within the Group currently receive a monetary bonus related to the profits of the part of the Group's operations for which they are responsible for the specific financial year in question.

ii) *Share options and Long Term Incentive Plan*

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between their personal interests and those of shareholders.

Awards under the Company's Long Term Incentive Plan are made to a range of employees, including the Executive Directors and senior executives, in accordance with terms recommended annually by the Remuneration Committee. A trust was established for the purpose of administering the Plan, including making awards, acquiring the shares necessary to satisfy awards that vest and transferring vested shares to participants.

Two types of award have been made under the Plan: Performance Share Awards for the Executive Directors, which are subject to performance targets based upon the growth in Company's earnings per share, and Restricted Share Awards, which are not subject to performance targets. The performance targets cover the period from the end of the financial year of the Company immediately preceding the date of grant to that immediately preceding the vesting date and are up to RPI +6% p.a. over the period. No consideration is required from participants in respect of either type of award, either at the time the awards are made or on the vesting of the awards. Further details are shown in note 23 to the financial statements.

e) Non-Executive Directors

The remuneration of Non-Executive Directors is determined by the Board. The Non-Executive Directors do not have service contracts but are appointed for an initial fixed term of three years, which may thereafter be renewed from year to year. They cannot participate in any of the Group's share option or pension schemes.

3 Directors' remuneration and interests

The emoluments of the Directors for the years to 30 June 2003 and 2002 were:

	Basic salary £'000	Fees £'000	Benefits £'000	Performance related pay £'000	Total emoluments excluding pensions 2003 £'000	Total emoluments excluding pensions 2002 £'000	Pension contributions 2003 £'000	Pension contributions 2002 £'000
Executive:								
J H B Ketteley ‡	180	5	14	51	**250**	189	**35**	42
D S Dannhauser	110	5	13	26	**154**	132	**22**	21
P J Taylor	85	–	13	14	**112**	99	**12**	11
Non-Executive:								
J Cohen×	–	12	–	–	**12**	–	**–**	–
T Quinn	–	25	–	–	**25**	25	**–**	–
H M Scopes	–	25	–	–	**25**	25	**–**	–
Total	375	72	40	91	**578**		**69**	
Total 2002	355	69	35	20		479†		74

‡ During the year, for expenses or services provided in the normal course of business, the Group paid £9,017 (2002: £8,517) to J H B Ketteley & Co Limited of which J H B Ketteley is a director and in which he has an interest.

× From 11 November 2002, the date of appointment.

† Includes the amount of £9,000 paid to J A Morgan for the period 1 July 2001 to 21 November 2001, the date of his resignation as a director of the company.

4 Directors' shareholdings

The interests, beneficial unless otherwise indicated, in the ordinary shares of 10p each in the Company of the Directors who held office at 30 June 2003, were as follows:

	At 30 June 2003	At 30 June 2002
J H B Ketteley	**4,128,473**	3,804,098
D S Dannhauser	**357,291**	236,783
D S Dannhauser – non-beneficial	**130,000***	130,000*
J Cohen	**1,375**	1,375
T Quinn	**–**	–
H M Scopes	**150,000**	150,000
P J Taylor	**–**	–

* Shares held in the capacity as a Trustee of the Eleco plc Retirement and Benefits Scheme.

J H B Ketteley acquired a beneficial interest in 100,000 ordinary shares in the Company in October 2003. Apart from the aforementioned, there have been no changes in the Directors' interests since 30 June 2003.

Report on Remuneration

5 Directors' options

Options outstanding over ordinary shares held under the Company's Executive Share Option Scheme and Sharesave Scheme (marked with a *) and granted for nil consideration were as follows:

	At 30 June 2003	Exercised during year	At 30 June 2002	Option price	Exercise period From	To
J H B Ketteley	**10,945***	-	10,945*	18.50p	1 December 2003	31 May 2004
	6,532*	-	6,532*	31p	31 January 2006	31 July 2006
D S Dannhauser	**153,423#**	-	153,423	25.42p	18 October 1997	17 October 2004

#Exercised on 10 October 2003.

Performance Share Awards granted to the Executive Directors under the Company's Long Term Incentive Plan were as follows:

	Award	At 30 June 2003	Vested during year	Awarded during year	At 30 June 2002	Vesting date
J H B Ketteley	1998	-	106,875	-	106,875	18 December 2002
	1999	-	100,000	-	100,000	18 December 2002
	2000	**120,000**	-	-	120,000	1 January 2004
	2003	**651,425**	-	651,425	-	1 April 2006 to 1 December 2008
D S Dannhauser	1998	-	101,250	-	101,250	18 December 2002
	1999	-	100,000	-	100,000	18 December 2002
	2000	**120,000**	-	-	120,000	1 January 2004
	2003	**395,725**	-	395,725	-	1 April 2006 to 1 December 2008
P J Taylor	2000	**125,000#**	-	-	125,000	1 October 2003
	2003	**140,000**	-	140,000	-	1 April 2006 to 1 December 2008

#Vested on 10 October 2003.

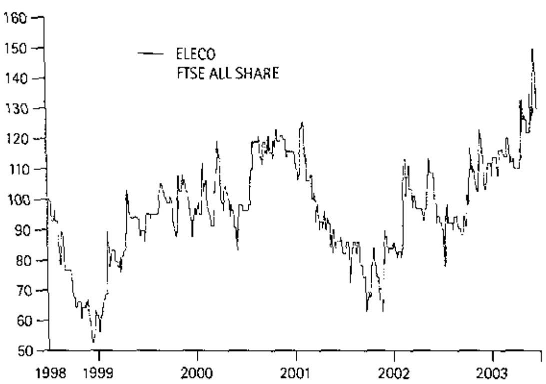
The middle market price of the Company's ordinary shares on 30 June 2003 was 30p and the range during the year was 19p to 35p. The middle market price of the Company's ordinary shares on the date of the vesting of shares under the Company's Long Term Incentive Plan was 24.5p.

Performance Graph

The graph below shows the total shareholder return (with dividends reinvested) for each of the last five financial years in a holding of the Company's shares against the corresponding total shareholder return in a hypothetical holding of shares in the FTSE All-Share Index.

The FTSE All-Share Index was selected as it represents a broad equity market index in which the Company is a constituent member.

Eleco TSR (net), FTSE Allshare TSR (net), rebased to 100 - 01/07/98 to 30/06/03



Paragraphs 3 to 5 inclusive of the Report on Remuneration have been audited.

On behalf of the Board.

Tom Quinn
CHAIRMAN, REMUNERATION COMMITTEE

17 October 2003

Report of the Auditors

Independent auditors' report to the members of Eleco plc

We have audited the Group's financial statements for the year ended 30 June 2003 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Equity Shareholders' Funds and the related notes 1 to 33. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Report on Remuneration that is described as having been audited.

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

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2003 and of the profit of the Group for the year then ended and the financial statements and the part of the Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

REGISTERED AUDITOR
Luton
17 October 2003

Consolidated Profit and Loss Account

for the year ended 30 June 2003

	Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Turnover – continuing operations		35,494		32,873	
Turnover – acquisitions		1,666		-	
Turnover	2, 3		37,160		32,873
Cost of sales	3		(22,597)		(20,918)
Gross profit	3		14,563		11,955
Operating profit – continuing operations		2,100		1,878	
Operating profit – acquisitions		(125)		-	
Operating profit	3		1,975		1,878
Loss on disposal of tangible fixed assets of continuing operations			(33)		-
Profit on ordinary activities before interest			1,942		1,878
Interest receivable	6	137		31	
Interest payable	7	(223)		(173)	
			(86)		(142)
Profit on ordinary activities before taxation	8		1,856		1,736
Taxation	9		(615)		(497)
Profit for the financial year	10		1,241		1,239
Dividends	11		(571)		(477)
Retained profit for the year			670		762
Basic earnings per ordinary 10p share	12		2.8p		3.0p
Diluted earnings per ordinary 10p share	12		2.8p		3.0p

Statement of Total Recognised Gains and Losses

for the year ended 30 June 2003

	2003 £'000	2002 £'000
Profit for the financial year as reported	1,241	1,239
Translation differences on foreign currency net investments	221	(115)
Total recognised gains for the financial year	1,462	1,124

Reconciliation of Movements in Equity Shareholders' Funds

for the year ended 30 June 2003

	2003 £'000	2002 £'000
Profit for the financial year as reported	1,241	1,239
Other recognised profits/(losses) relating to the year	221	(115)
Dividends	(571)	(477)
Proceeds from issue of ordinary shares	45	5
Issue of ordinary shares in respect of acquisition of subsidiary undertakings	1,455	50
Net increase in equity shareholders' funds	2,391	702
Opening equity shareholders' funds	9,247	8,545
Closing equity shareholders' funds	11,638	9,247

Consolidated Balance Sheet

at 30 June 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	13	6,192	1,707
Tangible assets	14	7,514	7,039
Investments	15	371	62
		14,077	8,808
Current assets			
Stocks	18	1,864	1,838
Debtors	19	8,704	7,026
Cash at bank and in hand		2,334	3,333
		12,902	12,197
Creditors: amounts falling due within one year	20	(13,018)	(9,874)
Net current (liabilities)/assets		(116)	2,323
Total assets less current liabilities		13,961	11,131
Creditors: amounts falling due after more than one year	21	(1,939)	(1,601)
Provisions for liabilities and charges	22	(384)	(283)
Net assets		11,638	9,247
Capital and reserves			
Called up share capital	23	4,879	4,282
Share premium account	24	5,983	5,080
Merger reserve	24	367	367
Profit and loss account	24	409	(482)
Equity shareholders' funds		11,638	9,247

The financial statements on pages 20 to 44 were approved by the Board of Directors on 17 October 2003 and signed on its behalf by:

J H B Ketteley

EXECUTIVE CHAIRMAN

Company Balance Sheet

at 30 June 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	13	735	-
Tangible assets	14	47	78
Investments	15	22,527	17,671
		23,309	17,749
Current assets			
Debtors	19	2,478	2,583
Cash at bank and in hand		240	1,922
		2,718	4,505
Creditors: amounts falling due within one year	20	(8,351)	(7,463)
Net current liabilities		(5,633)	(2,958)
Total assets less current liabilities		17,676	14,791
Creditors: amounts falling due after more than one year	21	(1,740)	(1,498)
Provisions for liabilities and charges	22	(1,014)	(809)
Net assets		14,922	12,484
Capital and reserves			
Called up share capital	23	4,879	4,282
Share premium account	24	5,983	5,080
Profit and loss account	24	4,060	3,122
Equity shareholders' funds		14,922	12,484

The financial statements on pages 20 to 44 were approved by the Board of Directors on 17 October 2003 and signed on its behalf by:

J H B Ketteley

EXECUTIVE CHAIRMAN

Consolidated Cash Flow Statement

for the year ended 30 June 2003

	Notes	2003 £'000	2002 £'000
Operating activities			
Net cash inflow from operating activities – continuing operations	26	2,560	4,191
Returns on investment and servicing of finance			
Interest received		133	31
Interest paid		(199)	(142)
Interest element of finance lease rentals		(23)	(31)
Net cash outflow from returns on investment and servicing of finance		(89)	(142)
Net cash outflow from taxation		(632)	(6)
Capital expenditure and financial investment			
Increase in loans to Employee Share Ownership Trust		(39)	(60)
Purchase of fixed assets		(1,457)	(914)
Disposal of tangible fixed assets		22	65
Purchase of investment		(369)	-
Sale of investment		73	-
Net cash outflow from capital expenditure and financial investment		(1,770)	(909)
Acquisitions and disposals			
Purchase of subsidiary undertakings and subsidiary undertakings' operations net of cash acquired		(2,383)	(538)
Sale of subsidiary undertaking's operations in the previous year		–	770
Net cash (outflow)/inflow from acquisitions and disposals		(2,383)	232
Equity dividends paid		(497)	(412)
Net cash (outflow)/inflow before financing		(2,811)	2,954
Financing			
New bank loans		1,000	750
Repayment of principal under finance leases		(246)	(282)
Repayment of bank loans		(551)	(301)
Issue of ordinary shares		45	5
Net cash inflow from financing		248	172
(Decrease)/increase in cash in the year	27, 28	(2,563)	3,126

Notes to the Financial Statements

for the year ended 30 June 2003

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A Summary of the more important Group accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings for the year ended 30 June. As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not included. The results of subsidiaries acquired or sold in the year are included in the consolidated profit and loss account from or up to the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post-acquisition profit and loss account.

Turnover

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the invoiced value of goods and services supplied to third parties.

Goodwill

Goodwill arising on acquisitions prior to 30 June 1998 was written off against reserves in accordance with accounting standards then in force. The subsequent disposal of any business to which such goodwill related would result in the goodwill being charged or credited to the profit and loss account. For subsequent acquisitions, goodwill, representing the excess of the fair value of the purchase price over the fair value of the identifiable net assets acquired, is capitalised in the year in which it arises and amortised on a straight-line basis over its useful economic life, generally not exceeding twenty years.

Intangible and tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

The Group owns intellectual property both in its software tools and software products. Intellectual property acquired is capitalised at cost and is amortised on a straight-line basis over its expected useful life not exceeding 20 years.

Investments

The cost of investments is their purchase cost, together with any incidental costs of acquisition, less any provision for permanent diminution in value.

Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land and assets in the course of construction, at annual rates calculated to write-off the cost, less the estimated residual value of each asset, over its expected useful life as follows:

Freehold buildings	– 50 years
Short leasehold property	– over the term of the lease
Plant, equipment and vehicles	– 2 to 10 years
Software	– 2 to 5 years

Employee share ownership trust

Shares in the Company owned by the Employee Share Ownership Trust (ESOT) are stated at cost less any provision for permanent diminution in value.

Stocks and work-in-progress

Stocks, including work-in-progress, are valued at the lower of cost and net realisable value. Cost is the cost of direct materials and labour plus attributable overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and on disposal.

Notes to the Financial Statements

for the year ended 30 June 2003

Long-term work-in-progress

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at an amount appropriate to their stage of completion. Provision is made for any losses which are foreseen.

Contract work-in-progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Finance and operating leases

Leasing arrangements, which transfer to the Group substantially all of the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright ("finance leases"). Assets acquired under finance leases are capitalised in the balance sheet as tangible fixed assets and are depreciated accordingly. The capital element of the lease commitments is shown as obligations under finance leases. The capital element of finance lease rentals is applied to reduce the outstanding obligations under finance leases. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease in proportion to the reducing capital balance outstanding. Amounts paid under operating leases are charged to the profit and loss account as incurred.

Research and development

Research and product development expenditure is written off as incurred.

Pension costs

The Group operates a defined benefit pension scheme, which provides benefits based on final pensionable pay. The defined benefit scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of pensions over the employees' working lives. The effects of variation from regular cost are spread over the expected average remaining service lives of members of the scheme.

Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated into sterling at the rate of exchange ruling at the end of the financial year and results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the re-translation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at an average rate, are taken to reserves and reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account for the year in which they arise.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date will result in an obligation to pay more tax or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiary undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

2 Turnover and segmental analysis

Group turnover, profits and net assets were attributable as follows

	Sales				Profit/(loss)			
	2003 Continuing £'000	2003 Acquisitions £'000	2003 £'000	2002 £'000	2003 Continuing £'000	2003 Acquisitions £'000	2003 £'000	2002 £'000
Continuing operations								
Building Systems	34,494	–	34,494	31,523	2,667	–	2,667	2,610
Software Systems	1,000	1,666	2,666	1,350	(567)	(125)	(692)	12
Corporate	–	–	–	–	–	–	–	(744)
Total continuing operations	35,494	1,666	37,160	32,873	2,100	(125)	1,975	1,878
Loss on disposal of tangible fixed assets							(33)	–
Net interest							(86)	(142)
Profit before taxation							1,856	1,736

For 2003, corporate costs of £863,000 have been allocated, £670,000 to the Building Systems division and £193,000 to the Software Systems divisions, to the continuing sub-groups.

	Sales		Profit/(loss)	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Geographic segment by origin				
United Kingdom	31,997	29,805	1,832	1,843
Mainland Europe	3,538	1,958	(167)	(57)
Rest of World	1,625	1,110	310	92
	37,160	32,873	1,975	1,878
Loss on disposal of tangible fixed assets			(33)	–
Net interest			(86)	(142)
Profit before taxation			1,856	1,736

	Sales	
	2003 £'000	2002 £'000
Geographic segment by destination		
United Kingdom	31,676	29,414
Mainland Europe	3,852	2,255
Rest of World	1,632	1,204
	37,160	32,873

Notes to the Financial Statements

for the year ended 30 June 2003

2 Turnover and segmental analysis (continued)

	Net assets 2003 £'000	Net assets 2002 £'000
Class of business		
Building Systems	5,408	4,822
Software Systems	4,938	1,587
Corporate	4,365	3,042
Net operating assets	14,711	9,451
Unallocated net (liabilities)/assets		
Net (bank debt)/cash	(2,017)	772
Corporate tax	(265)	(379)
Deferred tax	(384)	(263)
Dividends	(407)	(334)
	11,638	9,247
Geographic segment		
United Kingdom	9,542	9,168
Mainland Europe	4,919	130
Rest of World	250	153
Net operating assets	14,711	9,451

3 Turnover, cost of sales and other operating expenses

	2003 Continuing £'000	2003 Acquisitions £'000	2003 Total £'000	2002 Total Continuing £'000
Turnover	35,494	1,666	37,160	32,873
Cost of sales	(22,337)	(260)	(22,597)	(20,918)
Gross profit	13,157	1,406	14,563	11,955
Operating expenses				
Distribution costs	(1,981)	–	(1,981)	(1,686)
Administration expenses	(9,076)	(1,531)	(10,607)	(8,391)
	(11,057)	(1,531)	(12,588)	(10,077)
Operating profit/(loss)	2,100	(125)	1,975	1,878

4 Employee information

The average monthly number of employees during the year, including Directors, was made up as follows:

	2003 Number	2002 Number
Building Systems	277	248
Software Systems	45	21
Corporate	13	11
Total	335	280

Staff costs during the year, including Directors, amounted to:

	2003 £'000	2002 £'000
Wages and salaries	8,571	6,807
Social Security costs	1,026	606
Pension costs (note 5)	607	472
	10,204	7,885

5 Pension costs

The Group continues to account for pension costs in accordance with UK Statement of Standard Accounting Practice No. 24 "Pension costs" (SSAP24). In addition, disclosures are presented in accordance with Financial Reporting Standard No. 17 "Retirement Benefits" (FRS17).

Eleco plc operates one defined benefit scheme in the UK. The scheme provides benefits on two scales based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund and contributions into the scheme are determined by a qualified actuary on the basis of triennial valuations.

A full actuarial valuation was last carried out as at 30 June 2002 by a qualified independent actuary under the attained age method as the scheme is closed to new members. Company contributions totalled £368,000. The Company contribution rates during the year were 19.9% of pensionable salaries for 1/80th accrual members and 23.6% of pensionable salaries for 1/60th accrual members. Company contribution rates were increased to 25.6% and 29.3% respectively from 1 July 2003.

SSAP24 accounting valuation

The market value of the scheme assets as at 30 June 2002 was £10,723,000. Liabilities amounted to £11,473,000 on the basis set out below. The deficit was therefore £750,000 at that date. The cash contributions paid exceed the profit and loss charge, which consists of a regular cost of £189,000 and a variation cost of £77,000, and the resulting difference is shown as a prepayment on the balance sheet. At 30 June 2003 the prepayment was £102,000 (2002: £Nil).

Method and assumptions:

Valuation method	Attained age
Long-term investment return	7.00%
Salary escalation	3.75%
Pension increases (LPI)	2.75%
Pension increases (RPI up to 3% pa)	2.25%
Asset valuation	Market value

Consultec Group AB and subsidiaries contribute to a defined benefits scheme under the ITP pension arrangement operated by Alecta, a Swedish insurance company. Contributions to the scheme of £55,000 were made in the period between acquisition and 30 June 2003. This is a multi-employer scheme and accordingly the Group is unable to identify its share of the surplus in the scheme on a reasonable and consistent basis. Consequently, the scheme has been accounted for as a defined contribution scheme.

Contributions are paid into the fund operated by Alecta in respect of each employee at rates defined by Alecta each year, having taken account of the solvency margin of the scheme. The solvency margin represents the extent to which the market value of the assets of the fund, calculated by Alecta, exceeds its pension commitments. At 30 June 2003 the fund had a solvency margin of 117.7 per cent.

FRS17 – Retirement Benefits

The major assumptions used by the actuary were (in nominal terms):

	At 30 June 2003	At 30 June 2002	At 30 June 2001
Rate of increase in salaries	**3.25%**	3.50%	3.50%
Rate of increase in pensions in payment	**2.00%**	2.25%	2.25%
Discount rate	**5.25%**	5.75%	6.25%
Inflation assumption	**2.50%**	2.75%	2.75%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 30 June 2003	Value at 30 June 2003 £'000	Long-term rate of return expected at 30 June 2002	Value at 30 June 2002 £'000	Long-term rate of return expected at 30 June 2001	Value at 30 June 2001 £'000
Equities	**7.5%**	**7,270**	7.0%	7,501	7.5%	8,714
Fixed Interest	**5.0%**	**2,823**	5.0%	3,116	5.3%	3,152
Property	**7.5%**	**85**	7.0%	106	7.5%	120
Total market value of assets		**10,178**		10,723		11,986
Present value of scheme liabilities		**(14,954)**		(13,807)		(11,669)
(Deficit)/surplus in the scheme		**(4,776)**		(3,084)		317
Related deferred tax asset/(liability)		**1,433**		925		(95)
Net pension (liability)/asset		**(3,343)**		(2,159)		222

5 Pension costs (continued)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss account at 30 June 2003 would be as follows:

	2003 £'000	2002 £'000
Net assets as reported	11,638	9,247
SSAP24 pension prepayment (net of deferred tax)	(71)	–
Pension liability	(3,343)	(2,145)
Net assets including net pension liability	8,224	7,102
Profit and loss account as reported	409	(482)
SSAP24 pension prepayment (net of deferred tax)	(71)	–
Pension liability	(3,343)	(2,145)
Profit and loss account excluding net pension liability	(3,005)	(2,627)

As the scheme is closed to new members, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

	2003 £'000	2002 £'000
Analysis of the amount to be charged to operating profit once FRS17 is fully adopted:		
Current service cost	232	210
Past service cost	–	–
Total operating charge	232	210

	2003 £'000	2002 £'000
Analysis of the amount credited to other financial income:		
Expected return on pension scheme assets	686	826
Interest on pension scheme liabilities	(786)	(724)
Net (deficit)/return	(100)	102

	2003 £'000	2002 £'000
Analysis of amount recognised in Statement of Total Recognised Gains and Losses:		
Actual return less expected return on pension scheme assets	(1,144)	(1,974)
Experience losses arising on the scheme liabilities	(29)	(534)
Changes in assumptions underlying the present value of the liabilities	(574)	(1,012)
Actuarial losses	(1,747)	(3,520)

	2003 £'000	2002 £'000
Movement in deficit during the year:		
Deficit in scheme at 1 July 2002	(3,084)	317
Movement in year:		
Current service cost	(232)	(210)
Contributions	368	311
Past service costs	–	–
Other finance income	(100)	102
Actuarial loss	(1,728)	(3,604)
Deficit in scheme at 30 June 2003	**(4,776)**	**(3,084)**

5 Pension costs (continued)

History of experience gains and losses:

	2003 %	2003 £'000	2002 %	2002 £'000
Difference between the expected and actual return on scheme assets:				
Amount (£'000)		(1,125)		(1,993)
Percentage of scheme assets	(11%)		(19%)	
Experience losses on scheme liabilities:				
Amount (£'000)		(29)		(534)
Percentage of the present value of the scheme liabilities	0%		(4%)	
Amount recognised in Statement of Total Recognised Gains and Losses:				
Amount (£'000)		(1,728)		(3,604)
Percentage of the present value of the scheme liabilities	(12%)		(26%)	

6 Interest receivable

	2003 £'000	2002 £'000
Bank and other interest receivable	137	31

7 Interest payable

	2003 £'000	2002 £'000
Bank loans and overdrafts	199	142
Finance leases	22	31
Other	2	–
	223	173

8 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Profit on disposal of tangible fixed assets	(12)	(9)
Amortisation of goodwill and intangible assets	166	80
Depreciation charge for the year		
Tangible owned fixed assets	935	986
Tangible fixed assets held under finance lease and hire purchase agreements	191	196
Auditors' remuneration for:		
Audit (Company £24,000; 2002: £29,000)	94	82
Taxation and other services to the Company and its subsidiaries	41	40
Research and development	491	167
Hire of plant, machinery and vehicles – operating leases	31	40
Hire of other assets – operating leases	474	445
Accelerated amortisation of intangible assets	–	14
Accelerated depreciation of tangible fixed assets	–	74
Abortive acquisition costs	–	57

Notes to the Financial Statements

for the year ended 30 June 2003

9 Taxation

(a) Tax on profit on ordinary activities

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax on profits of the year	458	423
Adjustments in respect of previous years	(30)	23
	428	446
Foreign tax	124	27
Total current tax	552	473
Deferred tax:		
Origination and reversal of timing differences	63	24
Total deferred tax	63	24
Tax on profit on ordinary activities	615	497

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	1,856	1,736
Tax calculated at the standard rate of UK corporation tax of 30% (2002: 30%) applied to profits on ordinary activities before tax	557	521
Effects of:		
Expenses not deductible for tax purposes	39	38
Amortisation of goodwill not deductible for tax purposes	49	24
Depreciation not deductible for tax purposes	4	7
Capital allowances for the year in excess of depreciation	(122)	(33)
Short term timing differences	45	9
Utilisation of tax losses	–	(11)
Losses carried forward	43	16
Adjustments to tax charge in respect of previous years	(28)	23
Utilisation of ACT previously written-off	(27)	(118)
Other	8	2
Tax rate differences	(16)	(5)
Current tax charge for the year	552	473

(c) Factors that may affect future tax charges

The Group has tax losses arising in the UK of £3,200,000 (2002: £3,200,000) that are available indefinitely for offset against future taxable profits of the parent company. Deferred tax assets have not been recognised in respect of these losses as they may not be surrendered to be used to offset taxable profits elsewhere in the Group.

The Group has tax losses of £136,000 (2002: £16,000) arising overseas for which no deferred tax asset has been recognised.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

10 Profit on ordinary activities after taxation

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £1,509,000 (2002: £1,120,000).

11 Dividends

Ordinary shares	2003 per share	2002 per share	2003 £'000	2002 £'000
Interim	**0.35p**	0.35p	**164**	143
Proposed final	**0.85p**	0.80p	**407**	334
	1.20p	1.15p	**571**	477

12 Earnings per share

The calculation of earnings per share is based upon the profit attributable to members of the holding company of £1,241,000 (2002: £1,239,000) and on 44,326,775 (2002: 41,195,519) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based upon the profit attributable to members of the holding company of £1,241,000 (2002: £1,239,000) and on 44,571,887 (2002: 41,769,705) ordinary shares, being the weighted average number of ordinary shares after an adjustment of 245,112 (2002: 574,184) shares in relation to share options.

13 Intangible fixed assets

	Intellectual property rights £'000	Goodwill £'000	Total £'000
Group			
Cost			
At 1 July 2002	14	1,971	1,985
Additions	290	–	290
Business acquired	101	–	101
Goodwill in respect of subsidiaries acquired	–	4,260	4,260
At 30 June 2003	**405**	**6,231**	**6,636**
Amortisation			
At 1 July 2002	14	264	278
Charge for the year	–	166	166
At 30 June 2003	**14**	**430**	**444**
Net book value 30 June 2003	**391**	**5,801**	**6,192**
Net book value 30 June 2002	–	1,707	1,707

Included in 'Goodwill in respect of subsidiaries acquired' is a credit of £15,000 resulting from the recovery of consideration paid on account in a previous year in respect of previous acquisitions.

	Intellectual property rights £'000
Company	
Cost	
At 1 July 2002	14
Additions	735
At 30 June 2003	**749**
Amortisation	
At 30 June 2002	14
At 30 June 2003	**14**
Net book value 30 June 2003	**735**
Net book value 30 June 2002	–

14 Tangible fixed assets

	Land and buildings £'000	Plant equipment and vehicles £'000	Software £'000	Assets in the course of construction £'000	Total £'000
Group					
Cost					
At 1 July 2002	4,506	7,341	1,125	55	13,027
Additions	235	1,078	27	–	1,340
Subsidiaries acquired	–	677	–	–	677
Disposals	(27)	(220)	–	–	(247)
Transfer	55	–	–	(55)	–
Exchange differences	–	103	–	–	103
At 30 June 2003	**4,769**	**8,979**	**1,152**	**–**	**14,900**
Accumulated depreciation					
At 1 July 2002	954	4,522	512	–	5,988
Charge for the year	89	835	202	–	1,126
Subsidiaries acquired	–	408	–	–	408
Disposals	(21)	(184)	–	–	(205)
Exchange differences	–	69	–	–	69
At 30 June 2003	**1,022**	**5,650**	**714**	**–**	**7,386**
Net book value 30 June 2003	**3,747**	**3,329**	**438**	**–**	**7,514**
Net book value 30 June 2002	3,552	2,819	613	55	7,039

	2003 £'000	2002 £'000
Land and buildings net book value comprises:		
Freehold property	**3,668**	3,453
Short leasehold property	**79**	99
	3,747	3,552

The net book value of plant, equipment and vehicles includes an amount of £514,000 (2002: £378,000) in respect of assets held under finance leases and hire purchase agreements.

	Land and Buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Company			
Cost			
At 1 July 2002	19	138	157
Additions	–	17	17
Disposals	–	(32)	(32)
At 30 June 2003	**19**	**123**	**142**
Accumulated depreciation			
At 1 July 2002	6	73	79
Charge for the year	5	32	37
Disposals	–	(21)	(21)
At 30 June 2003	**11**	**84**	**95**
Net book value 30 June 2003	**8**	**39**	**47**
Net book value 30 June 2002	13	65	78

The net book value of plant, equipment and vehicles includes an amount of £12,000 (2002: £41,000) in respect of assets held under finance leases and hire purchase agreements.

15 Investments

	Other investments £'000	Own shares held by ESOT £'000
Group		
Cost		
At 1 July 2002	–	290
Additions	369	–
Subsidiaries acquired	69	–
Disposals	(69)	–
Shares vested	–	(147)
Purchase of shares	–	39
At 30 June 2003	**369**	**182**
Accumulated provision		
At 1 July 2002	–	228
Accrual utilised	–	(147)
Increase in accrual	–	99
At 30 June 2003	**–**	**180**
Net book value 30 June 2003	**369**	**2**
Net book value 30 June 2002	–	62

	Own shares held by ESOT £'000	Investment in subsidiaries Shares at cost £'000	Investment in subsidiaries Loans £'000	Other Investments £'000	Total £'000
Company					
Cost					
At 1 July 2002	290	25,072	17,164	–	42,526
Shares vested	(147)	–	–	–	(147)
Purchase of shares	39	–	–	81	120
Acquisitions	–	4,754	–	–	4,754
(Decrease)/increase in loans	–	–	(558)	288	(270)
At 30 June 2003	**182**	**29,826**	**16,606**	**369**	**46,983**
Accumulated provision					
At 1 July 2002	185	8,994	15,676	–	24,855
Reclassification (note 22)	–	–	(342)	–	(342)
Provision/accrual utilised	(147)	–	–	–	(147)
Increase in accrual	115	–	–	–	115
Decrease in provisions	–	–	(25)	–	(25)
At 30 June 2003	**153**	**8,994**	**15,309**	**–**	**24,456**
Net book value 30 June 2003	**29**	**20,832**	**1,297**	**369**	**22,527**
Net book value 30 June 2002	105	16,078	1,488	–	17,671

Included in the £115,000 increase in accrual for own shares held by the Employee Share Ownership Trust is £44,000 payable on behalf of subsidiary undertakings.

The principal subsidiary undertakings are unlisted and wholly owned. They are registered in England and Wales, where their operations are located in the United Kingdom. Overseas subsidiary undertakings are incorporated in their country of operations.

Where indicated by an * the shareholding is held through an intermediate holding company.

Notes to the Financial Statements

for the year ended 30 June 2003

15 Investments (continued)

Company	Country of Operations
Eleco Building Systems	
Bell & Webster Concrete Limited	UK
SpeedDeck Building Systems Limited*	UK
Stramit Industries Limited*	UK
Downer Cladding Systems Limited	UK
Gang-Nail Systems Limited*	UK
Eleco Bauprodukte GmbH*	Germany
International Truss Systems (Pty) Limited	South Africa
Eleco Technology	
Consultec UK Limited	UK
Forma Communications Limited	UK
Leonardo Internet Limited	UK
Consultec Group AB	Sweden
Consultec Byggprogram AB*	Sweden
Consultec Arkitekter & Konstruktorer AB*	Sweden
Consultec Teknik AB*	Sweden
Consultec System AB*	Sweden

16 Operating lease obligations

The Group has the following annual commitments as at 30 June 2003 in respect of non-cancellable operating leases which expire:

	2003 Property £'000	2003 Other £'000	2002 Property £'000	2002 Other £'000
Within one year	**44**	**33**	36	13
Between two and five years	**303**	**29**	126	15
After five years	**204**	**–**	333	–
	551	**62**	495	28

The property leases are subject to periodic rent reviews. The Group has annual rent income in respect of property sub-leases of £194,000.

17 Capital commitments

Capital expenditure contracts of £14,000 (2002: £234,000) have been placed with suppliers at 30 June 2003.

18 Stocks

	Group 2003 £'000	Group 2002 £'000
Raw materials and components	**692**	892
Work-in-progress	**69**	102
Finished goods	**1,103**	844
	1,864	1,838

19 Debtors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Due within one year				
Trade debtors	7,047	6,070	–	–
Amounts recoverable on contracts	189	46	–	–
Other debtors	357	198	207	159
Prepayments and accrued income	1,008	669	76	52
Overseas tax	103	24	–	–
Deferred tax (note 22)	–	–	29	22
ACT recoverable	–	19	–	19
Amounts due from subsidiary undertakings	–	–	906	871
Dividends receivable from subsidiary undertakings	–	–	1,260	1,460
	8,704	7,026	2,478	2,583

20 Creditors: amounts falling due within one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank loans and overdrafts	2,614	1,073	2,126	1,797
Trade creditors	4,828	4,705	144	105
Payments on account	238	270	–	–
Other creditors	463	275	134	125
Accruals and deferred income	2,744	1,580	383	355
Obligations under finance leases	186	195	7	20
Other taxation and social security	1,170	1,020	34	26
Corporation tax	251	398	–	–
Overseas tax	117	24	–	–
Proposed dividend	407	334	407	334
Amounts due to subsidiary undertakings	–	–	5,116	4,701
	13,018	9,874	8,351	7,463

The bank loans and overdrafts are secured by fixed and floating charges over the Group's assets.

21 Creditors: amounts falling due after more than one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank loans	1,737	1,488	1,737	1,488
Obligations under finance leases	202	113	3	10
	1,939	1,601	1,740	1,498

The bank loans are secured by fixed and floating charges over the Group's assets.

Notes to the Financial Statements

for the year ended 30 June 2003

21 Creditors: amounts falling due after more than one year (continued)

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	**2,614**	1,073	**2,126**	1,797
Repayable by instalments:				
Between one and two years	**599**	451	**599**	451
Between two and five years	**1,070**	879	**1,070**	879
After more than five years	**68**	158	**68**	158
	4,351	2,561	**3,863**	3,285

The principal commitments of the Group under finance leases are repayable as follows:

	2003 £'000	2002 £'000
In one year or less	**186**	195
Between one and two years	**181**	83
Between two and five years	**21**	30
	388	308

22 Provisions for liabilities and charges

	Deferred tax £'000	Other £'000	Total £'000
Group			
At 1 July 2002	263	20	283
Subsidiaries acquired	88	–	88
Charged to profit and loss account	63	–	63
Provision utilised	(30)	(20)	(50)
At 30 June 2003	**384**	**–**	**384**

The deferred tax (liability)/asset provided based on a corporation tax rate of 30% (2002: 30%) comprises:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(Excess)/shortfall of capital allowances over depreciation	**(366)**	(274)	**(44)**	11
Short term timing differences	**(18)**	11	**73**	11
	(384)	(263)	**29**	22

	Provisions for losses in subsidiaries £'000	Other £'000	Total £'000
Company			
At 1 July 2002	789	20	809
Reclassification (note 15)	342	–	342
Credited to profit and loss account	(117)	–	(117)
Provision utilised	–	(20)	(20)
At 30 June 2003	1,014	–	1,014

23 Called up share capital

	2003 £'000	2002 £'000
Authorised: 65,000,000 (2002: 52,720,000) ordinary shares of 10p each	**6,500**	5,272
Allotted, called up and fully paid: 48,791,422 (2002: 42,821,951) ordinary shares of 10p each	**4,879**	4,282

During the year 5,969,471 ordinary shares were issued, of which 263,811 were issued for consideration of £44,848 to satisfy Sharesave options exercised. A further 5,705,660 were issued as part consideration for the acquisition of Consultec Group AB with a value of £1,455,000.

The following awards and options over ordinary shares granted under various share schemes were outstanding at 30 June 2003:

Long Term Incentive Plan

Date awarded	Number of ordinary shares awarded	Vesting date
20 July 2000	125,000	1 October 2003
18 December 2000	475,000	1 January 2004
1 April 2003	1,467,150	1 April 2006 to 1 December 2008

Certain of the awards are subject to performance requirements described in note 2 of the Report on Remuneration on pages 16 to 18. Awards may vest in certain circumstances earlier than the dates given.

The Employee Share Ownership Trust held 884,826 shares at 30 June 2003 and has waived its entitlement to dividends on ordinary shares held by it until such time as they are vested in employees.

Executive Share Option Scheme

Date of grant	Number of ordinary shares under option	Exercise price per share	Exercise period From	To
18 October 1994	271,046	25.42p	18 October 1997	17 October 2004
3 June 1996	54,500	20.00p	3 June 1999	2 June 2006

Sharesave Scheme

Date of grant	Number of ordinary shares under option	Exercise price per share	Exercise period From	To
17 November 1998	138,636	18.50p	1 December 2003	31 May 2004
22 December 2000	49,625	31.00p	1 February 2004	31 July 2004
22 December 2000	106,688	31.00p	1 February 2006	31 July 2006

The options under the Executive Share Option Scheme and Sharesave Scheme were granted for nil consideration and may be exercised in certain circumstances earlier than the dates given.

24 Reserves

	Share premium £000	Merger reserve £000	Profit and loss account £000
Group			
At 1 July 2002	5,080	367	(482)
Issue of shares	903	–	–
Exchange differences	–	–	221
Retained profit for the year	–	–	670
At 30 June 2003	**5,983**	**367**	**409**
Company			
At 1 July 2002	5,080	–	3,122
Issue of shares	903	–	–
Retained profit for the year	–	–	938
At 30 June 2003	5,983	–	4,060

Accumulated goodwill charged to Group reserves at 30 June 2003 in respect of retained businesses is £8,704,000 (2002: £8,704,000).

Notes to the Financial Statements

for the year ended 30 June 2003

25 Acquisitions

Consultec Group AB

On 3 February 2003, the Company acquired the entire issued share capital of Consultec Group AB for a total consideration, including acquisition expenses and the matter referred to below, of £4,877,000.

Under a Software Licence Agreement dated 12 July 2002, entered into on the same date as an option agreement to acquire 100% of the issued share capital of Consultec Group AB, Eleco plc acquired certain limited rights to software products of Consultec Group AB and its subsidiaries at a cost of £344,000.

The receipt of the £344,000, paid by Eleco plc under the Software Licence Agreement, was included within the consolidated reserves of Consultec Group AB at the date of acquisition.

The Directors consider that, in view of the fact that the relevant rights are not rights acquired from a third party to the Group, the £344,000 paid represents in substance an increase in the effective price paid to acquire the 100% shareholding in Consultec Group AB. Accordingly in the consolidated accounts, the amount has been included as part of the consideration paid and the goodwill increased.

The summarised consolidated profit and loss account for Consultec Group AB for the year ended 31 December 2002 and the subsequent period to acquisition is as follows:

Profit and Loss Account

	Consultec Group AB	
	Month ended 31 January 2003 £'000	Year ended 31 December 2002 £'000
Turnover	323	3,345
Operating profit	4	–
Profit on ordinary activities before taxation	4	14
Profit/(loss) on ordinary activities after taxation	2	(21)

During the year Consultec Group AB and subsidiaries contributed turnover of £1,603,000 and an operating loss of £58,000, after amortisation of goodwill, to the results of the Software Systems division.

The consolidated net assets at 30 June 2003 of Consultec Group AB were £757,000.

Consultec Group AB and subsidiaries have no recognised gains and losses, other than the profits above, and therefore no separate statement of recognised gains and losses has been presented. In accordance with the Group's accounting policies, the goodwill arising on consolidation has been capitalised and amortised through the profit and loss account (see note 13).

The consolidated assets and liabilities of Consultec Group AB, which were acquired, are set out below:

	Book value Consultec Group AB £'000	Fair value adjustments to Consultec Group AB £'000	Provisional fair value £'000
Intangible fixed assets	157	(157)	-
Listed investments	67	2	69
Tangible fixed assets	239	–	239
Current assets:			
Debtors	1,203	(130)	1,073
Corporation tax	59	–	59
Cash at bank and in hand	1,270	–	1,270
Total assets	2,995	(285)	2,710
Liabilities:			
Trade and other creditors	(1,979)	25	(1,954)
Provision for deferred tax	15	(113)	(98)
Net assets	1,033	(375)	658
Goodwill			4,219
Consideration			4,877
Satisfied by:			
Cash			2,764
Shares			1,455
Acquisition expenses			658
			4,877

The provisional fair value adjustments relate to the adoption of the Group's accounting policies except for the revaluation adjustments arising in respect of listed investments, other creditors and a £25,000 reduction in debtors.

Impact on Cash Flows

In the period since acquisition, Consultec Group AB contributed a net operating cash outflow of £128,000 and received £19,000 in respect of net returns on investments and servicing of finance. It paid £46,000 in net cash outflows from taxation and received £78,000 net cash inflow from capital expenditure and investment. Its borrowings reduced by £23,000.

Leonardo Internet Limited

On 7 February 2003, the Company acquired the entire issued share capital of Leonardo Internet Limited for a total consideration, including acquisition expenses, of £236,000.

The summarised profit and loss account for Leonardo Internet Limited for the the year ended 31 December 2002 and the period to acquisition is as follows:

Profit and Loss Account

	Leonardo Internet Limited	
	7 months ended 31 January 2003 £'000	Year ended 30 June 2002 £'000
Turnover	**182**	206
Operating profit/(loss)	**6**	(75)
Profit/(loss) on ordinary activities before taxation	**1**	(71)
Profit/(loss) on ordinary activities after taxation	**1**	(71)

During the year Leonardo Internet Limited contributed turnover of £133,000 and £Nil, after amortisation of goodwill, operating profit to the results of the Software Systems division.

The net assets at 30 June 2003 of Leonardo Internet Limited were £182,000.

Leonardo Internet Limited has no recognised gains and losses, other than the profits above, and therefore no separate statement of recognised gains and losses has been presented. In accordance with the Group's accounting policies, the goodwill arising on consolidation has been capitalised and amortised through the profit and loss account (see note 13).

The assets and liabilities of Leonardo Internet Limited which were acquired are set out below:

	Book value and provisional fair value Leonardo Internet Limited £'000
Tangible fixed assets	30
Current assets:	
Debtors	69
Deferred tax	10
Cash at bank and in hand	110
Total assets	219
Liabilities:	
Trade and other creditors	(38)
Corporation tax	(1)
Net assets	180
Goodwill	56
Consideration	236
Satisfied by:	
Cash	200
Acquisition expenses	36
	236

Impact on Cash Flows

In the period since acquisition, Leonardo Internet Limited contributed a net operating cash inflow of £49,000 and received £1,000 in respect of net returns on investments and servicing of finance. It paid £1,000 in net cash outflows from capital expenditure and financial investment.

o2c

On 3 March 2003, the Company acquired the business and intellectual property of o2c for a total consideration, including acquisition expenses, of £101,000 paid in cash. There was nil goodwill.

Notes to the Financial Statements

for the year ended 30 June 2003

26 Reconciliation of operating profit to net cash flow from operating activities

	Continuing 2003 £'000	2002 £'000
Operating profit	1,975	1,878
Depreciation charge	1,126	1,182
Amortisation of intangible assets	166	94
Amortisation of LTIP awards	99	84
Profit on sale of fixed assets	(12)	(9)
(Increase)/decrease in stocks	(1)	30
Increase in debtors	(481)	(1,127)
Decrease/(increase) in prepayments	164	(220)
Increase in creditors	75	1,107
Decrease/(increase) in accruals	(446)	781
(Decrease)/increase in other taxes and social security	(105)	391
Net cash inflow from operating activities	2,560	4,191

27 Reconciliation of net cash flow to movements in net debt

	2003 £'000	2002 £'000
(Decrease)/increase in cash in the year	(2,563)	3,126
Cash flow from movements in debt and lease financing	(203)	(167)
(Increase)/decrease in net debt resulting from cash flows	(2,766)	2,959
Other non-cash items:		
New finance leases	(173)	(162)
Finance lease obligations acquired with subsidiaries	(144)	–
Effects of changes in foreign exchange rates	214	(87)
(Increase)/decrease in net debt in the year	(2,869)	2,710
Opening net funds/(debt)	464	(2,246)
Closing net (debt)/funds	(2,405)	464

28 Analysis of net debt

	At 30 June 2002 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 30 June 2003 £'000
Cash in hand, at bank	3,333	(1,222)	–	223	2,334
Overdrafts	(622)	(1,341)	–	–	(1,963)
	2,711	(2,563)	–	223	371
Debt due after one year	(1,488)	(900)	651	–	(1,737)
Debt due within one year	(451)	451	(651)	–	(651)
Finance leases	(308)	246	(317)	(9)	(388)
	(2,247)	(203)	(317)	(9)	(2,776)
Total	464	(2,766)	(317)	214	(2,405)

During the year, the Group entered into finance lease and hire purchase agreements in respect of fixed assets with a total capital value at the inception of the agreements of £173,000 (2002: £162,000). In addition finance leases with a capital value of £144,000 were acquired on the purchase of Consultec Group AB.

29 Contingent liabilities

The Company has guaranteed banking facilities of certain subsidiary undertakings. At 30 June 2003 the sum guaranteed by the Company in respect of obligations of subsidiary undertakings totalled £935,000 (2002: £230,000).

30 Directors' emoluments

Directors' individual remuneration, including that of the highest paid director, shareholdings and share options are detailed in the Report on Remuneration on pages 16 to 18 and form part of these financial statements.

31 Related party transactions

Related party transactions with Directors are detailed in the Report on Remuneration on pages 16 to 18.

32 Financial instruments

a) Exclusion of short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures (except currency disclosures) as permitted by FRS13 – "Derivatives and other financial instruments".

b) Objectives, policies and strategies

The Group's interest rate risks, liquidity risks and currency risks are managed centrally within policies approved by the Board.

Interest rate risks are moderated by the use of a mixture of fixed and floating rate borrowings.

The net interest charge for the year has reduced by £56,000 since last year. This has been due to a combination of lower interest rates and lower average floating rate borrowings.

Committed borrowing facilities with a range of terms are used in combination with central management of the Group's cash resources to minimise liquidity risks.

Where appropriate, hedging using forward contracts is undertaken to manage transactional currency risks arising from operational activities. No speculative transactions are undertaken.

At present, there is no policy to hedge the Group's currency exposures arising from profit translation or the effect of exchange rate movements on the Group's overseas net assets.

c) Interest rate risk profile of net financial liabilities

The interest rate risk profile of the Group's financial assets and liabilities at 30 June 2003 was:

	Fixed rate weighted average period Years	Fixed rate weighted average interest rate %	Fixed rate financial assets/ (liabilities) £'000	Floating rate financial assets/ liabilities £'000	Total financial assets/ liabilities £'000
Sterling	1.8	4.75%	(227)	(4,345)	(4,572)
Euro	–	–	–	368	368
Swedish Krona	3.0	4.74%	(161)	1,249	1,088
South African Rand	–	–	–	666	666
Other	–	–	–	45	45
At 30 June 2003	4.8	4.75%	(388)	(2,017)	(2,405)
Sterling	1.8	5.07%	(308)	214	(94)
Euro	–	–	–	297	297
South African Rand	–	–	–	261	261
At 30 June 2002	1.8	5.07%	(308)	772	464

Floating rate financial assets and financial liabilities bear interest at rates based on the Bank of England Base Rate or relevant national equivalents.

32 Financial instruments (continued)

d) Maturity analysis of debt

An analysis of debt maturity is shown in note 21 on page 38.

e) Maturity analysis of undrawn committed borrowing facilities

At 30 June 2003, the Group had available to it the following undrawn committed borrowing facilities expiring in the periods shown.

	2003 £'000	2002 £'000
Expiring in one year or less	149	149
Expiring between one and two years	111	149
Expiring after more than two years	4,275	4,611
	4,535	4,909

Subsequent to 30 June 2003, further committed facilities of £1,000,000 were established which expire after more than two years.

f) Currency risk

	Net foreign currency monetary assets/(liabilities)							
	Sterling £'000	Euro £'000	South African Rand £'000	Swedish Krona £'000	US Dollar £'000	Australian Dollars £'000	Norwegian Krone £'000	Total £'000
Functional currency of group operation								
Sterling	–	694	–	(86)	(10)	(3)	–	595
Euro	(9)	–	–	–	–	–	–	(9)
Swedish Krona	(11)	–	–	–	–	–	34	23
South African Rand	(8)	–	–	–	–	–	–	(8)
At 30 June 2003	(28)	694	–	(86)	(10)	(3)	34	601
Sterling	–	282	(11)	(4)	(22)	–	–	245
Euro	(8)	–	–	–	–	–	–	(8)
At 30 June 2002	(8)	282	(11)	(4)	(22)	–	–	237

g) Fair value

There is no difference between the fair value and the book values of all financial assets and liabilities.

h) Hedging instruments

There were no hedging instruments outstanding at 30 June 2003 or 2002.

33 Post-balance sheet event

On 1 July 2003, the Group acquired the entire issued share capital of Softhold GmbH, the owner of the intellectual property in the Arcon software, for a total consideration, including acquisition expenses, of £263,000.

Five Year Summary

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Turnover					
Continuing operations	37,160	32,873	25,795	25,369	24,740
Discontinued operations	–	–	1,044	2,180	2,123
Profit before taxation	1,856	1,736	629	1,519	1,503
Taxation	(615)	(497)	(176)	(133)	(149)
Profit after taxation	1,241	1,239	453	1,386	1,354
Dividends	(571)	(477)	(412)	(387)	(309)
Retained profit	670	762	41	999	1,045
Shareholders' funds	11,638	9,247	8,545	7,539	6,565
Net earnings per share	2.8p	3.0p	1.1p	3.6p	3.5p
Dividend per share	1.20p	1.15p	1.00p	1.00p	0.80p

Financial Calendar

19 November, 2003	Annual General Meeting 12 noon at the London Capital Club 15 Abchurch Lane London EC4N 7BB
March 2004	Announcement of half year results
Ordinary shares – dividends	
Final	
26 November 2003	Ex-dividend
28 November 2003	Record date
12 December 2003	Payment date

Capital Gains Tax

The price of one ordinary share of 10p on 31 March 1982 (unadjusted) was 70.5p.

Notice of Meeting

Notice is hereby given that the sixty-fourth Annual General Meeting of Eleco plc (the "Company") will be held at the London Capital Club, 15 Abchurch Lane, London EC4N 7BB, on 19 November 2003 at 12 noon for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as regards resolutions numbered 1 to 7 as Ordinary Resolutions and as regards resolutions numbered 8 and 9 as Special Resolutions.

Ordinary Business

1. To receive the financial statements for the year ended 30 June 2003, together with the Reports of the Directors and Auditors.
2. To approve the Report on Remuneration.
3. To declare a final dividend on the ordinary shares.
4. To re-elect P J Taylor, who retires by rotation, as a Director of the Company.
5. To elect J Cohen, who retires in accordance with the Company's Articles of Association, as a Director of the Company.
6. To elect T J E Bayne, who retires in accordance with the Company's Articles of Association, as a Director of the Company.
7. To re-appoint Ernst & Young LLP as Auditors, and to authorise the Directors to fix their remuneration.

Special Business

8. **Disapplication of pre-emption rights**
   That the Directors be and they are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited to:

   a. the allotment of equity securities in connection with an issue by way of rights, open offer or otherwise in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them (but subject to such exclusions, variations or other arrangements on such allotment as the Directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); and

   b. the allotment (otherwise than pursuant to sub-paragraph a. hereof or to an employees' share scheme (within the meaning of Section 743 of the Companies Act 1985)) of equity securities up to an aggregate nominal amount of £243,957; at any time or times before the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and 5 February 2005, save that the Company may prior to such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements notwithstanding the expiry of any power conferred by this resolution.

9. **Purchase of the Company's own shares**
   That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of equity securities of the Company up to an aggregate nominal amount of £487,914 at a price per share (exclusive of expenses) of not less than 10 pence and not more than 105% of the average of the middle market quotations for such equity securities as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the date on which the equity securities are contracted to be purchased, provided that this authority shall expire on the earlier of the conclusion of the next Annual General Meeting after the passing of this resolution and 5 February 2005, save that the Company may purchase equity securities pursuant to this authority at any later date where such purchase is pursuant to any contract made by the Company before the expiry of this authority.

LN Holdcroft

L N Holdcroft
Secretary

17 October 2003

NOTES

A member entitled to attend and vote at this meeting may appoint one or more proxies (who need not be members of the Company) to attend and vote instead of him. A proxy form is enclosed. To be effective, an instrument appointing a proxy must be returned so as to reach the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU at least 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The appointment of a proxy will not preclude a member from attending and/or voting at the meeting should he subsequently decide to do so.

Copies of Directors' service agreements and the Register of Directors' Interests in the capital of the Company will be available for inspection at the registered office of the Company during normal business hours from the date hereof until the close of the above meeting and at the place of the meeting for 15 minutes prior to and during the meeting.

Form of Proxy

Eleco plc

I/We ....
(BLOCK LETTERS PLEASE)

of ....

being (a) member(s) of Eleco plc hereby appoint .... (name)/the Chairman of the meeting (note 1) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting to be held at the London Capital Club, London EC4N 7BB at 12 noon on 19 November 2003 and at any adjournment thereof.

I/We wish to vote as follows:

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
1	To receive the report and accounts		
2	To approve the Report on Remuneration		
3	To declare a final dividend		
4	To re-elect P J Taylor as a director		
5	To elect J Cohen as a director		
6	To elect T J E Bayne as a director		
7	To re-appoint Ernst & Young LLP as Auditors		
SPECIAL RESOLUTIONS			
8	To authorise the Directors to allot shares for cash on a non pre-emptive basis		
9	To authorise the purchase of the Company's own shares		

Signature .... Date ....

NOTES

1. If you wish to appoint a proxy other than the Chairman of the meeting, please insert the name of the person you wish to appoint in the space provided and delete the words "Chairman of the meeting". A proxy need not be a member of the Company, but must attend the meeting in person to represent you. A proxy may vote on a poll only and not on a show of hands.
2. Please indicate with an "X" in the spaces above how you wish to vote. Unless so indicated the proxy may vote as he thinks fit or abstain from voting.
3. In the case of a corporation, a form of proxy should be under its common seal or otherwise duly executed in accordance with its Articles of Association or under the hand of an officer or attorney so authorised. In the case of joint holders, the vote of the senior holder, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder, seniority being determined by the order in which the names stand in the Register of Members.
4. To be valid, a form of proxy duly completed, together with the power of attorney or other authority, if any, under which it is assigned or a notarially certified copy of such power of authority, must reach the Company's registrars at the address overleaf not later than 48 hours before the time fixed for the meeting.

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