

Contents

Financial Highlights	1	Statement of Total Recognised Gains and Losses	23
Chairman's Statement	2	Reconciliation of Movements in Equity Shareholders' Funds	23
Financial Review	7	Consolidated Balance Sheet	24
Group Directory	11	Company Balance Sheet	25
Board of Directors and Company Advisers	12	Consolidated Cash Flow Statement	26
Directors' Report	13	Notes to the Financial Statements	27
Corporate Governance	15	Five Year Summary	47
Report on Remuneration	17	Financial Calendar	47
Report of the Auditors	21	Explanation of Annual General Meeting Special Business	48
Consolidated Profit and Loss Account	22	Notice of Annual General Meeting	50

354915



A27
COMPANIES HOUSE

ALJXHBXP

0278
09/12/04

Financial Highlights

	2004		2003	
	£'000		£'000	
Turnover	44,762		37,160	
Operating profit	2,169		1,975	
Profit on ordinary activities after tax	311		1,241	
Earnings per share	0.6p		2.8p	
Dividends per share				
Interim	0.375		0.375	
Proposed final	0.875	1.25p	0.85	1.225p
Cover		0.5 times		2.2 times
Capital expenditure	1,259		1,457	
Net borrowings	(310)		(2,405)	
Gearing	2.7%		20.7%	

I am pleased to present my report on your Company's performance for the year ended 30 June 2004 and on the outlook for the current year.

Group turnover for the year was £44,762,000 (2003: £37,160,000), an increase of 20.5 per cent.

Group operating profit in the second half of the year was £1,715,000 (2003: £1,038,000). As a consequence of a stronger second half performance, Group operating profit for the year amounted to £2,169,000 (2003: £1,975,000), an increase of 9.8 per cent; operating profit from continuing operations was £2,335,000 (2003: £2,132,000), an increase of 9.5 per cent. Expenditure on research and development, incurred mainly on software programs for use in the Group's businesses or for sale to third parties and fully expensed in the year, rose to £964,000 from £491,000 last year.

The decision to restructure our new media operations was reported in the Interim Statement. A loss of £996,000, including a goodwill write-off of £766,000, was incurred on the merger of the operations of Forma Communications in London with those of Leonardo Internet in Stafford. As a consequence, Group profit on ordinary activities after tax for the year was £311,000 (2003: £1,241,000) and earnings per share were lower at 0.6p (2003: 2.8p). Earnings per share on continuing operations, adjusting for the post-tax losses of discontinued operations, amounted to 2.8p (2003: 3.0p).

Operating cash flow generation improved significantly during the year to £4,879,000 (2003: £2,560,000). Net bank and leasing borrowings at 30 June 2004 were reduced to £310,000 (2003: £2,405,000), representing gearing of 2.7 per cent (2003: 20.7 per cent).

Dividend

The Board has proposed a final dividend of 0.875p per share (2003: 0.85p) payable on 10 December 2004 to Shareholders on the Register on 26 November 2004.

In doing so, the Board has looked beyond the results of the period and has had regard to the Group's underlying performance and strong cash generation in the year of its continuing businesses. The final dividend, if approved by shareholders, would result in the payment of dividends for the year of 1.25p per share (2003: 1.225p).

Operating Review Eleco Building Systems

The Eleco Building Systems division continued to make excellent progress during the year.

Turnover of the division increased by 16.1 per cent to £40,040,000 (2003: £34,494,000), representing 89.5 per cent of Group turnover. Operating profit was £3,433,000 (2003: £2,667,000), 28.7 per cent ahead of the previous year. Operating margins improved to 8.6 per cent from 7.7 per cent.

Eleco Precast

Bell & Webster Concrete completed Phase 2 of the Student Accommodation Project at Lancaster University and is now working on the design for Phase 3. Other achievements include a contract to supply the terracing for the prestigious Coventry Arena Project. Bell & Webster continues to be successful in winning orders for its FastBuild Rooms product for hotel and student accommodation.

Eleco Building Components Roofing, Cladding and Panels

SpeedDeck Building Systems performed well in a difficult market. The SpeedZip® brand is now well established and Vitesse® panels continue to make progress. We will shortly be releasing SpeedDeck® Designer 3 which will have the capability to demonstrate technical features in a 3D format provided by our o2c® visualisation software.

Chairman's Statement

Prompt Profiles, which was acquired in March 2004, has fitted very well into our roofing and cladding activities and we are already benefiting from the synergies that we anticipated at the time of its acquisition. The relocation of Downer Cladding Systems operations to Yaxley has also proved beneficial. We now have a better co-ordinated roofing and cladding business, capable of delivering a broader range of products and a more comprehensive technical service to our customers.

Stramit Industries has been concentrating its effort with some success on establishing ElecoFloor®, its patented acoustic flooring product for the house building and apartment markets. Initial orders have already been received from national builders. It will also be launching later this year a new, patented, acoustic flooring product for use in conjunction with concrete flooring.

We have also established Eleco Timber Frame as a manufacturer of patented engineered wall framing components for the house building and apartment markets using Gang-Nail plates.

Nail-plate Systems

All three nail-plate systems businesses performed well in the year under review.

Gang-Nail Systems recorded another excellent year. The core roof and truss systems business held its own in the UK in a very competitive market and its Ecojoist® business continued to grow. It also benefited from *manufacturing a significantly increased volume of nail plates* for its German affiliate, Eleco Bauprodukte.

In the latter part of the year Gang-Nail Systems was adversely affected by sharply higher steel prices although more recently it was able to pass a portion of these increases on to customers. Steel price pressures and supply problems are continuing and we are monitoring the situation closely.

During the year, Gang-Nail Systems released GNM@trix, a Windows® .Net based enterprise management software tool. An o2c® based 3D visualization tool for GN Roof and Truss has also been developed and is currently under test.

Eleco Bauprodukte continues to maintain market share in Germany. It has also been affected by higher steel prices feeding through in recent months but management has now succeeded in passing a proportion of these on to customers.

International Truss Systems delivered another outstanding performance in the year under review despite higher steel prices and supply difficulties. The move to new offices and warehousing facilities has proved very beneficial.

International Truss Systems will shortly be introducing GN Roof and Truss Windows® based software in South Africa to replace its present DOS based design and engineering software.

Eleco Software

Turnover of the Eleco Software Division was £4,722,000 (2003: £2,666,000), of which £303,000 came from operations acquired during the year and £215,000 from the discontinued operations of Forma Communications. The Division made an operating loss of £1,264,000 (2003: loss £692,000), £166,000 of which related to discontinued businesses. The operating loss of £1,098,000 of the continuing software businesses is arrived at after charging goodwill amortisation of £260,000 and expenditure of £550,000 on development of existing and new software programs. A significant proportion of this expenditure is in respect of programs that have not yet been launched or are at an early stage in the marketing process.

Some progress was made during the year on migrating Consultec programs to international markets but this has been taking longer than we had anticipated at the time of Consultec's acquisition. Nevertheless, Consultec's leading stair design software, StairCon® was launched in the UK earlier this year and more recently in the US market. Consultec is also assessing marketing strategies for this program in Germany and Poland. Consultec UK's Whole House Engineering program, developed by Consultec System, is also nearing completion and is at final testing phase.

Eleco Software GmbH was acquired on 1 July 2003. It owns the copyright of ArCon® and is primarily responsible for the marketing of ArCon and o2c products worldwide. The assets of Online Warehouse, which markets ArCon and o2c in the UK were purchased in April 2004. ArCon and o2c are architectural visualization and 3D compression software tools widely used in Germany.

I am pleased to report that this software was used to produce a 3D version of a Technical Manual for Ecojoist, which went on to win the "Best Technical Information Support Award", sponsored by the Timber Research and Development Association (TRADA), at the recent Timber Trades Journal Awards.

We have also supported the start up of Esign GmbH, a company that has developed specialised product catalogue management software and introduced the system to the wood flooring industry in Germany and Poland.

The logic behind our investments in the creation of a strong capability in software is that the strategy would support the manufacturing businesses of the Group and also provide opportunities to develop profitable external sales.

During the past year, the aim has been (i) to resolve some outstanding issues in relation to the sale of rights to use certain of the recently acquired products; (ii) to develop markets for concepts such as Consultec's stair design package, the architectural visualisation support products of ArCon and o2c and the Esign catalogue management system; and (iii) to establish the basis for increased profit and cash generation in the future.

Management and Employees

The number of employees of Eleco has increased to reflect the growth in our businesses acquired during the year. I welcome our new colleagues and I would also like to thank all Eleco employees for their contribution.

Mats Lövgren, who was appointed a director earlier this year, will step down from the Board at the end of the Annual General Meeting. We would like to thank him for his contribution. He continues as Non Executive Chairman of Consultec Group AB.

Organisation

On 1 July 2004, all our UK manufacturing operations other than Eleco Precast, have been brought together as Eleco Building Components.

Paul Taylor was appointed Chief Executive of Eleco Building Components on 1 July 2004. Fred Newby will continue as Chief Executive of Eleco Precast.

Chairman's Statement

Outlook

All our Building Systems operations in the UK, Germany and South Africa have made a good start to the year. The Structural Precast business experienced a slow start but should now pick up once confirmation of the major order for Phase 3 of the Lancaster University Student Accommodation project is received and works can begin. We have more major precast projects under consideration for the latter part of the year.

Our Software businesses have made a better start to the year, although expenditure on development of new and existing programs continues to exceed profit on sales of current programs. Over the course of the next year, I expect an improvement in performance as development spending falls and the new products are introduced to the market.

There has been an increasing trend for builders to adopt building methods which employ offsite manufactured products. There is also an increasing incidence in the use of software by builders and our customers to design, cost, manufacture and market their products. Eleco is now eminently well placed to meet these requirements. There are some signs that demand may be weakening in the construction sector and we also have to deal with rises in steel and cement prices as we go forward. Nevertheless against a background of good cash generation, the development of new building products and software and the application of innovative software to design and manufacturing processes, I have every confidence in our future.



John Kettleley

EXECUTIVE CHAIRMAN

21 October 2004

Financial Review

The year has seen growth in sales and improvement in operating margins by Eleco Building Systems but continuing losses from Eleco Software, reflecting the restructuring of the new media activities, a high level of investment in new software programs in the construction software business and continuing launch costs for the 3D visualisation products.

Trading results

The year's trading results include the impact of the acquisition of RB Fabrications (Norwich) Limited and its subsidiary, Prompt Profiles Limited into Eleco Building Systems and Eleco Software GmbH (the owner of the Arcon® 3D visualisation software) and Online Warehouse into Eleco Software. At the very end of the year, Eleco Timber Frame was added to Eleco Building Systems and so had no impact on the trading results. The contribution of the acquisitions to the Group's results for the year is separately reported within continuing activities and fuller details of the impact of the acquisitions are given in notes 3 and 25 to the accounts.

At the half-year the restructuring of the new media software interests was announced and closure of the London operations of Forma Communications was put into effect. The operating loss of Forma Communications in the six months ended 31 December 2003 is shown separately as the discontinued operations. The further costs and losses on closure and the writing-off of the balance of goodwill associated with the new media interests comprise the exceptional item of £996,000 reported.

Group sales of continuing operations rose by £7,882,000 in the year to £44,547,000, an increase of 21.5% on the previous year, 20.0% excluding the contribution to sales from the acquired operations. Eleco Software contributed £4,507,000 of sales, representing 10.1% of the total of continuing operations. The major contributors to the year on year movement were Bell & Webster Concrete, SpeedDeck Building Systems and the Timber Engineering subsidiaries, which increased sales by 11.1%, 25.7% and 25.0% respectively. At £16,592,000 Bell & Webster Concrete was the largest contributing entity to Group sales.

Operating profits, before exceptional items, of continuing operations increased by £203,000 to £2,335,000, after a loss of £243,000 contributed by the acquired operations. The goodwill amortisation charged to operating profits in the period was £281,000.

The segmental analysis of results is shown in note 2 to the financial statements. Eleco Building Systems produced a 28.7% higher operating profit of £3,433,000, representing an operating margin of 8.6% compared with 7.7% in the previous year. The contribution of Prompt Profiles to Eleco Building Systems is shown under acquisitions and it achieved an operating margin of 28.5%. The continuing operations of Eleco Software produced an operating loss of £1,098,000, including losses of £318,000 from the acquisitions. The operating results include £260,000 of goodwill amortisation charged and £550,000 of expenditure on developing new and upgrading existing software products. The discontinued new media operations contributed an operating loss of £166,000 in the first half-year and the exceptional losses of £996,000 comprise £230,000 of further losses and costs on the closure of the operations and the writing-off of £766,000 of associated goodwill.

The proportion of total Group sales generated by the Group's overseas subsidiaries in Germany, Sweden and South Africa increased to approximately 19.6% from 13.9% last year, principally reflecting a full year contribution from Consultec in Sweden and a 67% increase in sales of International Truss Systems in South Africa. Operating profits, before goodwill amortisation, generated by the Group's overseas subsidiaries account for approximately 16.0% compared with approximately 11.5% 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, Sweden and South Africa by approximately 6.5% and increasing overseas-generated operating profits by 21.5%, mainly reflecting the strengthening of the SA Rand during the period. The movement in the average rate of the Euro resulted in an increase in operating profit generated on sales to Europe during the year of approximately £54,000.

Financial Review

Net interest payable was £237,000 (2003: £86,000), of which the charge for the second half-year was £138,000 (2003: £57,000). Average bank interest rates, which rose in the second half, over the year as a whole were only nominally below the year before. The increase in interest payable reflects the increased borrowings over much of the year due to the acquisitions and other investments made in the second half of the last financial year and the early part of this until the benefits of the strong operating cash flow in the latter months took effect. Following total expenditure in the period of £938,000 on the purchase of fixed assets, investments and acquisitions, net bank and leasing borrowings at 30 June 2004 were £311,000, compared with £2,405,000 at 30 June 2003. Net interest payable for the year was covered 9.2 times by operating profits before exceptional items.

Taxation, earnings and dividend

A full reconciliation of the tax charge for the current year of £625,000 representing an effective rate on profits before goodwill amortisation and impairment charges of 31.5% (2003 - 30.4%) is detailed in note 9 to the financial statements. Further items of note in the reconciliation are £65,000 of secondary tax payable by our subsidiary in South Africa on account of the dividend remitted to the UK and the deferred tax charge of £117,000 on account of capital allowances exceeding related depreciation.

Deferred taxation provided for at 30 June 2004 amounts to £413,000. Of this amount £298,000 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 FRS 19.

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

Profits after tax for the year were £311,000 (2003 - £1,241,000). Basic earnings per share were 0.6p (2003 - 2.8p). Fully diluted earnings per share, reflecting the impact of outstanding share options and share awards were the same as basic earnings in both years. After adjusting for the operating losses and losses on termination, net of the tax impact, of £1,043,000 associated with the discontinued operations, basic earnings per share for the continuing operations were 2.8p compared with 3.0p in the previous year. A principal factor behind the reduction is the dilution impact of shares issued in February 2003 in connection with acquisitions, as a result of which the weighted average number of shares in issue this year has increased by 3,392,132 shares.

The final dividend proposed of 0.875 pence per share makes a total of 1.25 pence for the year, a 2.0% increase on the previous year. The Employee Share Ownership Trust has waived its rights to dividends on the 422,892 shares held by it and there are 48,673,339 shares ranking for the final dividend proposed. The total ordinary dividends paid and proposed for the year of £611,000 is covered 0.5 times by the earnings attributable to ordinary shareholders (2003 - 2.2 times) but 2.0 times by earnings attributable to shareholders before the impact of the exceptional items.

Shareholders' funds and net assets

At 30 June 2004, shareholders' funds amounted to £11,581,000 compared with £11,636,000 at 30 June 2003. In addition to the retained loss for the year of £300,000, other recognised profits of £47,000 (being the currency translation differences on the net investment in overseas subsidiaries), an increase of £130,000, associated with the operation of the Employee Share ownership Trust and LTIP awards (accounted for now under UITF 38) and £68,000 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 Software has been the significant increase in goodwill and other intangible assets. At 30 June 2004, net tangible assets accounted for 48% of total net assets compared with 47% the previous year. The analysis of the Group's net assets and borrowings by currency at 30 June 2004 is as follows.

£000's	Net assets before financing	Net cash/ (bank debt)	Net assets after financing	2003
Sterling	10,962	(1,705)	9,257	9,394
Euro	1,001	480	1,481	761
Swedish Krona	(823)	800	(23)	649
South African Rand	316	553	869	812
Other	(3)	-	(3)	20
	11,453	128	11,581	11,636

96% (2003 - 101%) of the Group's net assets before bank financing and 80% (2003 - 81%) of net assets are Sterling denominated. Further analysis of the Group's transactional currency and interest rate exposures is given in note 32 to the financial statements.

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. As a result of the increasing scale of the profitability of International Truss Systems and the strengthening of the SA Rand against previous levels, the decision was taken to remit, by way of dividends, £524,000 net of the secondary tax which was payable on remittance.

This is the fourth year of reporting under the transitional arrangements of FRS 17 and the details of the Group's UK final salary scheme are set out in note 5 to the financial statements. The year saw some recovery in equity markets and corporate bond yields increased. Under the FRS 17 prescribed valuation methodology, these factors combined to reduce the reported scheme deficit and £1,272,000 was clawed back from the actuarial losses of £5,332,000, arising from reductions in discount factors used and investment market movements, in the previous two years.

Following the further increase in employer contributions with effect from 1 July 2003 the level of contributions paid to the pension scheme during the year to 30 June 2004 again exceeded the regular service costs and the cost associated with the deficit calculated by the scheme's independent actuary under SSAP 24. Accordingly, the excess amount has been recorded on the balance sheet as a prepayment and not expensed, as is required by SSAP 24, with a consequent net increase in the prepayment of £196,000 in the year.

In Sweden, the Consultec Group companies provide final salary benefits through a multi-employer scheme operated by Alecta, a Swedish insurance company. At 30 June 2004, the fund had a solvency margin of 124.7% (2003 - 117.7%).

During the year a reorganisation of the Group's shareholding investments into divisional groupings took place and the Group's freehold properties were transferred to Eleco plc. The gain of £9,957,000, made by Eleco plc on the transfer of shareholdings in the trading subsidiaries to intermediate holding companies, has been credited to its other reserves.

Gearing and cash flow

Total net borrowings at 30 June 2004 amounted to £311,000. This was comprised of balances outstanding under term loans with a maturity of one year or more of £1,471,000, bank borrowings with a maturity of less than one year of £891,000 and lease borrowings of £438,000 offset by net bank deposits of £2,490,000. Gearing of 2.7% at 30 June 2004 compares with 20.7% at 30 June 2003.

The summary Group cash flow is shown below. Operating cash flow was again strong at £4,879,000, representing 225% of operating profit. Working capital remained under tight control and, despite the significant increase in the group's activities during the year working capital was reduced by £1,409,000.

Capital expenditure during the year on tangible fixed assets, excluding assets acquired under leasing arrangements, amounted to £1,123,000 and £136,000 was spent on intangible assets, an aggregate reduction of £198,000 on the expenditure in the previous year.

Financial Review

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 £2,716,000. Free cash flow over the last three years has totalled £6,314,000 providing the finance to support the Group's investment programme and for £1,506,000 of dividends.

£363,000 was expended on the acquisition of Eleco Software and Prompt Profiles. Principally on account of the £722,000 cash held in Prompt Profiles, where payment of £50,000 of the consideration to the vendors is deferred to March 2005 and £1,125,000 deferred to July 2005, the net cash effect of the acquisitions was an inflow in the period of £372,000.

Summary Group cash flow	Year ended	Year ended
	30 June 2004	30 June 2003
	£'000	£'000
Cash inflow from continuing operations	5,205	2,582
Cash outflow from discontinued operations	(326)	(22)
Capital expenditure net of proceeds from fixed asset disposals	(1,156)	(1,435)
Interest	(234)	(89)
Tax	(773)	(632)
Free cash flow	2,716	404
Acquisitions and disposals	372	(2,383)
Financial investments net of sale proceeds	(154)	(296)
Loan to Employee Share Ownership Trust	(45)	(39)
Repayment of principal under finance leases	(225)	(246)
Equity dividends paid	(597)	(497)
Proceeds from issue of shares	68	45
Net cash inflow/(outflow)	2,135	(3,012)
Exchange adjustment	10	223
Decrease/(increase) in bank borrowings	2,145	(2,789)

Included in the operating cash inflow in the year and included in other taxation and social security creditors is the temporary effect of £662,000 VAT input tax, received on intragroup property transfers, where the output tax liability fell due on a different date and was settled after the year-end.

Average year-end working capital of the trading subsidiaries as a percentage of annual sales was 1.6% (2003 - 2.7%). 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 was 9.0% (2003 - 10.5%). Year-end debtor days were 50 days, the number of days cost of sales accounted for by year-end stocks was 35 days and year-end creditor days were 68 days. Debtor days were slightly reduced from the equivalent last year. The modest increases in stock and creditor days reflect respectively the increase in stockholding in the face of escalating raw material prices and the changing mix of the Group's activities. We remain focussed on our programmes to minimise asset utilisation.

Funding

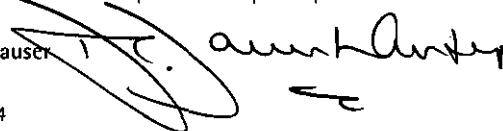
The structure of the maturity profile of the Group's borrowings and bank borrowing facilities at 30 June 2004 are set out in notes 21 and 32 to the financial statements. The principal financial borrowing covenants in relation to the facilities are for net interest to be covered not less than 3 times by operating profits and a balance sheet gearing of not more than 100%.

Since the year-end an additional £1m facility, not included in the table in note 32, has been secured. The undrawn facilities provide resources available to support the Group's future investment opportunities, as they may arise, 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

21 October 2004



Group Directory

Eleco Building Systems

Eleco Precast

BELL & WEBSTER CONCRETE LIMITED

Grantham
Lincolnshire
Tel: +44 (0) 1476 562277 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.

Eleco Building Components

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 and rainscreen cladding systems.

DOWNER CLADDING SYSTEMS LIMITED

Yaxley
Suffolk
Tel: +44 (0) 1379 788166 Fax: +44 (0) 1379 788161
E-mail: downer@eleco.com
Website: <http://www.eleco.com/downer>

Supplier of fixing and support systems for rainscreen cladding.

PROMPT PROFILES LIMITED

Norwich
Norfolk
Tel: +44 (0) 1603 720090 Fax: +44 (0) 1603 720202
E-mail: info@promptprofiles.co.uk

Manufacturer and supplier of profiled metal products for the roofing systems industry.

STRAMIT INDUSTRIES LIMITED

Yaxley
Suffolk
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.

ELECO TIMBER FRAME LIMITED

Liverpool
Merseyside
Tel: +44 (0) 870 0340271 Fax: +44 (0) 870 0340272

Manufacturer and supplier of timber frame and floor joist products.

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 design and engineering software.

ELECO BAUPRODUKTE GMBH

Munich
Germany
Tel: +49 (0) 816 187960 Fax: +49 (0) 816 1879633
E-mail: elecobauprodukte@eleco.com
Website: <http://www.eleco.com/elecobauprodukte>

Supplier of roof truss connector plates and associated design and engineering software.

INTERNATIONAL TRUSS SYSTEMS (PTY) LIMITED

Johannesburg
South Africa
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 design and engineering software.

Eleco Software

Specialist Application Software

CONSULTEC BYGGPROGRAM AB

Skellefteå
Sweden
Tel: +46 (0) 910 87878 Fax: +46 (0) 910 87809
Website: www.consultec.se
Software development, sale and support.

CONSULTEC SYSTEM AB

Skellefteå
Sweden
Tel: +46 (0) 910 87800 Fax: +46 (0) 910 87849
Website: www.consultec.se
Software development, sale and support.

CONSULTEC ARKITEKTER & KONSTRUKTORER AB

Skellefteå
Sweden
Tel: +46 (0) 910 87800 Fax: +46 (0) 910 87809
Website: www.consultec.se
Construction consultancy and sale of software.

CONSULTEC UK LIMITED

Aldershot
Hampshire
Tel: +44 (0) 1252 334695 Fax: +44 (0) 1252 332287
E-mail: consultec-uk@eleco.com
Website: <http://www.eleco.com/consultec-uk>
Developer and supplier of design software for the construction industry.

ELECO SOFTWARE GmbH

Hamel
Germany
Tel: +49 5151 787 9928 Fax: +49 5151 787 9929
Website: www.02c.de
Developer and supplier of Arcon® and o2c® visualisation software.

Board of Directors and Company Advisers

John Kettleley FCA

Appointed Executive Chairman in 1997, John Kettleley has an investment banking background. He was formerly Non-Executive Chairman of BTP plc, Country Casuals plc and Prolific Income plc. Age 65.

David Dannhauser MA ACA

Appointed Finance Director in February 1994. David Dannhauser was previously a director of Caverdale Group PLC. Age 49.

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 42.

Mats Lövgren

Appointed a Director in April 2004. Mats Lövgren is also part-time Executive Chairman of Consultec Group AB, the holding company of the Swedish construction software group acquired by Eleco in February 2003. He has been involved as a founder, major shareholder and director of a number of Swedish construction industry related businesses. Age 55.

Paul Taylor

Appointed Chief Executive of Eleco Building Components in July 2004 having previously held the position of Group Operations Director and Group Commercial Director since July 2000. Prior to that Paul Taylor was head of the European operations of the NASDAQ listed company DeVlieg-Bullard Inc. Age 39.

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 a director of Independent Direction Directors Advisory Service Limited and a Non-Executive Director of The Rose Partnership Limited and of Laird Capital Limited. Age 60.

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 65.

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 Water Voice Thames, the organisation representing water customers in England and Wales. Age 65.

*Member of the Audit, Remuneration and Nomination Committees

Secretary

Laurence N Holdcroft FCIS

Registered office

Eleco House
15 Gentlemen's Field
Westmill Road
Ware
Herts SG12 0EF
Tel: +44 (0) 1920 443830
Fax: +44 (0) 1920 469681
E-mail: mail@eleco.com
Website: <http://www.eleco.com>

Registered number

354915

Auditors

Ernst & Young LLP

Bankers

Lloyds TSB Bank Plc

Brokers

Cazenove & Co

Solicitors

Ashurst
Berwin Leighton Paisner

Financial Public Relations

Holborn Public Relations Limited

Registrars and transfer office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
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 2004.

Review of the business

The Group's principal activities include the manufacture and supply of building systems and 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 £936,000 (2003: £1,856,000).

The detailed financial statements of the Group are set out on pages 22 to 46.

Dividends

An interim dividend of 0.375 pence per share was paid during the year. The Directors recommend for payment on 10 December 2004 a final dividend of 0.875 pence per share to ordinary shareholders on the register at the close of business on 26 November 2004. Combined with the interim dividend, this will make a total distribution for the year of 1.25 pence per share (2003: 1.225 pence per share).

Acquisitions

On 18 March 2004, the Company acquired the entire issued share capital of RB Fabrications (Norwich) Limited, the holding company for Prompt Profiles Limited. On 7 April 2004, the Group acquired the business and certain assets of Online Warehouse Limited and on 29 June 2004, acquired the business and certain assets of Redframe Timber Engineering Limited. 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 12 and all the Directors, except for TJE Bayne, appointed on 29 September 2003 and M Lövgren, appointed on 1 April 2004, held office throughout the year.

DS Dannhauser, HM Scopes and T Quinn will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election. M Lövgren, who was appointed a director during the year, will retire at the Annual General Meeting.

Details of the interests of each Director who held office at 30 June 2004 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 17 to 20.

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 Ketteley	5,087,695	10.36 %
Caparo (LTI) Limited	3,131,270	6.38 %
Lowland Investment Company PLC	3,078,443	6.27 %
Rights and Issues Investment Trust PLC	3,075,000	6.26 %
Anders Lovgren	2,622,628	5.34 %
Mats Lövgren	2,622,628	5.34 %
Schroder Institutional UK Smaller Companies Fund	2,431,703	4.95 %
PR and MJ Ketteley	2,110,000	4.30 %
H A Allen	1,700,000	3.54 %

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 is committed to a policy of involvement by keeping its employees fully informed regarding its performance and prospects. 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.

Directors' Report

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 2004, the Group's average creditor payment period was 68 days.

Charitable contributions

During the financial year donations to charities and good causes totalled £3,465. 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 21, 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 15 and 16.

Annual General Meeting

Your attention is drawn to the Notice of Meeting on page 50 convening the Annual General Meeting of the Company at 12:00 noon on 17 November 2004 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

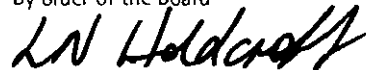
Messrs. Ernst & Young LLP have indicated their willingness to continue in office, and a resolution will be proposed at the Annual General Meeting to re-appoint them as Auditors and to authorise the Directors to fix their remuneration.

Amendments to the Articles of Association

The Board has decided to review the Company's articles of Association to ensure that they comply with the provisions of the new Combined Code recently issued by the London Stock Exchange. Previous amendments to the Articles of Association were made in 1998 upon the introduction of the last version of the Combined Code.

It is proposed to obtain shareholder approval to the proposed changes to the Articles of Association, which are explained on pages 48 and 49, at the Annual General Meeting of the Company which will be held on 17 November 2004. The Notice of the Annual General Meeting is on page 50.

By order of the Board



L N Holdcroft

SECRETARY

Eleco House

15 Gentlemen's Field

Westmill Road

Ware

Herts SG12 0EF

21 October 2004

Corporate Governance

The Principles of Good Governance

The Board is committed to ensuring that good practice in Corporate Governance is 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 five 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. Therefore, great emphasis is 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, Remuneration and Nomination Committees of the Board are set out below.

In accordance with the Combined Code, all Directors submit themselves for re-election at Annual General Meetings of the Company at least every three years with one third of the Board submitting themselves for re-election each year pursuant to the Company's Articles of Association. The names of the Directors submitted for re-election at the Annual General Meeting being held on 17 November, 2004 can be found in the Directors' Report on page 13.

Information on Directors' remuneration is set out in the Report on Remuneration on pages 17 to 20. No Director is involved in deciding his own remuneration.

Relations with Shareholders

The Board places great emphasis on its relationship with shareholders. 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 Executive Chairman and Finance Director normally attend the Committee's meetings.

Remuneration Committee

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

Nominations Committee

The Nominations Committee, which consists of the Non-Executive Directors and other Directors appointed by the Board, is responsible for reviewing the structure, size and composition of the Board and its committees, making recommendations to the Board for succession planning for directors and other senior executives and identifying and nominating candidates to fill Board vacancies as and when they arise. In carrying out its responsibilities, the Nominations Committee keeps under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to perform and compete effectively in the marketplace.

Control Environment

The Board is responsible for the Group's systems of internal financial and other control. These are designed to give reasonable, though not absolute, assurance as 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.

Corporate Governance

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 the provisions of the Combined Code throughout the financial year except for the matter set out below:

- The Board considers that the roles of Chairman and Chief Executive, combined in the position of Executive Chairman, 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.

To achieve compliance with 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 is regularly reviewed by the Board who consider that the Group has continued to manage the process satisfactorily during this period.

Going Concern

The financial statements, which appear on pages 22 to 46, 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.

Report on Remuneration

1 The Remuneration Committee

The Remuneration Committee consists entirely of the Non-Executive Directors under the chairmanship of T Quinn. The Committee, in determining its proposals, takes specialist advice from independent consultants, Independent Remuneration Solutions, 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 Chairman attends 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 encourage and reward performance in a manner which is consistent with the long-term interests of shareholders.
- 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 non-pensionable performance-related annual bonus based on the Group's performance. The Executive Directors are contractually entitled to a bonus scheme, but 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 and non-pensionable bonuses under the Company's Long Term Incentive Plans;
 - 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); M Lövgren (1 April 2004).

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 have been 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.

iii) Long-term performance bonuses

Executive directors are also entitled to non-pensionable bonuses under long-term incentive plans. Bonus awards are payable after no less than three years if the Company's performance over the relevant period exceeds the target growth in earnings per share. The target increases are up to RPI + 7% per annum over the period.

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.

Report on Remuneration

3 Directors' remuneration and interests

The emoluments of the Directors for the years to 30 June 2004 and 2003 were:

	Basic salary £'000	Fees £'000	Benefits £'000	Performance related pay £'000	Total emoluments excluding pensions		Pension contributions	
					2004 £'000	2003 £'000	2004 £'000	2003 £'000
<i>Executive</i>								
J H B Kettleley †	200	5	27	43	275	250	50	35
D S Dannhauser	120	5	13	22	160	154	24	22
T J E Bayne ^x	92	-	6	-	98	-	18	-
M Lövgren*	11	-	-	-	11	-	4	-
P J Taylor	95	-	8	21	124	112	14	12
<i>Non-Executive</i>								
J Cohen	-	20	-	-	20	12	-	-
T Quinn	-	25	-	-	25	25	-	-
H M Scopes	-	25	-	-	25	25	-	-
Total	518	80	54	86	738		110	
Total 2003	375	72	40	91		578		69

^x From 29 September 2003, the date of appointment.

* From 1 April 2004, the date of appointment.

Bonus and share awards under the long-term incentive plans were as follows:

	Estimated awards outstanding at 30 June 2003	Less amounts paid or vested	Estimated awards accrued during the year	Estimated awards outstanding at 30 June 2004
J H B Kettleley	119	36	106	189
D S Dannhauser	106	64	95	137
P J Taylor	84	38	44	90

† During the year, for expenses or services provided in the normal course of business, the Group paid £9,933 (2003: £9,017) to J H B Kettleley & Co Limited of which J H B Kettleley is a director and in which he has an interest.

During the year, for services or expenses provided in the normal course of business, the Group charged or was charged amounts to or from companies of which M Lövgren was a director and in which he had an interest as follows:

	Charges to £	Charges from £
Fastec Norra Vasterbotten AB	366	-
Fastec Sverige AB	293,821	-
Megabase AB	9,645	136,433
Megaron AB	10,330	75,410
ML Bygg AB	1,872	-
Optronic i Norden AB	1,326	-
Smörsvampen Förvaltning AB	139	-
Thorstenssons Bygg AB	3,481	-
Totalbygg i Sundsvall AB	738	-
Trevnaden AB	59	-
Valutec AB	23,091	206

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 2004, were as follows:

	At 30 June 2004	At 30 June 2003
J H B Ketteley	4,587,695	4,128,473
D S Dannhauser	427,943	357,291
D S Dannhauser – non-beneficial	130,000*	130,000*
T J E Bayne	–	–†
J Cohen	1,375	1,375
M Lövgren	2,622,628	2,622,628†
T Quinn	20,000	–
H M Scopes	150,000	150,000
P J Taylor	46,723	–

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

† Date of appointment.

J H B Ketteley and J Cohen acquired beneficial interests in 500,000 and 38,333 ordinary shares respectively in August 2004. Otherwise there have been no changes in the Directors' interests since 30 June 2004.

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

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

	Award	At 30 June 2004	Vested during year	Granted during year	At 30 June 2003	Vesting date
J H B Ketteley	2000	–	120,000	–	120,000	1 January 2004
	2003	651,425	–	–	651,425	1 April 2006 to 1 December 2008
	2004	502,000	–	502,000	–	1 May 2007 to 31 October 2010
D S Dannhauser	2000	–	120,000	–	120,000	1 January 2004
	2003	395,725	–	–	395,725	1 April 2006 to 1 December 2008
	2004	301,200	–	301,200	–	1 May 2007 to 31 October 2010
P J Taylor	2000	–	125,000	–	125,000	1 October 2003
	2003	140,000	–	–	140,000	1 April 2006 to 1 December 2008
	2004	238,450	–	238,450	–	1 May 2007 to 31 October 2010

The middle market price of the Company's ordinary shares on 30 June 2004 was 30p and the range during the year was 29.5p to 45.5p. 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 34.5p in respect of the shares vested in J H B Ketteley and D S Dannhauser and 37p in respect of those vested in P J Taylor under the 2000 award.

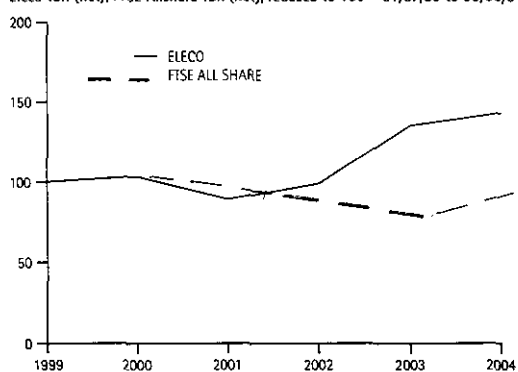
Report on Remuneration

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 - 01/07/99 to 30/06/04



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

On behalf of the Board.

Tom Quinn

CHAIRMAN, REMUNERATION COMMITTEE

21 October 2004

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 2004 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.

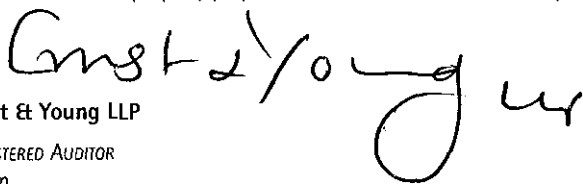
Basis of audit opinion

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 2004 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

REGISTERED AUDITOR
Luton
21 October 2004

Consolidated Profit and Loss Account

for the year ended 30 June 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Turnover					
Continuing operations	2, 3	43,981		36,665	
Acquisitions	2, 3	566		-	
		44,547		36,665	
Discontinued operations	2, 3	215		495	
Turnover	2, 3		44,762		37,160
Cost of sales	3		(25,626)		(22,597)
Gross profit	3		19,136		14,563
Operating profit/(loss)					
Continuing operations	3	2,578		2,132	
Acquisitions	3	(243)		-	
		2,335		2,132	
Discontinued operations	3	(166)		(157)	
Operating profit			2,169		1,975
Loss on termination of discontinued operations	8		(996)		-
Loss on disposal of tangible fixed assets of continuing operations			-		(33)
Profit on ordinary activities before interest			1,173		1,942
Interest receivable	6	129		137	
Interest payable	7	(366)		(223)	
			(237)		(86)
Profit on ordinary activities before taxation	8		936		1,856
Taxation	9		(625)		(615)
Profit for the financial year	10		311		1,241
Dividends	11		(611)		(571)
Retained (loss)/profit for the year			(300)		670
Basic earnings per ordinary 10p share	12		0.6p		2.8p
Diluted earnings per ordinary 10p share	12		0.6p		2.8p
Earnings per ordinary 10p share on continuing operations	12		2.8p		3.0p

Statement of Total Recognised Gains and Losses

for the year ended 30 June 2004

	2004 £'000	2003 £'000
Profit for the financial year as reported	311	1,241
Translation differences on foreign currency net investments	47	221
Total recognised gains for the financial year	358	1,462

The cumulative effect of the prior period adjustment on the profit and loss account brought forward at 1 July 2003, occasioned by the adoption of UITF Abstract 38 was an increase of £180,000 (1 July 2002: £228,000).

Reconciliation of Movements in Equity Shareholders' Funds

for the year ended 30 June 2004

	2004 £'000	2003 (Restated) £'000
Profit for the financial year as reported	311	1,241
Other recognised profits relating to the year	47	221
LTIP amortisation expense	175	99
Increase in own shares held by ESOT	(45)	(39)
Dividends	(611)	(571)
Proceeds from issue of ordinary shares	68	45
Issue of ordinary shares in respect of acquisition of subsidiary undertakings	-	1,455
(Decrease)/increase in equity shareholders' funds	(55)	2,451
Opening equity shareholders' funds as reported	11,636	9,247
Restatement	-	(62)
Opening equity shareholders' funds as restated	11,636	9,185
Closing equity shareholders' funds	11,581	11,636

Consolidated Balance Sheet

at 30 June 2004

	Notes	2004 £'000	2003 (Restated) £'000
Fixed assets			
Intangible assets	13	5,935	6,192
Tangible assets	14	8,023	7,514
Investments	15	523	369
		14,481	14,075
Current assets			
Stocks	18	2,370	1,864
Debtors	19	9,140	8,704
Cash at bank and in hand		2,490	2,334
		14,000	12,902
Creditors: amounts falling due within one year	20	(13,628)	(13,018)
Net current assets/(liabilities)		372	(116)
Total assets less current liabilities		14,853	13,959
Creditors: amounts falling due after more than one year	21	(2,859)	(1,939)
Provisions for liabilities and charges	22	(413)	(384)
Net assets		11,581	11,636
Capital and reserves			
Called up share capital	23	4,910	4,879
Share premium account	24	6,020	5,983
Merger reserve	24	367	367
Other reserve	24	(50)	(182)
Profit and loss account	24	334	589
Equity shareholders' funds		11,581	11,636

The financial statements on pages 22 to 46 were approved by the Board of Directors on 21 October 2004 and signed on its behalf by:



J H B Kettleley

EXECUTIVE CHAIRMAN

Company Balance Sheet

at 30 June 2004

	Notes	2004 £'000	2003 (Restated) £'000
Fixed assets			
Intangible assets	13	472	735
Tangible assets	14	4,056	47
Investments	15	32,457	22,498
		36,985	23,280
Current assets			
Debtors	19	2,727	2,478
Cash at bank and in hand		952	240
		3,679	2,718
Creditors: amounts falling due within one year	20	(11,571)	(8,351)
Net current liabilities		(7,892)	(5,633)
Total assets less current liabilities		29,093	17,647
Creditors: amounts falling due after more than one year	21	(2,603)	(1,740)
Provisions for liabilities and charges	22	(1,537)	(1,014)
Net assets		24,953	14,893
Capital and reserves			
Called up share capital	23	4,910	4,879
Share premium account	24	6,020	5,983
Other reserve	24	9,907	(182)
Profit and loss account	24	4,116	4,213
Equity shareholders' funds		24,953	14,893

The financial statements on pages 22 to 46 were approved by the Board of Directors on 21 October 2004 and signed on its behalf by:



J H B Ketteley
EXECUTIVE CHAIRMAN

Consolidated Cash Flow Statement

for the year ended 30 June 2004

	Notes	2004 £'000	2003 £'000
Operating activities			
Net cash inflow from continuing operations	26	5,205	2,582
Net cash outflow from discontinued operations		(326)	(22)
Net cash inflow from operating activities		4,879	2,560
Returns on investment and servicing of finance			
Interest received		130	133
Interest paid		(342)	(199)
Interest element of finance lease rentals		(22)	(23)
Net cash outflow from returns on investment and servicing of finance		(234)	(89)
Net cash outflow from taxation		(773)	(632)
Capital expenditure and financial investment			
Purchase of fixed assets		(1,259)	(1,457)
Disposal of tangible fixed assets		103	22
Purchase of investment		(154)	(369)
Sale of investment		-	73
Net cash outflow from capital expenditure and financial investment		(1,310)	(1,731)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(363)	(3,763)
Cash acquired with subsidiary undertakings		735	1,380
Net cash inflow/(outflow) from acquisitions and disposals		372	(2,383)
Equity dividends paid		(597)	(497)
Net cash inflow/(outflow) before financing		2,337	(2,772)
Financing			
New bank loans		500	1,000
Repayment of principal under finance leases		(225)	(246)
Repayment of bank loans		(685)	(551)
Issue of ordinary shares		68	45
Own shares purchases by Employee Share Ownership Trust		(45)	(39)
Net cash (outflow)/inflow from financing		(387)	209
Increase/(decrease) in cash in the year	27, 28	1,950	(2,563)

Notes to the Financial Statements

for the year ended 30 June 2004

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.

In preparing the financial statements for the current year, the Group and the Company have adopted UITF 38 Accounting for ESOP Trusts. This has had no impact on the results for the period but shareholders' funds at 30 June 2003 have been reduced by £2,000 following recognition of the ESOP Trust within reserves.

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. The carrying value of goodwill is subject to review when appropriate and to the extent that the carrying amount is not expected to be recovered any impairment loss is charged.

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. The carrying value of intangible assets is subject to review when appropriate and to the extent that the carrying amounts are not expected to be recovered any impairment loss is charged.

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 as a deduction from shareholders' funds.

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 2004

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

	2004 Continuing £'000	2004 Acquisitions £'000	Sales		2004 Continuing £'000	2004 Acquisitions £'000	Profit/(loss)	
			2004 £'000	2003 £'000			2004 £'000	2003 £'000
Continuing operations								
Building Systems	39,777	263	40,040	34,494	3,358	75	3,433	2,667
Software Systems	4,204	303	4,507	2,171	(780)	(318)	(1,098)	(535)
Total continuing operations	43,981	566	44,547	36,665	2,578	(243)	2,335	2,132
Discontinued operations								
Software Systems			215	495			(166)	(157)
Total discontinued			215	495			(166)	(157)
Exceptional losses							(996)	(33)
Net interest							(237)	(86)
Profit before taxation							936	1,856

	Sales		Profit/(loss)	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Geographic segment by origin				
United Kingdom	35,965	31,997	1,951	1,832
Mainland Europe	6,083	3,538	(486)	(167)
Rest of World	2,714	1,625	704	310
	44,762	37,160	2,169	1,975
Exceptional losses			(996)	(33)
Net interest			(237)	(86)
Profit before taxation			936	1,856

	Sales	
	2004 £'000	2003 £'000
Geographic segment by destination		
United Kingdom	35,141	31,676
Mainland Europe	6,907	3,852
Rest of World	2,714	1,632
	44,762	37,160

Notes to the Financial Statements

for the year ended 30 June 2004

2 Turnover and segmental analysis (continued)

Class of business	Net assets	
	2004 £'000	2003 (restated) £'000
Building Systems	5,716	5,435
Software Systems	4,341	4,938
Corporate	2,425	4,336
Net operating assets	12,482	14,709
Unallocated net assets/(liabilities)		
Net cash/(bank debt)	128	(2,017)
Corporate tax	(190)	(265)
Deferred tax	(413)	(384)
Dividends	(426)	(407)
	11,581	11,636
Geographic segment		
United Kingdom	8,038	9,540
Mainland Europe	4,083	4,919
Rest of World	361	250
Net operating assets	12,482	14,709

3 Turnover, cost of sales and other operating expenses

	2004			Total £'000	2003		Total £'000
	Continuing £'000	Acquisitions £'000	Discontinued £'000		Continuing £'000	Discontinued £'000	
Turnover	43,981	566	215	44,762	36,665	495	37,160
Cost of sales	(25,217)	(141)	(268)	(25,626)	(22,184)	(413)	(22,597)
Gross profit	18,764	425	(53)	19,136	14,481	82	14,563
Operating expenses							
Distribution costs	(2,269)	-	-	(2,269)	(1,981)	-	(1,981)
Administration expenses	(13,917)	(668)	(113)	(14,698)	(10,368)	(239)	(10,607)
	(16,186)	(668)	(113)	(16,967)	(12,349)	(239)	(12,588)
Operating profit/(loss)	2,578	(243)	(166)	2,169	2,132	(157)	1,975

4 Employee information

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

	2004 Number	2003 Number
Building Systems	322	277
Software Systems	88	45
Corporate	15	13
Total	425	335

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

	2004 £'000	2003 £'000
Wages and salaries	10,709	8,571
Social Security costs	1,543	1,026
Pension costs (note 5)	876	607
	13,128	10,204

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 and updated to 30 June 2004 by a qualified independent actuary under the attained age method as the scheme is closed to new members. Company contributions totalled £456,000 (2003: £368,000). The Company contribution rates during the year were 25.6% of pensionable salaries for 1/80th accrual members and 29.3% of pensionable salaries for 1/60th accrual members.

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 equivalent to 6.4% of the benefits accrued at that date. The cash contributions paid exceed the profit and loss charge, which consists of a regular cost of £190,000 and a variation cost of £77,000, and the resulting difference is shown as a prepayment on the balance sheet. At 30 June 2004 the prepayment was £298,000 (2003: £102,000).

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 totalling £178,000 (2003: £55,000) were made during the year. 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 2004 the fund had a solvency margin of 124.7 per cent.

FRS17 – Retirement Benefits

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

	At 30 June 2004	At 30 June 2003	At 30 June 2002
Rate of increase in salaries	3.50%	3.25%	3.50%
Rate of increase in pensions in payment	2.25%	2.00%	2.25%
Discount rate	5.75%	5.25%	5.75%
Inflation assumption	3.00%	2.50%	2.75%

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

	Long-term rate of return expected at 30 June 2004	Value at 30 June 2004 £'000	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
Equities	8.0%	8,406	7.5%	7,270	7.0%	7,501
Fixed Interest	5.5%	2,732	5.0%	2,823	5.0%	3,116
Property	8.0%	94	7.5%	85	7.0%	106
Total market value of assets		11,232		10,178		10,723
Present value of scheme liabilities		(14,627)		(14,954)		(13,807)
Deficit in the scheme		(3,395)		(4,776)		(3,084)
Related deferred tax asset/(liability)		1,019		1,433		925
Net pension liability		(2,376)		(3,343)		(2,159)

Notes to the Financial Statements

for the year ended 30 June 2004

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 2004 would be as follows:

	2004 £'000	2003 £'000
Net assets as reported	11,581	11,636
SSAP24 pension prepayment (net of deferred tax)	(209)	(71)
Pension liability	(2,376)	(3,343)
Net assets including net pension liability	8,996	8,222

Profit and loss account as reported	334	589
SSAP24 pension prepayment (net of deferred tax)	(209)	(71)
Pension liability	(2,376)	(3,343)
Profit and loss account including net pension liability	(2,251)	(2,825)

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.

	2004 £'000	2004 £'000
Analysis of the amount to be charged to operating profit once FRS17 is fully adopted:		
Current service cost	255	232
Past service cost	-	-
Total operating charge	255	232

	2004 £'000	2003 £'000
Analysis of the amount credited to other financial income:		
Expected return on pension scheme assets	685	686
Interest on pension scheme liabilities	(777)	(786)
Net finance charge	(92)	(100)

	2004 £'000	2003 £'000
Analysis of amount recognised in Statement of Total Recognised Gains and Losses:		
Actual return less expected return on pension scheme assets	588	(1,125)
Experience gains/(losses) arising on the scheme liabilities	18	(29)
Changes in assumptions underlying the present value of the liabilities	666	(574)
Actuarial gains/(losses)	1,272	(1,728)

	2004 £'000	2003 £'000
Movement in deficit during the year:		
Deficit in scheme at 1 July 2003	(4,776)	(3,084)
Movement in year:		
Current service cost	(255)	(232)
Contributions	456	368
Past service costs	-	-
Other finance income	(92)	(100)
Actuarial gains/(losses)	1,272	(1,728)
Deficit in scheme at 30 June 2004	(3,395)	(4,776)

5 Pension costs (continued)

History of experience gains and losses:

	%	2004 £'000	%	2003 £'000	%	2002 £'000
Difference between the expected and actual return on scheme assets:						
Amount (£'000)		588		(1,125)		(1,993)
Percentage of scheme assets	5%		(11%)		(19%)	
Experience gains/(losses) on scheme liabilities:						
Amount (£'000)		18		(29)		(534)
Percentage of the present value of the scheme liabilities	0%		0%		(4%)	
Amount recognised in Statement of Total Recognised Gains and Losses:						
Amount (£'000)		1,272		(1,728)		(3,604)
Percentage of the present value of the scheme liabilities	(9%)		(12%)		(26%)	

6 Interest receivable

	2004 £'000	2003 £'000
Bank and other interest receivable	129	137

7 Interest payable

	2004 £'000	2003 £'000
Bank loans and overdrafts	330	199
Finance leases	27	22
Other	9	2
	366	223

8 Profit on ordinary activities before taxation

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Loss/(profit) on disposal of tangible fixed assets	6	(12)
Amortisation of goodwill and intangible assets	352	166
Depreciation charge for the year		
Tangible owned fixed assets	1,083	935
Tangible fixed assets held under finance lease and hire purchase agreements	186	191
Amortisation of LTIP awards	175	99
Auditors' remuneration for:		
Audit (Company £42,000; 2003: £24,000)	118	94
Taxation and other services to the Company and its subsidiaries	32	41
Research and development	964	491
Hire of plant, machinery and vehicles – operating leases	34	31
Hire of other assets – operating leases	565	474
Abortive acquisition expenses	28	–
Exceptional items:		
Losses and costs on termination of discontinued operations	230	–
Impairment of goodwill on termination of discontinued operations	766	–

Notes to the Financial Statements

for the year ended 30 June 2004

9 Taxation

(a) Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Current tax:		
UK corporation tax on profits of the year	270	458
Adjustments in respect of previous years	41	(30)
	311	428
Foreign tax	296	124
Total current tax	607	552
Deferred tax:		
Origination and reversal of timing differences	18	63
Total deferred tax	18	63
Tax on profit on ordinary activities	625	615

(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:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	936	1,856
Tax calculated at the standard rate of UK corporation tax of 30% (2003: 30%) applied to profits on ordinary activities before tax	281	557
Effects of:		
Expenses not deductible for tax purposes	37	39
Amortisation and impairment of goodwill not deductible for tax purposes	306	49
Depreciation not deductible for tax purposes	-	4
Capital allowances for the year in excess of depreciation and amortisation	(117)	(122)
Short term timing differences	21	45
Utilisation of losses	(33)	-
Losses carried forward	55	43
Adjustments to tax charge in respect of previous years	(2)	(28)
Utilisation of ACT previously written-off	-	(27)
Other	-	8
Secondary tax on dividend paid by overseas subsidiary	65	-
Tax rate differences	(6)	(16)
Current tax charge for the year	607	552

(c) Factors that may affect future tax charges

The Group has tax losses arising in the UK of £3,192,000 (2003: £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 £319,000 (2003: £136,000) 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 £514,000 (2003: £1,509,000).

11 Dividends

	2004 per share	2003 per share	2004 £'000	2003 £'000
Ordinary shares				
Interim	0.375p	0.375p	185	164
Proposed final	0.875p	0.85p	426	407
	1.25p	1.225p	611	571

12 Earnings per share

The calculation of earnings per share is based upon the profit attributable to members of the holding company of £311,000 (2003: £1,241,000) and on 48,350,144 (2003: 44,326,775) 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 £311,000 (2003: £1,241,000) and on 48,417,491 (2003: 44,571,887) ordinary shares, being the weighted average number of ordinary shares after an adjustment of 67,347 (2003: 245,112) shares in relation to share options.

The calculation of earnings per share from continuing operations, which gives a clearer guide to the underlying performance in the period, is based upon the profit attributable to members of £1,354,000 (2003: £1,351,000) and on 48,350,144 (2003: 44,326,775) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

13 Intangible fixed assets

	Intellectual property rights £'000	Goodwill £'000	Total £'000
Group			
Cost			
At 1 July 2003	405	6,231	6,636
Additions	136	-	136
Subsidiaries acquired	149	-	149
Reclassification	(187)	187	-
Goodwill in respect of subsidiaries acquired	-	580	580
Exchange differences	(6)	-	(6)
At 30 June 2004	497	6,998	7,495
Amortisation			
At 1 July 2003	14	430	444
Impairment on termination of operations	-	766	766
Charge for the year	71	281	352
Exchange differences	(2)	-	(2)
At 30 June 2004	83	1,477	1,560
Net book value 30 June 2004	414	5,521	5,935
Net book value 30 June 2003	391	5,801	6,192

Company

Cost

	Intellectual property rights £'000
At 1 July 2003	749
Additions	145
Disposals	(344)
At 30 June 2004	550
Amortisation	
At 30 June 2003	14
Charge for the year	64
At 30 June 2004	78
Net book value 30 June 2004	472
Net book value 30 June 2003	735

Notes to the Financial Statements

for the year ended 30 June 2004

14 Tangible fixed assets

	Land and buildings £'000	Plant equipment and vehicles £'000	Software £'000	Total £'000
Group				
Cost				
At 1 July 2003	4,769	8,979	1,152	14,900
Additions	-	1,404	-	1,404
Subsidiaries acquired	376	107	-	483
Disposals	(19)	(718)	-	(737)
Exchange differences	-	(2)	-	(2)
At 30 June 2004	5,126	9,770	1,152	16,048
Accumulated depreciation				
At 1 July 2003	1,022	5,650	714	7,386
Charge for the year	100	985	184	1,269
Disposals	(19)	(609)	-	(628)
Exchange differences	-	(2)	-	(2)
At 30 June 2004	1,103	6,024	898	8,025
Net book value 30 June 2004	4,023	3,746	254	8,023
Net book value 30 June 2003	3,747	3,329	438	7,514

	2004 £'000	2003 £'000
Land and buildings net book value comprises:		
Freehold property	3,962	3,668
Short leasehold property	61	79
	4,023	3,747

The net book value of plant, equipment and vehicles includes an amount of £568,000 (2003: £514,000) 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 2003		19	142
Additions		-	139
Transfer from subsidiaries	4,905	-	4,905
Disposals		-	(78)
At 30 June 2004	4,924	184	5,108
Accumulated depreciation			
At 1 July 2003		11	95
Charge for the year		26	63
Transfer from subsidiaries	922	-	922
Disposals		-	(28)
At 30 June 2004	959	93	1,052
Net book value 30 June 2004	3,965	91	4,056
Net book value 30 June 2003		8	47

The net book value of plant, equipment and vehicles includes an amount of £23,000 (2003: £12,000) in respect of assets held under finance leases and hire purchase agreements.

15 Investments

	Other investments† £'000
Group	
Cost	
At 1 July 2003	369
Additions	154
At 30 June 2004	523
Net book value 30 June 2004	523
Net book value 30 June 2003	369

	Investment in subsidiaries			Total £'000
	Shares at cost £'000	Loans £'000	Other Investments† £'000	
Company				
Cost				
At 1 July 2003	29,826	16,606	369	46,801
Transfer from/(to) subsidiaries	(9,986)	1,238	-	(8,748)
Acquisitions	1,538	-	-	1,538
Increase in loans	-	19,247	154	19,401
At 30 June 2004	21,378	37,091	523	58,992
Accumulated provision				
At 1 July 2003	8,994	15,309	-	24,303
Transfer from/(to) subsidiaries	(400)	1,238	-	838
Increase in provisions	937	457	-	1,394
At 30 June 2004	9,531	17,004	-	26,535
Net book value 30 June 2004	11,847	20,087	523	32,457
Net book value 30 June 2003	20,832	1,297	369	22,498

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 in ordinary shares and held through an intermediate holding company.

†The other investment relates to the Company's unlisted 5% shareholding interest in and £441,000 loans to Esign GmbH, a developer and seller of software. At 31 December 2002, the date of its last audited accounts, Esign GmbH had net liabilities of £165,000, including amounts owing to the Company, and had incurred a loss after taxation of £178,000 for the year then ended.

Notes to the Financial Statements

for the year ended 30 June 2004

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
Eleco Timber Frame Limited*	UK
Prompt Profiles Limited*	UK
Gang-Nail Systems Limited*	UK
Eleco Bauprodukte GmbH*	Germany
International Truss Systems (Pty) Limited*	South Africa
Eleco Software	
Consultec UK Limited*	UK
Eleco Media Limited*	UK
Online Warehouse Limited*	UK
Consultec Group AB*	Sweden
Consultec Byggprogram AB*	Sweden
Consultec Arkitekter & Konstruktörer AB*	Sweden
Consultec Teknik AB*	Sweden
Consultec System AB*	Sweden
Eleco Software GmbH*	Germany

16 Operating lease obligations

The Group has the following annual commitments as at 30 June 2004 in respect of non-cancellable operating leases which expire:

	2004 Property £'000	2004 Other £'000	2003 Property £'000	2003 Other £'000
Within one year	51	25	44	33
Between two and five years	479	17	303	29
After five years	229	-	204	-
	759	42	551	62

The property leases are subject to periodic rent reviews. The Group has annual rent income in respect of property sub-leases of £257,000.

17 Capital commitments

Capital expenditure contracts of £78,000 (2003: £14,000) have been placed with suppliers at 30 June 2004.

18 Stocks

	Group	
	2004 £'000	2003 £'000
Raw materials and components	1,134	692
Work-in-progress	4	69
Finished goods	1,232	1,103
	2,370	1,864

19 Debtors

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Due within one year				
Trade debtors	7,684	7,047	76	-
Amounts recoverable on contracts	22	189	-	-
Other debtors	157	357	80	207
Prepayments and accrued income	1,277	1,008	74	76
Overseas tax	-	103	-	-
Deferred tax (note 22)	-	-	-	29
Amounts due from subsidiary undertakings	-	-	1,490	906
Dividends receivable from subsidiary undertakings	-	-	1,007	1,260
	9,140	8,704	2,727	2,478

Included in prepayments is a £298,000 (Company: £5,000) SSAP 24 pension prepayment, recoverable over more than one year (see note 5).

20 Creditors: amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank loans and overdrafts	891	2,614	733	2,126
Trade creditors	6,087	4,828	174	144
Payments on account	242	238	-	-
Other creditors	810	463	108	134
Accruals and deferred income	2,971	2,744	679	383
Obligations under finance leases	175	186	10	7
Other taxation and social security	1,836	1,170	644	34
Corporation tax	156	251	-	-
Overseas tax	34	117	-	-
Proposed dividend	426	407	426	407
Amounts due to subsidiary undertakings	-	-	8,797	5,116
	13,628	13,018	11,571	8,351

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		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank loans	1,471	1,737	1,471	1,737
Obligations under finance leases	263	202	7	3
Other creditors	1,125	-	1,125	-
	2,859	1,939	2,603	1,740

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

The other creditors are secured by fixed charges over certain assets of the Group.

Notes to the Financial Statements

for the year ended 30 June 2004

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

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank loans and overdrafts are repayable as follows:				
In one year or less	891	2,614	732	2,126
Repayable by instalments:				
Between one and two years	574	599	574	599
Between two and five years	897	1,070	897	1,070
After more than five years	-	68	-	68
	2,362	4,351	2,203	3,863

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

	2004 £'000	2003 £'000
In one year or less	175	186
Between one and two years	141	181
Between two and five years	122	21
	438	388

22 Provisions for liabilities and charges

	Deferred tax £'000
Group	
At 1 July 2003	384
Subsidiaries acquired	14
Charged to profit and loss account	18
Exchange differences	(3)
At 30 June 2004	413

The deferred tax liability/(asset) provided based on a corporation tax rate of 30% (2003: 30%) comprises:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Excess/(shortfall) of capital allowances over depreciation	398	366	315	44
Short term timing differences	15	18	(111)	(73)
	413	384	204	(29)

	Provisions for losses in subsidiaries £'000	Deferred tax £'000	Total £'000
Company			
At 1 July 2003	1,014	-	1,014
Transferred from debtors (note 19)	-	(29)	(29)
Charged to profit and loss account	319	233	552
At 30 June 2004	1,333	204	1,537

23 Called up share capital

	2004 £'000	2003 £'000
Authorised: 65,000,000 (2003: 65,000,000) ordinary shares of 10p each	6,500	6,500
Allotted, called up and fully paid: 49,096,231 (2003: 48,791,422) ordinary shares of 10p each	4,910	4,879

During the year 304,809 ordinary shares were issued. 151,386 were issued for consideration of £29,600 to satisfy Sharesave options exercised and 153,423 shares were issued for consideration of £39,000 to satisfy Executive Share Options exercised.

The following awards and options over ordinary shares granted under various share schemes were outstanding at 30 June 2004:

Long Term Incentive Plan

Date awarded	Number of ordinary shares awarded	Vesting date
1 April 2003	1,467,150	1 April 2006 to 1 December 2008
30 April 2004	1,041,650	1 May 2007 to 31 October 2010

Certain of the awards are subject to performance requirements described in note 2 of the Report on Remuneration on pages 17 to 20. Awards may vest in certain circumstances earlier than the dates given.

The Employee Share Ownership Trust held 422,889 shares at 30 June 2004 with a market value of £127,000 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	From	Exercise period To
18 October 1994	107,395	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	From	Exercise period To
22 December 2000	93,624	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	Other reserve* £'000	Profit and loss account £'000
Group				
At 1 July 2003	5,983	367	-	409
Restatement	-	-	(182)	180
As restated	5,983	367	(182)	589
Issue of shares	37	-	-	-
Exchange differences	-	-	-	47
Movement during the year*	-	-	132	(2)
Retained profit for the year	-	-	-	(288)
At 30 June 2004	6,020	367	(50)	346
Company				
At 1 July 2003	5,983	-	-	4,060
Restatement	-	-	(182)	153
As restated	5,983	-	(182)	4,213
Issue of shares	37	-	-	-
Exchange differences	-	-	-	1
Movement during the year*	-	-	10,089	(1)
Retained profit for the year	-	-	-	(97)
At 30 June 2004	6,020	-	9,907	4,116

Accumulated goodwill charged to Group reserves at 30 June 2004 in respect of retained businesses is £8,704,000 (2003: £8,704,000).

*The other reserve of the Group relates to shares in the Company held by the Employee Share Ownership Trust. The movement during the year reflects the impact of purchases of own shares and amortisation and vesting of LTIP awards. The other reserve of the Company relates to shares in the Company held by the Employee Ownership Trust and the unrealised profit on the intragroup transfer of investments. The movement during the year reflects £132,000 impact of purchases of own shares and amortisation and vesting of LTIP awards and £9,957,000 of unrealised profits.

Notes to the Financial Statements

for the year ended 30 June 2004

25 Acquisitions

Eleco Software GmbH

On 1 July 2003, the Company acquired the entire issued share capital of Eleco Software GmbH (formerly Softhold GmbH) for a total consideration, including acquisition expenses and the matter referred to below, of £456,000.

Under a software licence agreement with Eleco Software GmbH, Eleco plc acquired on 5 May 2003 certain limited rights to the Arcon software of Eleco Software GmbH at a cost of £187,000, the receipt of which was included within the reserves of Eleco Software GmbH 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 £187,000 paid represents in substance an increase in the effective price paid to acquire the 100% shareholding in Eleco Software GmbH. Accordingly in the consolidated accounts, the amount has been included as part of the consideration paid and the goodwill increased.

For the year ended 31 December 2002 Eleco Software GmbH reported a loss after tax of £16,000 and for the 6 months ended 30 June 2003 a profit after tax of £76,000.

During the year Eleco Software GmbH contributed turnover of £279,000 and an operating loss of £134,000, after amortisation of goodwill, to the results of the Software Systems division.

The net deficit at 30 June 2004 of Eleco Software GmbH was £65,000.

Eleco Software GmbH has no recognised gains and losses, other than the losses 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 Eleco Software GmbH, which were acquired, are set out below:

	Book value Eleco Software GmbH £'000	Fair value adjustments to Eleco Software GmbH £'000	Provisional fair value £'000
Intangible fixed assets	166	(17)	149
Current assets:			
Debtors	98	-	98
Cash at bank and in hand	13	-	13
Total assets	277	(17)	260
Liabilities:			
Trade and other creditors	65	-	65
Corporation tax	42	-	42
Deferred income	93	-	93
Net assets	77	(17)	60
Goodwill			396
Consideration			456
Satisfied by:			
Cash			433
Acquisition expenses			23
			456

The provisional fair value adjustment relates to the elimination of the carrying amount of a licence payment made for the use of software owned by the Group.

Impact on cash flows

In the period since acquisition, Eleco Software GmbH contributed a net operating cash outflow of £149,000. It paid £34,000 in net cash outflows from taxation and paid £2,000 net cash outflow from capital expenditure and investment.

25 Acquisitions (continued)

RB Fabrications (Norwich) Limited

On 18 March 2004, the Company acquired the entire issued share capital of RB Fabrications (Norwich) Limited, the holding company of Prompt Profiles Limited, for a total consideration, including acquisition expenses, of £1,269,000.

For the year ended 31 May 2003 RB Fabrications (Norwich) Limited and subsidiary (together "Prompt Profiles") reported a profit after tax of £176,000 and for the 9 months ended 29 February 2004 a profit after tax of £155,000.

During the year Prompt Profiles contributed turnover of £268,000 and an operating profit of £66,000, after amortisation of goodwill, to the results of the Building Systems division.

The net assets at 30 June 2004 of Prompt Profiles were £1,010,000.

Prompt Profiles 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 Prompt Profiles which were acquired are set out below:

	Book value and provisional fair value £'000
Tangible fixed assets	484
Current assets:	
Stock	16
Debtors	207
Cash at bank and in hand	722
Total assets	1,429
Liabilities:	
Trade and other creditors	422
Corporation tax	37
Deferred tax	14
Net assets	956
Goodwill	313
Consideration	1,269
Satisfied by:	
Cash	35
Deferred consideration	1,175
Acquisition expenses	59
	1,269

The deferred consideration is repayable as to £50,000 in March 2005 and £1,125,000 in July 2005.

Impact on cash flows

In the period since acquisition, Prompt Profiles contributed a net operating cash inflow of £97,000. It received £4,000 in net cash inflows from capital expenditure and financial investment and paid £5,000 cash outflow in respect of equity dividends.

Online Warehouse

On 7 April 2004, the Group acquired the Online Warehouse business and its intellectual property and tangible fixed assets for a total cash consideration and expenses of the acquisition of £91,000.

Eleco Timber Engineering

On 29 June 2004, the Group acquired the business of Redframe Timber Engineering Limited (in Administration) together with its intellectual property, tangible fixed assets, stocks and work in progress for a total consideration and incidental costs and expenses of the acquisition of £57,000.

Notes to the Financial Statements

for the year ended 30 June 2004

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

	Continuing		Discontinued	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Operating profit/(loss)	2,335	2,132	(166)	(157)
Termination costs and losses	-	-	(230)	-
Depreciation charge	1,249	1,112	20	14
Amortisation of intangible assets	352	166	-	-
Amortisation of LTIP awards	175	99	-	-
Loss/(profit) on sale of fixed assets	(2)	(12)	8	-
(Increase)/decrease in stocks	(533)	(34)	69	33
(Increase)/decrease in debtors	(58)	(512)	99	31
(Increase)/decrease in prepayments	(302)	178	39	(14)
Increase/(decrease) in creditors	1,162	37	(64)	38
Increase/(decrease) in accruals	99	(349)	(27)	(97)
Increase/(decrease) in other taxes and social security	686	(115)	(32)	10
Change in intra-group indebtedness	42	(120)	(42)	120
Net cash inflow/(outflow) from operating activities	5,205	2,582	(326)	(22)

27 Reconciliation of net cash flow to movements in net debt

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	1,950	(2,563)
Cash flow from movements in debt and lease financing	410	(203)
Decrease/(increase) in net debt resulting from cash flows	2,360	(2,766)
Other non-cash items:		
New finance leases	(281)	(173)
Finance lease obligations acquired with subsidiaries	-	(144)
Effects of changes in foreign exchange rates	16	214
Decrease/(increase) in net debt in the year	2,095	(2,869)
Opening net (debt)/funds	(2,405)	464
Closing net debt	(310)	(2,405)

28 Analysis of net debt

	At 30 June 2003 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	At 30 June 2004 £'000
Cash in hand, at bank	2,334	146	-	10	2,490
Overdrafts	(1,963)	1,804	-	-	(159)
	371	1,950	-	10	2,331
Debt due after one year	(1,737)	266	-	-	(1,471)
Debt due within one year	(651)	(81)	-	-	(732)
Finance leases	(388)	225	(281)	6	(438)
	(2,776)	410	(281)	6	(2,641)
Total	(2,405)	2,360	(281)	16	(310)

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 £281,000 (2003: £173,000).

29 Contingent liabilities

The Company has guaranteed banking facilities of certain subsidiary undertakings. At 30 June 2004 the sum guaranteed by the Company in respect of obligations of subsidiary undertakings totalled £659,000 (2003: £935,000).

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 17 to 20 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 17 to 20.

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 increased by £151,000 since last year. This has been due to a combination of higher interest rates and higher 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 2004 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	1.2	4.58%	(1,361)	(1,497)	(2,858)
Euro	-	-	-	193	193
Swedish Krona	2.9	5.86%	(202)	879	677
South African Rand	-	-	-	553	553
At 30 June 2004	1.5	4.75%	(1,563)	128	(1,435)
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	2.3	4.75%	(388)	(2,017)	(2,405)

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

Notes to the Financial Statements

for the year ended 30 June 2004

32 Financial instruments (continued)

d) Maturity analysis of debt

An analysis of debt maturity is shown in note 21 on page 40.

e) Maturity analysis of undrawn committed borrowing facilities

At 30 June 2004, the Group had available to it the following undrawn committed borrowing facilities expiring in the periods shown.

	2004 £'000	2003 £'000
Expiring in one year or less	300	149
Expiring between one and two years	-	111
Expiring after more than two years	5,141	4,275
	5,441	4,535

Subsequent to 30 June 2004, 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	Swedish Krona £'000	US Dollar £'000	Australian Dollars £'000	Norwegian Krone £'000	Total £'000
Functional currency of group operation							
Sterling	-	1,051	(41)	-	-	-	1,010
Euro	(157)	-	(5)	-	-	-	(162)
Swedish Krona	80	-	-	2	-	1	83
South African Rand	(26)	-	-	-	-	-	(26)
At 30 June 2004	(103)	1,051	(46)	2	-	1	905
Sterling	-	694	(86)	(10)	(3)	-	595
Euro	(9)	-	-	-	-	-	(9)
Swedish	(11)	-	-	-	-	34	23
South African Rand	(8)	-	-	-	-	-	(8)
At 30 June 2003	(28)	694	(86)	(10)	(3)	34	601

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 2004 or 30 June 2003.

33 Post-balance sheet event

On 1 July 2004, the Group acquired the entire issued share capital of Ten Data AB, together with the business and assets of Ten Win AB, both companies being sellers of software in Sweden, for a cash consideration of £249,000.

Five Year Summary

	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Turnover					
Continuing operations	44,547	36,665	32,039	25,471	25,369
Discontinued operations	215	495	834	1,368	2,180
Profit before taxation	936	1,856	1,736	629	1,519
Taxation	(625)	(615)	(497)	(176)	(133)
Profit after taxation	311	1,241	1,239	453	1,386
Dividends	(611)	(571)	(477)	(412)	(387)
Retained profit	(300)	670	762	41	999
Shareholders' funds	11,581	11,636	9,185	8,545	7,539
Net earnings per share	0.6p	2.8p	3.0p	1.1p	3.6p
Dividend per share	1.25p	1.225p	1.15p	1.00p	1.00p

Financial Calendar

17 November 2004	Annual General Meeting 12 noon at the London Capital Club 15 Abchurch Lane London EC4N 7BB
March 2005	Announcement of half year results
Ordinary shares – dividends	
Final	
24 November 2004	Ex-dividend
26 November 2004	Record date
10 December 2004	Payment date

Capital Gains Tax

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

Explanation of Annual General Meeting Special Business

Summary of the material changes contained in the proposed new articles of association (the "New Articles")

The current articles of association were adopted on 4 December 1998. In view of the extensive changes that would need to be made to bring the articles up-to-date with current law, regulation and market practice, it is proposed that subject to the approval of shareholders in general meeting the Company adopts entirely new articles of association. The principal amendments to the Company's existing articles of association are set out below. Unless otherwise stated, references to article numbers refer to the New Articles.

ARTICLE 5 amends the existing article 6 to permit the Company to issue any class of share with a right of redemption and also removes the obligation to obtain a further special resolution. The previous articles only permitted preference shares to be issued with redemption rights. Article 5 also contains an express right for the Company to purchase its own shares. This right was not contained in the old articles.

ARTICLE 11 is a new article allowing shares to be held in uncertificated form pursuant to the Uncertificated Securities Regulations 2001 (the "Regulations"). It should be noted that shareholders can continue to hold their shares in certificated form should they so wish. This is the principal amendment in the New Articles, however there are other amendments throughout to reflect the Regulations.

ARTICLES 43,44, 45 and 46 have been deleted as these relate to "stock" which is a concept not used by the Company.

ARTICLE 63 is a new article which enables the directors to postpone a general meeting if it is impractical or unreasonable for any reason to hold it on the date and at the time or place specified in the notice calling the meeting, provided notice is given of the date, time and place in two national newspapers in the United Kingdom.

ARTICLE 66 is a new article which assists the Company and the Chairman to manage general meetings by allowing the directors to make arrangements for simultaneous attendance and participation of persons entitled to attend the general meeting. The directors may make arrangements for persons who are excluded from the place at which the Chairman shall preside to nonetheless attend at another location and participate in the general meeting. This new article also enables arrangements to be made for security and orderly conduct at general meetings.

ARTICLE 68 modifies the provisions in the current article 64 by allowing the Chairman to adjourn a general meeting without the consent of the meeting.

ARTICLE 71 amends the current article 70.2 in relation to the power to demand a poll vote at a general meeting. The existing articles provide that at least three members, either present in person or by proxy and entitled to vote, are needed to demand a poll. The amendments bring the articles in line with section 373 of the Companies Act 1985 which states that the power to demand a poll be by a minimum of five members either present in person or by proxy and entitled to vote.

ARTICLES 80, 81 and 82 are replacement articles for the current articles 82, 83 and 84 in relation to the delivery of proxies and are being inserted to reflect the 2001 Regulations by permitting members holding uncertificated shares to appoint, instruct, amend and revoke proxy appointments using the CREST system, where the directors permit this from time to time. Since 2003 the CREST system has offered a service whereby proxies can be appointed by means of an uncertificated proxy instruction. These must be properly authenticated and sent using the relevant system and following the form and conditions stipulated by the directors. There are no such provisions in the current articles, which only allow the deposit of written proxy appointments.

ARTICLE 94 amends the old article 145 to extend the borrowing powers of the directors from two to three times the Adjusted Capital and Reserves (as defined in the article).

ARTICLE 96.1 amends the existing article 116 in relation to provision of pensions, annuities, gratuities or other benefits. The new article extends the current provisions to include directors or former directors of any company which is or was the parent undertaking of the Company or a subsidiary undertaking or otherwise associated with the Company or Group. The new article removes the current restriction that any beneficiary of such pension, annuity, gratuity or other benefit is or has been an executive director or held any other office or place of profit under the Company.

ARTICLE 96.2 amends the existing article 157 in relation to the purchase and maintenance by the Company of insurance for present or former directors, officers and employees. The new article extends the current provisions to include trustees of pension funds and employee share schemes, and also enables the Company to establish and maintain such insurance for the directors, officers, employees and auditors of any body (whether or not incorporated) which is or was the parent undertaking of the Company or a subsidiary undertaking or otherwise associated with the Company or Group. The existing articles are less extensive in that they only enabled the Company to pay for insurance for the benefit of the existing directors and other officers and the auditor of the Company. New article 101 permits the directors to vote and be counted in the quorum of any board meeting at which any such matter is under consideration. No provision is made in the existing articles for voting on the purchase of insurance.

ARTICLE 105.7 is a new article that, in line with common practice, adds an additional provision whereby a director can be required to resign if he receives written notice from all of the other directors.

ARTICLE 106 amends existing articles 95 and 96 relating to the retirement of directors. The current articles provide for the retirement of one third of the directors at each annual general meeting, selected according to those who have had the longest period of office since election or re-election. The July 2003 Combined Code states that all directors must submit themselves for re-election at least every third annual general meeting after the one at which they were last elected or re-elected. Effectively, every three years all the directors will be required to submit themselves for re-election. Additionally, article 94 has been removed whereby a director holding the office of Managing Director is excluded from the obligation to retire by rotation. All directors are now subject to the provisions of new article 106.

ARTICLE 113 enables the directors of the Company to participate in a board meeting by conference telephone which reflects advances in technology and current practice.

ARTICLE 126 is a new article which allows the Company to execute deeds without using the common seal but by using the signature of two directors or a director and a secretary, provided that the directors or a committee authorised by them have authorised this. This brings the current articles into line with the Companies Act 1985, which states that it is no longer necessary for a company to have a common seal in order to execute deeds on behalf of the Company.

ARTICLE 151 is a new article in respect of electronic communications incorporating the provisions contained in the Companies Act 1985 (Electronic Communications) Order 2000 (the "Electronic Communications Order") which permits companies to post information on a website and communicate with shareholders via email. There are no provisions for this in the current articles. This new article will allow the Company to provide these services where requested by shareholders and will permit the directors to use electronic communications as a means of distributing notices of meetings, annual reports and accounts, and summary financial statements where the directors see fit. There are amendments throughout the New Articles to reflect the Electronic Communications Order.

ARTICLE 154 amends the provisions in existing article 156 relating to the indemnities given to directors and other officers. The new article specifically excludes the giving of an indemnity to the Company's auditors.

Notice of Meeting

Notice is hereby given that the sixty-fifth Annual General Meeting of Eleco plc (the "Company") will be held at the London Capital Club, 15 Abchurch Lane, London, EC4N 7BB on 17 November 2004 at 12.00 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 to 10 as Special Resolutions.

Ordinary Business

1. To receive the financial statements for the year ended 30 June, 2004, 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 DS Dannhauser, who retires by rotation, as a Director of the Company
5. To re-elect T Quinn, who retires by rotation, as a Director of the Company.
6. To re-elect H M Scopes, who retires by rotation, as a Director of the Company.
7. To reappoint 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 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 £245,481;

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 17 February, 2006 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 £490,962 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 17 February 2006, 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.

10. Amendment of Articles of Association

That the new Articles of Association of the Company as detailed in the explanatory notes to the notice of Annual General Meeting and as submitted to the meeting and initialled by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company.



L N Holdcroft
Secretary

21 October 2004

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, PO Box 25, Beckenham, Kent BR3 4BR 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.