Interim Results - Operating Profit Up 50%

Released : 06 Dec 1999

Acal PLC
6 December 1999

Unaudited Interim Results for the Six Months to 30th September 1999

The key points are:

* Group turnover up 41% to £110.6m (1998: £78.2m)

* Turnover from continuing operations up 14% to £88.9m (1998: £78.2m)

* Operating profit from subsidiary undertakings up 50% at £6.2m (1998: £4.1m),and excluding the contribution from Sedgemoor, up 11% at £4.6m (1998: £4.1m)

* Headline Earnings per share 14.7p (1998: 22.3p)

* Underlying Earnings per share (before amortisation of goodwill and exceptional profits from investments) up 36% at 15.2p (1998: 11.2p)

* Interim dividend per share up 12% at 4.6p (1998: 4.1p)

Commenting on the results, John Curry, Executive Chairman of Acal plc said:

'The strong organic growth from our existing operations has been most encouraging. The integration of Sedgemoor continues on schedule and its business is performing broadly in line with expectations. We expect the bulk of the business to show continuing growth in the second half. We remain well placed to face the challenges ahead and are positive about the current economic climate and our long term future.'

Contact:

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Notes to Editors:

1 The Acal Group is a leading European, value-added distributor providing specialist design-in, sales and marketing services for international suppliers in the fields of Electronic Components, Information Technology Products, Personal Computer Spare Parts and Industrial Controls. Its value-added philosophy and geographic coverage enables Acal to provide specialist knowledge and support to customers on a pan-European basis.

2 Design-in is the process by which Acal's sales engineers work with customers and suppliers to procure components which meet the specific technical and performance needs of the customers.

3 Acal has operating companies in the UK, Netherlands, Belgium, Germany, France, Italy, Scandinavia and the USA.

Chairman's Statement

I am pleased to report that turnover and operating profit for the first half year are ahead of last year, in spite of a difficult economic climate, showing the benefit of our added value philosophy.

Turnover has increased from £78.2 million to £110.6 million, up 41%. Organic growth provided an increase of 14% (after a 1% negative currency translation impact) and the acquisition of Sedgemoor provided the balance. Operating profit from subsidiary undertakings increased from £4.1 million to £6.2 million, an increase of 50%. Of this increase of £2.1 million, £1.6 million was contributed by Sedgemoor, thus the continuing business showed growth of 11%.

Profit before tax is down from £7.2 million to £5.9 million. After effective tax of 34% (35%), the headline earnings per share are 14.7p (22.3p). This reduction is due to goodwill amortisation, lower capital profits and income from investments now sold. The underlying earnings per share before these items grew from 11.2p to 15.2p, an increase of 36%.

Following the acquisition of Sedgemoor, net debt at 30 September was £27.7 million, and interest cover at 12 times continues to be very healthy.

Acquisition of Sedgemoor

At the beginning of June 1999, Acal plc acquired Sedgemoor plc for £75 million by the issue of 5.1 million shares and cash of £55 million. The reorganisation of Sedgemoor to fit Acal's existing operations is progressing well and to plan. The two head offices were merged in August, resulting in the closure of Sedgemoor's head office and we are currently in the process of restructuring two of the Sedgemoor companies. One is being merged with an Acal subsidiary and the other with a sister Sedgemoor subsidiary. The restructuring costs will show in the second half of this financial year. These actions will produce savings and marketing benefits which will flow through in the next financial year.

Shareholders will be pleased to know that the operating results of Sedgemoor have been broadly in line with our expectations.

Review of Operations

In the UK we have seen order growth in excess of 10% in Electronic Components year on year. As yet this improving order position has not been fully reflected in sales although there is an improving trend. The pattern in mainland Europe is similar to the UK, but the cycle seems to be lagging that of the UK.

Whilst our Information Technology business has shown growth during the period, orders have been affected by the Year 2000 issue, and we expect a resumption of a more positive trend in the new calendar year. The PC Parts business has seen growth year on year, but that growth took place in the first quarter. Our success in sales of in-warranty parts to dealers has led Compaq to terminate the dealers' right to buy from us where Compaq has failed to meet the service level needed. This will affect our business in the short term and will accelerate our efforts to develop the business and support of other leading manufacturers.

In summary, as I indicated above, in local currency terms, we have seen organic sales growth in total of approximately 15% - a satisfactory achievement.

Dividend

The Board has declared an interim dividend of 4.6p net per share (4.1p), an increase of 12%. This will be paid on 1 February 2000 to shareholders on the register on 17 December 1999.

Prospects

The bulk of the business should show continuing growth in the second half and we remain very well placed to face the challenges ahead and are positive about the current economic climate and our long term future.

John Curry
6th December 1999

Unaudited Summary Profit and Loss Account for
Six Months ended 30th September 1999

	Six Months ended 30 September		Year ended 31 March (audited)
	1999 £'000	1998 £'000	1999 £'000
TURNOVER			
Continuing Business	88,903	78,168	170,824
Acquisition	21,724	-	-
	110,627	78,168	170,824
OPERATING PROFIT			
Subsidiary Undertakings	6,154	4,103	9,864
Income from investments now sold	-	1,250	1,250
Group Share of Associated Undertakings	130	145	222
	6,284	5,498	11,336
Amortisation of goodwill	(840)	(1)	(1)
GROUP OPERATING PROFIT			
Continuing Business	4,599	5,497	11,335
Acquisition	845	-	-
	5,444	5,497	11,335
Net profit on disposal of investments and tangible fixed assets	1,014	1,852	2,052
Loss on termination of operations	-	-	(391)
Net interest payable and similar charges	(556)	(116)	(45)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Continuing Business	5,562	7,233	12,951
Acquisition	340	-	-
	5,902	7,233	12,951
Tax on profit on ordinary activities:			
United Kingdom	(1,470)	(1,632)	(2,733)
Overseas	(769)	(864)	(1,819)
Associated undertakings	(62)	(55)	(96)
	(2,301)	(2,551)	(4,648)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	3,601	4,682	8,303
MINORITY INTERESTS - equity	(81)	(186)	(540)
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	3,520	4,496	7,763
DIVIDENDS ON ORDINARY SHARES	(1,185)	(826)	(2,904)
RETAINED PROFIT	2,335	3,670	4,859
EARNINGS PER SHARE	14.7p	22.3p	38.5p
EARNINGS PER SHARE BEFORE GOODWILL AMORTISATION	18.2p	22.3p	38.5p

ACAL plc

Unaudited Balance Sheet
as at 30th September 1999

	At 30 September		At 31 March (audited)
	1999 £'000	1998 £'000	1999 £'000
FIXED ASSETS			
Intangible assets	48,542	217	574

Tangible assets	9,445	6,508	5,885
Investments	2,577	1,952	2,945
	60,564	8,677	9,404
CURRENT ASSETS			
Stocks	23,844	18,157	15,544
Debtors	48,760	31,523	34,872
Cash at bank and in hand	4,851	14,148	14,128
	77,455	63,828	64,544
CREDITORS:			
Amounts falling due within one year	(54,388)	(41,692)	(42,328)
NET CURRENT ASSETS	23,067	22,136	22,216
TOTAL ASSETS LESS CURRENT LIABILITIES	83,631	30,813	31,620
CREDITORS:			
Amounts falling due after more than one year	(26,072)	(1,213)	(904)
PROVISIONS FOR LIABILITIES AND CHARGES	(4,995)	(436)	(402)
NET ASSETS	52,564	29,164	30,314
CAPITAL AND RESERVES			
Called up share capital	1,287	1,007	1,007
Share premium account	35,504	13,539	13,539
Revaluation reserve	313	333	323
Profit and loss account and other reserves	15,460	12,713	13,566
Shareholders' Funds	52,564	27,592	28,435
Minority interests (all equity)	-	1,572	1,879
	52,564	29,164	30,314

ACAL plc

Unaudited Summary Cash Flow Statement for
Six Months ended 30th September 1999

	Six Months ended 30 September		Year ended 31 March (audited)
	1999 £'000	1998 £'000	1999 £'000
OPERATING ACTIVITIES			
Operating profit	5,444	5,497	11,335
Depreciation and other non cash items	2,081	1,105	2,270
Share of profits of associates	(130)	(145)	(222)
Increase in working capital	(6,014)	(2,432)	(945)
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,381	4,025	12,438
Net interest paid	(556)	(116)	(45)
Tax paid	(920)	(1,230)	(4,370)
Net expenditure on tangible fixed assets and investments	(1,686)	(1,279)	(2,187)
Net cash flow from acquisitions and disposals	(32,813)	4,153	3,270
Equity dividends paid	(2,069)	(1,470)	(2,296)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(36,663)	4,083	6,810
Increase/(decrease) in debt and finance leases	25,192	(102)	(263)
Issue of share capital	55	33	33

NET (DECREASE)/INCREASE IN CASH	(11,416)	4,014	6,580

Reconciliation of net cash flow to movement in net debt/cash

NET (DECREASE)/INCREASE IN CASH	(11,416)	4,014	6,580
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(25,192)	102	263
Lease financing acquired with subsidiary	(22)	-	-
Translation differences	(29)	(97)	(55)
MOVEMENT IN NET DEBT/CASH	(36,659)	4,019	6,788
Net cash at beginning of the period	8,973	2,185	2,185
Net (debt)/cash at end of the period	(27,686)	6,204	8,973

Statement of Total Recognised Gains and Losses

	Six Months ended 30 September		Year ended 31 March (audited)
	1999 £'000	1998 £'000	1999 £'000
Profit attributable to shareholders	3,520	4,496	7,763
Net (loss)/gain on currency translation	(432)	878	511
Total recognised gains and losses for the financial period	3,088	5,374	8,274

NOTES:

1 The financial information set out above does not constitute the company's statutory accounts for the year ended 31st March 1999, but is derived from those accounts. Statutory accounts for 1999 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

2 The interim dividend is payable on 1 February 2000 to shareholders on the register on 17 December 1999.

3 Earnings per share for the half year to 30 September 1999 have been calculated on the profit attributable to ordinary shareholders of £3,520,000 using the weighted average number of ordinary shares in issue during the period.

4 Details of the Group's programme in relation to Year 2000 compliance are set out in the last annual report. Implementation has continued and there is no change to the position described in the annual report.

5 The Company's interim report is being sent to shareholders by post. Copies will also be available from:

Acal plc, 39 Guildford Road, Lightwater, Surrey GU18 5SA

The interim results will not be advertised in any newspaper