Preliminary Results

Released : 05 Jun 2000

Acal PLC
5 June 2000

Audited Preliminary Results for the Year Ended 31st March 2000

The key points are:

Group turnover up 44% to £245.4m (1999 : £170.8m)

Group profit before taxation, amortisation of goodwill and exceptionals increased 44% to £14.4m (1999 : £10.0m)

Earnings per share (before amortisation of goodwill and exceptional items) up 42% at 40.3p (1999 : 28.3p)

Total dividends per share for the year up 12% at 13.8p (1999 : 12.3p)

Sedgemoor successfully integrated with Acal

Very buoyant demand for components being experienced across Europe

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

'Book to bill ratios are at their highest for a long time and year on year quarterly order growth rates are also at high levels and still increasing. I am confident of the Group's ability to take advantage of the strong economy and exploit the many opportunities available.'

Contacts:

John Curry, Chairman - 01276 474406

Jim Virdee, Finance Director - 01276 474406

Fergus Wylie, Cubitt Consulting - 020 7367 5100

Notes to Editors:

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.

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.

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

Chairman's Statement

Results

I am pleased to report growth in sales, operating profit and earnings per share before goodwill amortisation and exceptional items. The economic

climate improved in the second half and we continued to achieve growth and satisfactorily assimilated the Sedgemoor acquisition, a major step in the evolution of Acal.

Sales have increased from £170.8 million to £245.4 million - up 44%. The acquisition of the Sedgemoor Group provided 31% while organic growth provided 17% (before a 4% negative currency translation impact).

Group profit before taxation, amortisation of goodwill and exceptionals increased from £10.0 million to £14.4 million, a 44% increase. Taxation is lower this year at 29.1% (35.9%) but because of the exceptional income last year, and the reorganisation costs and goodwill amortisation relating to Sedgemoor this year, headline earnings per share fell from 38.5p to 33.1p. However, excluding exceptionals and goodwill amortisation, earnings per share grew from 28.3p to 40.3p, and your Board therefore propose a final dividend of 9.2p (8.2p) making a total for the year of 13.8p per share (12.3p) an increase of 12.2%.

Summary Review

The major task this year has been the assimilation and in some instances the integration of the Sedgemoor Group following its acquisition. This has gone well, and we are now organised to develop the business in the Acal style, and expand some of the businesses into Continental Europe.

There have been strong trading conditions in Electronic Components and Network Products. This demand increased in the last quarter of the financial year, with order rates growing faster than sales. We have had particular success with newer technologies including fibre channel products.

Within the Information Technology division the network product growth has been unaffected by delays due to Y2K and is continuing to accelerate, unlike our Document Management products business.

Following the loss of some in-warranty business in our PC Spare Parts activity reported at the half year, a lot of work has been done with major suppliers and large service organisations to replace the lost business. I am pleased to say there are clear signs of this investment beginning to bear fruit. However, we need to be realistic that the full benefit to the bottom line is still probably twelve months away.

Following the acquisition of Sedgemoor and the minority interest of EAF, the net debt rose at the half-year to £27.7 million, this had been reduced by the year end to £23.9 million, a creditable performance.

Appreciation

Following the acquisition of Sedgemoor, the Board's thanks to old and new employees of the Group are particularly appropriate. The extra workload, and uncertainty that are part and parcel of a major acquisition require an abundance of goodwill and effort from all our staff - and I am pleased to say our employees and management have fully lived up to our expectations.

Prospects

Over the last few years, the levels of uncertainty have only allowed us to be cautiously optimistic when expressing a view of the coming year. However, this year is different. Book to bill ratios are at their highest for a long time and year on year quarterly order growth rates are also at high levels and still increasing. These demand levels are also being achieved by others in the industry, and there is a general buoyancy which seems reasonably certain to continue through this year.

I am confident of the Group's ability to take advantage of the strong economy and exploit the many opportunities available.

John Curry
5th June 2000

Operations Review

Acal is a leading value-added distributor providing specialist design-in, sales and marketing services for international suppliers. Dynamic strategies

have been established for each segment of the business whilst maintaining the core philosophy of 'demand creation', rather than the more common, lower margin 'demand fulfilment'.

Electronic Components

The year was in many ways one of two very different halves with trading conditions improving considerably as the second half progressed. This was particularly noticeable in Continental Europe where current conditions are probably the most favourable that have been experienced in the electronics industry in the past five years. Major improvements in demand in Germany, the Netherlands, Belgium and France in the last few months of the year all played a significant part in the achievement of the overall results.

Many customers, particularly the larger international and pan-European groups are effecting their vendor reduction programmes which have benefited Acal as a major, professional, well resourced supplier. These have involved developing a variety of logistics services both for OEM's and CEM's (the growing sector of Contract Electronic Manufacturers). The growth has been across all component groups with a particular emphasis in the telecoms, datacoms and networking markets, embedded industrial systems and the newer generations of consumer electronic products such as set top boxes.

The Sedgemoor subsidiaries which operate almost totally in the UK have settled well into the Acal Group and the structural changes which involved integrating ACT and Gothic Crellon and moving Amega into the Acal Electronics' building were both achieved successfully thanks to the efforts and support of all concerned. Amega, the niche semiconductor business, and Radiatron, one of the two Group distributors of electromechanical components deserve special mention for achieving results better than planned.

The number of operating facilities continues to grow to serve the expanding demand and support requirements - with new offices, test facility and warehouse for Acal Electronics in the UK; a new warehouse and logistic centre for Acal Nederland; a new larger Munich facility for Acal GmbH; an extension of the Acal Belgium office; a new small Irish sales centre in Dublin and another in Finland.

Information Technology Products

Apart from the acquisition of Sedgemoor, the largest single impact in revenue terms was the growth of networking products and services. This predominantly relates to the sales of Cisco equipment in the Netherlands and this is now being supplemented by specialised security products for this market plus Acal's pre-eminent European position in the fast growing SAN (Storage Area Network) market with Fibre Channel Products. Investment in this market sector has resulted in Acal being invited to join the Fibre Channel Association for Europe - the only distributor to be represented on the Board of the Technology Committee of this prestigious and influential body. Acal is also privileged to host the European Fibre Channel Mobile Technology Centre which was effectively launched at Cebit 2000 show in February. The SAN market achieved worldwide sales in 1999 of approximately $5bn with close to 20% coming from Europe and a forecast of six times growth by 2003.

Headway, Acal's Document Management business, disappointed this year, held back by delays to customer programmes caused largely by the fears of Y2K issues. Although business grew with some of the key products from Kodak, Fujitsu and Hewlett Packard, a significant shortfall was in high resolution displays. Major opportunities for growth in the new year have already been identified which at such an early date is encouraging. Towards the year end Headway in the UK extended its e-commerce facilities with the launch of a web shop. This web shop will be rolled out to all parts of the Headway organisation.

P C Spare Parts

As reported at the interim stage, EAF had a successful start to the year, but the curtailment of our in-warranty business affected the results for the second half. Despite this we achieved a very satisfactory profit return on sales of 7%. As indicated, this setback caused us to accelerate the initiative to broaden the business and support other leading manufacturers and more major international multi-vendor service organisations. Our efforts have been rewarded with new relationships developing with Dell and Unisys in the UK, IBM and Hewlett Packard in the Netherlands and QMS in Germany. We are confident of the huge opportunities that exist, have invested in new operating facilities and look forward to renewing the pattern of growth and expansion in

due course.

Industrial Controls

The Air Conditioning and Refrigeration components business developed increasing sales and profitability in the second half of the year resulting in an overall growth in revenue of 10% year-on-year and with the sale in January of the small Fluid Control business in France, the Industrial Group is now more focussed on AC&R which represents around 75% of this division.

Tony Laughton
5th June 2000

Financial Review

The year to 31 March 2000 has seen sterling on average around 7% stronger against continental European currencies than in the previous year. With the acquisition of Sedgemoor, a greater proportion of Acal's business is denominated in sterling and therefore the effect on overall Group results is relatively less pronounced than before.

The table below compares the Group's underlying performance with last year isolating the effects of the acquisition of Sedgemoor and of exchange rates.

£ million	Year ended 31 March 99	Underlying increase	Effect of acquisition	Effect of exchange rates	Year ended 31 March 00
Sales	170.8	29.2	53.3	-7.9	245.4
% change		+17%	+31%	-4%	+44%
Profit*	10.0	1.7	3.2	-0.5	14.4
% change		+17%	+32%	-5%	+44%

*Before taxation, exceptional items and amortisation of goodwill

Overall gross margins were similar at 24.5% (1999: 24.6%). The table below compares the sales and gross margins achieved by the Group's divisions during the year to 31 March 2000 with the previous year.

£ million	Year ended 31 March			
	2000		1999	
	Sales	GM%	Sales	GM%
Electronic Components	117.9	28.2%	58.4	29.3%
IT Products	69.1	17.5%	54.8	16.3%
PC Spare Parts	38.0	23.8%	39.8	27.0%
Industrial Controls	20.4	28.4%	17.8	29.1%
	245.4	24.5%	170.8	24.6%

During the year net operating expenses before exceptional items and goodwill amortisation increased from £32.1 million to £44.6 million. Of the increase of £12.5 million, the acquisition of Sedgemoor accounted for £11.8 million and there was a benefit from the effect of exchange rates of £1.3 million. Thus the underlying increase was £2.0 million, representing 6%.

The Group's share of the profit of associated undertakings increased from £0.2 million to £0.4 million principally as a result of the strong performance by Westech, our electronic components associate in the Far East.

Exceptional items in the year were profits of £1.0 million on the sale of investments and costs of £0.7 million relating to the integration of Sedgemoor with Acal.

This year the Group's effective tax rate (based on profit before tax and amortisation of goodwill) was 29.1% as compared with 35.9% last year. The improvement was partly as a result of a higher proportion of profits being generated in the United Kingdom and partly as a result of one-off benefits of the reversal of timing differences and relief for tax losses brought forward.

We have a strong balance sheet and finished the year with net debt of £23.9 million as compared with net cash of £9.0 million at the end of the previous year. The principal items which contributed to the change were the net expenditure of £30.4 million of cash on the acquisition of Sedgemoor and of £2.6 million on the purchase of the 30% minority interest in EAF during the year. Shareholders' funds at 31 March 2000 were £54.1 million (1999: £28.4 million) having benefited from the issue of new shares as part consideration for the acquisition of Sedgemoor and the minority interest in EAF, as well as retained profits for the year.

Interest cost of £1.6 million during the year was covered 10 times by profit before interest, tax and goodwill amortisation, and 8.7 times by profit before interest and tax.

The Group's operating companies continue to manage their working capital satisfactorily, and the results of their efforts are in line with our model. Buoyant market conditions have in some cases led to lengthening lead times from suppliers, and this has resulted in the holding of some extra stock.

Dividends on ordinary shares for the year will absorb £3.6 million (1999: £2.9 million); these are covered 2.9 times (1999: 2.7 times) before amortisation of goodwill, and 2.3 times (1999: 2.7 times) after amortisation of goodwill. It should be noted that the 5.1 million shares issued in part consideration for the acquisition of Sedgemoor did not rank for the interim dividend last year.

Jim Virdee
5th June 2000

ACAL plc

Audited Preliminary Results for
the Year ended 31st March 2000

	Year ended 31 March			
	2000	2000	2000	1999
	£'000	£'000	£'000	£'000
	Continuing	Acquisition	Total	
TURNOVER	192,084	53,276	245,360	170,824
Operating Profit before Goodwill Amortisation				
Subsidiary Undertakings	10,843	3,989	14,832	11,114
Group share of Associated Undertakings	436	--	436	246
Total Operating Profit before Goodwill Amortisation				
Before exceptional items	11,279	4,715	15,994	10,110
Exceptional items	--	(726)	(726)	1,250
	11,279	3,989	15,268	11,360
Amortisation of Goodwill	(156)	(1,922)	(2,078)	(1)
TOTAL OPERATING PROFIT	11,123	2,067	13,190	11,359
Net profit on disposal of investments and tangible fixed assets	1,014	--	1,014	2,052
Loss on termination of operations	--	--	--	(391)

Net interest payable - subsidiaries	(114)	(1,478)	(1,592)	(45)
Net interest payable - associated undertakings	(32)	--	(32)	(24)
Profit before taxation				
Profit before tax, goodwill and exceptional items	11,133	3,237	14,370	10,041
Exceptional items	1,014	(726)	288	2,911
Amortisation of Goodwill	(156)	(1,922)	(2,078)	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	11,991	589	12,580	12,951
Taxation on profit on ordinary activities:				
United Kingdom			(2,384)	(2,733)
Overseas			(1,756)	(1,819)
Associated Undertakings			(129)	(96)
			(4,269)	(4,648)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			8,311	8,303
Minority Interests - Equity			(79)	(540)
Attributable profit:				
Attributable profit before goodwill amortisation			10,310	7,764
Amortisation of Goodwill			(2,078)	(1)
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS			8,232	7,763
DIVIDENDS ON ORDINARY SHARES			(3,558)	(2,904)
RETAINED PROFIT FOR THE YEAR			4,674	4,859
PROFIT AND LOSS ACCOUNT AT 1 APRIL 1999			29,356	24,004
(Loss)/Gain on Currency Translation			(1,311)	493
PROFIT AND LOSS ACCOUNT AT 31 MARCH 2000			32,719	29,356
EARNINGS PER SHARE			33.1 p	38.5 p
FULLY DILUTED EARNINGS PER SHARE			33.0 p	38.5 p
EARNINGS PER SHARE BEFORE GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS			40.3 p	28.3 p

ACAL plc

Audited Balance Sheet
as at 31st March 2000

	At 31st March 2000 £'000	1999 £'000

FIXED ASSETS		
Intangible assets	47,388	574
Tangible assets	9,342	5,885
Investments	2,957	2,945
	59,687	9,404
CURRENT ASSETS		
Stocks	26,284	15,544
Debtors	52,021	34,872
Cash at bank and in hand	8,461	14,128
	86,766	64,544
CREDITORS:		
Amounts falling due within one year	(64,503)	(42,328)
NET CURRENT ASSETS	22,263	22,216
TOTAL ASSETS LESS CURRENT LIABILITIES	81,950	31,620
CREDITORS:		
Amounts falling due after more than one year	(22,926)	(904)
PROVISIONS FOR LIABILITIES AND CHARGES	(4,942)	(402)
NET ASSETS	54,082	30,314
CAPITAL AND RESERVES		
Called up share capital	1,289	1,007
Share premium account	35,586	13,539
Revaluation reserve	290	323
Profit and loss account and other reserves	16,917	13,566
Shareholders' Funds	54,082	28,435
Minority interests (all equity)	--	1,879
	54,082	30,314

ACAL plc

Audited Summary Cash Flow Statement for the Year ended 31st March 2000

	Year ended 31st March 2000 £'000	1999 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	13,958	12,438
Net interest paid	(1,592)	(45)
Tax paid	(6,061)	(4,370)
Net expenditure on tangible fixed assets and investments	(4,194)	(2,187)
Net cash flow from acquisitions and disposals	(31,885)	3,270
Equity dividends paid	(3,253)	(2,296)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(33,027)	6,810
Increase/(decrease) in debt and finance leases	22,019	(263)
Issue of share capital	138	33
NET (DECREASE)/INCREASE IN CASH	(10,870)	6,580

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

NET (INCREASE)/DECREASE IN CASH	(10,870)	6,580
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(22,019)	263
Lease financing acquired with subsidiary	(89)	--
Translation differences	67	(55)
MOVEMENT IN NET DEBT/CASH	(32,911)	6,788
Net cash at beginning of the period	8,973	2,185
Net (debt) / cash at end of the period	(23,938)	8,973

Notes:

The financial information set out above does not constitute the company's statutory accounts for the years ended 31st March 2000 or 1999, but is derived from those accounts. Statutory accounts for 1999 have been delivered to the Registrar of Companies whereas those for 2000 will be delivered following the company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The final dividend is payable on 2nd August 2000 to shareholders on the register on
16th June 2000.

Earnings per 5p share for the year to 31st March 2000 have been calculated on the profit attributable to ordinary shareholders of £8,232,000 using the weighted average number of ordinary shares in issue during the period.

The Annual Report and Accounts will be mailed to shareholders on or before 14th June 2000. Copies will also be available from Acal plc, 39 Guildford Road, Lightwater, Surrey GU18 5SA. The results will not be advertised in any newspaper.