Final Results

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Acal PLC
10 June 2002

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ACAL plc

(Leading pan-European, value added distributor providing specialist design-in, sales and marketing services for international suppliers)

Audited Preliminary Results for the Year Ended 31 March 2002

	2002	2001	Change
Turnover	£297.0m	£325.3m	-9%
EBITA (pre associated companies)	£17.6m	£22.9m	-23%
Profit before tax (pre goodwill amortisation)	£16.6m	£22.6m	-26%
Earnings per share (pre goodwill amortisation)	42.4p	56.8p	-25%
Dividends per share	18.3p	16.5p	+11%

- Results in line with expectations
- Profit growth in three out of four divisions, despite global slowdown
- UK Electronic Components performed better than industry average
- Gross margins sustained across all product groups
- Since the year end:-
  - Acquisition of ATM, now part of IT Parts Services
  - Flotation of Westech, our associate, on Singapore Stock Exchange

For further information:-

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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, IT Products, IT Parts Services 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

Results

This financial year has been a very tough experience, after organic growth of in excess of 30% and record profits in 2000/2001. However, I am pleased to report the group has performed broadly in line with our expectations.

Sales have decreased to £297.0m from £325.3m, down 9%. This has produced an operating profit excluding associated companies of £17.6m compared to £22.9m last year, a fall of 23%. Nevertheless, even at this level the profit on sales is close to 6% and the return on average shareholder funds is well over 20%, I believe a very creditable performance in the circumstances.

During the year gross margins have been sustained in all divisions, any deterioration in the overall average has been due to change of mix of business. Without affecting future opportunities, overheads have been reduced from a peak half-yearly rate in the second half of last year of £27.9m to a rate below £25.0m for the second half of this year.

The outcome for the year is a profit before tax and goodwill of £16.6m (£22.6m), a 26% fall. With taxation at 33.5% this has translated into earnings per share before goodwill amortisation of 42.4p (56.8p), down 25%.

Your Board proposes a final dividend of 12.2p per share (11.0p) making a total for the year of 18.3p per share, an increase of 11%, confirming our confidence in the sustainable growth achievable based on the strategy of the business.

Summary Review

This year has proved very difficult for the electronic components industry, with sales for the year down 25% - a better performance than indicated by industry statistics. Quarterly Book to Bill ratios have returned to close to 1.0 from the lows of six months ago, but as yet there are no signs of growth. However, the inventory pipeline is now at a low level and any pick-up in end user demand, whether it comes in the latter part of Calendar 2002 or in 2003, will have an immediate impact on our order books.

Nevertheless the group has continued to invest in the provision of added value distribution to its customers by design-in of components for new products and other services including inventory management and logistics support for its customers.

IT Products has seen growth in all sectors in the second half of this year versus the first half. Having had a very difficult first nine months, Book to Bill ratios are above 1.0 and the quarterly order rate, year-on-year is beginning to show signs of growth.

IT Parts Services has continued to prosper throughout the year, although at a slower rate than the first half, with underlying growth year-on-year over 24%.

Strategy and Management

Difficult times test the strategy and management of a business and it is my view that both have passed the test. As set out in the Financial Review, we have shown growth in earnings before interest, taxation and goodwill amortisation in three of our four divisions, demonstrating the strength of our strategy of diversification but focussed on added value distribution of technology. We have exceeded our minimum "return on capital" goals, even with sales falling. In spite of the 9% fall, we have also achieved approximately 15% average organic growth over the last six years.

I am pleased to report the worst of this difficult economic cycle has passed without the catastrophic results reported by some other companies. Of course we have had redundancies and we have had inventory write-offs slightly larger than the usual annual level, but all those have been taken as normal operating costs and not treated as exceptional items. We have reduced stock levels successfully from £36.2m at the beginning of this year and a peak of £41.2m at 31 May 2001 to £30.3m at the end of the year, without a level of write-off that needs to be highlighted.

Your Board is grateful to all the staff for bringing us through this difficult period strengthened and growing our market share.

Since the Year End

Two events in the first two months of the new year have reflected our confidence going forward. We acquired ATM Parts Company Ltd on 24 April 2002. This is a

distributor of spare parts for automated teller machines or cash dispensers, and fits well with IT Parts Services. The initial consideration was £8.0m in cash and there are possible further performance related payments of not more than £4.0m in aggregate. During their year ended 31 August 2001 ATM achieved sales of £9.1m and profit before tax of £1.3m.

In May 2002, our associate company in Singapore, Westech Electronics (Pte) Ltd was floated on the Singapore Stock Exchange raising S$5.7m (approximately £2.2m), so as to reduce its debt and give it flexibility to take advantage of the opportunities available in the Asian market. At the close of trading on 31 May 2002 Acal's interest of 36.7% was valued at S$21.9m (approximately £8.4m).

Board Change

Alan Brooker will be retiring from the Board at the AGM after six valuable years' service. He joined us as a director in 1996 when the group was less than half its present size. He has provided wisdom, guidance and increased the professionalism of our corporate governance, and we sincerely thank him for his contribution. I expect to be able to announce the appointment of another non-executive director before the AGM in July.

Prospects

We are seeing our target growth rates in IT Parts Services sustained, and growth resume in IT Products, and we feel confident that growth in Electronic Components will return in due course - it is purely a question of when.

There are signs around the world, as well as in our own business, that the worst is over. This is unlikely to be reflected in the results for the first six months of 2002/03. Nevertheless, based on economic forecasts we should see signs of improvement before the financial year-end and we are confident that we have the right people and resources to seize the opportunities.

John Curry
10 June 2002

OPERATIONS REVIEW

During a year in which there was a slowdown in most technology market sectors, three of our four business activities grew profits, one of them IT Parts Services, significantly. It was only in Electronic Components that we experienced a decline.

Electronic Components

The telecommunication and networking markets were the big drivers in 2000 and early 2001 and these two have without doubt been the biggest sufferers over the past year. However, the order decline has now slowed and there is a degree of stability which was sorely absent for most of last year.

There are nonetheless considerable variances in the sales pattern of the UK and Continental Europe, viz:-

		2002	2001
UK	£m	66.4	81.5
Continental Europe	£m	48.8	71.6
		115.2	153.1

Our UK business is therefore down 19% compared to the UK average of 27% reported in industry statistics and Continental Europe 32% against an industry decline greater than in the UK.

As a result, total sales for the year at £115m were down only 25% from the prior year. This is a result of the focus of the broad but synergistic product base, the markets and customers that are addressed, and the design-in demand creation ethos.

IT Products

The three groups of IT Products, namely Headway Document Imaging & Management, Networking and Fibre Channel for the SAN (Storage Area Networking) market, grew 2% in total to £113m with growth coming only in the second half of the year. Within Headway, the maintenance of the dominant position in the UK, growth in Germany and overall margin improvement are key features versus the prior year. In spite of this we are still not making adequate returns in Germany, France and Scandinavia, but all three are still building from a start-up phase. It is expected that this year will move these businesses into profitable growth.

The Networking activities, which are predominantly related to Cisco, and Fibre Channel both produced growth with major steps having taken place in each activity. In September 2001 Cisco appointed Acal Netherlands as one of its seven CDP's (Cisco Distribution Partners) in Europe, down from seventy-five distributors prior to this event. Within Fibre Channel, the investment in sales effort in Continental Europe, the extension of franchises, authorized resellers and partners continues with over half the business now outside the UK.

IT Parts Services

EAF, our IT Parts Services business, has exhibited major growth - up 24% year-on-year to £47m and as predicted has proved to be counter cyclical in this period of downturn. We are profitable and successful in all the countries in which we operate, although there is still a need to continue the development of the management and organisational structures further to take advantage of additional opportunities to grow the business. The relationships with major OEM's across Europe have and are leading to the establishment of a number of valuable support models to meet growing customer needs.

Industrial Controls

At the end of September, a part of the non air conditioning and refrigeration business was sold so that, with just one exception, this business unit is now focused on this market exclusively. For this division, like-for-like sales and profit both grew.

Acal IT Systems Strategy

As indicated in the Report a year ago, we are making a major investment in a new ERP (Enterprise Resource Planning) system and a managed wide area network which will progressively be implemented across Europe. In February and March the first three UK businesses successfully changed over to the new system. Thanks and appreciation for this go to our ERP team and the users in the three companies for their very important contribution to these first implementations.

Tony Laughton
10 June 2002

FINANCIAL REVIEW

During the year ended 31 March 2002, the average sterling exchange rates against continental European currencies were very close to those in the prior year. Hence the changes in the Group's performance between the two years have not been affected to any material extent by exchange rate movements.

The table below shows a comparison of the Group's overall performance with the previous year.

£ million	Year ended 31 March 2001	Underlying change	Year ended 31 March 2002
Sales	325.3	-28.3	297.0
% change		-9%	
EBITA*	22.9	-5.3	17.6
% change		-23%	

(*EBITA being earnings before interest, taxation, the Group's share of results of associated undertakings and amortisation of goodwill)

The performance of Acal's divisions during each of the years ended 31 March 2002 and 2001 was as follows:-

	2002				2001			
	Sales		EBITA		Sales		EBITA	
	£m	As % of Group	£m	As % of Sales	£m	As % of Group	£m	As % of Sales
Electronic Components	115.2	39	6.4	5.5	153.1	47	13.0	8.5
IT Products	113.1	38	6.5	5.8	111.3	34	6.2	5.6
IT Parts Services	47.3	16	3.1	6.6	38.0	12	2.5	6.4
Industrial Controls	21.4	7	1.6	7.3	22.9	7	1.2	5.3

	297.0	100	17.6	5.9	325.3	100	22.9	7.0

With the resumption of growth in Acal's IT divisions in the second half of the year and the relatively more severe effect of the global economic slowdown in Electronic Components, as can be seen from the table above, a higher proportion of the Group's sales in the year ended

31 March 2002 have arisen in the IT divisions as compared with the previous year.

The Group's divisions have sustained their gross margins through the difficult trading conditions experienced over the last year, but the greater weighting of the IT divisions in the sales "mix" means that the overall Group average gross margin was 22.7% as compared to 23.3% in the previous year.

The Group was successful in controlling its overheads and net operating expenses (excluding goodwill amortisation) for the year to 31 March 2002 at £49.9m were 6% lower than the £53.0m in the previous year. In taking cost saving measures, the Group always endeavours to ensure that its "design-in" efforts and long-term growth strategy are not adversely affected. The analysis below demonstrates the effectiveness of the measures adopted.

	Year ended 31 March 2002	2001
Net Operating Expenses	£m	£m
First Half	25.4	25.1
Second Half	24.5	27.9
Full Year	49.9	53.0

Our associated companies, the major one being Westech, a distributor of electronic components in the Far East, were also affected by the poor global trading environment, and our share of their operating profit was significantly lower at £1.1m (2001: £2.2m).

Net interest cost of £2.1m (2001: £2.5m) was covered 9 times by profit before interest, taxation and goodwill amortisation.

The Group's effective tax rate for the year ended 31 March 2002 (based on profit before tax and amortisation of goodwill) was 33.5% (2001: 34.7%), the marginal change coming from a reduction in some overseas nominal tax rates which affect the Group.

In the current poor trading environment even greater emphasis than normal is being placed on managing the Group's balance sheet. The Group's operating companies are working hard at controlling their working capital and in particular we were successful in bringing the level of stock down to £30.3m at 31 March 2002 from £35.4m at the half year. This level is much more in line with our working capital model than it was at the end of the half-year on 30 September 2001.

Return on capital employed (which is calculated using profit before interest, goodwill amortisation and tax, and net tangible assets adding back net debt) was 49% as compared to 68% in the previous year, a good performance for a period of economic downturn.

Capital expenditure during the year was higher at £6.9 m (2001: £3.9m) primarily reflecting an investment of approximately £3.3m in the Group's new ERP system, the first implementations of which were successfully carried out in February/March 2002. Further implementations will take place over the next year.

We finished the year with net debt of £12.9m as compared with £18.4m at the end of the previous year. Shareholders' funds increased from £63.6m at 31 March 2001 to £67.2m at 31 March 2002, principally as a result of the retained profits of the period. The Group's balance sheet continues to be strong. Since 31 March 2002 we have paid £8m in cash as the initial consideration upon the acquisition of the whole of the share capital of ATM Parts Company Ltd.

The ordinary dividends declared and recommended for the year to 31 March 2002 will absorb £4.8m (2001: £4.3m) and are covered 2.3 times (2001: 3.4 times) by attributable profit before deducting the amortisation of goodwill.

Jim Virdee
10 June 2002

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Audited Consolidated Profit and Loss Account
for the Year ended 31 March 2002

	2002 £'000	2001 £'000
Turnover	297,013	325,329
Operating Profit		
Excluding goodwill amortisation	17,552	22,900
Goodwill amortisation	(2,614)	(2,471)
Group Operating Profit (excluding associated undertakings)	14,938	20,429
Group Share of Operating Profits of Associated Undertakings	1,119	2,196
Total Operating Profit (including associated undertakings)		
Excluding goodwill amortisation	18,673	25,098
Goodwill amortisation	(2,616)	(2,473)
	16,057	22,625
Net interest payable - group	(1,905)	(2,358)
Net interest payable - associated undertakings	(161)	(172)
Profit before Taxation:		
Excluding goodwill amortisation	16,607	22,568
Goodwill amortisation	(2,616)	(2,473)
Profit on Ordinary Activities before Taxation	13,991	20,095
Tax on Profit on Ordinary Activities:		
United Kingdom	(3,217)	(3,441)
Overseas	(2,118)	(3,782)
Associated undertakings	(230)	(619)
	(5,565)	(7,842)
Profit on Ordinary Activities after Taxation		
Excluding goodwill amortisation	11,042	14,726
Goodwill amortisation	(2,616)	(2,473)
Profit Attributable to Ordinary Shareholders	8,426	12,253
Dividends on Ordinary Shares	(4,769)	(4,294)
Retained Profit for the Year	3,657	7,959
Earnings per Share	32.4p	47.3p
Diluted Earnings per Share	32.2p	46.7p
Earnings per Share Excluding Goodwill Amortisation and Exceptional Items	42.4p	56.8p

The results for the year and prior year relate wholly to continuing operations.

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Audited Consolidated Balance Sheet
as at 31 March 2002

	2002 £'000	2001 £'000
FIXED ASSETS		
Intangible assets	42,383	44,915
Tangible assets	12,506	10,165
Investments	4,556	3,995
	59,445	59,075
CURRENT ASSETS		
Stocks	30,323	36,223
Debtors	53,470	67,659
Cash at bank and in hand	10,639	12,651
	94,432	116,533
CREDITORS:		
Amounts falling due within one year	(67,359)	(91,997)
NET CURRENT ASSETS	27,073	24,536
TOTAL ASSETS LESS CURRENT LIABILITIES	86,518	83,611

CREDITORS:		
Amounts falling due after more than one year	(15,369)	(15,669)
PROVISIONS FOR LIABILITIES		
AND CHARGES	(3,915)	(4,353)
NET ASSETS	67,234	63,589
CAPITAL AND RESERVES		
Called up share capital	1,304	1,301
Share premium account	36,786	36,554
Revaluation reserve	296	301
Profit and loss account and other reserves	28,848	25,433
EQUITY SHAREHOLDERS' FUNDS	67,234	63,589

ACAL plc

Audited Summary Cash flow Statement for
the Year ended 31 March 2002

	2002 £'000	2001 £'000
OPERATING ACTIVITIES		
Operating profit	14,938	20,429
Depreciation and other non cash items	5,482	5,305
Decrease/(increase) in working capital	2,562	(4,851)
NET CASH INFLOW FROM OPERATING ACTIVITIES	22,982	20,883
Dividends from associated undertaking	-	300
Net interest paid	(1,905)	(2,358)
Tax paid	(6,353)	(6,850)
Net expenditure on tangible fixed assets and investments	(5,204)	(3,730)
Net cash flow from acquisitions and disposals	195	222
Equity dividends paid	(4,450)	(3,794)
NET CASH INFLOW BEFORE FINANCING	5,265	4,673
(Decrease) in debt and finance leases	(302)	(7,318)
Issue of share capital	235	980
NET INCREASE/(DECREASE) IN CASH	5,198	(1,665)
Reconciliation of net cash flow to movements in net debt		
NET INCREASE/(DECREASE) IN CASH	5,198	(1,665)
Cash outflow from decrease in debt and lease financing	302	7,318
New finance leases	(84)	-
Translation differences	64	(73)
MOVEMENT IN NET DEBT	5,480	5,580
Net (debt) at beginning of the period	(18,358)	(23,938)
Net (debt) at end of the period	(12,878)	(18,358)

Consolidated Statement of
Total Recognised Gains and Losses

	2002 £'000	2001 £'000
Profit attributable to shareholders	8,426	12,253
Net (loss)/gain on currency translation	(353)	568
Dilution of investment in associated undertakings	(44)	-
Total recognised gains and losses for the financial period	8,029	12,821

Notes:-

1 The preliminary results were approved by the Board on 10 June 2002.The financial information set out above does not constitute the company's statutory accounts for the year ended 31 March 2002 or 2001, but is derived from those accounts. Statutory accounts for 2001 have been delivered to the Registrar of Companies whereas those for 2002 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.

2 These preliminary results have been prepared in accordance with the accounting policies normally adopted by the company. During the year, Financial Reporting Standard No. 18 on Accounting Policies and No. 19 on Deferred Tax have been implemented. These had no material effect on the results for the period or the comparative period.

3 The final dividend is payable on 25 July 2002 to shareholders on the register on 21 June 2002.

4 Earnings per share for the year to 31 March 2002 have been calculated on the profit attributable to ordinary shareholders of £8,426,000 using the weighted average number of ordinary shares in issue during the period.

5 The Annual Report and Accounts will be mailed to shareholders on or before 20 June 2002. Copies will also be available from: -

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

The results will not be advertised in any newspaper

Ends

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