Interim Results

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Acal PLC
02 December 2002

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ACAL plc

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

Unaudited Interim Results for the Six months to 30 September 2002

	2002	2001	Change
Turnover	£140.2m	£145.9m	-4%
Group earnings before interest, taxes and goodwill amortisation	£8.2m	£9.7m	-15%
Profit before tax (pre goodwill amortisation)	£7.3m	£8.4m	-13%
Earnings per share (pre goodwill amortisation)	18.5p	21.3p	-13%
Dividend	6.7p	6.1p	+10%

- Sales and profits in line with expectations
- Gross margin sustained at 23.6%
- Earnings per share before goodwill 18.5p (2001: 21.3p)
- Interim dividend up 10%
- Net debt of £21.1m (2001: £24.7m) - interest cover 9.7 times (2001: 7.8 times)
- Successful acquisition of ATM

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, Information Technology 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

Against a background of continuing tough conditions in all geographical markets, results are in line with our expectations. Group sales for the first half-year were £140.2m (£145.9), down 4% compared to the same period last year. However, excluding acquisitions and disposals, like-for-like sales were down 7%. Operating profit before interest, taxes and goodwill amortisation reduced 15% from £9.7m to £8.2m, providing profit before tax and goodwill amortisation of £7.3m (£8.4m). After an effective tax charge of 34.0% (34.5%), the underlying earnings per share before goodwill amortisation is 18.5p (21.3p) - 13% lower.

Review of Operations

The second quarter of the financial year failed to maintain the modest momentum that had developed in the first quarter, pushing any upturn further into the future.

The reduction in sales year-on-year is almost entirely in the Electronic Components Division where sales fell 22%. In the first half of last year, sales in this division were bolstered by orders placed in the boom times of 2000 and the first four months of calendar 2001. Electronic Components sales for the past three half-year periods have been as follows: £62.2m, £53.0m and for the six months ended 30 September 2002 £48.4m. Orders and sales are now running at similar levels. On the other hand I am pleased to report that IT Products and IT Services continue to see growth year-on-year, at single digit percentage rates.

Book-to-bill ratios have returned to close to 1.0 for the Group since April, although there still remains some weakness in Electronic Components and Industrial Controls. Also, for the ongoing Group as a whole, order growth year-on-year has been achieved in the first half.

Encouragingly, gross margins have been sustained across the board, averaging 23.6% and with the sale of our Cisco distribution business we will see an increase in our average gross margin in the second half of the year.

We have maintained overheads at the same level since the beginning of last year when we made a reduction of close to 10% to the run rate. We have not made any significant change since that date because, although profits are down, the profit on sales, and return on trading assets continue to be at acceptable levels at this point of the economic cycle. In our view any further cut in

overheads would impinge on our ability to create and take advantage of future opportunities.

In difficult times major problems can arise in inventory management; however we have successfully reduced inventory levels in line with current sales without any serious write-offs. Operational management are to be congratulated for the reduction from a peak stock level in May 2001 of in excess of £40m to the current level of £28m, a 30% reduction, and it is now at the correct level and in line with ongoing sales.

With strong asset management, net debt at 30 September 2002 was £21.1m (£24.7m) even after the payment of £8.0m on completion of the acquisition of ATM Parts Company Ltd ("ATM"), and interest cover was 9.7 times (7.8 times).

Dividend

The Board has declared an interim dividend of 6.7p per share (6.1p), an increase of 10%, to be paid on 24 January 2003 to shareholders on the register on 13 December 2002. In spite of an earnings decrease, your Board has increased the dividend reflecting our confidence in the long term future of the business.

Acquisitions and Disposals

In the Annual Report I commented on the acquisition of ATM in April 2002. This has fitted well into our IT Parts Services division and I am pleased to report is performing up to expectations. The first performance-related payment due in December 2002 will be £1.6m.

On 14 October 2002 we announced the sale of the Cisco distribution business, part of our networks business in the IT Products Division. The sale proceeds and realisation of assets since 31 March 2002 will reduce debt by about £5.5m. Although we were selected as a Cisco Distribution Partner last year, the nature of the business going forward did not fit our strategic and financial model. In the long-term our and Cisco's objectives would have come into conflict and it was therefore in our shareholders' and employees' best interests to find a more suitable owner and sell the business.

The difficult economic climate provides opportunities and we have been actively looking for acquisitions that fit with the Group strategy.

Board Changes

On 1 August 2002 we announced the appointment of Eric Barton as a non-executive director. He has been involved with technology companies since 1968 and was a director of 3i plc from 1986 to 1999. He is currently a director of Morse plc, Informa Group plc, Telecity plc and a venture capital backed company. His experience in Acal's field of operations "the distribution of technology" has already proved valuable.

Prospects

The economic climate remains tough and uncertain. General expectations of the resumption of growth have been deferred for the foreseeable future, and certainly beyond this current financial year. Nevertheless we remain confident of our ability to continue to develop the business in these challenging markets.

John Curry
2 December 2002

ACAL plc

Unaudited Summary Profit and Loss Account for
Six Months ended 30 September 2002

	Six Months ended 30 September		Year ended 31 March
	2002	2001	2002 (audited)
	£'000	£'000	£'000
Turnover			
Continuing business			
Ongoing activities	126,797	136,455	272,633
Activities sold (note 3)	9,295	9,426	24,380
Acquisition	4,150	-	-
	140,242	145,881	297,013
Operating Profit			
Continuing business	6,931	8,806	17,552
Goodwill amortisation	(1,234)	(1,232)	(2,614)
	5,697	7,574	14,938
Acquisition	979	-	-
Goodwill amortisation	(139)	-	-
	840	-	-
Group Operating Profit (excluding Associates)	6,537	7,574	14,938
Group Share of Operating Profits of Associates	250	847	1,119
Total Operating Profit (including Associates)			
Excluding goodwill amortisation	8,161	9,654	18,673
Goodwill amortisation	(1,374)	(1,233)	(2,616)
	6,787	8,421	16,057
Net interest payable - group	(778)	(1,127)	(1,905)
Net interest payable - associates	(62)	(105)	(161)
Profit before Taxation			
Excluding goodwill amortisation			
Continuing business	6,510	8,422	16,607
Acquisition	811	-	-
Goodwill amortisation	(1,374)	(1,233)	(2,616)
Profit on Ordinary Activities before Taxation	5,947	7,189	13,991
Tax on Profit on Ordinary Activities:			
United Kingdom	(1,535)	(1,561)	(3,217)
Overseas	(903)	(1,112)	(2,118)
Associates	(54)	(205)	(230)
	(2,492)	(2,878)	(5,565)
Profit on Ordinary Activities after Taxation			
Excluding goodwill amortisation	4,829	5,544	11,042
Goodwill amortisation	(1,374)	(1,233)	(2,616)
Profit Attributable to Ordinary Shareholders	3,455	4,311	8,426
Dividends on Ordinary Shares	(1,752)	(1,588)	(4,769)
Retained Profit for the Period	1,703	2,723	3,657
Earnings per Share	13.2p	16.6p	32.4p
Diluted Earnings per Share	13.1p	16.5p	32.2p
Earnings per Share Excluding Goodwill Amortisation	18.5p	21.3p	42.4p
Dividends per share	6.7p	6.1p	18.3p

Unaudited Balance Sheet
as at 30 September 2002

	At 30 September 2002	At 30 September 2001	At 31 March 2002 (audited)
	£'000	£'000	£'000
FIXED ASSETS			
Intangible assets	47,681	43,616	42,383
Tangible assets	13,778	12,274	12,506
Investments	5,390	4,466	4,556
	66,849	60,356	59,445
CURRENT ASSETS			
Stocks	28,098	35,362	30,323
Debtors	50,504	55,619	53,470
Cash at bank and in hand	10,641	7,303	10,639
	89,243	98,284	94,432
CREDITORS:			
Amounts falling due within one year	(59,835)	(72,687)	(67,359)
NET CURRENT ASSETS	29,408	25,597	27,073
TOTAL ASSETS LESS CURRENT LIABILITIES	96,257	85,953	86,518
CREDITORS:			
Amounts falling due after more than one year	(23,533)	(15,669)	(15,369)
PROVISIONS FOR LIABILITIES AND CHARGES	(3,517)	(4,102)	(3,915)
NET ASSETS	69,207	66,182	67,234
CAPITAL AND RESERVES			
Called up share capital	1,308	1,302	1,304
Share premium account	37,009	36,638	36,786
Revaluation reserve	304	300	296
Profit and loss account and other reserves	30,586	27,942	28,848
	69,207	66,182	67,234

ACAL plc

Unaudited Summary Cash flow Statement for
Six Months ended 30 September 2002

	Six Months ended 30 September 2002	Six Months ended 30 September 2001	Year ended 31 March 2002 (audited)
	£'000	£'000	£'000
OPERATING ACTIVITIES			
Group operating profit	6,537	7,574	14,938
Depreciation and amortisation	2,810	2,712	5,482
(Increase)/decrease in working capital	(1,166)	(6,015)	2,562
NET CASH INFLOW FROM OPERATING ACTIVITIES	8,181	4,271	22,982
Dividends from associates	78	-	-
Net interest paid	(778)	(1,127)	(1,905)
Equity dividends paid	(3,181)	(2,862)	(4,450)
Tax paid	(3,193)	(2,975)	(6,353)
Net expenditure on tangible fixed assets and investments	(2,787)	(3,735)	(5,204)
Net cash flow from acquisitions and disposals	(6,405)	-	195
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(8,085)	(6,428)	5,265
Increase/(decrease) in debt and finance leases	7,045	125	(302)
Issue of share capital	227	85	235
NET (DECREASE)/INCREASE IN CASH	(813)	(6,218)	5,198

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

NET (DECREASE)/INCREASE IN CASH	(813)	(6,218)	5,198
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(7,045)	(125)	302
Debt acquired with subsidiary	(257)	-	-
New finance leases	-	-	(84)
Translation differences	(123)	(37)	64
MOVEMENT IN NET (DEBT)	(8,238)	(6,380)	5,480
Net (debt) at beginning of the period	(12,878)	(18,358)	(18,358)
Net (debt) at end of the period	(21,116)	(24,738)	(12,878)

Unaudited Statement of Total Recognised Gains and Losses
For Six Months Ended 30 September

	Six Months ended 30 September		Year ended 31 March
	2002	2001	2002 (audited)
	£'000	£'000	£'000
Profit attributable to shareholders	3,455	4,311	8,426
Net gain/(loss) on currency translation	43	(215)	(353)
Dilution of investment in associated undertakings	-	-	(44)
Total recognised gains and losses for the financial period	3,498	4,096	8,029

NOTES:

1. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 March 2002, but is derived from those accounts. Statutory accounts for 2002 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. These interim results have been prepared in accordance with the accounting policies normally adopted by the Company and are consistent with those adopted at 31 March 2002.

3. Turnover of the Group's Cisco distribution business, which was sold in October 2002, and the UK industrial instrumentation business, which was sold in October 2001 have been shown under "Activities sold".

4. The interim dividend is payable on 24 January 2003 to shareholders on the register on 13 December 2002.

5. Earnings per share for the half year to 30 September 2002 have been calculated on the profit attributable to ordinary shareholders of £3,455,000 using the weighted average number of ordinary shares in issue during the period.

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

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

The interim results will not be advertised in any newspaper

Ends

This information is provided by RNS
The company news service from the London Stock Exchange