Interim Results

Released : 06 Dec 2004

Acal PLC
06 December 2004

FOR RELEASE 7:00AM 6 DECEMBER 2004

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 2004

	2004	2003	Change
Turnover	£124.4m	£127.1m	-2%
EBITA* (pre associated companies)	£6.1m	£6.5m	-6%
Profit before tax:-	£5.5m	£5.9m	-7%
Before goodwill amortisation	£3.9m	£4.4m	-11%
After goodwill amortisation			
Earnings per share:-	13.0p	14.1p	-8%
Before goodwill amortisation	7.3p	8.5p	-14%
After goodwill amortisation			
Dividends per share	7.2p	7.0p	+3%

12% growth in sales in the Components Divisions with EBITA* up 33%
Offset by 12% reduction in sales and 25% reduction in EBITA* in the IT Divisions
Overall sales flat compared to last year at constant exchange rates
UK Electronic Components and IT Products activities being reorganised
Annualised pre-tax return of 30% on net trading assets for half year
Further dividend growth: interim dividend up 3% at 7.2p per share
John Curry to retire as Chairman after 18 years with the Company

(* EBITA = Earnings before interest, tax and amortisation of goodwill)

For further information:-
Tony Laughton - Chief Executive 01483 544500
Jim Virdee - Finance Director 01483 544500
Brian Coleman-Smith/Grace Marriner 020 7398 3300
Beattie Financial

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, Spain, Scandinavia and the USA.

CHAIRMAN'S STATEMENT

The first half of this year has seen a continuation of the demanding market conditions encountered last year. Despite the impact this has had on overall sales, which are 2% lower at £124.4m (2003 : £127.1m), we continue to make an adequate return on net trading assets (30% per annum for the half year) although not an adequate profit return on sales. At constant exchange rates overall sales were flat compared to last year. I am pleased to report 12% sales growth in the Components divisions with EBITA up 33%, but this has been offset by a 12% reduction in sales and 25% EBITA reduction in the IT divisions. The principal reason for the reductions was a combination of competitive pressures on prices and gross margins of existing IT products coupled with slower than expected introduction of new products.

Results

Below is a table showing the results of each of Acal's divisions for the half-year ended
30 September 2004.

	2004/05					2003/4		
	Sales		EBITA			Sales	EBITA	
	£m	% change	£m	% change	% of sales	£m	£m	% of sales
Electronic Components	48.6	+11%	2.0	+25%	4.1%	43.7	1.6	3.7%
Industrial Controls	10.0	+14%	0.8	+60%	8.0%	8.8	0.5	5.7%
Components TOTAL	58.6	+12%	2.8	+33%	4.8%	52.5	2.1	4.0%
IT Products	41.2	-9%	1.2	-33%	2.9%	45.4	1.8	4.0%
IT Parts Services	24.6	-16%	2.1	-19%	8.5%	29.2	2.6	8.9%
IT TOTAL	65.8	-12%	3.3	-25%	5.0%	74.6	4.4	5.9%
	124.4	-2%	6.1	-6%	4.9%	127.1	6.5	5.1%
Associates			0.3				0.2	
	124.4	-2%	6.4	-4%		127.1	6.7	

The Electronics Components division performed in line with expectations in the first half. Benefits are beginning to show with new supplier wins and current suppliers extending our geographical coverage. There is some progress in the defence, aerospace, security, medical and industrial markets, and even some signs of improving activity in telecoms.

The Industrial Controls division continues to provide growth, particularly in the Far East, with some help from the weaker dollar.

Within our IT Products division, after a period of sustained growth the Storage Networking business is experiencing significant price erosion and margin pressure which is preventing growth. However, it continues to produce satisfactory returns as does the Document Imaging business although sales were

flat there. The other IT products, which include network and security offerings as well as computer components in the Netherlands, have however experienced a decline in both sales and profits.

In the IT Parts Services division, CPI continues to perform well and ATM has moved to a new location and is now through the period of investment in new management structures, facilities and IT systems. Changes in the channel strategies of major OEMs continue to affect sales, particularly in Germany. Although the division overall has shown a decline in sales, it continues to produce satisfactory returns both on sales and net trading assets.

Dividend

The Board has declared an interim dividend of 7.2p net per share (7.0p), an increase of 3%. This to be paid on 25 January 2005 to shareholders on the register on 17 December 2004.

Board Changes

It was my intention to continue as Chairman for a couple more years but unfortunately, ill health has affected these plans. I will retire by the AGM after 18 years at the helm in partnership with Tony Laughton. Richard Moon joined the Board earlier this year with the intention of taking over as Chairman in due course. Events have accelerated the position and I am pleased to say he will be appointed Non-Executive Deputy Chairman on 6 December 2004 with the expectation that he will become Non-Executive Chairman on my retirement.

Richard Allen left the Board on 5 November 2004, having been with Acal since 1999 and on the Board since 2000. We thank him for his contribution over the past five years and wish him well for the future.

Current Trading and Strategy

We are reorganising both our UK Electronic Components and IT Product businesses to provide a broader product offering from each entity. When this is complete we will have one UK IT Products operation whilst maintaining the specific focus of Headway and Acal Storage Networking. In the Component business we are amalgamating the two largest units in the UK to form what we expect to be one of the most powerful specialist distributors in this sector. With the completion of the implementation of our ERP system, this reorganisation should enable us to save costs and achieve better utilisation of our back-office and support functions.

The Components activities continue to show growth, although the recent order pattern suggests that the rate of growth is slowing down.

Demand remains weak, and frequently volatile in the IT divisions. We are both adding to and rationalising the products and services we are able to offer but the financial benefits from this will take time to come through.

Although some indicators remain positive, overall it is uncertain whether we can look forward to any sustained period of economic growth in our major markets. Thus we believe it is appropriate to be cautious regarding the near term outlook for growth.

We continue to take measures to enhance the service we provide to our customers and suppliers and to improve our financial returns. Even though such measures can reduce short-term profitability we believe they will strengthen the business and in the medium to longer term enable us to improve our financial performance by returning to growth in sales.

John Curry

6 December 2004

ACAL plc

Unaudited Summary Profit and Loss Account for
Six Months ended 30 September 2004

	Six Months ended 30 September		Year ended 31 March
	2004	2003	2004
			(audited)

	£'m	£'m	£'m
Turnover			
Ongoing activities	123.7	125.7	266.2
Operations terminated (note 3)	-	1.4	2.7
Acquisition (note 3)	0.7	-	-
	124.4	127.1	268.9
Operating Profit			
Excluding goodwill amortisation	6.1	6.5	14.2
Goodwill amortisation	(1.6)	(1.5)	(2.9)
Group Operating Profit (excluding Associates)	4.5	5.0	11.3
Group Share of Operating Profits of Associates	0.3	0.2	0.4
Total Operating Profit (including Associates)			
Excluding goodwill amortisation	6.4	6.7	14.6
Goodwill amortisation	(1.6)	(1.5)	(2.9)
	4.8	5.2	11.7
Loss on termination of operations	-	-	(0.6)
Net interest payable and similar charges	(0.9)	(0.8)	(1.9)
Profit before Taxation			
Excluding goodwill amortisation	5.5	5.9	12.1
Goodwill amortisation	(1.6)	(1.5)	(2.9)
Profit on Ordinary Activities before Taxation	3.9	4.4	9.2
Tax on Profit on Ordinary Activities			
United Kingdom	(1.6)	(1.8)	(3.8)
Overseas	(0.1)	(0.1)	(0.2)
Associates	(0.1)	(0.1)	(0.2)
	(1.8)	(2.0)	(4.2)
Profit after Taxation			
Excluding goodwill amortisation	3.7	3.9	7.9
Goodwill amortisation	(1.6)	(1.5)	(2.9)
Profit on Ordinary Activities after Taxation	2.1	2.4	5.0
Minority Interest	(0.2)	(0.2)	(0.2)
Profit Attributable to Ordinary Shareholders	1.9	2.2	4.8
Dividends on Ordinary Shares	(1.9)	(1.8)	(5.5)
Retained Profit/(Loss) for the Period	-	0.4	(0.7)
Earnings per Share	7.3p	8.5p	18.4p
Diluted Earnings per Share	7.3p	8.4p	18.4p
Earnings per Share Excluding Goodwill Amortisation	13.0p	14.1p	29.6p
Earnings per Share Excluding Goodwill Amortisation and loss on termination of operations	13.0p	14.1p	31.8p

Dividends per share	7.2p	7.0p	21.0p

ACAL plc

Unaudited Balance Sheet
as at 30 September 2004

	At 30 September 2004	2003	At 31 March 2004 (audited)
	£'m	£'m	£'m
FIXED ASSETS			
Intangible assets	47.3	49.0	46.9
Tangible assets	13.7	14.7	14.1
Investments	6.5	6.1	6.4
	67.5	69.8	67.4
CURRENT ASSETS			
Stocks	26.3	27.2	23.6
Debtors	48.9	48.2	50.8
Cash at bank and in hand	11.0	9.8	10.8
	86.2	85.2	85.2
CREDITORS:			
Amounts falling due within one year	(58.8)	(58.4)	(57.6)
NET CURRENT ASSETS	27.4	26.8	27.6
TOTAL ASSETS LESS CURRENT LIABILITIES	94.9	96.6	95.0
CREDITORS:			
Amounts falling due after more than one year	(20.3)	(20.4)	(20.3)
PROVISIONS FOR LIABILITIES AND CHARGES	(0.8)	(0.6)	(1.3)
NET ASSETS - excluding pension liability	73.8	75.6	73.4
Net pension liability	(4.6)	(5.7)	(4.8)
NET ASSETS - including pension liability	69.2	69.9	68.6
CAPITAL AND RESERVES			
Called up share capital	1.3	1.3	1.3
Share premium account	38.0	37.7	37.8
Revaluation reserve	0.3	0.3	0.3
Profit and loss account and other reserves	28.6	29.7	28.3
EQUITY SHAREHOLDERS' FUNDS	68.2	69.0	67.7
Minority interests (all equity)	1.0	0.9	0.9
TOTAL CAPITAL EMPLOYED	69.2	69.9	68.6

ACAL plc

Unaudited Summary Cash flow Statement for
Six Months ended 30 September 2004

	Six Months ended 30 September		Year ended 31 March
	2004	2003	2004
	£'m	£'m	(audited) £'m
OPERATING ACTIVITIES			
Group operating profit	4.5	5.0	11.3
Depreciation and amortisation	3.1	3.1	6.4
Profit on disposal of fixed assets	-	-	(0.1)
(Increase)/decrease in working capital	(4.0)	(2.1)	2.2
NET CASH INFLOW FROM OPERATING ACTIVITIES	3.6	6.0	19.8
Dividends from associates	0.1	0.1	0.1
Net interest paid	(0.9)	(0.8)	(1.8)
Tax paid	(2.0)	(3.6)	(4.9)
Net expenditure on tangible fixed assets and investments	(1.2)	(2.0)	(3.9)
Net cash flow from acquisitions and disposals	(1.3)	(6.7)	(6.3)
Equity dividends paid	(3.7)	(3.5)	(5.4)
NET CASH OUTFLOW BEFORE FINANCING	(5.4)	(10.5)	(2.4)
Decrease in debt and finance leases	(0.1)	(3.7)	(3.8)
Issue of share capital	0.2	0.5	0.7
NET DECREASE IN CASH	(5.3)	(13.7)	(5.5)
Reconciliation of net cash flow to movement in net debt			
NET DECREASE IN CASH	(5.3)	(13.7)	(5.5)
Cash outflow from decrease in debt and lease financing	0.1	3.7	3.8
Translation differences	-	-	(0.1)
INCREASE IN NET DEBT	(5.2)	(10.0)	(1.8)
Net debt at beginning of the period	(15.2)	(13.4)	(13.4)
Net debt at end of the period	(20.4)	(23.4)	(15.2)

ACAL plc

Unaudited Statement of Total Recognised Gains and Losses
For Six Months ended 30 September 2004

	Six Months ended 30 September		Year ended 31 March
	2004	2003	2004
	£'m	£'m	(audited) £'m
Profit attributable to ordinary shareholders	1.9	2.2	4.8
Actuarial gain on pension scheme	-	-	1.2
Deferred tax relating to pension scheme	(0.1)	-	(0.5)

Net gain/(loss) on currency translation	0.4	0.1	(1.0)
Total recognised gains and losses for the financial period	2.2	2.3	4.5

NOTES:

1. 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 2004.

2. The financial information for the year ended 31 March 2004 does not constitute the Company's statutory accounts but is derived from those accounts. Statutory accounts for 2004 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.

3. The closure of EAF Nederland BV was announced on 29 March 2004 and completed during the half year ended 30 September 2004. The turnover of this operation is shown under "Operations terminated". The loss on termination was recorded in the year ended 31 March 2004. The acquisition of Mecodis SA was announced on 16 July 2004. Its turnover is shown under "Acquisition". The impact of the Operations terminated and the Acquisition on the operating profit of the relevant periods was immaterial.

4. The interim dividend is payable on 25 January 2005 to shareholders on the register on 17 December 2004.

5. Earnings per share for the half year to 30 September 2004 have been calculated on the profit attributable to ordinary shareholders of £1,931,000 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 at www.acalplc.co.uk or 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