

Abacus Group plc

Interim Results

Abacus Group plc (LSE: ABU), a leading franchised distributor of electronic components in the UK, Eire, Italy and the Nordic region is pleased to announce its Interim Results for the six months ended 31 March 2005.

Business Highlights:

- Economic climate and trading conditions challenging in first half of year
- Core distribution business maintained UK market share
- Trident performing well in a growing market – bookings up 43%

Financial Highlights:

- Operating profit increased to £4.2m (2004: £4.0m)
- Gross margin increased to 24.2% (2004: 22.5%)
- Sales declined 5% to £87.1m (2004: £91.4m)
- Group profit before tax and goodwill remained at £4.0m (2004: £4.0m) (after goodwill unchanged at £3.6m)
- Earnings per share 5.4p (2004: 5.4p)
- Interim dividend increased by 3% to 3.6p per share

Post period end highlights

- Appointment of Peter Allen to the Board as Group Finance Director

Commenting on the results, Harry Westropp, Chairman, said:

“Abacus has operated in challenging economic and trading conditions in the first half of the year. However the Company has maintained its UK market share and the management has anticipated this climate and reacted well. I am pleased that the Trident part of our business is performing so strongly and that there is good growth potential from its proprietary systems. Our strategy moving forward is to develop our existing activities and grow the business both organically and through acquisitions.”

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CHAIRMAN'S STATEMENT

The economic climate and trading conditions generally have deteriorated over the six months to 31 March 2005. Abacus Group's core distribution business has not been immune and sales by comparison with the same period a year ago are 5% down at £87.1 million. As a result of actions taken by management in anticipation of this change, the gross margin has increased to 24.2%, leading to the same Group profit before tax and goodwill of £4.0 million (£3.6 million after goodwill) for the 6 month period in 2005 as in 2004.

Gross margin improved in all regions and in the UK our core distribution business maintained its market share. In both the Nordic region and Italy we slightly underperformed and going forward it is a key priority for the Board to build market share in each of these territories.

Trident, our systems, printers and displays business, has made good progress in successfully winning new contracts. Its bookings are up 43% by comparison with a year ago and these orders are starting to translate into sales.

At the beginning of April we welcomed Peter Allen to the Board of Abacus as Group Finance Director. He succeeded Peter Griffith-Jones, who retired after seventeen years having made a considerable contribution to Abacus. Peter Allen, 49, brings wide experience having joined us from Celltech Group plc where he was Deputy Chief Executive Officer and Chief Finance Officer, prior to its sale for £1.5 billion to UCB. He was closely involved in formulating and implementing Celltech's strategy, part of which was a series of substantial acquisitions.

Financial Results

Notwithstanding the challenging market conditions, which impacted the turnover of the Group, the financial results are reasonably satisfactory. Sales declined 4.7% to £87.1 million in the 6 month period but through strong management of the business activities, gross margin improved to 24.2% from 22.5% in 2004 and gross profit was £21.1 million against £20.6 million last year. This, combined with tight control of overhead costs which rose just 1.8% to £16.9 million, meant that operating profit was £4.2 million compared to £4.0 million in the same period last year. The interest expense rose as a consequence of higher average borrowings, following the acquisitions made by the Group in 2004 and therefore profit before tax was £3.6 million for the 6 months ended 31 March 2005, the same as the equivalent period last year. Likewise, earnings per share are also unchanged at 5.4p per share.

Cash Flow and Interim Dividend

The Group cash flow in the six month period was affected by an increase in working capital, as a result of a decrease in creditors and accruals. This is not expected to recur at the end of the financial year. As a consequence of this increase in working capital, operating cash inflow was £3.7 million compared to £6.2 million in 2004. This cash flow was then used to pay interest, tax and dividends and to fund capital expenditure, resulting in a net outflow in the period of £2.7 million. It is expected that for the full financial year a neutral cashflow will be reported. Capital expenditure of £1.3 million in the period mainly related to work on the key IT upgrade project, which is now half complete, and represents a cumulative investment to date of £4.7 million. The project is proceeding to schedule.

Group borrowings at 31 March 2005 amounted to £32.1 million (£29.4 million at 30 September 2004) representing gearing of 71%. The Group owns, rather than leases or rents, its major properties which have been valued in excess of £10 million, and this has the effect of distorting somewhat the gearing ratio relative to other companies.

The Board has declared an interim dividend of 3.6p per share, an increase of 3% over 2004. The increase reflects the continuing confidence in the Group's ability to finance the dividends out of operational cash flow. The dividend will be paid on 1 July 2005 to those shareholders on the Register at the close of business on 3 June 2005.

Outlook

I have commented several times over the past few months on the short term outlook. Little has changed in that our expectation of a continuing sluggish market for our core distribution business has been realised and we are not anticipating any improvement in industry conditions in this calendar year. Recognising this, we have been active in developing our other interests and the display business at Trident is showing good potential in a growth market. It is also pleasing that CTL and CCS, our cable assembly businesses, are performing well. The absolute priority for the Board and management is to provide satisfactory returns for shareholders in an ever changing environment, and our strategy going forward is to develop our existing activities both organically and through acquisition.

Harry Westropp
Chairman
23 May 2005

GROUP TRADING RESULTS

	Unaudited 6 months to 31.03.05	Unaudited 6 months to 31.03.04	Audited 12 months to 30.09.04
	Total £' m	Total £' m	Total £'m
Turnover	87.1	91.4	187.8
Gross Profit	21.1	20.6	43.0
Other Operating expenses	(16.9)	(16.6)	(32.8)
Operating Profit	4.2	4.0	10.2
Interest expense (net)	(0.6)	(0.4)	(0.9)
Profit before taxation	3.6	3.6	9.3
Taxation	(1.3)	(1.3)	(3.3)
Profit after taxation	2.3	2.3	6.0
Dividends	(1.5)	(1.5)	(4.5)
Retained profit for the period	0.8	0.8	1.5
Earnings per share (note 1)			
Basic	5.4p	5.4p	14.2p
Diluted	5.3p	5.4p	14.1p
Dividends per share	3.6p	3.5p	10.5p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the period	2.3	2.3	6.0
Loss on foreign currency translation	(0.1)	(0.3)	(0.1)
Total gains recognised for the period	2.2	2.0	5.9
Dividends paid and proposed	(1.5)	(1.5)	(4.5)
New share capital subscribed	0.1	0.4	0.4
Net addition to shareholders' funds	0.8	0.9	1.8
Opening shareholders' funds	44.2	42.4	42.4
Closing shareholders' funds	45.0	43.3	44.2

SUMMARISED GROUP BALANCE SHEET

	Unaudited at 31.03.05 £'m	Unaudited at 31.03.04 £'m	Audited at 30.09.04 £'m
Fixed assets			
Intangible assets: goodwill	11.4	10.3	11.8
Tangible assets	19.0	17.8	18.4
Investments	-	0.1	-
	30.4	28.2	30.2
Current assets			
Stocks	33.9	33.8	34.8
Debtors	40.0	41.7	41.1
Cash at bank and in hand	3.4	0.8	3.1
	77.3	76.3	79.0
Creditors: amounts falling due within one year	(56.4)	(49.0)	(56.3)
Net current assets	20.9	27.3	22.7
Total assets less current liabilities	51.3	55.5	52.9
Creditors: amounts falling due after more than one year	(4.7)	(8.2)	(7.3)
Provisions for liabilities and charges	(1.6)	(3.4)	(1.4)
Net assets	45.0	43.9	44.2
Capital and reserves			
Called-up share capital	2.1	2.1	2.1
Share premium account	9.2	9.1	9.1
Merger reserve	3.3	3.3	3.3
Capital redemption reserve	0.4	0.4	0.4
Profit and loss account	30.0	28.4	29.3
Equity shareholders' funds	45.0	43.3	44.2
Minority equity interests	-	0.6	-
Total capital employed	45.0	43.9	44.2

GROUP CASH FLOWS

	Unaudited 6 months to 31.03.05 £'m	Unaudited 6 months to 31.03.04 £'m	Audited 12 months to 30.09.04 £'m
Net cash inflow from operating activities (note 3)	3.7	6.2	13.1
Returns on investments and servicing of finance	(0.6)	(0.4)	(0.9)
Taxation	(1.5)	(1.1)	(2.5)
Capital expenditure and financial investment	(1.3)	(1.2)	(2.4)
	0.3	3.5	7.3
Acquisitions	-	(6.8)	(9.3)
Equity dividends paid	(3.0)	(2.9)	(4.4)
Net cash outflow before financing	(2.7)	(6.2)	(6.4)
Financing	(1.8)	(1.0)	(3.6)
Decrease in cash (note 4)	(4.5)	(7.2)	(10.0)

Notes

- Earnings per share is calculated by dividing the profit for the period, by the weighted average number of shares: 42,557,106 (basic) and 42,744,341 (diluted). For the half year 2004, the weighted average number of shares was 42,323,572 for basic earnings and 42,693,630 for diluted. The average shares outstanding at 30 September 2004 were 42,426,373 (basic) and 42,809,417 (diluted).
- The financial information set out above does not constitute the Company's statutory accounts for the year ended 30 September 2004, but is derived from them. The accounting policies set out in the 2004 accounts have been applied in preparing the information for 2005. Statutory accounts for 2004 have been delivered to the Registrar of Companies. The Auditors have reported on the accounts to 30 September 2004: their report was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985. Copies of the annual report and accounts and of this announcement are available at the Company's registered office; Abacus House, Bone Lane, Newbury, Berkshire RG14 5SF or from the website: www.abacus-group.co.uk.

	Unaudited 6 months to 31.03.05 £'m	Unaudited 6 months to 31.03.04 £'m	Audited 12 months to 30.09.04 £'m
3. Cash flow from operating activities			
Operating profit	4.2	4.0	10.2
Depreciation	0.7	0.7	1.7
Goodwill amortisation	0.4	0.4	0.7
Operating profit before depreciation and goodwill	5.3	5.1	12.6
Decrease in stocks	0.9	0.8	0.3
Decrease (increase) in debtors	1.0	(4.4)	(3.0)
(Decrease) increase in creditors	(3.5)	4.6	3.2
Increase in provisions	-	0.1	-
Net cash inflow from operating activities	3.7	6.2	13.1
4. Movement in net debt			
Decrease in cash	(4.5)	(7.2)	(10.0)
Cash outflow from decrease in debt and lease financing	1.8	1.4	1.6
Change in net debt resulting from cash flows	(2.7)	(5.8)	(8.4)
Loans and finance leases acquired with subsidiary undertaking	-	(2.2)	(2.2)
Issue of loan notes to purchase subsidiary undertakings	-	-	(0.2)
New finance leases	-	-	(0.1)
Foreign exchange difference	-	0.3	0.2
Movement in net debt in the period	(2.7)	(7.7)	(10.7)
Net debt at start of period	(29.4)	(18.7)	(18.7)
Net debt at end of period	(32.1)	(26.4)	(29.4)
Net debt at end of period comprises			
Cash	3.4	0.8	3.1
Overdrafts	(27.9)	(17.9)	(23.1)
Finance leases: falling due within one year	-	-	(0.1)
Bank loans: falling due within one year	(2.9)	(1.1)	(2.0)
Bank loans: falling due after more than one year	(4.7)	(8.2)	(7.3)
Net debt at end of period	(32.1)	(26.4)	(29.4)