



Abacus Group plc

("Abacus" or "the Company" or "the Group")

Preliminary Results for the year ended 30th September 2007

Abacus Group plc (LSE: ABU), a leading European electronic components distributor, is pleased to announce its Preliminary Results for the year ended 30th September 2007.

Financial Highlights

- 11.6% increase in turnover to £287m (2006: £257m)
- 10.5% increase in gross profit to £71.5m (2006: £64.7m, before exceptionals)
- Gross margin at 24.9% (2006: 25.2% before exceptionals)
- 8.4% increase in profit before tax, amortisation and exceptionals to £12.9m (2006: £11.9m) – after amortisation and exceptionals £0.6 million (2006: loss £0.1 million)
- Basic earnings per share of 11.8p pre-amortisation and exceptionals (2006: 13.6p) – after amortisation and exceptionals 0.3p (2006: nil)
- Final dividend 3.6p, giving unchanged 7.2p per share for full year
- Net borrowings reduced to £59.9 million (2006: £66.1 million)
 - Two UK properties sold post year end for £5.6 million (net) further reducing borrowings

Operational Highlights

- Integration completed of Deltron Electronics plc and Axess Technology – strengthened Group
- Sales growth across France, Nordic and Austria despite difficult markets
- Market share gains in UK maintained

Market

- AFDEC In UK shows 30% of market now taken by distribution (compared to 25% in 2004)
 - Europartners shows 27% for Europe (compared to 24% in 2004)

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

"Despite the challenges of the past year there are encouraging signs going forward. Not only is Abacus solidly profitable, maintaining good gross margins for its industry and generating cash in a weak market place, but statistics are showing the share of distributors is growing in all our main territories. Following the acquisitions of Deltron and Axess, Abacus Group is ideally positioned to take advantage of market improvements as and when they materialise."

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Chairman's Statement

I can report that Abacus Group plc's results for the year ended 30 September 2007 are in line with Board expectations. However, it has been a challenging twelve months for the Group with market conditions deteriorating for most of the second half and demand remaining at the lower levels in the last two months of the year. This external market pressure has been particularly frustrating for management who have made significant progress within the Group in a number of areas. The two major acquisitions made in 2006 of Deltron Electronics plc and Axess Technology Group were successfully integrated and targeted savings achieved within the agreed timescale. Management changes have been effected where necessary, cash control has been good, with further savings made where possible, and strong operational cash flow achieved. The net debt has been reduced from £66.1 million at the outset of the year to £59.9 million at 30 September 2007.

In his report Martin Kent, CEO, covers the individual operations in fuller detail but I would like to highlight a few areas for comment. Our French operation achieved a 6% increase in sales despite independent forecasts of an overall market decline of 12% in the territory. By contrast, Germany saw a sales decline of 5.5% but this masks the steps taken over the year to expand our sales presence with offices across the various regions. We believe that this broader base will give Abacus Germany the opportunity to gain new franchises and achieve growth in 2008. Asia is also of growing importance to us and through our office in Hong Kong and employees in mainland China, we support business that is transferred from Europe.

The UK was the market to show earliest signs of the slowdown and our distribution sales suffered accordingly although market share was maintained. However, our manufacturing business, Alpha 3, achieved a 5% uplift in sales and continued to show a strong performance.

Results in 2007

Turnover was up 11.6% at £287 million compared with £257 million for 2006. However, looking at each six months separately, the second half at £138 million was 6.9% lower than the first half, a decline of 8.9% against the same period in 2006. The reduction in Abacus sales was generally in line with the performance of European markets as a whole. Overall, Abacus retained its market share over this period.

Gross profit at £71.5 million compared with £64.7 million (£63.9 million after amortisation and intangibles for 2006), an increase of 10.5%. The underlying gross margin was 24.9%, a slight decrease on our target of 25%.

In July 2007 it was announced that the decision had been taken to cease development of an in-house ERP system. This decision was the outcome of a review undertaken to establish the future requirements of the Group following its expansion into mainland Europe. The change to a new external IT system resulted in a write-off of £10.5 million, made up predominantly of write-off of intangible assets and redundancy costs. The external ERP system is less expensive to acquire and maintain annually and will become fully operational earlier.

The profit before tax, amortisation and exceptionals, of £12.9 million was 8.4% higher than £11.9 million achieved in 2006 (£0.6 million after amortisation and exceptionals; 2006: loss of £0.1 million). The basic earnings per share prior to amortisation and exceptionals was 11.8p compared to 13.6p in 2006 (0.3p after amortisation and exceptionals; 2006: nil).

The dividends will remain unchanged for 2007 with a proposed final dividend of 3.6p making a total for the year of 7.2p (2006: 7.2p).

Management

It was announced in July that there had been some changes in the senior management structure. This was done in order to align the Board composition to best corporate governance practice of having an equal number of executive and non-executive directors. To achieve this a new operations management board was established. As such, two executive directors, Martin Brooks, Technical Director and Patrick Journo resigned from the main Abacus Board. Martin Brooks joined the Operations Management Board chaired by Martin Kent, CEO. Patrick Journo subsequently resigned from the Group.

Outlook

Despite the challenges of the past year there are encouraging signs going forward. Not only is Abacus solidly profitable, maintaining good gross margins for its industry and generating cash in a weak market place, but statistics are showing the share of distributors is growing in all our main territories. Following the acquisitions of Deltron and Axess, Abacus Group is ideally positioned to take advantage of market improvements as and when they materialise. Indeed, the short term situation appears slightly more favourable as over the past few months we have seen more settled market conditions.

Finally, I know the Board joins me in wishing to thank all staff for achieving so much progress within the Group during a difficult trading period.

Chief Executive's Review

General Review

I am pleased to report that during 2007 the Abacus Group grew its sales 12% and its operating profit, before amortisation and exceptionals, by 13% (59% higher, after amortisation and exceptionals) when compared to 2006. The integration of our acquisitions made in 2006 was completed ahead of our original schedule and this was a significant contributor to the result.

However, although the year started as detailed in our 2006 review with a positive Book to Bill and Billings in line with management expectations, as reported on 31 January 2007 at our AGM, this trend changed quickly as often happens in the electronic component industry. The UK and Italy were the first countries to see this change and although Group Billings for the first half remained in line with our expectations, the Bookings did not, a fact we brought to the market's attention with our statement of 30 March 2007.

This lower Booking trend continued as we moved into the second half of 2007 and, when we released our results on 30 May 2007, we made it clear that we did not expect to achieve the previously anticipated growth in the second half.

We are of the opinion that the component distribution industry is an early barometer on the state of electronic manufacturing output, a belief that is being confirmed by data recently released by a number of European governments.

Review by region (all figures refer to Sales comparisons and assume a full 12 months in 2006 Financial Year for Axess and Deltron).

UK & Ireland

It was a difficult year for our businesses in this region as it was the first to show signs of a slowdown. However, the market share gain for our electronic component distribution companies made in the first half was maintained throughout the year plus we saw an increase in the number of electromechanical products shipped to our customers. Preliminary reports by the UK industry association AFDEC show that the decline in electromechanical sales in 2007 over 2006 was less than 1% compared to 9% for both semiconductor and passive products, supporting our acquisition strategy of buying Deltron whose product portfolio was 100% electromechanical.

Our manufacturing business, Alpha 3, saw sales growth of 5% in FY07, a pleasing result that was driven by a large number of its customers continuing to seek a local manufacturer who can offer a very flexible service for fairly complex products, something that is difficult to obtain from offshore manufacturing.

Towards the end of the year the reporting structure of our specialist distribution businesses, Trident and TDC, was changed so that both now report to the same senior manager. We are confident that this closer co-operation will create more opportunities for these growth products as we move forward.

France

We acquired the Axess Group (Axess and RDI) in April 2006 because we believed their product portfolio and strategy would create growth opportunities and this was demonstrated to be true in FY07 where we achieved growth in excess of 6% despite the French industry association (SPDEI) forecasting an overall market decline of 12%. This result has clearly strengthened our market position and with Abacus Deltron and Abacus RDI now having an integrated sales and marketing team combined with a number of new franchise opportunities we are in a position where, despite a difficult market, we could continue to gain market share.

Nordic

In our FY06 report we stated that in Denmark we were keeping the acquired Deltron business, Conelec, separate from Abacus Denmark, as it was selling customer specific assemblies rather than single components. This was a successful strategy. Conelec grew in excess of 7% contributing to an overall growth in the region of just under 7%. However, we are now finding that many of Conelec's customers and Abacus Denmark's customers are seeking to buy from just one, rather than both of our companies and as we move into FY08 we have combined the two as Abacus Conelec, under the management of the Conelec general manager and believe this will create further synergistic sales opportunities.

Our investment in Trident personnel in this region, including Finland, is starting to generate the anticipated returns and this business saw growth of 30% in sales revenue in FY07 and has a number of clearly identified design wins that should enable growth to continue as we move forward.

Germany

Our investment in new people and new offices did not generate growth as quickly as we had expected and combined with the loss of a major customer to direct supply from the component manufacturer, and a slow down in the market in the second half of the year led to an overall decline in sales of 5.5%.

However, we now have all the regional sales offices well established, have relocated to improved premises in Munich, and are achieving a number of new franchise opportunities in both standard components and specialist distribution products, all of which gives us confidence for achieving growth in FY08.

Italy

The Italian market has been very similar to the UK in that the slowdown started towards the end of our first half. Their industry association (ASSODEL) is forecasting a decline of 5% in 2007 and this, combined with the loss of some business to offshore manufacturing, led to an overall decline for Abacus ECC of 6.5%.

However, the decline was mainly in the standard component area and we achieved good growth with products such as Microsoft embedded operating software and a range of displays, which leads us to believe that as we move into FY08 we will be able to reverse the decline despite continued market weakness.

Austria and Benelux

These two countries are much smaller markets than those detailed above but nonetheless are important, with a good base of customers in both. Our investment in new personnel in Austria has led to a growth of 47%, albeit from a small base, and in Benelux our integration of Abacus Deltron and Trident has created savings that have improved the profit before tax. As we move forward we believe further sales growth is achievable in both through a combination of better performance on existing products and a number of new franchise awards.

Asia

Through our office in Hong Kong we now manage six people in the region whose roles are a combination of supporting business that is transferred from Europe - in excess of £5 million was shipped into Asia but invoiced within Europe, and liaising with the key suppliers to the Group which are Asian based - greater than 15% of purchases come from the region.

We also offer from this office engineering support for added value products and anticipate that this will be an increasing part of their job function as we develop our specialist distribution strategy in all European countries.

Outlook

During FY07 we have built within the Abacus Group a very solid platform that has enabled us to maintain our gross margin at a level much above that of our major competitors, has minimised the risks on the loss of a customer or supplier, has enabled us to be profitable in a difficult market and reduce our debt levels. We are also able to continue to invest in new franchises that bring new products with growth potential to the Group.

With regard to the market, history shows that the cycles are now much shorter and shallower with growth in 2004, decline in 2005, growth again in 2006, only to decline in 2007. However, during these years the percentage share of the total market taken by distribution has increased every year according to data from AFDEC and Europartners, with the UK now being at 30% from 25% in 2004 and Europe being at 27% from 24%.

Abacus Group now has a very solid foundation and is in an ideal position to take advantage of both market improvement and, when the timing is right, consolidation within the industry.

Financial Review

Following the successful integration of the businesses acquired in 2006, turnover in 2007 was 12% higher and operating profit, before amortisation and exceptional items, was 13% higher (59% after amortisation and exceptionals) than 2006. Nonetheless, 2007 has been a challenging year in terms of trading performance. The revenues in the second half were reduced relative to the second half 2006 as a result of a general downturn in the electronic component distribution (ECD) market in Europe. This has necessitated stringent cost control throughout the business. Fortunately Abacus Group was well prepared for such a change in market conditions. The integration process following the acquisitions of Deltron and Axess RDI in 2006 had been completed with £5.5 million cost savings secured. This contributed to operating expenses reducing by £1.9 million in the second half compared to the first half of 2007. Thus although gross profit reduced by £2.9 million in the second half compared to the first half, operating profit, before amortisation and exceptionals, at £7.8 million for the 6 months was reduced by just £1.0 million. The cost saving initiatives in 2007 included paying no bonuses to executive directors and restricted bonuses to other management.

The net debt of Abacus Group reduced from £66.1 million at the beginning of the year to £59.9 million at 30 September 2007. £1.9 million of this reduction was due to a decline in working capital, but it also reflected a receipt of £2.0 million from the sale of two properties, one in Maidenhead, UK (£1.5 million) and the other in Stockholm, Sweden (£0.5 million). These properties were no longer required by the Group. Since the year end, two further UK properties have been sold for combined net proceeds of £5.6 million. The sale of these four properties for £7.6 million net, demonstrates the commitment of the Board to minimising bank borrowings.

Another feature of 2007 was a decision taken in July to cease in-house development of a bespoke business IT (ERP) system. This development project had been under way since 2001 and a detailed review of the project indicated that a new externally sourced ERP system would be less expensive to acquire and to maintain annually, and quicker to have operational within all the business units, than completing the development of the in-house project. It was also felt that there would be a lower risk associated with this decision, since the external ERP system had already been successfully implemented in many business environments. An exceptional charge has been recorded this year amounting to £10.6 million of which £10.5 million relates to the IT development write off. The balance represents the £1.1 million profit from disposal of the UK building mentioned above, offset by £1.2 million costs associated with redundancies and expenses linked with expansion in Germany. The cash impact of the exceptional charge will be £1.4 million, before the offset of the property disposal proceeds.

Turnover

Turnover in 2007 of £286.9 million was 11.6% higher than 2006. However in 2006 there was only 6 months of Axess/RDI and 9 months of Deltron turnover included in the Group's numbers reflecting the acquisition dates of the two businesses. In 2007, the first half performance was considered strong, reflecting the state of the ECD market, whilst in the second half the more challenging conditions affected Abacus as well as its competitors. Turnover in the second half was 6.9% lower than the first half at £138.3 million; this represented a decrease of 8.9% against the second half in 2006. This decline in revenues was in line with the reported performance for the European markets as a whole. In the CEO report, more detailed comment is provided about the state of the ECD markets in Europe.

Within turnover, the manufacturing business reported sales of £19.9 million, up from £17.8 million in 2006. The 2006 figure included DEM (the Deltron manufacturing business) for a 9 month period only. The manufacturing businesses of the Group were consolidated from the beginning of the year into a new organisational structure known as Alpha 3 Manufacturing. This business comprises 3 divisions, DEM, CTL and CCS, and it has been structured as an independent company with its own organisation structure (including sales force), balance sheet and IT business system.

Gross profit

The gross profit for the Group at £71.5 million was 10.5% higher than in 2006 (11.9% higher after exceptional items in 2006). The underlying gross margin at 24.9% compared to 25.2% in 2006 (24.9% after exceptional items). Again, the first half in 2006 included only 3 months of Deltron whilst the second half included contribution for the full period from Deltron and Axess/RDI. In the second half 2006, the margin was 25.5% whilst in the first half 2007, this reduced to 25.0% and in the second half 2007 to 24.8%. This change in gross margin reflects the change in the mix of the business during the course of the year rather

than margin reduction by individual product or customer area. The Board believes that the current gross margin rate of nearly 25% should be maintainable next year.

Operating expenses

The Board of Abacus, as previously mentioned, has maintained stringent cost control throughout the business. The operating expenses, before exceptional items, in the second half 2006 (which included Deltron and Axess/RDI) were £29.1 million. This was net of £1.3 million of integration savings realised after the acquisition of Deltron. A target of £5.5 million annual cost savings was identified as being achievable after the Deltron acquisition and this has been fully delivered as can be seen by the reduction of operating expenses in the first half of 2007 to £28.4 million and in the second half 2007 to £26.5 million.

The Group headcount at 30 September 2007 was 1,095, compared to 1,147 at 30 September 2006, a reduction of 52 staff during the course of the year, again demonstrating the continued careful review of headcount following any resignations or departures from the business. The manufacturing business headcount included in these numbers was 230 at the end of the year compared to 239 at 30 September 2006.

Amortisation of acquired intangibles and exceptional items

As outlined in the 2006 Annual Report, the adoption of IFRS necessitated changes in the treatment of goodwill which is now required to be subject to an annual impairment review by the Board. This review has been carried out for 2007 according to principles outlined in the Critical Accounting Judgements within the accounts section in this report and no impairment has been identified.

The amortisation of acquired intangibles in 2007 was £1.7 million compared to £2.6 million the previous year. This reduction reflected the accelerated amortisation in 2006 of order books acquired with Deltron.

As noted above, the decision was taken in July 2007 to cease development of an in-house ERP system. As announced this has led to an exceptional charge in 2007 of £10.5 million (predominantly made up of write off of intangible assets and redundancy costs). This has been partly offset by the profit on disposal of the Maidenhead building which was also partly absorbed by some other exceptional costs associated with the reorganisation in Germany, announced in October 2006. Of the net total £10.6 million exceptional charge, the cash outflow will be £1.4 million which is offset by the property disposal proceeds of £1.5 million.

Net finance costs and profit after tax

Net finance costs for the year were £3.7 million (2006: £2.8 million). The increase reflects the full year effect of higher borrowings following the acquisition of Deltron and Axess/RDI in 2006. In the second half the financing costs were £1.7 million compared to £2.0 million in the first half. Looking ahead, the reducing borrowings position will help to mitigate the current higher level of bank interest rates. The Group has continued its policy of covering forward a proportion of its foreign exchange obligations for no more than one year. The Board monitors the foreign exchange position on a constant basis.

The profit before tax, amortisation and exceptionals of £12.9 million is 8.4% higher than in 2006, again held back by the weaker performance in the second half 2007. At £6.1 million this was 10.3% below the first half and 21.8% below second half 2006. The impact of the share based payments charge was £0.2 million for the year compared to £0.5 million in 2006. The profit before tax after amortisation and exceptional items was £0.6 million compared to a £0.1 million loss in 2006.

The effective tax charge, before amortisation and exceptionals, for the year was £4.2 million (32.6%) compared to £3.3 million (27.7%) in 2006. The tax charge after amortisation and exceptionals was £0.4 million in 2007 (a credit of £0.1 million in 2006). The reason for the higher tax rate was a release of a tax over-provision in 2006 of £0.7 million, (without this release, the tax rate in 2006 would have been 33.6%) and the higher tax rates in France which, following the acquisition of Axess/RDI, now contributes a significant proportion of the Group's profits.

The profit after tax, amortisation and exceptional items was £0.2 million compared to £nil in 2006. The profit after tax before amortisation and exceptional items at £8.7 million compares to £8.6 million in 2006 and provides 1.6 times cover for the dividend paid and proposed for 2007. The basic earnings per share pre amortisation and exceptionals have reduced to 11.8p compared to 13.6p in 2006. Following the issue of equity for the acquisition of Deltron and part consideration for Axess/RDI, the number of shares in issue has

increased to 73.6 million which has affected the weighted average number of shares used in the earnings per share calculation.

Working capital and debt

As commented upon previously, the net debt position of Abacus Group was £59.9 million at the end of 2007 compared to £66.1 million at 30 September 2006. Included in these figures are £4.6 million in 2006 and £2.4 million in 2007 in respect of deferred consideration relating to the acquisition of Axess. The final instalment of this deferred consideration is due to be paid in April 2008 to the vendors. The Group had facilities totalling £74 million available to it at the end of 2007.

The Group borrowings in part comprise a commercial mortgage secured on UK properties. Following the disposal of three UK properties, the Group now retains three freehold properties in the UK which are actively used by Group operations. Further, in Europe the business owns office/warehouse facilities near Paris, Milan and in Denmark. All these buildings are actively used by Group operations. During the year significant progress was made in disposing of non core leasehold properties and the Group has exited from lease obligations in Vichy (France), Paris, Scunthorpe (UK), Newmarket (UK), and Munich. This has allowed the Group to take on appropriate office accommodation, generally smaller, to meet its present day needs. The property arrangements are now aligned to suit the requirements of the Group.

The trade debtors' days outstanding at the end of September 2007 were 70 days (2006: 72 days). This is a key performance indicator for the Group and is managed constantly to ensure that credit terms taken by customers are appropriate within each market. Stock turns is another key performance indicator measuring the number of times stock "turns over" each year. In 2007 the figure was 5.6 times compared to 5.9 times in 2006. Another key performance indicator is the ratio of borrowings to EBITDA, a measure reviewed quarterly by the Group's main lending bank. The Group has remained well within this indicator and other limits set within the bank covenants and for 2008, projections indicate full compliance with covenant requirements.

Dividends

The Board is proposing a final dividend for 2007 of 3.6p per share (the same as the interim dividend and the 2006 payment), making 7.2p for the year. This will be paid on 1 February 2008 to shareholders on the register on 4 January 2008. The ex dividend date will be 2 January 2008. The total dividends that will have been paid for 2007 will be £5.3 million.

Consolidated Income Statement

for the year ended 30 September 2007

	Notes	Before amortisation of acquired intangibles and exceptional items 2007 £'m	Amortisation of acquired intangibles and exceptional items 2007* (note 3) £'m	Total 2007 £'m	Before amortisation of acquired intangibles and exceptional items 2006 £'m	Amortisation of acquired intangibles and exceptional items 2006* (note 3) £'m	Total 2006 £'m
Continuing operations							
Revenue							
Existing operations		286.9	-	286.9	181.6	-	181.6
Acquisitions		-	-	-	75.5	-	75.5
Continuing operations	2	286.9	-	286.9	257.1	-	257.1
Cost of sales		(215.4)	-	(215.4)	(192.4)	(0.8)	(193.2)
Gross profit		71.5	-	71.5	64.7	(0.8)	63.9
Other operating expenses	4	(54.9)	(12.3)	(67.2)	(50.0)	(11.2)	(61.2)
Operating profit							
Existing operations		16.6	(12.3)	4.3	8.2	(1.4)	6.8
Acquisitions		-	-	-	6.5	(10.6)	(4.1)
Continuing operations		16.6	(12.3)	4.3	14.7	(12.0)	2.7
Finance income		0.6	-	0.6	0.3	-	0.3
Finance costs		(4.3)	-	(4.3)	(3.1)	-	(3.1)
Profit (loss) before taxation		12.9	(12.3)	0.6	11.9	(12.0)	(0.1)
Income tax (expense) credit	5	(4.2)	3.8	(0.4)	(3.3)	3.4	0.1
Profit for the year attributable to equity holders of the parent		8.7	(8.5)	0.2	8.6	(8.6)	-
Earnings per share (pence)	6						
Basic earnings (loss) per share		11.8p	(11.5p)	0.3p	13.6p	(13.6p)	0.0p
Diluted earnings (loss) per share		11.8p	(11.5p)	0.3p	13.4p	(13.4p)	0.0p

Consolidated Statement of Recognised Income and Expense

for the year ended 30 September 2007

	Note	2007 £'m	2006 £'m
Foreign exchange and translation differences		1.2	(0.3)
Loss on cash flow hedges taken to equity		(0.2)	-
Actuarial gains on defined benefit pension plans		1.0	0.2
		2.0	(0.1)
Tax on items taken directly to equity		(0.2)	-
Net income and expense recognised directly in equity		1.8	(0.1)
Profit for the year		0.2	-
Total recognised income and expense relating to the year		2.0	(0.1)
<i>Effects of changes in accounting policy:</i>			
Net loss on cash flow hedges on first time application of IAS39		-	(0.3)
Total recognised income and expense for the year	9	2.0	(0.4)

*Amortisation of acquired intangibles and exceptional items have been disclosed separately in Note 3 in order to give an indication of the underlying earnings of the Group.

Consolidated Balance Sheet

as at 30 September 2007

	Note	2007 £'m	(Restated)* 2006 £'m
Non-current assets			
Property, plant and equipment		15.6	17.4
Goodwill		52.3	51.3
Intangible assets		11.7	20.3
Deferred tax assets		3.6	3.5
		83.2	92.5
Current assets			
Trade and other receivables		62.4	67.5
Inventories		38.7	38.5
Other financial assets		0.3	0.1
Income tax receivables		0.6	1.9
Cash at bank		0.4	1.6
		102.4	109.6
Total assets		185.6	202.1
Current liabilities			
Trade and other payables		40.2	43.3
Financial liabilities		47.7	47.1
Income tax payable		0.4	0.9
Provisions		0.6	0.4
		88.9	91.7
Non-current liabilities			
Financial liabilities		13.3	21.0
Other payables		0.3	0.6
Deferred tax liabilities		4.1	5.3
Provisions		1.6	1.9
Defined benefit pension plan deficit		0.4	1.4
		19.7	30.2
Total liabilities		108.6	121.9
Net assets		77.0	80.2
Equity			
Called-up share capital		3.7	3.7
Share premium account		47.9	47.6
Capital redemption reserve		0.4	0.4
Merger reserve		3.3	3.3
Share option reserve		1.0	0.8
Own shares		(0.4)	-
Hedging and translation reserve		0.4	(0.6)
Retained earnings		20.7	25.0
Total equity available to the shareholders of the parent	9	77.0	80.2

* The 2006 balances were restated following fair value adjustments in 2007 made in relation to the 2006 Axess and Deltron acquisitions.

Consolidated Cash Flow Statement

for the year ended 30 September 2007

	Note	2007 £'m	2006 £'m
Cash flows from operating activities			
Profit (loss) before taxation		0.6	(0.1)
Finance income		(0.6)	(0.3)
Finance costs		4.3	3.1
Depreciation of property, plant and equipment		1.4	1.1
Impairment loss on property, plant and equipment		0.3	0.5
(Profit) loss on disposal of fixed assets		(1.0)	0.5
Amortisation of intangible assets		2.1	2.7
Impairment loss on intangible assets		9.7	-
Share-based payment		0.2	0.5
Operating cashflows before changes in working capital		17.0	8.0
Decrease (increase) in inventories		0.1	(2.3)
Decrease (increase) in trade and other receivables		5.9	(9.1)
(Decrease) increase in trade and other payables		(4.0)	4.1
Movement in provisions		(0.1)	0.4
Cash generated from operations		18.9	1.1
Income tax paid		(1.1)	(2.4)
Operating cash flow		17.8	(0.7)
Cash flows from investing activities			
Interest received		0.2	-
Sale of property, plant and equipment		2.0	0.1
Acquisition of subsidiary undertakings		-	(6.9)
Purchase of subsidiary undertakings (other costs)		-	(1.5)
Purchase of property, plant and equipment		(0.9)	(1.4)
Payments to acquire intangible fixed assets		(3.0)	(2.1)
Net cash flow from investing activities		(1.7)	(11.8)
Cash flows from financing activities			
Interest paid		(3.9)	(2.5)
Exercise of share options		0.3	1.3
New loan		3.2	17.0
Issue costs of new loan		-	(0.2)
Repayment of loans		(8.9)	(13.3)
Repayment of loan notes		(2.4)	(0.2)
Repayment of capital element of finance leases		(0.1)	(0.2)
Dividends paid		(5.3)	(4.2)
Net cash flow from financing activities		(17.1)	(2.3)
Net movement in cash and cash equivalents		(1.0)	(15.4)
Effects of exchange rates	8	(0.6)	0.4
Cash and cash equivalents at the beginning of the period	8	(34.5)	(19.5)
Cash and cash equivalents at the end of the year		(36.1)	(34.5)

Notes to the Accounts

30 September 2007

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. All IFRSs issued by the International Accounting Standards Board ("IASB") that were effective at the time of preparing the financial statements and adopted by the European Commission for use inside the EU were applied by the Group.

The accounting policies have been applied consistently in preparing the Financial Statements for the year ended 30 September 2007 and the preceding year.

The Group Financial Statements are presented in Sterling and all values are rounded to the nearest hundred thousand pounds except where otherwise indicated.

The Financial Statements of Abacus Group plc (the 'Company') for the year ended 30 September 2007 were authorised for issue by the Board of the Directors on 27 November 2007 and the balance sheets were signed on the Board's behalf by M R Kent and P V Allen. Abacus Group plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on the London Stock Exchange.

2. Revenue and segmental reporting

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products provided. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The electronic component distribution segment comprises entities which are leading suppliers of electronic components, electromechanical products, flat-panel displays, printers and related products. The manufacturing segment comprises entities mainly involved in cable and electromechanical sub-assembly.

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended 30 September 2007 and 2006.

Year ended 30 September 2007	Electronic component distribution £'m	Manufacturin g £'m	Unallocated £'m	Eliminations £'m	Total £'m
Segment Revenue					
Sales to external customers	271.6	15.3	-	-	286.9
Inter-segment sales	4.2	4.6	-	(8.8)	-
Segment revenue	275.8	19.9	-	(8.8)	286.9
Segment Results					
Operating profit before amortisation of acquired intangibles and exceptionals	14.7	1.9	-	-	16.6
Exceptionals	(10.6)	-	-	-	(10.6)
Operating profit before amortisation of acquired intangibles	4.1	1.9	-	-	6.0
Amortisation of acquired intangibles	(1.4)	(0.3)	-	-	(1.7)
Operating profit	2.7	1.6	-	-	4.3
Net finance costs					(3.7)
Profit before taxation					0.6
Income tax expense					(0.4)
Net profit for the year					0.2
Assets and Liabilities					
Segment assets	166.7	14.1	4.8	-	185.6
Segment liabilities	(40.3)	(2.6)	(65.7)	-	(108.6)
Other segment information					
Capital expenditure:					
Property, plant and equipment - additions	0.8	0.1	-	-	0.9
Intangible assets - additions and internal development	2.9	0.1	-	-	3.0
Non-cash expenditure:					
Depreciation	(1.3)	(0.1)	-	-	(1.4)
Impairment loss	(10.0)	-	-	-	(10.0)
Inventory provision	0.2	-	-	-	0.2
Amortisation of intangibles	(1.8)	(0.3)	-	-	(2.1)

Year ended 30 September 2006	Electronic component distribution £'m	Manufacturin g £'m	Unallocated £'m	Eliminations £'m	Total £'m
Segment Revenue					
Sales to external customers	244.0	13.1	-	-	257.1
Inter-segment sales	4.0	4.7	-	(8.7)	-
Segment revenue	248.0	17.8	-	(8.7)	257.1
Segment Results					
Operating profit before amortisation of acquired intangibles and exceptionals	12.6	1.9	0.2	-	14.7
Exceptionals	(9.1)	(0.3)	-	-	(9.4)
Operating profit before amortisation of acquired intangibles	3.5	1.6	0.2	-	5.3
Amortisation of acquired intangibles	(2.3)	(0.3)	-	-	(2.6)
Operating profit	1.2	1.3	0.2	-	2.7
Net finance costs					(2.8)
Loss before taxation					(0.1)
Income tax credit					0.1
Net result for the year					-
Assets and Liabilities					
Segment assets	183.3	14.6	4.2	-	202.1
Segment liabilities	(44.0)	(2.7)	(75.2)	-	(121.9)
Other segment information					
Capital expenditure:					
Property, plant and equipment					
- acquisition of subsidiaries	3.5	0.4	-	-	3.9
- additions	1.5	0.1	-	-	1.6
Intangible assets					
- acquisition of subsidiaries (restated – note 7)	11.0	2.5	-	-	13.5
- additions and internal development	2.3	-	-	-	2.3
Goodwill					
- acquisition of subsidiaries (restated – note 7)	38.4	2.1	-	-	40.5
Non-cash expenditure:					
Depreciation	(1.0)	(0.1)	-	-	(1.1)
Impairment loss	(0.5)	-	-	-	(0.5)
Inventory provision	0.3	-	-	-	0.3
Amortisation of intangibles	(2.3)	(0.4)	-	-	(2.7)

3. Amortisation of acquired intangibles and exceptional items

	2007 £'m	2006 £'m
Provision for impairment of capitalised IT software (note 3.1)	9.7	-
IT assets write down (note 3.1)	0.3	-
IT redundancy and other costs (note 3.1)	0.5	-
Other redundancy costs (note 3.2)	0.5	-
Other (note 3.2)	0.5	-
Profit on disposal of office building (note 3.3)	(1.1)	-
Other	10.4	-
Restructuring and other costs following Deltron and Axxess acquisitions (note 3.4)		
Provision for empty property and associated costs	0.2	1.3
Assets write down/write offs (note 3.5)	-	1.1
Redundancy costs	-	4.0
Other costs	-	1.6
Total Deltron and Axxess restructuring costs	0.2	8.0
Restructuring costs and write downs on inventory and receivables following exit from Trident Finished products business (note 3.6)		
Provision for empty property costs	-	0.2
Assets write downs/write offs	-	0.6
Redundancy costs	-	0.5
Other costs	-	0.1
Total Trident restructuring costs	-	1.4
Amortisation of intangibles arising on acquisitions of Deltron and Axxess	1.4	2.3
Amortisation of intangibles arising on acquisition of Eurodis marketing information	0.3	0.3
Total amortisation of intangibles arising on acquisitions	1.7	2.6
	12.3	12.0

The above is analysed £nil (2006: £0.8 million) in Cost of Sales and £12.3 million (2006: £11.2 million) in Other Operating Expenses.

- (3.1) In 2007, the Board decided to acquire a new external ERP (commercial and financial) IT system for all Group businesses. The review concluded that the external ERP system would not only be less expensive to acquire and implement than completing the ongoing internal IT project but would also be fully operational earlier. It was further anticipated that there would be an annual reduction in overheads (before amortisation) of approximately £0.6 million resulting from the decision. The strategy to implement a common IT platform across the Group and the experience gained from the internal development programme will assist the faster and easier implementation of the new system.

The existing ERP system's cost and amortisation in July 2007 was £9.9 million and £0.2 million respectively. The latter related to costs which had been written off during the initial feasibility phase (the remaining system's cost was due to be amortised when the system became operational). As a consequence of the implementation of the new ERP system, there was an exceptional charge of £10.2 million, comprising the write-off of £9.7 million intangible assets and £0.5 million redundancy and other costs.

In addition, £0.3 million of other IT related assets, which are to be replaced by the new ERP system, have been written down to £nil net book value as at 30 September 2007.

- (3.2) 'Other redundancy costs' and 'Other' related to further restructuring to the European businesses to achieve synergies in staff costs and other operational expenses.
- (3.3) The freehold property of one of the UK divisions (Micromark) was sold in 2007, realising £1.5 million proceeds against a book value of £0.4 million. The property was ill-suited to an office environment and the staff were relocated to more conducive rented premises.
- (3.4) A rationalisation of the Deltron and Axess businesses was carried out following their acquisitions. This resulted in the closure of a number of locations in 2006 and a reduction and relocation of headcount due to duplication of activities.
- (3.5) Deltron had a policy of capitalising some of its in-house Group IT development activities. This was written off as a consequence of the decision taken to move the Deltron businesses onto the Abacus IT systems. In addition fixed assets such as fixtures and fittings in vacated properties were also written off.
- (3.6) The Directors decided in 2006 that Trident would concentrate on its core business, which is the sale and distribution of displays. As a consequence, the facilities for the design and sub-contract manufacture of bespoke systems were closed with subsequent redundancy costs and write down of excess and obsolete assets and working capital.

4. Other operating expenses

Other operating expenses are analysed as follows:

	2007	2006
	£'000	£'000
Administrative expenses	9.4	8.6
Distribution expenses	45.5	41.4
Amortisation of intangibles arising on acquisitions (note 3)	1.7	2.6
Exceptional items (note 3)	10.6	8.6
	67.2	61.2

5. Taxation

(a) Tax on Profit on ordinary activities

	2007	2006
	£'m	£'m
Tax charged (credited) in the income statement of continuing operations comprises:		
UK corporate tax	-	-
Foreign tax	2.0	1.2
Current year income tax charge	2.0	1.2
Amounts overprovided in previous years	(0.1)	(0.7)
Total current income tax	1.9	0.5
Deferred tax	(1.5)	(0.6)
Tax charge (credit) in the income statement	0.4	(0.1)

(b) Reconciliation of the total tax charge

	2007 £'m	2006 £'m
Profit (loss) from continuing operations before taxation	0.6	(0.1)
Accounting profit multiplied by the UK standard rate of corporation tax of 30% (2006 – 30%)	0.2	-
Expenses not deductible for tax purposes	0.5	0.3
Income not chargeable for tax purposes	(0.4)	-
Higher taxes on overseas earnings	0.1	0.1
Unrelieved losses in foreign subsidiaries	0.1	0.3
Losses overprovided in previous years	0.2	-
Recognition of a deferred tax asset not previously recognised	(0.2)	(0.1)
Tax overprovided in previous years	(0.1)	(0.7)
Total tax charge (credit) reported	0.4	(0.1)

6. Earnings per share

	2007 £'m	2006 £'m
Profit after taxation, exceptionals and amortisation of acquired intangibles	0.2	-
Amortisation of acquired intangibles (post taxation)	1.3	1.9
Exceptional items (post taxation)	7.2	6.7
Profit after taxation but before exceptionals and amortisation of acquired intangibles	8.7	8.6
Weighted average number of shares ('000)	73,470	63,267
Employee share options ('000)	469	683
Diluted weighted average number of shares ('000)	73,939	63,950
<i>After exceptionals and amortisation of intangibles:</i>		
Basic earnings per share	0.3p	0.0p
Diluted earnings per share	0.3p	0.0p
<i>Before exceptionals and amortisation of intangibles:</i>		
Basic earnings per share	11.8p	13.6p
Diluted earnings per share	11.8p	13.4p

7. Business combinations

On 16 January 2006 and 12 April 2006 respectively the Group acquired 100% of the share capital of Deltron Electronics plc (a UK public company distributing an extensive range of electromechanical products) and Axess Technology S.A.S. and its wholly owned subsidiary RDI S.A.S. (a French displays and wireless products distributor). Due to the proximity to 30 September 2006 and the inherent judgemental uncertainty, only provisional fair values were determined for the net assets acquired. These fair values which were included in the 2006 Annual Accounts have subsequently been reviewed and modified as follows. There was no modification to the composition of the consideration and cashflows associated with each acquisition.

Deltron and Axess			2006		2007	
	Book value £'m	Provisional fair value adjustments £'m	Fair value £'m	Additional fair value adjustments £'m	Fair value £'m	
Non-current assets						
Property, plant and equipment	3.4	0.5	3.9	(0.2)	3.7	
Intangible assets	0.2	-	0.2	-	0.2	
Goodwill	18.3	20.9	39.2	1.3	40.5	
Deferred taxation	-	1.9	1.9	0.1	2.0	
	21.9	23.3	45.2	1.2	46.4	
Current assets						
Inventories	12.9	(3.2)	9.7	(0.3)	9.4	
Trade and other receivables	23.2	(0.6)	22.6	-	22.6	
Cash	2.8	-	2.8	-	2.8	
Total assets	60.8	19.5	80.3	0.9	81.2	
Liabilities						
Bank overdrafts	2.8	-	2.8	-	2.8	
Corporation tax	0.6	-	0.6	-	0.6	
Deferred taxation	0.3	-	0.3	(0.3)	-	
Pension deficit	-	1.6	1.6	-	1.6	
Other liabilities	32.3	0.6	32.9	0.5	33.4	
Total liabilities	36.0	2.2	38.2	0.2	38.4	
Net assets	24.8	17.3	42.1	0.7	42.8	
Intangible assets						
Customer relationships			13.1	(1.1)	12.0	
Order books			1.3	-	1.3	
Deferred taxation on intangible assets			(4.6)	0.4	(4.2)	
Total consideration			51.9	-	51.9	
Represented by:						
Fair value of shares issued			38.7	-	38.7	
Fair value of share options exercised or exchanged			0.2	-	0.2	
Cash consideration			6.9	-	6.9	
Loan notes			4.6	-	4.6	
Other costs of acquisitions, settled in cash			1.5	-	1.5	
Total consideration			51.9	-	51.9	

Included within goodwill are the following assets which are specially excluded by IFRS 2 in the identification of intangible assets on acquisition:

- Assembled workforce: and
- Strategic acquisition synergies.

Consolidation of the Deltron Group and the Axess Group (2006)

In 2006, the three months' pre-acquisition revenue and operating profit for the Deltron Group amounted to £16.4 million and £0.2 million respectively. The 2006 Consolidated Income Statement included the following amounts in respect of the Deltron Group: revenue £55.0 million; costs of sales £38.9 million; and operating expenses (excluding exceptional items and amortisation of acquired intangibles) £11.7 million giving an operating profit of £4.4 million. After exceptionals and amortisation, operating expenses were £21.0 million, giving an operating loss of £4.9 million.

The six months' pre-acquisition revenue and operating profit for the Axess Group amounted to £15.6 million and £1.1 million respectively. The 2006 Consolidated Income Statement included the following amounts in respect of the Axess Group: revenue £20.5 million; cost of sales £15.6 million; and operating expenses (excluding exceptional items and amortisation of acquired intangibles) £2.8 million giving an operating profit of £2.1 million. After exceptional items and amortisation of acquired intangibles (note 3) operating expenses were £3.8 million, giving an operating profit of £1.1 million.

8. Analysis and reconciliation of net debt

Analysis of net debt (2007)

	1 October 2006 £'m	Cash flow £'m	Other non-cash changes £'m	Exchange difference s £'m	30 September 2007 £'m
Cash at bank	1.6	(1.2)	-	-	0.4
Bank overdrafts and invoice discounting	(36.1)	0.2	-	(0.6)	(36.5)
	(34.5)	(1.0)	-	(0.6)	(36.1)
Debt due after 1 year	(21.0)	-	7.7	-	(13.3)
Debt due within 1 year	(10.5)	8.1	(7.8)	(0.3)	(10.5)
Finance leases due within 1 year	(0.1)	0.1	-	-	-
	(66.1)	7.2	(0.1)	(0.9)	(59.9)

Analysis of net debt (2006)

	1 October 2005 £'m	Cash flow £'m	Debt acquired with acquisitions * £'m	Other non-cash changes £'m	Exchange differences £'m	30 September 2006 £'m
Cash at bank	1.3	(2.5)	2.8	-	-	1.6
Bank overdrafts and invoice discounting	(20.8)	(12.9)	(2.8)	-	0.4	(36.1)
	(19.5)	(15.4)			0.4	(34.5)
Debt due after 1 year	(7.7)		(11.4)	(1.7)	(0.2)	(21.0)
Debt due within 1 year	(1.8)	(0.2)	(7.1)	(1.4)	-	(10.5)
Finance leases due within 1 year	(0.1)	0.2	-	(0.2)	-	(0.1)
	(29.1)	(15.4)	(18.5)	(3.3)	0.2	(66.1)

* included loan notes issued

Movement in net debt

	2007 £'m	2006 £'m
Reduction in cash and cash equivalents resulting from cashflows	(1.0)	(15.4)
Translation differences on cash and cash equivalents	(0.6)	0.4
Movement in cash and cash equivalents resulting from cashflows	(1.6)	(15.0)
Cash movement on loans and finance leases	8.2	(3.3)
Loans and finance leases acquired with subsidiary	-	(13.9)
Issue of new loan notes to purchase subsidiary undertaking	-	(4.6)
New finance leases	-	(0.2)
Non-cash movements	(0.1)	0.2
Translation differences on loan balances	(0.3)	(0.2)
Net debt at the beginning of the period	(66.1)	(29.1)
Net debt at the end of the period	(59.9)	(66.1)

Exceptional items

Net cash outflow from operating activities of £2.1 million in 2007 are in respect of restructuring and other costs (2006: £5.4 million).

9. Consolidated statement of change in equity

	Called up share capital £'m	Share premium account £'m	Capital redemption reserve £'m	Merger reserve £'m	Share option reserve £'m	Own Shares £'m	Hedging and translation reserve £'m	Retained earnings £'m	Total Equity £'m
At 30 September 2005	2.1	9.2	0.4	3.3	0.3	-	-	29.0	44.3
Total recognised income and expense for the year	-	-	-	-	-	-	(0.6)	0.2	(0.4)
Equity dividends paid	-	-	-	-	-	-	-	(4.2)	(4.2)
New share capital issued	1.6	38.4	-	-	-	-	-	-	40.0
Share-based payment	-	-	-	-	0.5	-	-	-	0.5
At 30 September 2006	3.7	47.6	0.4	3.3	0.8	-	(0.6)	25.0	80.2
Total recognised income and expense for the year	-	-	-	-	-	-	1.0	1.0	2.0
Equity dividends paid	-	-	-	-	-	-	-	(5.3)	(5.3)
Purchase of own shares for employee benefit trust	-	-	-	-	-	(0.4)	-	-	(0.4)
Exercise of options	-	0.3	-	-	-	-	-	-	0.3
Share-based payment	-	-	-	-	0.2	-	-	-	0.2
At 30 September 2007	3.7	47.9	0.4	3.3	1.0	(0.4)	0.4	20.7	77.0

The merger reserve relates to the acquisition of Polar Plc in December 1995 and represents the difference that arose on consolidation between the consideration paid and the recorded value of the investment and net assets.

The share option reserve represents the cumulative share-based payment charge recognised under IFRS 2.

The hedging and translation reserve represents movements in the Consolidated Balance Sheet as a result of recognising the effective portion of cash flow hedges directly in equity and movements in exchange rates which are taken directly to reserves.

During the year, the Employee Benefit Trust purchased 439,398 Company's shares for use in connection with the Group's Performance Share Plan (PSP) at £1.01 each (total: £0.4 million). The market value of these shares as at 30 September 2007 was £0.3 million. The Trust is funded by Abacus Group plc to meet its obligations under the share option schemes and all the shares held by the Trust are solely for this purpose. The shares held by the Trust are distributed to employees in accordance with Abacus Group plc's wishes. All expenses incurred by the Trust are settled directly by Abacus Group plc and charged in the financial statements as incurred.

10. Dividends paid and proposed

	2007 £'m	2006 £'m
Amounts recognised in the year:		
Interim dividend for the year ending 30 September 2007 – 3.6p	2.7	-
Final dividend for the year ended 30 September 2006 – 3.6p	2.6	-
Final dividend for the year ended 30 September 2005 – 3.6p	-	1.5
Interim dividend for the year ended 30 September 2006 – 3.6p	-	2.7
	5.3	4.2
Amounts determined after the balance sheet date:		
Final dividend for the year ending 30 September 2007 – 3.6p	2.6	-
Final dividend for the year ending 30 September 2006 – 3.6p	-	2.6

11. Financial Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2007 and 30 September 2006, but is derived from them. Statutory accounts for 2006 have been delivered to the Registrar of Companies. The Auditors have reported on the accounts to 30 September 2007: their reports for 30 September 2007 and 30 September 2006 were both unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985. This preliminary announcement was approved by the Board on 27 November 2007.

The Company will hold its Annual General Meeting on 30 January 2008, following which the statutory accounts for 2007 will be posted and delivered to the Registrar of Companies. The Annual Report and Accounts will be posted to shareholders in December 2007. Copies of the Annual Report and Accounts and of this announcement will be available at the Company's registered office: Abacus House, Bone Lane, Newbury, RG14 5SF or from the web site: www.abacus-group.co.uk.