

Abacus Group plc
Interim Results

Abacus Group plc (LSE: ABU), a leading European electronic components distributor, is pleased to announce its Interim Results for the six months ended 31 March 2008.

Financial Highlights

- Turnover of £139.1m: down 6.4% (2007: £148.6m) due to trading conditions
- Gross profit of £34.3m: down 7.8% (2007: £37.2m) reflecting the trading conditions and impact of the stronger Euro on UK cost of sales
- Operating expenses at £28.0m: down by 1.4% (2007: £28.4m) due to tight control over expenditure
- Impact of currency reduced net profit by £0.4m
- Profit before tax (after exceptionals and amortisation): £5.8m (2007: £5.9m), before exceptionals and amortization: £4.5m (2007: £6.8m)
- EPS of 6.1p: up 8.9% (5.6p in 2007) after exceptional items and amortisation. EPS pre-exceptional items and amortisation were 4.1p in 2008 (6.4p in 2007)
- Dividend: 1.8p per share (2007: 3.6p)
- Borrowings of £62.9m (30 September 2007: £59.9m) impacted by weakness of Sterling on Euro denominated debt

Operational Highlights

- Final stage of Group IT business system implementation to commence later this year and to be completed in twelve months time
- All operating companies profitable in challenging local market conditions

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

“Trading in the first half of 2008 has been ahead of the Board’s expectations but for the rest of the year is now expected to be in line with second half 2007. Whilst market conditions have remained stable, I am pleased that the Group continues to be profitable and cash generative and that each of the country operations is trading profitably. The Board has reviewed the dividend cover and determined that it should be at least two times; accordingly the interim dividend has been reduced to 1.8p per share.”

For further information, please contact:**Abacus Group**

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Chairman’s Statement

The first six months of the 2008 financial year have, as expected, seen a continuation of the market conditions experienced in the second half of the previous financial year. However, in the six months to 31 March 2008, trading has been ahead of the budgeted expectations of the Group which were set below the financial performance achieved in the first half 2007. The phasing of the budget for the 2008 financial year anticipated an upturn from March 2008, in line with previous business cycles experienced by Abacus. To date, the bookings and billings of the Group do not reflect this upturn and, in light of the broader macro economic environment, it is now expected by the Board that the second half performance will be similar to that of the second half 2007.

The Group has continued to benefit from the broader geographic coverage and infrastructure secured as a result of the acquisitions of Deltron and Axess in 2006. The integration of the businesses and support activities are complete. Later this year the final stage of implementing the Group IT business system will commence and should be completed in twelve months time.

Financial review

Abacus Group sales in the six months to 31 March 2008, were £139.1 million, a 6.4% reduction on the same period in 2007, when trading conditions were significantly stronger. The gross profit of £34.3 million was 7.8% lower than the equivalent period and reflects, in addition to the lower sales, the impact of the stronger Euro on UK cost of sales. Operating expenses of £28.0 million were 1.4% lower than the equivalent period and demonstrate, notwithstanding the effect of the strong Euro, the very tight cost control that has been exercised throughout the first half. The profit before tax, exceptional items and amortisation for the six month period was £4.5 million (2007: £6.8 million). As a result of the sale of two buildings in the UK for £5.7 million at the beginning of the period, which realised a book profit of £2.3 million, there is an exceptional credit, net of amortisation, of £1.3 million (2007: an exceptional loss of £0.9 million). As a result, the profit before tax, after exceptional items and amortisation was £5.8 million (2007: £5.9 million). After a taxation charge of £1.3 million (2007: £1.8 million) the profit after tax was £4.5 million (2007: £4.1 million). The reduction in the tax charge resulted partly from the utilisation of previously unrecognised capital losses against the profit on disposal of the buildings. The earnings per share was 6.1p (2007: 5.6p), after exceptional items and amortisation, 4.1p (2007: 6.4p) before exceptional items and amortisation.

The financial performance of the Group in the period has been affected by the strengthening Euro against Sterling. This has benefited the performance of the European businesses when translated into Sterling in terms of higher sales and higher profits (respectively £6.6 million and £0.5 million higher than using the first half 2007 average exchange rates). The relative strengthening of the Euro, partially offset by the weakness of the Dollar, has also impacted on the cost of goods for the UK businesses. As a result the gross margin in the UK has been reduced by £0.9 million, representing a 0.6% negative impact on the Group's gross margin percentage. In the light of the significant currency fluctuations experienced in the last nine months, the Group no longer takes out foreign exchange cover except for specific transactions. Generally, short term movements have an impact on the business and can be protected, whilst only longer term currency change can be reflected in pricing to customers.

The Euro exchange rate has also had an impact on the balance sheet. Borrowings at the end of March 2008 were £62.9 million, an increase of £3.0 million from 30 September 2007.

These borrowings would have been £3.4 million lower if the Euro denominated debt was translated at the same exchange rate as at 30 September 2007 (€1.433: £1).

The property sale proceeds of £5.7 million referred to above reduced the level of borrowings. This benefit has been offset by an increase in inventory from £38.7 million at 30 September 2007 to £45.7 million at 31 March 2008 (including £1.7m increase from translating European stock at the rate of €1.254 at 31 March 2008 rather than €1.433 at 30 September 2007). The level of inventory is being actively managed to ensure that it reduces to a level considered sufficient to support business needs which the Board believes would be approximately £3 million lower.

With respect to the dividend, the Board is conscious of the need to maintain an appropriate level of dividend cover, which it considers to be at least two times the level of dividend. Accordingly a dividend of 1.8p is proposed (2007: 3.6p) with payment made on 11 July 2008 to shareholders on the Register on 6 June 2008. The Board will continue to monitor the level of dividend paid to ensure it remains appropriate given the dividend cover.

Outlook

As commented upon in the opening statement, the Board considers the current trading conditions to be stable with relatively few signs of growth in the principal markets in which Abacus operates. Notwithstanding this, it is pleasing to note that the activities of the Group remain profitable and cash generative; indeed each of the country operations is trading profitably following the integration of Deltron with Abacus. The Board considers that the European infrastructure of the Group is not only of a size to manage the current activities but is also capable of supporting additional levels of sales with minimal additional resource requirements. For this reason the Group continues to seek transaction opportunities which the Board believes could be highly accretive to shareholder value. The challenge of managing vendor valuation expectations has reduced the availability of candidates but the Board believes that this situation may change in the coming months.

It is encouraging that the trading conditions have not deteriorated further as the macro economic situation has become more difficult and so the Board is confident that by the end of this year the Group will have lower debt levels and continuing satisfactory sales performance.

Harry Westropp
28 May 2008

Condensed Consolidated Income Statement

for the six months ended 31 March 2008

	Notes	Unaudited * 6 months to 31.03.2008 £'m	Unaudited * 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Revenue	4	139.1	148.6	286.9
Cost of sales		(104.8)	(111.4)	(215.4)
Gross profit		34.3	37.2	71.5
Total operating expenses		(28.0)	(28.4)	(54.9)
Operating profit before exceptional items and amortisation of intangibles		6.3	8.8	16.6
Exceptional items and amortisation of intangibles	5	1.3	(0.9)	(12.3)
Operating profit after exceptional items and amortisation of intangibles		7.6	7.9	4.3
Financing costs		(1.8)	(2.0)	(3.7)
Profit before taxation	6	5.8	5.9	0.6
Profit before taxation, exceptional items and amortisation of intangibles		4.5	6.8	12.9
Income tax expense		(1.3)	(1.8)	(0.4)
Profit for the period attributable to equity shareholders		4.5	4.1	0.2
Earnings per share (pence)	7			
<i>After exceptional items and amortisation of intangibles</i>				
- Basic		6.1p	5.6p	0.3p
- Diluted		6.0p	5.5p	0.3p
<i>Before exceptional items and amortisation of intangibles</i>				
- Basic		4.1p	6.4p	11.8p
- Diluted		4.0p	6.3p	11.8p

All results represent continuing activities.

* The half yearly figures as at 31 March 2007 and 2008 are neither audited nor reviewed by the auditors.

Condensed Consolidated Statement of Recognised Income and Expense

for the six months ended 31 March 2008

	Note	Unaudited * 6 months to 31.03.2008 £'m	Unaudited * 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Foreign exchange and translation differences		5.6	-	1.2
Cash flow hedges taken to equity		0.2	-	(0.2)
Actuarial gains on defined benefit pension plans		-	-	1.0
Tax on items taken directly to equity		-	-	(0.2)
Net income and expense recognised directly in equity		5.8	-	1.8
Profit for the period		4.5	4.1	0.2
Total recognised income and expense for the period	10	10.3	4.1	2.0

There were no transactions with equity holders during the period which would require disclosure in accordance with IAS34: Interim financial reporting.

* The half yearly figures as at 31 March 2007 and 2008 are neither audited nor reviewed by the auditors.

Condensed Consolidated Balance Sheet

as at 31 March 2008

	Note	Unaudited * 31.03.2008 £'m	Unaudited * 31.03.2007 £'m	Audited 30.09.2007 £'m
Non-current assets				
Property, plant and equipment	9	13.2	17.8	15.6
Goodwill		55.8	51.4	52.3
Intangible assets		13.0	20.4	11.7
Deferred tax asset		3.4	3.2	3.6
		85.4	92.8	83.2
Current assets				
Trade and other receivables		64.6	67.9	62.4
Inventories		45.7	40.6	38.7
Financial assets		0.3	0.2	0.3
Income tax receivables		1.0	0.3	0.6
Cash and cash equivalents		0.7	2.2	0.4
		112.3	111.2	102.4
Total assets		197.7	204.0	185.6
Current liabilities				
Trade and other payables		42.7	41.2	40.2
Financial liabilities		52.4	49.4	47.7
Income tax payable		0.1	0.5	0.4
Provisions		0.4	0.5	0.6
		95.6	91.6	88.9
Non-current liabilities				
Financial liabilities		11.4	20.5	13.3
Other payables		0.2	0.5	0.3
Deferred tax liability		3.9	5.9	4.1
Provisions		1.5	1.8	1.6
Defined benefit pension plan deficit		0.4	1.4	0.4
		17.4	30.1	19.7
Total liabilities		113.0	121.7	108.6
Net assets		84.7	82.3	77.0
Equity				
Called-up share capital		3.7	3.7	3.7
Share premium account		47.9	47.9	47.9
Merger reserve		3.3	3.3	3.3
Capital redemption reserve		0.4	0.4	0.4
Share option reserve		1.0	1.1	1.0
Own shares		(0.4)	-	(0.4)
Hedging and translation reserve		6.2	(0.6)	0.4
Retained earnings		22.6	26.5	20.7
Total equity available to the shareholders of the parent	10	84.7	82.3	77.0

* The unaudited figures as at 31 March 2007 and 2008 are neither audited nor reviewed by the auditors.

Condensed Consolidated Cash Flow Statement

for the six months ended 31 March 2008

	Note	Unaudited * 6 months to 31.03.2008 £'m	Unaudited * 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Cash flows from operating activities				
Profit before tax		5.8	5.9	0.6
Finance costs		1.8	2.0	3.7
Depreciation of property, plant and equipment		0.9	0.9	1.4
Impairment loss on property, plant and equipment		-	-	0.3
Impairment loss on intangible assets		-	-	9.7
Profit on disposal of fixed assets		(2.3)	-	(1.0)
Amortisation of intangible assets		1.0	0.9	2.1
Share-based payment		-	0.3	0.2
Operating profit before changes in working capital		7.2	10.0	17.0
(Increase) decrease in inventories		(5.4)	(2.1)	0.1
Decrease (increase) in trade and other receivables		1.8	(0.4)	5.9
(Decrease) in trade and other payables		(0.1)	(2.4)	(4.0)
Movement in provisions		(0.5)	0.2	(0.1)
Cash generated from operations		3.0	5.3	18.9
Income tax paid		(1.3)	-	(1.1)
Operating cash flow		1.7	5.3	17.8
Cash flows from investing activities				
Sale of property, plant and equipment		5.7	-	2.0
Interest received		-	-	0.2
Purchase of property, plant and equipment		(1.0)	(1.1)	(0.9)
Payments to acquire intangible fixed assets		(1.3)	(1.0)	(3.0)
Net cash flow from investing activities		3.4	(2.1)	(1.7)
Cash flows from financing activities				
Interest paid		(1.8)	(1.8)	(3.9)
Exercise of share options		-	0.3	0.3
New loan		0.3	3.2	3.2
Repayment of loans		(2.7)	(1.2)	(8.9)
Repayment of loan notes		-	-	(2.4)
Repayment of capital element of finance leases		(0.1)	(0.1)	(0.1)
Dividends paid		(2.6)	(2.6)	(5.3)
Net cash flow from financing activities		(6.9)	(2.2)	(17.1)
Net movement in cash and cash equivalents	11	(1.8)	1.0	(1.0)
Effects of exchange rates		(2.6)	-	(0.6)
Cash and cash equivalents at the beginning of the period		(36.1)	(34.5)	(34.5)
Cash and cash equivalents at the end of the period		(40.5)	(33.5)	(36.1)

* The half yearly figures as at 31 March 2007 and 2008 are neither audited nor reviewed by the auditors.

Notes to the condensed financial statements

31 March 2008

1. The Board of Directors and Authorisation of Condensed Financial Statements

The Board of Abacus Group plc (the 'Group') currently has six members comprising a non-executive Chairman H Westropp, a Chief Executive Officer M R Kent, two other executive and two other non-executive Directors. There has been no change in the Board of Directors since the issuance of the 2007 Annual Report which is available on the Group's website (address: www.abacus-group.co.uk).

The Condensed Financial Statements of the Group for the six months ended 31 March 2008 were signed on the Board's behalf by M R Kent and P V Allen.

2. Basis of preparation

In accordance with EU regulations, Abacus Group plc is required to prepare statutory financial statements which comply with the International Financial Reporting Standards adopted for use in the European Union ("IFRS").

The condensed financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and, the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") adopted by the European Union that were effective at the time of preparing the financial statements and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2007.

The condensed financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS34 "Interim Financial Reporting" as adopted by the European Union.

The condensed financial statements are unaudited and do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. The figures for the year ended 30 September 2007 are an extract from the audited financial statements for that period which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified report which contained no statement under section 237(2) or section 237(3) of the Companies Act 1985.

Use of estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty were the same as those that applied to the Group's financial statements as at 30 September 2007, namely:

- a) determining whether non-current assets, particularly goodwill, are impaired;
- b) the pension valuation of the Group's one defined benefit pension scheme, which is based on a number of judgements, assumptions and estimates. The pension valuation has been performed using specialist advice obtained from an independent qualified actuary; and
- c) impairment valuations of inventories and receivables, which are based on the Directors' judgements using their experience.

3. Accounting policies

The accounting policies applied by the Group in the condensed financial statements are the same as those applied by the Group in its financial statements for the year ended 30 September 2007 other than those listed below, which were adopted from 1 October 2007. These standards and interpretations have no material impact on the Interim Statements, but will require additional disclosures in the Annual Accounts for the year ending 30 September 2008.

- IFRS 7 – Financial Instruments: Disclosure
- IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

Notes to the condensed financial statements (continued)

31 March 2008

4. Segmental Reporting

	Electronic components distribution £'m	Manufacturing £'m	Eliminations £'m	Total £'m
6 months to 31.03.08 (unaudited)				
Sales to external customers	132.0	7.1	-	139.1
Inter-segment sales	1.5	2.3	(3.8)	-
Segment revenue	133.5	9.4	(3.8)	139.1
Operating profit before exceptional items and amortisation of acquired intangibles	5.5	0.8	-	6.3
Exceptional items	2.3	-	-	2.3
Amortisation of acquired intangibles	(0.8)	(0.2)	-	(1.0)
Operating profit	7.0	0.6	-	7.6
Net finance costs				(1.8)
Profit before taxation				5.8
Income tax expense				(1.3)
Net profit for the period				4.5
6 months to 31.03.07 (unaudited)				
Sales to external customers	139.2	9.4	-	148.6
Inter-segment sales	2.4	1.0	(3.4)	-
Segment revenue	141.6	10.4	(3.4)	148.6
Operating profit before exceptional items and amortisation of acquired intangibles	8.0	0.8	-	8.8
Amortisation of acquired intangibles	(0.7)	(0.2)	-	(0.9)
Operating profit	7.3	0.6	-	7.9
Net finance costs				(2.0)
Profit before taxation				5.9
Income tax expense				(1.8)
Net profit for the period				4.1
12 months to 30.09.07 (audited)				
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
Operating profit before exceptional items and amortisation of acquired intangibles	14.7	1.9	-	16.6
Exceptional items	(10.6)	-	-	(10.6)
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 period				0.2

Notes to the condensed financial statements (continued)

31 March 2008

5. Exceptional items and amortisation of intangibles

	Unaudited 6 months to 31.03.2008 £'m	Unaudited 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Provision for impairment of capitalised IT software and related costs	-	-	10.5
Amortisation of intangibles arising on acquisitions of Deltron and Axess	0.8	0.8	1.4
Amortisation of intangibles arising on acquisitions of Eurodis marketing information	0.2	0.1	0.3
Restructuring and other costs	-	-	1.2
Profit on the sale of buildings	(2.3)	-	(1.1)
	(1.3)	0.9	12.3

6. Profit before taxation

	Unaudited 6 months to 31.03.2008 £'m	Unaudited 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Profit before taxation is stated after charging:			
Share-based payment	-	0.3	0.2
Impairment loss of property, plant and equipment	-	-	0.3
Write down of inventories	0.2	0.7	0.9
Amortisation of intangibles	1.0	0.9	1.7
Exceptional items	(2.3)	-	10.6

7. Earnings per share

	Unaudited 6 months to 31.03.2008 £'m	Unaudited 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Profit after taxation, exceptional items and amortisation of intangibles	4.5	4.1	0.2
Amortisation of intangibles (post taxation)	0.7	0.6	1.3
Exceptional items (post taxation)	(2.2)	-	7.2
Profit after taxation but before exceptional items and amortisation of intangibles	3.0	4.7	8.7
Weighted average number of shares ('000)	73,552	73,400	73,470
Employee share options ('000)	1,176	915	469
Diluted weighted average number of shares ('000)	74,728	74,315	73,939

After exceptional items and amortisation of intangibles

- Basic earnings per share	6.1p	5.6p	0.3p
- Diluted earnings per share	6.0p	5.5p	0.3p

Before exceptional items and amortisation of intangibles

- Basic earnings per share	4.1p	6.4p	11.8p
- Diluted earnings per share	4.0p	6.3p	11.8p

Notes to the condensed financial statements (continued)

31 March 2008

8. Dividends

	Unaudited 6 months to 31.03.2008 £'m	Unaudited 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Amounts recognised in the period:			
Final dividend for the year ended 30 September 2007: 3.6p	2.6	-	-
Final dividend for the year ended 30 September 2006: 3.6p	-	2.6	2.6
Interim dividend for the year ended 30 September 2007: 3.6p	-	-	2.7
	2.6	2.6	5.3
Amounts determined after the balance sheet date:			
Interim dividend for the year ending 30 September 2008: 1.8p	1.3	-	-
Final dividend for the year ended 30 September 2007: 3.6p	-	-	2.6
Interim dividend for the year ended 30 September 2007: 3.6p	-	2.7	-

9. Property, plant and equipment

Disposals during the period included the sale of buildings with net book value of £3.4million, resulting in a recognised gain of £2.3million. Additions during the period include £0.9million for land and buildings and £0.4million for plant and equipment.

10. Reconciliation of movements in equity

	Unaudited 6 months to 31.03.2008 £'m	Unaudited 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
Total recognised income and expense for the period	10.3	4.1	2.0
New share capital issued	-	0.3	0.3
Share-based payments	-	0.3	0.2
Purchase of own shares for employee benefit trust	-	-	(0.4)
Equity dividends paid	(2.6)	(2.6)	(5.3)
Net increase (decrease) in equity	7.7	2.1	(3.2)
Equity shareholders' funds at the beginning of the period	77.0	80.2	80.2
Equity shareholders' funds at the end of the period	84.7	82.3	77.0

Notes to the condensed financial statements (continued)

31 March 2008

11. Reconciliation of net debt

	Unaudited 6 months to 31.03.2008 £'m	Unaudited 6 months to 31.03.2007 £'m	Audited 12 months to 30.09.2007 £'m
(Reduction) increase in cash and cash equivalents	(1.8)	1.0	(1.0)
Translation differences on cash and cash equivalents	(2.6)	-	(0.6)
Movement in cash and cash equivalents	(4.4)	1.0	(1.6)
Movement in loan balances	2.4	(1.9)	8.2
Non-cash movements	(0.3)	-	(0.1)
Translation differences on loan balances	(0.7)	-	(0.3)
Net debt at the beginning of the period	(59.9)	(66.1)	(66.1)
Net debt at the end of the period	(62.9)	(67.0)	(59.9)
Net debt at the end of the period comprises:			
Cash at bank and in hand	0.7	2.2	0.4
Bank overdrafts	(12.1)	(13.2)	(13.1)
Invoice discounting	(29.1)	(22.5)	(23.4)
Borrowings repayable within one year	(11.0)	(13.0)	(10.5)
Borrowings repayable after more than one year	(11.4)	(20.5)	(13.3)
	(62.9)	(67.0)	(59.9)

12. Capital commitments

At 31 March 2008, the Group had capital expenditure commitments of £0.9million (September 2007: £1.6million; March 2007: £nil).

13. Events after balance sheet date

There were no significant events after the balance sheet date.

14. Statement of Directors' Responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the condensed consolidated financial statements include a fair view of the information required by DTR 4.2.7 and DTR 4.2.8.

The condensed financial statements were approved by the Board of Directors on 28 May 2008 and signed on their behalf by:

M R Kent
Director

P V Allen
Director