



Abacus Group plc

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

Preliminary Results for the year ended 30th September 2008

Abacus Group plc (LSE: ABU), a leading European electronic components distributor, announces its Preliminary Results for the year ended 30th September 2008.

Financial Highlights

- Turnover of £279.0m: down 2.7% (2007: £286.9m) due to trading conditions
- Gross profit of £67.9m: down 5% (2007: £71.5m) reflecting the trading conditions and impact of the weaker Pound on UK cost of sales
- Other operating expenses pre-exceptional items were £55.9m (2007: £54.9m) reflecting unfavourable currency effect of £3.2m
- Profit before tax (after exceptionals and amortisation): £8.3m (2007: £0.6m), before exceptionals and amortization: £7.9m (2007: £12.9m)
- Basic EPS after exceptional items and amortisation: 8.2p (2007: 0.3p). Basic EPS pre-exceptional items and amortisation: 7.0p (2007: 11.8p)
- Net borrowings reduced to £55.7m as at 30 September 2008 (2007: £59.9m) despite weakness of Pound on Euro denominated debt

Post year end Highlights

- Recommended cash offer of 55p from Avnet Inc to acquire the issued share capital of Abacus, announced on 10 October 2008

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Chairman's Statement

As indicated in my report to shareholders last year, and then reiterated at the time of my Interim report, Abacus Group has had to cope with challenging trading conditions for the last 18 months. Although it is no consolation, these challenging conditions are now reflected in all sectors of European economies. As a consequence, the results for 2008 are lower than those for 2007. In addition to the difficult trading conditions the financial performance of the Group has also been impacted by the precipitous decline in the value of the Pound against the Dollar in the last few months, and the Euro throughout the year. Notwithstanding the impact of these influences, I am pleased to report that the Group has been profitable throughout the year and continues to be held in high esteem by competitors, suppliers and customers for its philosophy to providing personal and dedicated service. The strong reputation of Abacus undoubtedly led to the Board receiving approaches from competitors interested in acquiring the business which in turn culminated in the announcement of the recommended cash offer for the Company on 10 October 2008.

Results in 2008

Turnover for the year was 3% lower than in 2007 at £279.0m. The impact of the weak Pound was a contributor to a decline in gross margins from 24.9% in 2007 to 24.3% in 2008. Gross profit was therefore £3.6m lower in 2008 at £67.9m. Continued tight control of operating expenses meant that, notwithstanding the strength of the Euro, operating expenses increased by only £1.0m to £55.9m before amortisation and exceptional items. Bank interest charges of £3.7m were the same as in 2007.

During the year there was an exceptional gain on the sale of two properties of £2.2m (2007: £1.1m). In 2007 there was an exceptional charge of £10.6m (including the £1.1m profit on property sale) primarily relating to the write off of the IT business system that was being developed "in house". In addition, in 2008 there was also a charge for amortisation of intangibles arising on acquisitions of £1.8m (2007: £1.7m).

Profit before tax before amortisation and exceptional items in 2008 was £7.9m (2007: £12.9m) and, after amortisation and exceptional items, profit before tax was £8.3m (2007: £0.6m). Tax on profits, before amortisation and exceptional items, was £2.8m (35.4%) (2007: £4.2m and 32.6%). Basic earnings per share were 8.2p (2007: 0.3p) and, before amortisation and exceptional items, 7.0p (2007: 11.8p) per share.

The offer from Avnet Inc is conditional upon there being no final dividend and accordingly the Board is not recommending one. In the Interim Statement I reported that net borrowings at 31 March 2008 had increased to £62.9m from £59.9m at 30 September 2007. Net borrowings at 30 September 2008 have reduced to £55.7m as a consequence of a significant reduction in Inventory to £40.4m (£45.7m at 31 March 2008) and Trade and other receivables to £57.2m (£64.6m at 31 March 2008). Abacus has been well supported by its main lending bank throughout the year.

In the individual European countries where Abacus is active, there has been a mixed performance. In the UK, ECD sales were down 11%, and Alpha 3, our manufacturing business, reported a 6% decline in sales to £18.7m. In Scandinavia, sales increased by 10% due to the continued success of the Conelec business in Denmark and the Nordic Trident business. In Italy and France there were declines of 6% and 8% respectively, whilst in Germany and Austria there was an increase of 26%. This performance was generally in line with underlying country by country market conditions, except in Germany where the investment in new offices has led to a useful increase in the number of franchises and business activity being reported.

With regard to operating expenses, the impact of the Euro on local currencies contributed to an increase of £3.2m (compared to 2007 average exchange rate). Additional new office rentals to replace buildings that were sold because they were no longer fit for purpose, added £0.4m. It will be noted that a combination of these two influences has been mitigated by headcount savings and a salary freeze across the Group.

Cash Offer by Avnet Inc.

As mentioned earlier, the Abacus Board announced on 10 October 2008 that it was recommending a cash offer at 55p per share from Avnet Inc. to acquire the issued share capital of Abacus. The Board, in considering this offer, recognised that it represented a significant premium (125% above the average price for the three months period before the announcement). Further, given the continuing challenging trading conditions, combined with the relatively high borrowings of the Group and the deflated share price, the Board considered that it was unlikely, in the foreseeable future, to be able to continue its strategy of acquiring European businesses to integrate into the Group activities. Accordingly, the Board recommended the offer which, providing the offer pre-conditions (EU competition clearance and shareholder acceptance) are met, is expected to complete in January 2009.

It is never an easy decision to agree the sale of a successful business to which we are all committed, but the Board believes that the interests of employees and shareholders alike will be well served as a result of this acquisition. The Board would like to thank the employees of Abacus for their dedication and hard work during the challenging last 18 months.

Consolidated Income Statement

for the year ended 30 September 2008

		Before amortisation of acquired intangibles and exceptional items 2008 £'m	Amortisation of acquired intangibles and exceptional items 2008* (note 5) £'m	Total 2008 £'m	Before amortisation of acquired intangibles and exceptional items 2007 £'m	Amortisation of acquired intangibles and exceptional items 2007* (note 5) £'m	Total 2007 £'m
Continuing operations	Notes						
Revenue		279.0		279.0	286.9	-	286.9
Cost of sales		(211.1)		(211.1)	(215.4)	-	(215.4)
Gross profit		67.9		67.9	71.5	-	71.5
Other operating expenses	3	(55.9)	0.4	(55.5)	(54.9)	(12.3)	(67.2)
Operating profit		12.0	0.4	12.4	16.6	(12.3)	4.3
Finance income	4	0.2	-	0.2	0.6	-	0.6
Finance costs	4	(4.3)	-	(4.3)	(4.3)	-	(4.3)
Profit before taxation		7.9	0.4	8.3	12.9	(12.3)	0.6
Income tax (expense) credit	6	(2.8)	0.5	(2.3)	(4.2)	3.8	(0.4)
Profit for the year attributable to equity holders of the parent		5.1	0.9	6.0	8.7	(8.5)	0.2
Earnings per share (pence)							
Basic earnings per share	7	7.0p	1.2p	8.2p	11.8p	(11.5p)	0.3p
Diluted earnings per share	7	6.7p	1.2p	7.9p	11.8p	(11.5p)	0.3p

Consolidated Statement of Recognised Income and Expense

for the year ended 30 September 2008

	Note	2008 £'m	2007 £'m
Foreign exchange and translation differences		5.3	1.2
Transfer to income statement on cash flow hedges		0.2	-
Loss on cash flow hedges taken to equity		-	(0.2)
Actuarial gains on defined benefit pension plans		0.1	1.0
		5.6	2.0
Tax on items taken directly to equity		-	(0.2)
Net income and expense recognised directly in equity		5.6	1.8
Profit for the year		6.0	0.2
Total recognised income and expense for the year	9	11.6	2.0

* Amortisation of acquired intangibles and exceptional items have been disclosed separately in Note 5 in order to give an indication of the underlying earnings of the Group.

Consolidated Balance Sheet

as at 30 September 2008

	Notes	2008 £'m	2007 £'m
Non-current assets			
Property, plant and equipment		13.4	15.6
Goodwill	8	55.1	52.3
Intangible assets	8	12.6	11.7
Deferred tax assets		3.4	3.6
		84.5	83.2
Current assets			
Trade and other receivables		57.2	62.4
Inventories		40.4	38.7
Other financial assets		-	0.3
Income tax receivables		1.1	0.6
Cash at bank	11	2.6	0.4
		101.3	102.4
Total assets		185.8	185.6
Current liabilities			
Trade and other payables		36.9	40.2
Financial liabilities	11	57.5	47.7
Income tax payable		0.1	0.4
Provisions		1.9	0.6
		96.4	88.9
Non-current liabilities			
Financial liabilities	11	0.8	13.3
Other payables		-	0.3
Deferred tax liabilities		3.9	4.1
Provisions		0.2	1.6
Defined benefit pension plan deficit		0.3	0.4
		5.2	19.7
Total liabilities		101.6	108.6
Net assets		84.2	77.0
Equity			
Called-up share capital	9	3.7	3.7
Share premium account	9	47.9	47.9
Capital redemption reserve	9	0.4	0.4
Merger reserve	9	3.3	3.3
Share option reserve	9	0.6	1.0
Own shares	9	(0.4)	(0.4)
Hedging and translation reserve	9	5.9	0.4
Retained earnings	9	22.8	20.7
Total equity available to the shareholders of the parent		84.2	77.0

Consolidated Cash Flow Statement

for the year ended 30 September 2008

	Note	2008 £'m	2007 £'m
Cash flows from operating activities			
Profit before taxation		8.3	0.6
Finance income	4	(0.2)	(0.6)
Finance costs	4	4.3	4.3
Depreciation of property, plant and equipment		1.3	1.4
Impairment loss on property, plant and equipment		-	0.3
Profit on disposal of fixed assets	5	(2.2)	(1.0)
Amortisation of intangible assets	8	2.3	2.1
Impairment loss on intangible assets		-	9.7
Share-based payment		(0.4)	0.2
Operating cash flows before changes in working capital		13.4	17.0
Decrease (increase) in inventories		(0.2)	0.1
Decrease (increase) in trade and other receivables		9.1	5.9
(Decrease) increase in trade and other payables		(5.4)	(4.0)
Movement in provisions		(0.4)	(0.1)
Cash generated from operations		16.5	18.9
Income tax paid		(2.4)	(1.1)
Operating cash flow		14.1	17.8
Cash flows from investing activities			
Interest received		-	0.2
Net proceeds from sale of property plant and equipment		5.6	2.0
Purchase of property, plant and equipment		(1.4)	(0.9)
Payments to acquire intangible fixed assets		(2.5)	(3.0)
Net cash flow from investing activities		1.7	(1.7)
Cash flows from financing activities			
Interest paid		(3.7)	(3.9)
Exercise of share options		-	0.3
New loan		2.1	3.2
Repayment of loans		(7.5)	(8.9)
Repayment of loan notes		(2.8)	(2.4)
Repayment of capital element of finance leases		(0.1)	(0.1)
Dividends paid	10	(4.0)	(5.3)
Net cash flow from financing activities		(16.0)	(17.1)
Net movement in cash and cash equivalents			
Effects of exchange rates	11	(0.2)	(1.0)
Cash and cash equivalents at the beginning of the period	11	(2.3)	(0.6)
	11	(36.1)	(34.5)
Cash and cash equivalents at the end of the year		(38.6)	(36.1)

Notes to the Accounts

30 September 2008

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 2008 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 2008 were authorised for issue by the Board of the Directors on 04 December 2008 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 2008 and 2007.

Notes to the Accounts (continued)

30 September 2008

2. Revenue and segmental reporting (continued)

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 2008 and 2007.

Year ended 30 September 2008	Electronic component distribution £'m	Manufacturing £'m	Unallocated £'m	Eliminations £'m	Total £'m
Segment Revenue					
Sales to external customers	264.8	14.2	-	-	279.0
Inter-segment sales	4.2	4.5	-	(8.7)	-
Segment revenue	269.0	18.7	-	(8.7)	279.0
Segment Results					
Operating profit before amortisation of acquired intangibles and exceptionals	10.3	1.7	-	-	12.0
Exceptionals	2.2	-	-	-	2.2
Operating profit before amortisation of acquired intangibles	12.5	1.7	-	-	14.2
Amortisation of acquired intangibles	(1.7)	(0.1)	-	-	(1.8)
Operating profit	10.8	1.6	-	-	12.4
Net finance costs					(4.1)
Profit before taxation					8.3
Income tax expense					(2.3)
Net profit for the year					6.0
Assets and Liabilities					
Segment assets	170.3	11.0	4.5	-	185.8
Segment liabilities	(36.5)	(2.8)	(62.3)	-	(101.6)
Other segment information					
Capital expenditure:					
Property, plant and equipment - additions	1.7	0.2	-	-	1.9
Intangible assets - additions and internal development	2.5	-	-	-	2.5
Non-cash expenditure:					
Depreciation	(1.1)	(0.2)	-	-	(1.3)
Inventory provision	(0.6)	(0.1)	-	-	(0.7)
Amortisation of intangibles	(2.2)	(0.1)	-	-	(2.3)

Notes to the Accounts (continued)

30 September 2008

2. Revenue and segmental reporting (continued)

Year ended 30 September 2007 (restated *)	Electronic component distribution £'m	Manufacturing £'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 charge					(0.4)
Net Profit for the year					0.2
Assets and Liabilities					
Segment assets	168.5	12.9	4.2	-	185.6
Segment liabilities	(39.9)	(3.2)	(65.5)	-	(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)
Release of inventory provision	0.2	-	-	-	0.2
Amortisation of intangibles	(1.8)	(0.3)	-	-	(2.1)

* 2007 segment assets and liabilities are restated after allocating directly attributable assets and liabilities centrally maintained

Notes to the Accounts (continued)

30 September 2008

3. Other operating expenses

Other operating expenses are analysed as follows:

	2008 £m	2007 £m
Administrative expenses	10.0	9.4
Distribution expenses	45.9	45.5
Amortisation of intangibles arising on acquisitions (note 5)	1.8	1.7
Exceptional items (note 5)	(2.2)	10.6
	55.5	67.2

4. Finance income and finance costs

	2008 £m	2007 £m
Finance income		
Bank interest receivable	-	(0.2)
Expected returns on pension scheme assets	(0.2)	(0.2)
Finance income before fair value movements of derivatives	(0.2)	(0.4)
Fair value gain on forward exchange contract	-	(0.1)
Fair value gain on interest rate swap	-	(0.1)
Total finance income	(0.2)	(0.6)
Finance costs		
On bank loans, overdrafts and other items	3.7	3.9
Movement in discount on loans	0.1	0.1
Finance charge on pension scheme liabilities	0.2	0.2
Total finance costs before fair value movements of derivatives	4.0	4.2
Fair value loss on derivative financial instruments	0.3	0.1
Total finance costs	4.3	4.3
Net finance costs	4.1	3.7

Notes to the Accounts (continued)

30 September 2008

5. Amortisation of acquired intangibles and exceptional items

	2008 £'m	2007 £'m
Profit on sale of buildings (note 5.1)	(2.2)	(1.1)
Provision for impairment of capitalised IT software (note 5.2)	-	9.7
IT assets write down (note 5.2)	-	0.3
IT redundancy and other costs (note 5.2)	-	0.5
Other redundancy costs (note 5.3)	-	0.5
Other (note 5.3)	-	0.5
Provision for empty property and associated costs (note 5.4)	-	0.2
Exceptional items	(2.2)	10.6
Amortisation of intangibles arising on acquisitions of Deltron and Axess	1.5	1.4
Amortisation of intangibles arising on acquisition of Eurodis marketing information	0.3	0.3
Total amortisation of intangibles arising on acquisitions	1.8	1.7
	(0.4)	12.3

(5.1) In 2008, the freehold properties of the Trident division office and part of the UK warehouse at Newcastle-under-Lyme were sold for £5.6 million (net of direct selling costs £0.1 million) against a net book value of £3.4 million. In 2007, the freehold property of a UK office was sold, realising £1.5 million proceeds against a book value of £0.4 million. The office properties were ill-suited and the staff were relocated to more conducive rented premises. The part of the warehouse property sold was excess to requirements.

(5.2) 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 then 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.

(5.3) 'Other redundancy costs' and 'Other' related to further restructuring to the European businesses to achieve synergies in staff costs and other operational expenses.

(5.4) 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 2007 and a reduction and relocation of headcount due to duplication of activities.

Notes to the Accounts (continued)

30 September 2008

6. Taxation

(a) Tax on Profit on ordinary activities

	2008 £'m	2007 £'m
Tax charged in the income statement of continuing operations comprises:		
UK corporate tax	-	-
Foreign tax	1.4	2.0
Current year income tax charge	1.4	2.0
Amounts under (over) provided in previous years	0.2	(0.1)
Total current income tax	1.6	1.9
Deferred tax	0.7	(1.5)
Tax charge in the income statement	2.3	0.4

(b) Reconciliation of the total tax charge

	2008 £'m	2007 £'m
Profit from continuing operations before taxation	8.3	0.6
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2007 – 30%)	2.3	0.2
Expenses not deductible for tax purposes	0.1	0.5
Income not chargeable for tax purposes	(0.9)	(0.4)
Higher taxes on overseas earnings	0.2	0.1
Unrelieved losses in foreign subsidiaries	0.1	0.1
Losses overprovided in previous years	0.2	0.2
Recognition of a deferred tax asset not previously recognised	(0.5)	(0.2)
Management expenses adjusted against dividend income subject to Double Tax Relief	0.2	-
Impact of phasing out of Industrial Building Allowance	0.2	-
Tax under (over) provided in previous years	0.2	(0.1)
Other	0.2	-
Total tax charge reported	2.3	0.4

Notes to the Accounts (continued)

30 September 2008

7. Earnings per share

	2008	2007
	£'m	£'m
Profit after taxation, exceptionals and amortisation of acquired intangibles	6.0	0.2
Amortisation of acquired intangibles (post taxation)	1.3	1.3
Exceptional items (post taxation)	(2.2)	7.2
Profit after taxation but before exceptionals and amortisation of acquired intangibles	5.1	8.7
Weighted average number of shares ('000)	73,115	73,470
Employee share options ('000)	3,090	469
Diluted weighted average number of shares ('000)	76,205	73,939
<i>After exceptionals and amortisation of intangibles:</i>		
Basic earnings per share	8.2p	0.3p
Diluted earnings per share	7.9p	0.3p
<i>Before exceptionals and amortisation of intangibles:</i>		
Basic earnings per share	7.0p	11.8p
Diluted earnings per share	6.7p	11.8p

Notes to the Accounts (continued)

30 September 2008

8. Intangible assets

	Order books £'m	Customer relationships £'m	Software development expenditure £'m	Marketing information £'m	Other intangibles £'m	Goodwill £'m	Total £'m
<i>Cost:</i>							
At 1 October 2006	1.3	11.9	8.1	1.6	0.6	51.3	74.8
Exchange adjustments	-	0.2	-	-	-	1.0	1.2
Internal development	-	-	2.0	-	-	-	2.0
Additions	-	-	1.0	-	-	-	1.0
At 30 September 2007	1.3	12.1	11.1	1.6	0.6	52.3	79.0
Exchange/ other adjustments	-	0.7	-	-	-	2.8	3.5
Additions	-	-	2.5	-	-	-	2.5
At 30 September 2008	1.3	12.8	13.6	1.6	0.6	55.1	85.0
<i>Amortisation and impairment:</i>							
At 1 October 2006	1.3	1.0	0.3	0.4	0.2	-	3.2
Amortisation during the year	-	1.4	0.3	0.3	0.1	-	2.1
Impairment	-	-	9.7	-	-	-	9.7
At 30 September 2007	1.3	2.4	10.3	0.7	0.3	-	15.0
Amortisation during the year	-	1.5	0.4	0.3	0.1	-	2.3
At 30 September 2008	1.3	3.9	10.7	1.0	0.4	-	17.3
<i>Net book values:</i>							
1 October 2006	-	10.9	7.8	1.2	0.4	51.3	71.6
30 September 2007	-	9.7	0.8	0.9	0.3	52.3	64.0
30 September 2008	-	8.9	2.9	0.6	0.2	55.1	67.7

Intangibles

The 'order book', 'customer relationships' and 'brands' (included in 'Other intangibles') are acquired intangibles. These arise as a result of applying IFRS 3, which requires the separate recognition of acquired intangibles from goodwill. As detailed in the Statement of Significant Accounting Policies, Abacus Group plc has elected not to apply IFRS 3 retrospectively to acquisitions, which took place before 1 October 2004. Prior to 1 October 2004, the Group owned purchased intangible assets comprising of internally developed software, which was to be written off over 8 years on commencement of its operation. However, following the decision to acquire a new external ERP system, the internally developed software has been written down to £nil net book value.

The amortisation period for each category of acquired intangible asset is disclosed in the Statement of Significant Accounting Policies.

The additions in Software development expenditure relate to implementation cost to date for the new IT system.

Impairment of goodwill

Goodwill acquired through business combinations have been allocated for impairment testing purposes to seven cash-generating units (CGUs), which are represented by the manufacturing segment and the electronic component distribution (ECD) segment split into the six geographical reportable segments. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Notes to the Accounts (continued)

30 September 2008

8. Intangible assets (continued)

Carrying amount of goodwill and intangibles allocated to cash-generating units (CGUs)

	Goodwill		Development Costs		Other Intangibles		Total	
	2008 £'m	2007 £'m	2008 £'m	2007 £'m	2008 £'m	2007 £'m	2008 £'m	2007 £'m
United Kingdom (ECD)	20.6	20.6	2.8	0.8	1.1	2.0	24.5	23.4
United Kingdom (Manufacturing)	2.6	3.2	-	-	1.7	1.8	4.3	5.0
Scandinavia	8.6	7.9	-	-	1.4	1.4	10.0	9.3
Italy	5.2	4.6	-	-	0.1	0.1	5.3	4.7
Germany & Austria	7.3	6.5	0.1	-	0.7	0.8	8.1	7.3
France	10.4	9.2	-	-	4.7	4.8	15.1	14.0
Rest of Europe	0.4	0.3	-	-	-	-	0.4	0.3
	55.1	52.3	2.9	0.8	9.7	10.9	67.7	64.0

The recoverable amount of each unit has been determined based on a "value in use" calculation using cash flow projections based on financial budgets covering three years to 30 September 2011 and approved by the Board. The cash flows beyond the budget are extrapolated using 2% growth rate. This rate is based on management's conservative estimate and is a lower expected growth rate than the historical average.

Key assumptions used in "value in use" calculations

The calculation of "value in use" for both electronics and the manufacturing units is most sensitive to the following assumptions, which are the same for all CGUs:

- Gross margin;
- Discount rates;
- Market share during the budget period; and
- Growth rate used to extrapolate cash flows beyond the budget period

Gross margins are based on the budgeted margins of each CGU. These are in line with the margins attained in the last few years modified by the increased margins of the Deltron and Axess Groups which have historically achieved higher margins than the Abacus Group.

Discount rate applied to cash flow projections is 13.3% (2007: 10.6%). This rate is based upon management's expectations of the Group's borrowing and equity profile, weighted average cost of capital (WACC). This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposal.

Market share assumptions are important because, as well as using industry data for growth rates (as noted below), management assess how the unit's relative position to its competitors might change over the budget period. Management expects the Group's share of each territory to be stable over the projected period.

Growth rate estimates for all countries are based on conservative estimates keeping in view the published industry research and short to medium term future outlook.

Sensitivity to changes in assumptions

Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value of any unit to exceed its recoverable amount.

Notes to the Accounts (continued)

30 September 2008

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 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
Total recognised income and expense for the year	-	-	-	-	-	-	5.5	6.1	11.6
Equity dividends paid	-	-	-	-	-	-	-	(4.0)	(4.0)
Share-based payment	-	-	-	-	(0.4)	-	-	-	(0.4)
At 30 September 2008	3.7	47.9	0.4	3.3	0.6	(0.4)	5.9	22.8	84.2

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 as detailed in the Statement of Significant Accounting Policies.

During 2008, 7,912 of the Employee Benefit Trust's 439,398 Company's shares were used in connection with the Group's Performance Share Plan (PSP). The market value of the remaining 431,486 shares as at 30 September 2008 was £0.1 million (2007: £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

	2008 £'m	2007 £'m
Amounts recognised in the year:		
Interim dividend for the year ending 30 September 2008 – 1.8p	1.4	-
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
Interim dividend for the year ended 30 September 2007 – 3.6p	-	2.7
	4.0	5.3
Amounts determined after the balance sheet date:		
Final dividend for the year ending 30 September 2007 – 3.6p	-	2.6

Notes to the Accounts (continued)

30 September 2008

11. Analysis and reconciliation of net debt

Analysis of net debt (2008)

	1 October 2007 £'m	Cash flow £'m	Other non-cash changes £'m	Exchange differences £'m	30 September 2008 £'m
Cash at bank	0.4	2.2	-	-	2.6
Bank overdrafts and invoice discounting	(36.5)	(2.4)	-	(2.3)	(41.2)
Cash and cash equivalents	(36.1)	(0.2)	-	(2.3)	(38.6)
Debt due after 1 year*	(13.3)	(0.5)	13.3	-	(0.5)
Debt due within 1 year	(10.5)	8.7	(13.3)	(1.1)	(16.2)
Finance leases due after 1 year*	-	-	(0.3)	-	(0.3)
Finance leases due within 1 year	-	0.1	(0.2)	-	(0.1)
Net debt	(59.9)	8.1	(0.5)	(3.4)	(55.7)

Analysis of net debt (2007)

	1 October 2006 £'m	Cash flow £'m	Other non-cash changes £'m	Exchange differences £'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)
Cash and cash equivalents	(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	-	-	-
Net debt	(66.1)	7.2	(0.1)	(0.9)	(59.9)

* Financial liabilities classified as non-current.

Movement in net debt

	2008 £'m	2007 £'m
Reduction in cash and cash equivalents resulting from cash flows	(0.2)	(1.0)
Translation differences on cash and cash equivalents	(2.3)	(0.6)
Movement in cash and cash equivalents resulting from cash flows	(2.5)	(1.6)
Cash movement on loans and finance leases	8.3	8.2
Non-cash movements (including new finance leases)	(0.5)	(0.1)
Translation differences on loan balances	(1.1)	(0.3)
Net debt at the beginning of the period	(59.9)	(66.1)
Net debt at the end of the period	(55.7)	(59.9)

Notes to the Accounts (continued)

30 September 2008

12. Financial Information

The financial information set out above does not constitute the Company's statutory accounts within the meaning of section 240 of the Companies Act 1985 for the years ended 30 September 2008 and 30 September 2007, but is derived from them. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The Auditors have reported on the accounts to 30 September 2008: their reports for 30 September 2008 and 30 September 2007 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 04 December 2008.

The Company will post its Annual Report and Accounts to shareholders and hold its Annual General Meeting in due course, following which the statutory accounts for 2008 will be posted and delivered to the Registrar of Companies. 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.