

Preliminary Results for the year ended 30 June 2018

CHAIRMAN'S PRELIM STATEMENT YEAR ENDED 30 JUNE 2018

Results

After an overly prolonged disappointing period of change, it is some comfort to report that the loss before tax for the year has been reduced by 51% to £489,000 by comparison with last year's loss of £999,000.

The changes of focus and direction I have reported over recent years have resulted in improved margins, albeit blunted by the high costs of staff recruitment into those areas of skills needed to develop the better quality opportunities, but we expect to see the benefit of this investment in future years.

At the half year, I reported on the increase in turnover for that period compared with the previous and comparable period, however, our strategy only allowed some of the improvements in achieved gross turnover to be continued into the second half. We have continued our long standing policy of exiting empty revenue offered by lower margin, long standing, commoditised product groups. Margin erosion in this area is illustrated by a global and leading U.S owned competitor, which has just reported that their own global quarterly net margins have declined to 0.67% and with Europe being their most competitive region.

Those areas where we did achieve increases in turnover in the second half by comparison with the first half, were within the newer higher yielding product groups, and these will continue to be our principal focus.

As a consequence, turnover for the year at £58.1 million was only 1.5% higher than the £57.3 million reported a year ago. More importantly, the Gross Profit margin increased from 7.7% for the year 2016/7 to 7.8% for the year 2017/8.

There were further savings in the overheads, both in Distribution and in Administration in the second half compared with the first half, so that for the year the total overheads were reduced by £317,000 (5.8%). For the year the resulting loss from operations was reduced from £1.05 million to £0.58 million.

Investment income increased from £52,000 to £90,000 so that the pre tax loss for the year was £510,000 less at £489,000 compared with £999,000 last year.

Financial Position

Despite the margin pressures resulting from long standing vendors transferring costs to their distribution business partners, we have always been proud of the strength of our financial position as reflected in the Balance Sheet.

Despite the all too frequent vagaries and vicissitudes of the U.K.'s general economic conditions, and those particularly affecting our section of the industry, we have through constant vigilance and careful monitoring managed to retain our debt free cash resources at around the £5 million level similar to the end of the previous year.

In doing so we have reduced the working capital used within the business by around £400,000 compared with last year. This was achieved mainly by reducing each of the levels of inventory and debtors and retaining a healthy Net Current Assets ratio of 2.4 compared with 2.2 for the previous year.

At end June 2018 the Net Assets per share were 62.2p (2017: 64.1p), based on the Balance Sheet values including our two unencumbered freehold properties. We therefore maintained a combined healthy tangible asset position and liquidity position which gives us confidence for the future.

Dividend

Based on the continuing strength of the group's debt free tangible asset base, the board is proposing to pay an unchanged final dividend of 0.1p per share, at a total cost of £28,159 which will be paid on 18 January 2019.

Staff

Due to the changes in the profile of our offered product range, we have regrettably lost a few of our staff during the year. This is never a pleasant situation either for those affected or for those who remain, I am therefore very grateful for the efforts and dedication of all members of staff throughout the year.

Outlook

At the half way point in the year, and before the overly protracted Brexit confusion, with a single EU negotiator able to enjoy the mob confusion offered by our own side, I was able to be more optimistic about the near term than currently possible.

In those areas where we have strength and which in the last couple of years have shown growth and margin improvement, we should continue to do well. However there are areas where it is extremely difficult to make any assessment on the future direction, without wishing to become political, the economic and social uncertainties which abound all around us do not in my opinion augur well for us.

On that basis I am unable to make any realistic assessment of the next year or so. We shall, as we always have, work as hard as possible to maximise our opportunities and deliver the best results that we can for our shareholders.

D.M.Phillips
Chairman
19 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 Total £'000	2017 Total £'000
Revenue	58,136	57,288
Cost of sales	(53,589)	(52,896)
Gross Profit	<u>4,547</u>	<u>4,392</u>
Distribution costs	(2,850)	(3,042)
Administrative costs	(2,276)	(2,401)
Loss from operations	<u>(579)</u>	<u>(1,051)</u>
Investment revenue	90	52
Loss before tax	<u>(489)</u>	<u>(999)</u>
Tax (charge)	-	-
Loss for the year and total comprehensive loss	<u><u>(489)</u></u>	<u><u>(999)</u></u>
Basic and diluted loss per ordinary share	(1.74)p	(3.55)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	2018 £'000	2017 £'000
Non current assets		
Property, plant and equipment	7,894	8,025
Current assets		
Inventories	3,378	4,176
Trade and other receivables	8,145	9,052
Cash and cash equivalents	5,067	4,972
	<u>16,590</u>	<u>18,200</u>
Total assets	<u>24,484</u>	<u>26,225</u>
Current liabilities		
Trade and other payables	(6,964)	(8,160)
	<u>(6,964)</u>	<u>(8,160)</u>
Total liabilities	<u>(6,964)</u>	<u>(8,160)</u>
Net assets	<u>17,520</u>	<u>18,065</u>
Equity		
Share capital	281	281
Share premium account	5,734	5,734
Capital redemption reserve	1,505	1,505
Retained earnings	10,000	10,545
Equity shareholders' funds	<u>17,520</u>	<u>18,065</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 July 2016	281	5,734	1,505	11,600	19,120
Dividends	-	-	-	(56)	(56)
Transactions with owners	-	-	-	(56)	(56)
Loss and total comprehensive loss for the year	-	-	-	(999)	(999)
Balance at 30 June 2017	281	5,734	1,505	10,545	18,065
Dividends	-	-	-	(56)	(56)
Transactions with owners	-	-	-	(56)	(56)
Loss and total comprehensive loss for the year	-	-	-	(489)	(489)
Balance at 30 June 2018	<u>281</u>	<u>5,734</u>	<u>1,505</u>	<u>10,000</u>	<u>17,520</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018	2017
	£'000	£'000
Cash from operating activities		
Operating (loss) from continuing operations	(579)	(1,051)
Depreciation of property, plant and equipment	188	166
(Profit) on disposal of property, plant and equipment	-	(4)
Operating (loss) before changes in working capital	(391)	(889)
Decrease)/(increase) in inventories	798	830
Decrease)/(increase) in trade and other receivables	907	(593)
(Decrease)/increase in trade and other payables	(1,196)	355
Cash generated from operations	118	(297)
Income taxes paid	-	-
Net cash from operating activities	118	(297)
Cash flows from investing activities		
Interest received	90	52
Purchase of property, plant and equipment	(57)	(197)
Proceeds from disposal of property, plant and equipment	-	4
Net cash from investing activities	33	(141)
Cash flows from financing activities		
Dividends paid to equity shareholders	(56)	(56)
Net cash used in financing activities	(56)	(56)
Net increase in cash and cash equivalents	95	(494)
Cash and cash equivalents at beginning of year	4,972	5,466
Cash and cash equivalents at end of year	5,067	4,972

Notes

1. Financial information

The results of the year ended 30 June 2018 have been prepared using the accounting policies and methods of computation consistent with those used in the Group's annual report for the year ended 30 June 2018. The results have also been presented and prepared in a form consistent with that which will be adopted in the Group's annual report for the year ended 30 June 2018 and in accordance with the recognition and measurement requirements of the International Reporting Standards as adopted by the European Union.

The financial information set out above does not constitute the group's statutory accounts for the years ended 30 June 2017 or 30 June 2018, but is derived from those accounts. The statutory accounts for the year ended 30 June 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the group's annual general meeting. The auditors have reported on these accounts, their reports were unqualified and did not contain statements under s.498(2) or (3) of the Companies Act 2006. The information contained in this statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

2. Segmental reporting

Management has determined that there is only one operating segment of the group as the total business of the company is the sourcing and distribution of computer related products and this is how information is reported to the Chief Operating Decision Maker. The board in carrying out its strategic planning and decision making has, necessarily, to take consideration of the inter relatedness of the product range and the customer base and thus treat the operations of the group as a whole. All decisions on the allocation of resources impacts on all aspects of the group. Information presented to the Chief Operating Decision Maker is the same as is reported in these financial statements.

Although the sales of the group are predominantly to the UK there are sales to other countries and the following schedule sets out the split of the sales for the year. Revenue is attributable to individual countries based on the location of the customer. There are no non current assets outside the UK.

	UK	Other	Total
	£'000	£'000	£'000
Year to 30 June 2017			
Total Segment revenue	56,996	292	57,288
Year to 30 June 2018			
Total Segment revenue	57,661	475	58,136

One customer accounted for more than 10% of the group's revenue for the year, being £7.6m (2017: £7.4m).

3. Loss per ordinary share

The calculation of the basic and diluted earnings per share is based on the following data:

	2018 £'000	2017 £'000
(Loss) for the year attributable to equity holders of the parent company	<u>(489)</u>	<u>(999)</u>
Number of shares	2018 Number	2017 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	<u>28,158,735</u>	<u>28,158,735</u>

4. Dividends

A final dividend of 0.1p per share will be paid on 18 January 2019 to those members on the register at close of business on 7 December 2018.

5. Notice of meeting

The annual report accounts for the year ended 30 June 2018 will be posted to shareholders in due course and the Annual General Meeting will be held on 14 December 2018.

The Company's registered office is Namber House, 23 Davis Road, Chessington, Surrey, KT9 1HS.