

GLOSSARY OF TERMS

AER

Actual Exchange Rate.

Assets

Anything owned by the Company having a monetary value; e.g. fixed assets such as buildings, plant and machinery, vehicles (these are not assets if rented and not owned) and potentially including intangibles such as trademarks and brand names, and current assets, such as inventory, debtors and cash.

Average Capital Employed

Averaged using month-end balances and opening capital employed. Capital employed is the sum of net assets and net debt.

Balance sheet (or Statements of financial position)

These provide a 'snapshot' at a particular date in time of who owns what in the Company, and what assets and debts represent the value of the Company.

The balance sheet is where to look for information about short-term and long-term debts, gearing (the ratio of debt to equity), reserves, inventory values (materials and finished goods), capital assets, cash, and the value of shareholders' funds. The balance sheet equation is:

Capital + Liabilities (where the money came from)
= Assets (where the money is now)

CAGR

Compounded Annual Growth Rate.

Cash flow

The movement of cash in and out of a business from day-to-day direct trading and other non-trading effects, such as capital expenditure, tax and dividend payments.

Category 'C' components

Low value components that are wrapped up into our supply proposition for a customer.

CER

Constant Exchange Rate.

Current assets

Cash and anything that is expected to be converted into cash within 12 months of the balance sheet date. For example debtors or inventory.

Current liabilities

Money owed by the business that is generally due for payment within 12 months of balance sheet date. For example: creditors, bank overdrafts or tax.

Depreciation

The proportion of cost relating to a capital item, over an agreed period, (based on the useful life of the asset), for example, a piece of equipment costing £10,000 having a life of five years might be depreciated over five years at a cost of £2,000 per year.

This would be shown in the income statement as a depreciation cost of £2,000 per year; the balance sheet would show an asset value of £8,000 at the end of year one, reducing by £2,000 per year; and the cash flow statement would show all £10,000 being used to pay for it in year one.

Dividend

A dividend is a payment made per share, to a company's shareholders and is based on the profits of the year, but not necessarily all of the profits. Normally a half year dividend is recommended by a company board whilst the final dividend for the year is proposed by the board of directors and shareholders consider and vote on this at the Annual General Meeting.

Dividend Cover

Underlying diluted earnings per share over proposed dividend per share in the year.

Earnings before

There are several 'Earnings before.....' ratios. The key ones being:

- PBT Profit/earnings before taxes
- EBIT Earnings before interest and taxes
- EBITDA Earnings before interest, taxes, depreciation, and amortisation
- Underlying Profit before separately disclosed items (see note 2)

Earnings relate to operating and non-operating profits (e.g. interest, dividends received from other investments).

GAAP

Generally Accepted Accounting Practice.

Gearing

The ratio of debt to equity, usually the relationship between long-term borrowings and shareholders' funds.

Goodwill

Any surplus money paid to acquire a company that exceeds its net assets fair value.

ICAEW

Institute of Chartered Accountants in England & Wales.

Intellectual Property ('IP')

This is an intangible asset such as a copyright or patent.

Copyright is the exclusive right to produce copies and to control an original work and is granted by law for a specified number of years.

A patent is a government grant to an inventor, assuring the inventor the sole right to make, use and sell an invention for a limited period.

Multinational OEMs

We use this term to include all Original Equipment Manufacturers (OEMs), Tier 1 suppliers in the automotive sector and relevant key sub-contractors in the other sectors we service.

P/E ratio (price per earnings)

The P/E ratio is an important indicator as to how the investing market views the health, performance, prospects and investment risk of a plc. The P/E ratio is arrived at by dividing the share price by the underlying diluted earnings per share.

Profit

The surplus remaining after total costs are deducted from total revenue.

Profit and loss account (P&L) (or income statement)

The P&L shows how well the company has performed in its trading activities and would cover a trading account for a period.

The P&L shows profit performance and typically shows sales revenue, cost of sales/cost of goods sold, generally a gross profit margin, fixed overheads and/or operating expenses, and then a profit before tax figure ('PBT').

Retained profit/earnings

Business profit which is after tax and dividend payments to shareholders; retained by the business and used for reinvestment.

Reserves

The accumulated and retained difference between profits and losses year-on-year since the company's formation.

Return on capital employed ('ROCE')

A fundamental financial performance measure. A percentage figure representing profit before interest and tax against the money that is invested in the business.

Underlying EBIT ÷ average capital employed (net assets + net debt) × 100 = ROCE

Statements of cash flow

The statements of cash flows show the movement and availability of cash through and to the business over a given period. For any business 'cash is king' and essential to meet payments for example to suppliers, staff and other creditors.

Share capital

The balance sheet nominal value paid into the company by shareholders at the time(s) shares were issued.

Shareholders' funds

A measure of the shareholders' total interest in the company, represented by the total share capital plus reserves.

Trademark

The name or a symbol used by a manufacturer or dealer to distinguish its products from those of competitors. A registered trademark is one that is officially registered and legally protected.

Working capital

Current assets less current liabilities, representing the required investment, continually circulating, to finance inventory, debtors, and work in progress.