**8 January 2016**

**APC Technology Group PLC**
("APC" or the "Group")

**Final results for the year ended 31 August 2015**

APC Technology Group PLC (AIM: APC), the provider of technologies and services to improve organisational sustainability and the specialist distributor of electronic components, announces its preliminary results for the year ended 31 August 2015.

**Financial summary**

- Revenue increased by 51% to £31.1 million (2014: £20.6 million)
- £21 million of recurring or repeat revenue across 1,500 customers
- 13% increase in like-for-like revenues (excluding acquisition of Green Compliance plc)
- Gross profit before exceptional costs £7.8 million (2014: £7.6 million)
- Operating loss before exceptional costs, amortisation, share-based payments and acquisition costs £1.1 million loss (2014: £0.6 million profit)
- Post-tax loss of £5.8 million (2014: £0.3 million profit), after £3.9 million exceptional costs, including discontinued activities

**Post period end**

- Good progress made against objectives set out in Group-wide operational review
- Restructured Board focused on cross-selling strategy between Energy, Water and Component Distribution customer bases
- Non-core businesses rationalised, cost saving initiatives introduced to deliver £1 million of annualised cost savings
- Strengthened order book and significant new contract wins announced since year-end.

**Leonard Seelig, Chairman of APC Technology Group PLC, commented:**

*"Our focus post period end has been to execute on the operational review, improving profitability and enhancing growth. Under the guidance of our new Chief Executive, Richard Hodgson, the Group is now focused on realising the potential of its profitable businesses, both through winning new customers and capitalising on cross-selling opportunities wherever possible. FY2015 was a challenging year for APC but with the business now stabilised and a clear new strategy in place, there is cause for a renewed sense of optimism."*

**Enquiries:**


| | |
|---|---|
| **APC Technology Group PLC** | **01634 290 588** |
| Leonard Seelig, Chairman | www.apc-plc.co.uk |
| Richard Hodgson, Chief Executive | |
| **Cantor Fitzgerald Europe Limited (Nominated Advisor and Broker)** | **020 7796 8800** |
| Andrew Craig / Richard Salmond (Corporate Finance) | |
| **Redleaf Communications (Financial PR)** | **020 7382 4730** |
| Rebecca Sanders-Hewett / David Ison / Susie Hudson | |

**Notes to Editors:**

**About APC Technology Group PLC**

APC's sustainability related activities are designed to offer its clients a simple, 'one stop shop' approach to meeting their sustainability obligations. With sustainability related consulting, energy management and water management under one roof, the Group are able to deliver all of an enterprises requirements for cost and consumption reduction.
APC's electronic component distribution business, trading as Advanced Power Components, sells specialist components into defence, aerospace, space, transportation medical and industrial sectors. More latterly the Company's components are used in connectivity related products in the increasing market around the Internet of Things. The Company's value-added business model, centred upon the technical experience and capabilities of the Company's sales engineers, are of value to both clients and suppliers, for whom APC typically acts on an exclusive basis.

# CHAIRMAN'S STATEMENT

This has been a challenging year of change, not only in our business but also in the environment in which we operate. The dramatic drop in energy prices, along with the uncertainty of changing government policy in the energy and efficiency sectors, led the Board and management to review its activities during the period and make difficult decisions to reposition the Group for future profitable growth.

Our electronic component distribution business enjoyed a steady, profitable year.

Our cleantech business, Minimise Group, experienced challenging trading conditions in the LED lighting field, both in the UK and North America, with adverse effects on the Group's results. Our water management business, established in September 2014 with the acquisition of Green Compliance plc, has been successfully integrated into the Group and, in addition to its own stable and profitable business, has started to produce opportunities for cross-selling with other Group businesses. Significant progress has been made in building a full energy and water management solutions business, enhanced by the acquisition of EEVS Insight Ltd in July 2015.

The Operational Review undertaken by myself and the Board examined the whole Group and has resulted in a renewed focus on the core businesses that are both profitable and cash generative with a large element of recurring revenue. These core businesses are built around products and services that are both in demand and have impressive customer bases providing opportunity for cross-selling.

**Trading**

Total turnover during the year was £31,069,000, which was a significant increase on the prior year (2014: £20,634,000). This encouraging revenue growth was underlined by a 13% increase in like-for-like sales, demonstrating that our products and services represent an attractive customer solution in a competitive and challenging marketplace. Sales of the Group's energy and water saving and efficiency products and services alone grew by 125% to £18,411,000 (2014: £8,178,000). £10.6 million of these sales were represented by Minimise Energy Limited's sales and installation of LED lighting, the Group's energy monitoring business, Minimise Solutions, made an increased contribution and Green Compliance plc's water management and hygiene services contributed £7.8 million in almost a full year since its acquisition in September 2014. Sales in Advanced Power Components, our electronic component distribution business, were £12,658,000 (2014: £12,456,000), a solid performance in a slow market, with a particularly strong performance by the HiRel (high reliability) components business unit. The result for the year, before exceptional items, amortisation, share based payments and acquisition costs, was a loss of £1,139,000 (2014: £573,000 profit) manifesting the difficult trading conditions in Minimise Energy. These issues are described further in the Chief Executive's Review. The Group's post-tax loss was £5,774,000 (2014: £302,000 profit), but this included an exceptional loss of £3,871,000, of which £1,245,000 related to discontinued activities.

**Liquidity**

The financial year ended with net debt of £1,986,000 (2014: £326,000). We are very pleased to have renewed our £6 million invoice finance facility with ABN Commercial Finance out to 31 December 2016.

**Dividend**

The Board has again reviewed the Group's dividend policy. Whilst it maintains its desire to pay dividends in the long-term, it continues to believe that greater returns in the near-term are available from investing available funds in opportunities for profitable, cash-generative growth. The Board is therefore not recommending a dividend for 2015 (2014: £nil).

**Board of Directors**

During the financial year, and subsequently, there have been several changes in the composition of the Board.
In August 2015 Mark Robinson stepped down as Chief Executive Officer. Richard Hodgson was appointed to the Board as Chief Financial Officer in September 2014, following the acquisition of Green Compliance plc, and replaced Mark as CEO in August 2015. Following the completion of the Operational Review, Andrew Shortis, Managing Director of Sustainable Technologies, stepped down from the Board in November 2015. Tessa Laws resigned as a Non-executive director in February 2015.
These changes mean that the Group moves forward with a leaner Board, split equally between executive and non-executive roles. It is our intention to appoint a further non-executive director in the foreseeable future.
I would like to thank Mark, Andrew and Tessa for their hard work and commitment during their time with the Group.

**Future**

At the end of the period we undertook a comprehensive review of the Group's operations which resulted in a number of actions being taken to improve profitability and enhance growth. Under the guidance of our new Chief Executive, Richard Hodgson, the Group is now focused on realising the potential of its profitable businesses, both through winning new customers and capitalising on cross-selling opportunities wherever possible. FY2015 was a challenging year for APC but with the business now stabilised and a clear new strategy in place, there is cause for a renewed sense of optimism.

I would like to take this opportunity to thank our management, staff and advisors for their dedication and commitment to the Group and to express our appreciation to our partners and shareholders for their continued patience and support.

**Leonard Seelig**
*Chairman*

7 January 2016

# CHIEF EXECUTIVE'S REVIEW

As reported in the Chairman's Statement, our operating units experienced varying trading conditions during the year. Our component distribution and water management businesses performed well, but our energy management businesses experienced challenging conditions, which had an adverse effect on the Group's overall results.

As a result, the Board decided in August to initiate an Operational Review to examine all aspects of our business and determine which areas should form our core businesses going forward and which businesses needed to be rationalised or discontinued.

**Electronic Component Distribution (Advanced Power Components)**

Revenues in our specialist electronic component distribution business, trading as Advanced Power Components, increased by 1.6% compared with 2014 in a challenging market. This business has consistently demonstrated that it is stable, profitable and cash-generative with a steady daily invoicing flow and a relatively short working capital cycle. Its success is attributable to our continued focus on specialist applications where our sales engineers provide a value-added technical interface between the specialist component manufacturers that we represent and our customers' design engineering teams. Our staff's technical expertise is particularly valuable in situations where the end-use equipment is operating in extreme conditions or running applications where component failure would be catastrophic. This is a key factor in differentiating us from other component distribution companies. More latterly our connectivity components are well positioned in the fast-growing market for the 'Internet of Things' (IoT).

This business is seen as a cornerstone of the Group's activities going forward. It continues to be managed as a single reporting unit, within which separately branded specialist sales teams focus on specific product ranges and address targeted markets. The performance of these units is described below:

**HiRel**: record sales exceeded all prior years attributable to design-in success and accelerated customer project schedules. Key applications in the year under review included components for flight critical systems on civil aircraft, satellites and space exploration and oil and gas 'down hole' applications encountering extreme temperatures.

**Hero**: this business has seen the first real signs of success in the sale of ultracapacitors into a variety of applications including renewable energy systems. Hero has also launched an exciting new product range targeting IoT applications.

**Novacom**: performance was adversely affected by the rationalisation of some product lines, not yet fully compensated for by their replacements. However, the first quarter of fiscal year 2016 has started well with an impressive order book already secured.

**Contech**: this unit has some great components, which reduce infection and increase hygiene levels in medical environments. This is obviously a key potential cross-sell into our water hygiene business.

**Locator**: obsolescence management and an increasing incidence of counterfeit components in all high reliability markets fuels the services and expertise we provide in sourcing obsolete components. In particular, Locator is currently engaging with a major rail transport customer to address a very significant legacy of obsolescence.

**Time**: the demand for accurate timing systems has remained buoyant, resulting in steady trading for this business.

**Sustainable Technologies (Minimise Group)**

Our sustainable technologies business trades as Minimise Group. This business is designed to improve our customers' sustainability and profitability through an integrated range of energy efficiency and water management products, services and solutions.

**Minimise Solutions**: The Solutions team is actively engaged across the Group's customer base with a view to delivering energy and water management programs designed to reduce customers' natural resource consumption and cost. This is achieved through the introduction of monitoring and control technology and data analytics. This technology is typically sold on multiyear contracts to enable the team to build long-term relationships with their customers and to deliver recurring and repeat revenue. Group or third party products and services are then introduced to achieve stated natural resource reduction goals. The impending deadline for Energy Savings Opportunity Scheme (ESOS) compliance and the UK Government's recent extension of this has helped generate substantial new business for Minimise Solutions.

Monitoring and control hardware along with reporting software is pivotal to the Group's strategy of informing clients in the consumption of utilities and measuring the results of action taken. During the year our remote monitoring technology has seen significant growth and already has 14,000 sensors and probes enabled for monitoring with nearly 1,000 gateways configured on active systems. Minimise Solutions installed these in the premises of several blue-chip customers. This expertise has also been extended from the energy sector into water management with the *Compliance Online* water temperature monitoring system for Green Compliance.

**Minimise Water (incorporating Green Compliance)**: Since its acquisition in September 2014, Green Compliance has traded in line with expectations, achieving sales of £7.8 million in the financial year, maintaining its contracted water management and hygiene monitoring customer base.

Since the acquisition we have launched our *Integrated Water Management* product offering, which is seeing significant sales traction. Many businesses today look at their water management from a single perspective. This might be cost, compliance or general usage and is often to meet a specific need or objective. Integrated Water Management from Minimise Water looks at how businesses use water from every angle, identifying how they can manage water usage more effectively to meet an enhanced range of objectives and add real value. We regard water as a commercial business resource and can help customers maximise both its use and its effectiveness. Water usage monitoring positions our customers well for water deregulation in 2017.

Since the end of the fiscal year our water business has seen contract sales success, being selected as sole water management supplier for a major hotel group and appointed to provide water treatment services to 1,500 key government sites across the South West. These wins, alongside other contract renewals secured since the end of the fiscal year, represent a significant annual recurring revenue stream whilst also securing opportunities to cross-sell the wider Group's products and services.

Long-standing Group client Network Rail, which has been using our energy monitoring and control technology at over 20 UK sites for the past two years, has now installed our new *Compliance Online* water temperature monitoring system at its London Bridge site. One of five new products launched since July 2015 by Minimise Water, *Compliance Online* automates continuous temperature monitoring of water systems to reduce the risk of legionella and provide robust real-time reporting. We are seeing significant interest and trials from residential, food manufacturing and educational services for this product.

**Minimise Energy (MEL)**: Historically this business had relied heavily on a major customer, Wm Morrison Supermarkets Plc ("Morrisons"). The year under review saw renewed involvement with Morrisons augmented by several other significant contracts, thus spreading the Group's risk. However, the business unit's turnover profile remained uneven and the resources needed to manage this large installation programme progressively eroded profitability during the year. In addition, the manufacture of LED lighting in the Far East has meant excessive freight costs and a lengthy working capital cycle, including high levels of stockholding and associated warehouse costs, which in one significant case has been exacerbated by delays in installation by the customer's third party contractor. The conclusions of the Operational Review described below have identified changes in MEL's business model to ensure that these negative factors are mitigated or eliminated.

The Operational Review has concluded that MEL and the supply and installation of LED lighting remains a core business going forward, sold alongside an overall solution designed to reduce energy consumption. As a result, the business model is being overhauled. In future, large installation projects will be taken on only if the terms of trade negotiated with the customer allow profit and working capital utilisation to be optimised. The core focus of the team will be on the design, specification, supply and installation of individual LED projects across a diverse customer base, in order to maximise delivery efficiency and profitability. The Group's customer base and the 2,500 properties managed by Minimise Water provide a large opportunity for our team. This new approach will also enable a significant element of fixed costs to be taken out of the business and working capital to be managed more conservatively.

The Operational Review has also identified several areas of our sustainable technologies business where investment of significant additional resources cannot be justified at the present time without seriously diluting resources available to our core businesses. These businesses will be curtailed or discontinued as appropriate.

**Financial results**

Group revenue for the financial year was £31,069,000 (2014: £20,634,000). Gross margins improved, resulting in a gross profit of £7,813,000 for the year compared with £7,558,000 in 2014. Operating loss before exceptional costs, amortisation, share based payments and acquisition costs was £1,139,000 (2014: £573,000 profit), generating a loss per share of 1.4p compared with earnings of 1.0p per share last year. The financial year saw the first full year inclusion of Green Compliance whose main trading business is water hygiene and treatment. Assets and goodwill acquired in that transaction are set out in the note to the financial statements.

Loss before tax from continuing operations for the year was £4,799,000, compared with profit before tax of £382,000 in 2014. The loss is after accounting for: one-off exceptional costs in relation to restructuring of £1.732million, one-off professional fees in relation to the acquisition of Green Compliance of £616,000 and non-cash amortisation of the intangible customer lists acquired of £690,000.

**Funding and cash flow**

In the financial year there was a cash outflow from operating activities of £2,790,000 compared with an outflow of £657,000 in 2014. The Group ended the year with a gross cash balance of £1,239,000 (2014: £552,000).

The Group's net debt at 31 August 2015 was £1,986,000 (2014: £326,000). During the year under review the Group had an invoice discounting facility with ABN Commercial Finance of up to £6,000,000, of which £2,543,000 had been drawn down at the year-end (31 August 2014: £752,000). The Group has no other bank debt.

During the year, the Board authorised two share placings with existing and new investors and two directors, which raised a total of £3,579,000 before expenses, to strengthen the balance sheet and provide funds for further expansion.

**Outlook**

The objective of the Operational Review was to focus on our profitable and cash generative products and services and by doing so to deliver a stable platform for growth.

For the component distribution and water businesses, the focus is to ensure that the profitable success achieved in these businesses is supported and built upon. Within these businesses we have over 1,500 customers who regularly buy from us. These long standing relationships produce a high level of recurring revenue, which provides stability from which we can grow. Many of our customers are leading UK business and market leaders and in most cases there is opportunity for us to provide them with a much greater depth and breadth of product offering. The profitable growth potential within our existing businesses is therefore significant and can come from customers and areas where we already generate revenue.

The detailed review of Minimise Group has identified a clear strategy for the profitable sale of our first class LED offering across a diverse customer base, delivered by a streamlined business.

The 2015 loss before tax was heavily impacted by one-off costs, losses from discontinued businesses and overhead increases that have now been removed from the Group. Cash was similarly impacted and whilst we are mindful of our working capital resources we believe that the measures already being implemented will provide a stable platform for profitable growth and cash generation through both margin improvement and transactional sales delivery. Since the year-end we have already removed £1m of annualised cost.

Capitalising on the potential of delivering existing products and services into existing customers will be our primary focus for FY2016. Longer-term we are confident of the growth opportunities in the markets in which we operate and with the products and expertise at our disposal. We will continue to build our solutions sales capability to take full advantage of them.

**Richard Hodgson**
*Chief Executive*

7 January 2016

**CONSOLIDATED STATEMENT OF INCOME**
For the year ended 31 August 2015

| | | 2015 | | | 2014 |
|---|---|---|---|---|---|
| | | **Results from operations** | **Exceptional and non-recurring expenses** (Note 3) | **Total** | Total |
| | Note | **£000** | **£000** | **£000** | £000 |
| **Revenue** | 2 | 31,069 | - | **31,069** | 20,634 |
| Cost of sales | | (23,256) | (757) | **(24,013)** | (13,076) |
| **Gross profit** | | **7,813** | **(757)** | **7,056** | 7,558 |
| Administrative expenses | | (8,961) | (1,182) | **(10,143)** | (6,957) |
| Share of results of associates | | 9 | - | **9** | (28) |
| **Operating (loss)/profit before amortisation, share based payments and acquisition costs** | | **(1,139)** | **(1,939)** | **(3,078)** | 573 |
| Amortisation of intangible asset | | (690) | (71) | **(761)** | - |
| Share based payments | | (99) | - | **(99)** | (103) |
| Cost of acquisitions | | - | (616) | **(616)** | (43) |
| **Operating (loss)/profit** | | **(1,928)** | **(2,626)** | **(4,554)** | 427 |
| Financing income | 4 | 4 | - | **4** | 14 |
| Financing costs | 4 | (249) | - | **(249)** | (59) |
| **(Loss)/profit before taxation** | | **(2,173)** | **(2,626)** | **(4,799)** | 382 |
| Taxation expense | 5 | 270 | - | **270** | (80) |
| **(Loss)/profit for the period from continuing operations** | | **(1,903)** | **(2,626)** | **(4,529)** | 302 |
| **Discontinued operations** | 6 | | | | |
| Loss for the year from discontinued operations, net of tax | | - | (1,245) | (1,245) | - |
| **(Loss)/profit for the year** | | (1,903) | (3,871) | **(5,774)** | **302** |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | (1,876) | (3,871) | **(5,747)** | 554 |
| Non-controlling interests | | (27) | - | **(27)** | (252) |
| | | (1,903) | (3,871) | **(5,774)** | 302 |

Earnings per share from continuing and discontinuing operations attributable to the equity holders of the parent during the year.

| | Note | **2015** | 2014 |
|---|---|---|---|
| **Basic earnings per share** | | | |
| From continuing operations | | (5.3p) | 1.0p |
| From discontinued operations | | (1.5p) | - |
| From profit for the year | | (6.8p) | 1.0p |
| **Diluted earnings per share** | | | |
| From continuing operations | | - | 0.9p |
| From discontinued operations | | - | - |
| From profit for the year | | - | 0.9p |
| Earnings – operating profit before exceptional costs, amortisation, share based payments and acquisition costs | 7 | (1.4p) | 1.0p |

There is no dilutive effect of options in 2015 due to the Group loss.
There were no other items of comprehensive income. Accordingly, no consolidated statement of comprehensive income has been prepared. There were no discontinued activities in 2014.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
As at 31 August 2015

| | 2015 | 2014 |
|---|---|---|
| | £000 | £000 |
| **Non-current assets** | | |
| Intangible assets | **16,353** | 7,260 |
| Property, plant and equipment | **227** | 343 |
| Associates and financial assets | **1,524** | 1,571 |
| Deferred tax asset | **-** | 33 |
| | **18,104** | 9,207 |
| **Current assets** | | |
| Inventories | **2,633** | 2,237 |
| Trade and other receivables | **4,327** | 4,011 |
| Current tax asset | **29** | - |
| Cash and cash equivalents | **1,239** | 552 |
| | **8,228** | 6,800 |
| **Total assets** | **26,332** | 16,007 |
| **Current liabilities** | | |
| Trade and other payables | **(8,588)** | (3,651) |
| Borrowings | **(2,565)** | (754) |
| Current tax liability | **-** | (99) |
| | **(11,153)** | (4,504) |
| **Total assets less current liabilities** | **15,179** | 11,503 |
| **Non - current liabilities** | | |
| Financial liabilities | **(660)** | (102) |
| Deferred tax liability | **(828)** | (16) |
| **Net assets** | **13,691** | 11,385 |
| **Equity attributable to the equity holders of the parent** | | |
| Called - up share capital | **1,831** | 1,199 |
| Share premium account | **11,302** | 8,244 |
| Share option reserve | **497** | 398 |
| Merger reserve | **4,635** | - |
| Translation reserve | **(10)** | (10) |
| Retained earnings | **(4,344)** | 1,611 |
| **Equity attributable to the equity holders of the parent** | **13,911** | 11,442 |
| Non-controlling interests | **(220)** | (57) |
| **Total equity** | **13,691** | 11,385 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 August 2015

| | Attributable to the equity holders of the parent | | | | | | | Non-controlling Interests | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital £000 | Share premium account £000 | Share option valuation reserve £000 | Merger Reserve £000 | Translation reserve £000 | Retained earnings £000 | **Total £000** | Retained Earnings £000 | **Total £000** |
| At 31 August 2013 | 1,147 | 8,010 | 295 | - | - | 1,180 | 10,632 | (41) | 10,591 |
| Profit for the year | - | - | - | - | - | 554 | 554 | (252) | 302 |
| Other comprehensive income | - | - | - | - | (10) | - | (10) | (7) | (17) |
| **Total comprehensive income for the year** | - | - | - | - | (10) | 554 | 544 | (259) | 285 |
| **Transactions with equity holders of the parent** | | | | | | | | | |
| Issue of new shares | 52 | 234 | - | - | - | - | 286 | - | 286 |
| Group and non-controlling interest in new subsidiary | - | - | - | - | - | 304 | 304 | 202 | 506 |
| Non-controlling interest acquired | - | - | - | - | - | (41) | (41) | 41 | - |
| IAS27 transfer to reserves | - | - | - | - | - | (386) | (386) | - | (386) |
| Share option charge | - | - | 103 | - | - | - | 103 | - | 103 |
| | 52 | 234 | 103 | - | - | (123) | 266 | 243 | 509 |
| **At 31 August 2014** | **1,199** | **8,244** | **398** | **-** | **(10)** | **1,611** | **11,442** | **(57)** | **11,385** |
| Loss for the year | - | - | - | - | - | (5,747) | (5,747) | (27) | (5,774) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income for the year** | - | - | - | - | - | (5,747) | (5,747) | (27) | (5,774) |
| **Transactions with equity holders of the parent** | | | | | | | | | |
| Issue of new shares | 345 | 3,234 | - | - | - | - | 3,579 | - | 3,579 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Issue of ordinary shares related to a business combination | 287 | - | - | 4,635 | - | - | 4,922 | - | 4,922 |
| Overseas repayment of capital | - | - | - | - | - | (208) | (208) | (136) | (344) |
| Costs associated with share issue | - | (176) | - | - | - | - | (176) | - | (176) |
| Share option charge | - | - | 99 | - | - | - | 99 | - | 99 |
| | 632 | 3,058 | 99 | 4,635 | - | (208) | 8,216 | (136) | 8,080 |
| **At 31 August 2015** | **1,831** | **11,302** | **497** | **4,635** | **(10)** | **(4,344)** | **13,911** | **(220)** | **13,691** |

**CONSOLIDATED STATEMENT OF CASH FLOWS**
For the year ended 31 August 2015

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| **Reconciliation of cash flows from operating activities** | | |
| Profit/ (loss) before taxation including discontinued operations for the financial year | **(6,044)** | 382 |
| Share of results of associates | **(9)** | 28 |
| Loss on disposal of property, plant and equipment | **56** | 5 |
| Finance costs | **249** | 59 |
| Finance income | **(4)** | (14) |
| (Increase)/decrease in financial assets | **156** | (156) |
| Taxation (receipts)/payments | **13** | (52) |
| Depreciation of property, plant and equipment | **132** | 99 |
| Amortisation of intangibles | **761** | - |
| (Increase) / decrease in inventories | **(396)** | (645) |
| (Increase) / decrease in trade and other receivables | **1,429** | (24) |
| (Decrease) / Increase in trade and other payables | **768** | (813) |
| Acquisition of non-controlling interest | **-** | 371 |
| Share-based payments charge | **99** | 103 |
| **Net cash (used in)/from operating activities** | **(2,790)** | (657) |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | **(72)** | (202) |
| Acquisition of subsidiary undertakings, net of cash acquired | **240** | (385) |
| Other investment | **(100)** | (200) |
| Eligible development costs capitalised | **-** | (87) |
| **Net cash used in investing activities** | **68** | (874) |
| **Cash flows from financing activities** | | |
| Finance income | **4** | 14 |
| Finance costs | **(249)** | (59) |
| Proceeds of share issue | **3,403** | 286 |
| Finance leases | **(57)** | 42 |
| Short-term borrowings | **872** | 639 |
| Overseas repayment of capital | **(344)** | - |
| Issue/(repayment) of loan notes | **(220)** | (21) |
| **Net cash from financing activities** | **3,409** | 901 |
| **Increase/(decrease) in net cash** | **687** | (630) |
| Cash and cash equivalents as at 1 September | **552** | 1,182 |
| Increase/(decrease) in net cash | **687** | (630) |
| **Cash and cash equivalents as at 31 August** | **1,239** | 552 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of preparation**

**Statement of compliance**

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 August 2015. While the financial information has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS on 25 January 2016 (see note 10).

**Going concern basis of accounting**

These financial statements have been prepared on a going concern basis, as management believes the Group will be able to meet its liabilities as they fall due.

The Group incurred a consolidated loss after tax of £5,774,000 for the year, £3,871,000 of which related to exceptional and non-recurring expenses (Note 3) and discontinued operations (Note 6). Cash from operations for the year was negatively impacted by £2,948,000; this was funded by two share placings, which raised a total of £3,403,000 after costs of issuance, and a £874,000 drawdown on the Group's invoice financing facility.

The operating loss before exceptional and non-recurring expenses, amortisation, share-based payments and acquisition costs was £1,139,000, of which £1,227,000 related to the sustainability business, Minimise Group, which experienced challenging trading conditions in the LED lighting field, both in the UK and North America, with adverse effects on the Group's working capital. Management has implemented a number of initiatives to eliminate cost and improve control over contract tendering and execution which management expects will restore profitability to this part of the operation.
Management has examined going concern against a detailed profit, working capital, and cash flow forecast to December 2016. Based upon this review, the actions taken to restore profitability to the Minimise Group, the extension of the £6,000,000 invoice discounting facility to December 2016, and prudent working capital management, the board believes the Group will continue to be able to meet its liabilities as they fall due. Management also has the ability to raise capital through issuance of additional loan notes or further private share placings if required.

**2. Revenue and segmental information**

**Operating Segments**

IFRS 8 "Operating Segments", requires consideration of the chief operating decision maker ('CODM') within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the CEO, who reviews internal monthly management reports, budget and forecast information as part of this process.

Accordingly the CEO is deemed to be the CODM.

Operating segments have then been identified based on the reporting information and management structures within the Group. The Group had one customer representing over 10% of revenue (£3,632,000), revenue from which is classed within the Cleantech segment.

The Group operates in two trading business segments.

• The distribution of specialist electronic components (Distribution).

• The sale of smart energy saving products and water services (Cleantech).

The Group also contains a central services segment that provides support to the trading businesses.

In the table below reportable segment assets and liabilities include inter segment balances. These have been included to reflect the assets and liabilities of the segment as monies are freely moved around the group to provide funding for working capital where required. The central services have been allocated between the two revenue-earning segments. The head office costs represent exceptional costs/(credits) associated with acquisitions and goodwill.

| Segmental Information | Distribution £000 | Cleantech £000 | Head office £000 | Total £000 |
|---|---|---|---|---|
| **2015** | | | | |
| **Revenue** | | | | |
| Total | 12,658 | 18,995 | - | 31,653 |

| | | | | |
|---|---|---|---|---|
| Intersegment | - | (584) | - | (584) |
| Revenue from external customers | 12,658 | 18,411 | - | 31,069 |
| | | | | |
| Profit /(loss) before tax | 696 | (1,021) | (1,158) | (1,483) |
| Amortisation of intangible asset | | | | (690) |
| Exceptional items | | | | (2,626) |
| Taxation | | | | 270 |
| Profit after tax before discontinued items | | | | (4,529) |
| | | | | |
| **Statement of Financial Position** | | | | |
| Assets | 10,609 | 15,723 | - | 26,332 |
| Liabilities | (3,771) | (8,870) | - | (12,641) |
| Net assets | 6,838 | 6,853 | - | 13,691 |
| | | | | |
| **Other** | | | | |
| Net finance income / (expense) | (122) | (123) | - | (245) |
| Capital expenditure | 17 | 55 | - | 72 |
| Property, plant and equipment | 51 | 176 | - | 227 |
| Depreciation | (39) | (93) | - | (132) |

| **Segmental Information** | **Distribution** £000 | **Clean tech** £000 | **Head office** £000 | **Total** £000 |
|---|---|---|---|---|
| **2014** | | | | |
| **Revenue** | | | | |
| Total | 12,456 | 8,178 | - | 20,634 |
| Inter segment | - | - | - | - |
| Revenue from external customers | 12,456 | 8,178 | - | 20,634 |
| Profit /(loss) before tax | 508 | (83) | (43) | 382 |
| Fair value adjustments | | | | - |
| Taxation | | | | (80) |
| Profit after tax | | | | 302 |
| | | | | |
| **Balance Sheet** | | | | |
| Assets | 6,628 | 9,379 | - | 16,007 |
| Liabilities | (2,350) | (2,272) | - | (4,622) |
| Net assets | 4,278 | 7,107 | - | 11,385 |
| | | | | |
| **Other** | | | | |
| Net finance income / (expense) | (25) | (20) | - | (45) |
| Capital expenditure | 51 | 201 | - | 252 |
| Property, plant and equipment | 123 | 220 | - | 343 |
| Depreciation | (33) | (66) | - | (99) |
| Capitalised development expenditure | - | 87 | - | 87 |

| **Revenue by geographic location** | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| UK | **28,959** | 18,856 |
| North America | **828** | 491 |
| Europe and Asia | **1,282** | 1,287 |
| | **31,069** | 20,634 |

## 3. Exceptional and non-recurring expenses

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Corporate re-organisation (compromise agreements and redundancy costs) | **975** | - |
| Costs associated with aborted contract | **757** | - |
| Costs incurred in preparation for acquisition of Green Compliance Plc | **616** | 43 |
| Write off financial assets | **156** | - |
| Impairment of R&D capitalised costs | **71** | - |
| Alignment of group accounting policies | **51** | - |
| | **2,626** | 43 |

Exceptional items are items that by virtue of their nature and incidence, have been disclosed separately in order to draw them to the attention of the reader of the financial information as these costs are deemed as exceptional as they do not represent normal trading activities of the business.

## 4. Net financing

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| **Financing income** | | |
| Other Interest receivable | **4** | 14 |
| | | |
| **Financing costs** | | |
| Other interest payable | **55** | **4** |
| Other finance costs | **194** | **55** |
| | **249** | **59** |

## 5. Taxation

**(a) Analysis of charge in period**

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| **Current tax:** | | |
| UK corporation tax on profits for the current year | **(91)** | 119 |
| Adjustments in respect of prior years | **(58)** | - |
| **Total current tax** | **(149)** | 119 |
| Deferred tax | **(121)** | (39) |
| **Tax charge/ (credit) on profit on continuing operations** | **(270)** | 80 |

**(b) Factors affecting the tax charge for the period**

The tax charge for the period is different to the standard rate of corporation tax in the UK. The composite rate of corporation tax for this purpose has been taken as 20.58% for 2015 (2014: 21.58%).

The differences are explained below:

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Profit on continuing operations before tax | **(4,799)** | 382 |
| Rate of corporation tax | **20.58%** | 21.58% |
| Tax on profit based on standard rate | **(987)** | 83 |
| Effects of: | | |
| Accelerated capital allowances | **-** | (19) |
| Expenses not deductible for tax purposes | **105** | 45 |
| Deferred tax not recognised | **574** | - |
| Share options exercised in year | **33** | (138) |
| Share options vested but not exercised | - | (33) |
| Losses in overseas subsidiaries | - | 136 |

| | | |
|---|---|---|
| Difference in deferred tax rate | **22** | - |
| Effects of associates | **-** | 6 |
| Prior period adjustments | **(58)** | - |
| Other | **41** | - |
| **Total tax charge/ (credit) for the period** | **(270)** | 80 |

## 6. Discontinued operations

The losses relating to Minimise Generation Limited, Green Compliance Limited, and Green Compliance Fire Division Limited have been classified as discontinued as at the reporting date.

There were no significant balances held in the balance sheet of these entities at the reporting date. As a result there has not been a re-measurement of assets or disposal group.

Analysis of the result of discontinued operations is as follows:

| | **2015** |
|---|---|
| | **£000** |
| Revenue | 91 |
| Expenses | (1,336) |
| Loss before tax of discontinued operations | (1,245) |

## 7. Earnings per share

The calculation of basic earnings per share is based on the profit after taxation attributable to equity holders of the parent company for the period and the weighted average number of shares in issue during the period.
Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding by the dilutive effect of Ordinary Shares that the Company may potentially issue relating to its share option scheme.

Earnings per share on operating profit, before exceptional costs, share based payments and loss on discontinued operations, are considered to be the most realistic measure of earnings and the calculation is based on the weighted average number of shares.

The result for the year and the weighted average number of shares used in the calculations are set out below:

| | **2015** | 2014 |
|---|---|---|
| | **£000** | £000 |
| Continuing earnings: (loss)/profit attributable to equity holders of the parent | **(4,502)** | 554 |
| Dis-continuing earnings: (loss)/profit attributable to equity holders of the parent | **(1,245)** | - |
| From (loss)/ profit for the year | **(5,747)** | 554 |
| Earnings: operating (loss)/profit before exceptional and non-recurring expenses, share based payments, amortisation and loss on discontinued operations | **(1,139)** | 573 |
| | | |
| Weighted average number of shares (thousands) | **84,004** | 58,087 |
| Dilutive/free Shares | **273** | 1,084 |
| Diluted number of shares | **84,277** | 59,171 |

## 8. Acquisitions in the year

Business combinations are accounted for using the acquisition accounting method as at the acquisition date, which is the date at which control is transferred to the Group. Goodwill is measured at the acquisition date as the fair value of consideration, less the recognised amount of the identifiable assets and liabilities assumed. The value of non-controlling interest recognised at the date of acquisition is calculated as a proportion of net assets of the entity acquired.

**Acquisition of Green Compliance plc**

On 12 September 2014 the Group acquired through an all-share offer 100% of the share capital of Green Compliance plc ("Green Compliance"), a company incorporated in England and listed on AIM, whose principal activity comprises the provision of water quality monitoring services, in order to broaden its cleantech activities into the market for water management. The purchase consideration consisted of the issue of 2 new ordinary shares in APC Technology Group PLC for every 71 shares in Green Compliance.

As a result of the acquisition, the Group is expected to increase its presence in the water management business and utilise the water client base to cross sell existing APC group products and services into the larger water customer base.

A full year's trading has been included in the consolidation. The continuing parts of the water business have contributed £7,760,000 of revenue and a profit before tax of £344,000.

**Acquisition of EEVS Insight Limited**

On 30 July 2015 the Group acquired EEVS Insight Limited, whose principal activity is performance analysis and verification services for any sustainability project, product, service or investment in the energy efficiency space. The consideration consisted of £164,461 satisfied by the issue of 986,273 new ordinary shares of 2 pence each in APC.

The services provided by EEVS enable procurement decisions to be based on hard evidence gathered and presented using internationally recognised processes and the Group believes that it will benefit from the increased confidence it can give organisations who are interested in investing in low energy lighting and other energy efficiency related projects, services and products.

One month's trading has been included within the consolidated group results. A revenue of £24,000 and a loss before tax of £91,000 has been recognised. Full year results show a revenue of £244,000 and a loss before tax of £260,000.

Recognised amounts of identifiable assets acquired and liabilities assumed:

| | Green Compliance PLC | EEVS Insight Limited |
|---|---|---|
| | £000 | £000 |
| Cash and cash equivalents | 213 | 27 |
| Customer lists | 4,832 | - |
| Trade and other receivables | 1,656 | 89 |
| Trade and other payables | (4,042) | (157) |
| Borrowings | (917) | - |
| Loan note | (835) | - |
| Deferred taxes | (966) | - |
| | (59) | (41) |
| Goodwill | 4,817 | 205 |
| Total purchase consideration: Share offer | 4,758 | 164 |

Acquisition related costs of £616,000 have been charged to exceptional costs in the consolidated income statement for the year ended 2015.

## 9. Post Balance Sheet Events

**Exercise of share options**

Options over 30,000 shares were exercised on 4 September 2015 with proceeds of £3,000.

**Operations Review**

Prior to the year-end the Board commenced a comprehensive review of its operations. The results of this review have been announced since the year-end and include the curtailment or cessation of several non-core activities. Following the completion of the Operations Review, Andrew Shortis has resigned from the Board.

The effect of discontinued operations on the results for the year is shown in note 6.

## 10. Publication of non-statutory accounts

The financial information set out in this announcement does not constitute the statutory financial statements for the year ended 31 August 2015 and the year ended 31 August 2014 in accordance with section 434 of the Companies Act 2006 but is derived from those accounts.

The financial statements for the year ended 31 August 2014 were prepared in accordance with EU-Adopted IFRS and have been delivered to the Registrar of Companies. The financial statements for the year ended 31 August 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report on both accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The full audited financial statements of APC Technology Group PLC for the year ended 31 August 2015 are expected to be posted to shareholders on Monday 25 January 2016 and will be available to the public at the Company's registered office, 47 Riverside, Medway City Estate, Rochester, Kent, ME2 4DP and available to view on the Company's website at www.apc-plc.co.uk from the date of posting.

**11. Annual General Meeting**

The Annual General Meeting of the Company will be held on Thursday 25 February 2016 at 12 noon at the offices of Cantor Fitzgerald Europe, One Churchill Place, Canary Wharf, London E14 5RB.