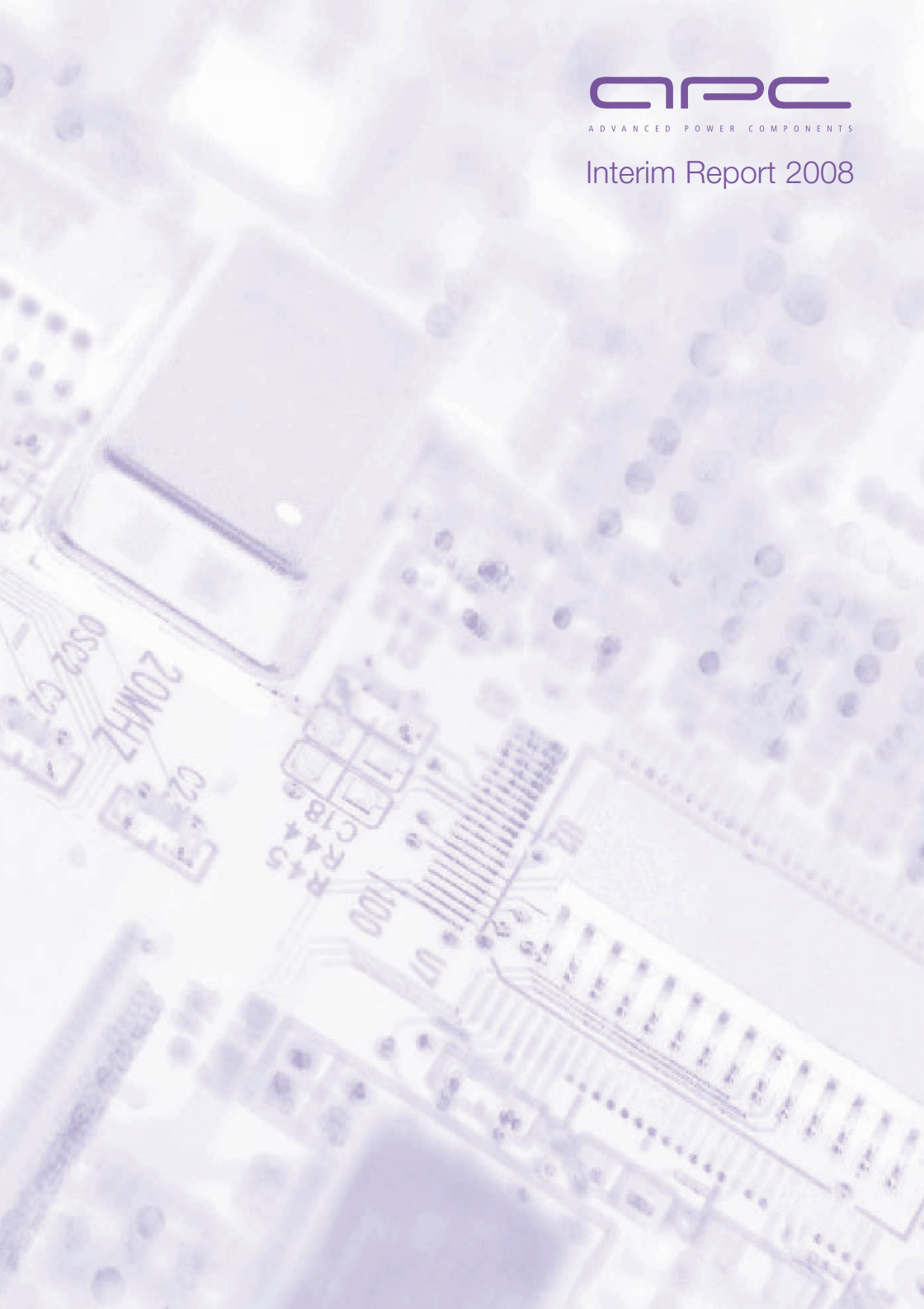
The APC logo consists of the letters 'APC' in a stylized, bold, sans-serif font. The letters are interconnected, with the 'A' and 'P' sharing a vertical stroke and the 'P' and 'C' sharing a vertical stroke. The overall appearance is modern and technical.

ADVANCED POWER COMPONENTS

Interim Report 2008





APC-Hi-Rel distributes a variety of specialist electronic components into applications where reliability is of paramount importance. Hi-Rel's franchised product lines include power semiconductors, power supplies, memory, wound and high voltage components. In addition Hi-Rel provides a professional procurement service for the supply of electronic components from an extensive range of other manufacturers, and is also one of the UK's leading obsolescence solution providers.



APC-SBM represents manufacturers of specialist electronic components addressing a commercial and industrial customer base. Products represented include power semiconductors, communications, magnetic and connector products, interconnectivity solutions including USB and Firewire.



APC-Hero has a specialist team of Product Managers ready to assist with your next design. Our key areas include LEDs/LAMPS, drivers, wireless devices and modules, Zigbee, specialist sensors and crystals (plus fast turn around on programming).



APC-Go! provides a kitting and materials management service to companies wanting to outsource non core activities, offering services ranging from material procurement to full production management.



APC-Displays+ provides dedicated technical and commercial support for a wide range of LCD's, standard, custom, TFT, e-signage, character, graphics, driver boards, IC's, single board computers and all related connectivity.



APC-Novacom is a distributor and manufacturers' representative for RF and microwave frequency electronic components. The business is managed by a team of technical specialists with many years experience in the RF and Microwave industry

## CHAIRMAN'S STATEMENT

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I have pleasure in presenting the interim report of Advanced Power Components plc for the six months ended 29 February 2008.

The revenue for the first half year of £4.7 million and net profit before tax of £270,000, compare favourably with revenue of £4.3 million and £250,000 profit before tax for the six months to 28 February 2007.

The Company has for the first time prepared its financial statements in accordance with International Financial Reporting Standards (IFRS), as a result of which the comparative figures for the six months to 28 February 2007 and the full year to 31 August 2007 have been restated.

The well-publicised difficult global trading conditions have clearly impacted the electronic components distribution market in the UK. However the Company has succeeded in growing sales while maintaining operating margins and continuing its investment levels in sales, marketing and operating systems to support our future growth. The resulting strength of the business in the face of the current climate is considered a further testimony of the Company's strategy to concentrate on its 'Design In' approach, following projects from initial design through to production, and providing customers and suppliers with an effective support capability.

The Board is encouraged by the strong rate of new order input achieved since the beginning of 2008 indicating that growth will continue into the second half of the year. However, in response to the nervousness surrounding the UK economy, the Company has completed a cost reduction programme that is anticipated to yield savings in operating costs of 7.5% during the six months to 31 August 2008. In another prudent step, the Board has secured significantly improved credit facilities and is considering options to minimise bank borrowing whilst continuing the strategy of driving both organic and acquisitive growth.

I am also pleased to report that the acquisition of Novacom Microwave Limited ("Novacom") was completed on 14 April. Novacom operates within a highly specialised sector of the electronics market, complementary to that of APC, focusing on defence and communications applications. Novacom has built an excellent reputation in this market sector, operating a similar 'Design In' business model to APC, and has a highly qualified sales team, a number of individuals having held senior engineering positions within leading RF and microwave organisations over the last 25 years. The market and product synergies created by this acquisition will undoubtedly generate significant additional opportunities within the enlarged customer base available to both businesses.

In summary, your Directors are encouraged by the performance of the Company in a difficult business environment and the progress it continues to make. Accordingly the Board continues to remain optimistic about the future profitable growth of the Company but would not recommend an interim dividend at this time.

**R. F. Thorne, O. B. E.**

*Chairman*

22 May 2008

## CONSOLIDATED INCOME STATEMENT

for the half year ended 29 February 2008

		<b>Half year ended 29 February 2008</b>	Half year ended 28 February 2007 restated £000	Year ended 31 August 2007 restated £000
	Note	<b>£000</b>		
<b>Revenue</b>	4	<b>4,700</b>	4,276	9,741
Cost of sales		<b>(3,014)</b>	(2,723)	(6,277)
<b>Gross profit</b>		<b>1,686</b>	1,553	3,464
Administration expenses		<b>(1,378)</b>	(1,289)	(2,787)
<b>Operating profit</b>		<b>308</b>	264	677
Finance costs		<b>(38)</b>	(14)	(72)
<b>Profit before taxation</b>		<b>270</b>	250	605
Income tax credit		–	–	15
<b>Profit for the period</b>		<b>270</b>	250	620

The results all relate to continuing operations.

The Group has no recognised gains or losses other than those included in the profit and loss account.

<b>Earnings per share</b>	<b>1.3p</b>	1.0p	2.8p
<b>Diluted earnings per share</b>	<b>1.3p</b>	1.0p	2.6p

Earnings per share is based on the weighted average number of shares in issue in the respective periods, as follows :

<b>20,157,361</b>	24,206,971	22,155,137
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During the period the Company issued 75,000 shares, following the exercise of share options. As a result there were 20,211,757 shares in issue at 29 February 2008.

## CONSOLIDATED BALANCE SHEET

at 29 February 2008

	29 February 2008	28 February 2007 restated	31 August 2007 restated
Note	£000	£000	£000
<b>Non-current assets</b>			
Intangible assets – goodwill	808	808	808
Property, plant and equipment	260	229	249
	<u>1,068</u>	<u>1,037</u>	<u>1,057</u>
<b>Current assets</b>			
Inventories	1,028	1,041	1,094
Trade and other receivables	2,166	2,190	2,432
Cash and cash equivalents	6 324	504	682
	<u>3,518</u>	<u>3,735</u>	<u>4,208</u>
<b>Current liabilities</b>			
Trade and other payables	(2,607)	(3,481)	(3,583)
	<u>(2,607)</u>	<u>(3,481)</u>	<u>(3,583)</u>
<b>Net current assets</b>	<u>911</u>	<u>254</u>	<u>625</u>
<b>Non-current liabilities</b>			
	–	–	–
<b>Net assets</b>	<u>1,979</u>	<u>1,291</u>	<u>1,682</u>
<b>Capital and reserves</b>			
Called up share capital	404	403	403
Share premium account	5	–	–
Share option valuation reserve	84	42	63
Profit and loss account	1,486	846	1,216
<b>Total shareholders' equity</b>	5 <u>1,979</u>	<u>1,291</u>	<u>1,682</u>

## CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 29 February 2008

	<b>Half year ended 29 February 2008</b>	Half year ended 28 February 2007 restated	Year ended 31 August 2007 restated
	<b>£000</b>	£000	£000
<b>Cash inflow/(outflow) from operating activities</b>	306	(337)	(110)
Finance costs	(38)	(14)	(72)
Taxation	–	–	16
<b>Net cash from/(used in) operating activities</b>	<u>268</u>	<u>(351)</u>	<u>(166)</u>
Purchase of property, plant and equipment	(57)	(17)	(80)
Sale of property, plant and equipment	–	–	8
<b>Net cash used in investing activities</b>	<u>(57)</u>	<u>(17)</u>	<u>(72)</u>
Issue of shares	6	–	–
Re-purchase of shares	–	(1,085)	(1,085)
Bank short-term loan facility	–	1,408	1,459
Repayment of bank borrowings	(574)	–	–
Repayment of finance lease	(1)	–	(3)
<b>Net cash (used in)/from financing activities</b>	<u>(569)</u>	<u>323</u>	<u>371</u>
<b>(Decrease)/increase in net cash</b>	<u><u>(358)</u></u>	<u><u>(45)</u></u>	<u><u>133</u></u>
<b>Reconciliation of operating profit to cash inflow/(outflow) from operating activities</b>			
Operating profit	308	264	677
Depreciation of property, plant and equipment	46	41	79
Profit on disposal of property, plant and equipment	–	(1)	(3)
Share option valuation charge	21	15	36
Decrease/(increase) in inventories	66	(130)	(183)
Decrease/(increase) in trade and other receivables	266	(702)	(944)
(Decrease)/increase in trade and other payables	(401)	176	463
Decrease in long-term creditors	–	–	(235)
<b>Cash inflow/(outflow) from operating activities</b>	<u><u>306</u></u>	<u><u>(337)</u></u>	<u><u>(110)</u></u>

## NOTES TO THE INTERIM REPORT

### 1. Basis of preparation

International Financial Reporting Standards ("IFRS") will apply for the first time in the Group's Annual Report for the year ended 31 August 2008. Consequently the Group's interim results for the six months to 29 February 2008 are presented under IFRS, together with restated information for the six months ended 28 February 2007 and the year ended 31 August 2007. Further information on the Group's adoption of IFRS is given in note 3 of this interim report.

The transition balance sheet, as at 1 September 2006, has not been presented, on the basis that there are no adjustments to the balance sheet at that date previously prepared and published under UK Generally Accepted Accounting Principles ("UK GAAP").

The financial information for the six months ended 29 February 2008 and the comparative figures for the six months ended 28 February 2007 have not been reviewed or audited by the Group's auditors and have been prepared on the basis of the accounting policies adopted by the Group under IFRS, as explained in note 2.

The unaudited comparative figures for the 12 months to 31 August 2007 have been prepared under IFRS. They do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The unqualified audited accounts for the 12 months ended 31 August 2007, previously prepared under UK GAAP, have been filed with the Registrar of Companies and did not contain statements under sections 237(2) or 237(3) of the Companies Act 1985.

The reconciliation between the figures for the comparative periods, as previously reported under UK GAAP and as reported in this interim report under IFRS, is set out in note 3.

### 2. Accounting policies

The consolidated income statement, consolidated balance sheet and consolidated cash flow statement have been prepared in accordance with accounting policies consistent with those set out in the statutory accounts for the year ended 31 August 2007, except for the following area where a change has been required by the adoption of IFRS:

Goodwill is no longer amortised over a pre-determined period. Instead it is stated at cost and is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

### 3. Explanation of transition to IFRS

#### Consolidated income statement

	Half year ended 28 February 2007			Year ended 31 August 2007		
	As previously reported £000	Adjustments £000	As reported under IFRS £000	As previously reported £000	Adjustments £000	As reported under IFRS £000
<b>Revenue</b>	<b>4,276</b>	<b>-</b>	<b>4,276</b>	9,741	-	9,741
Cost of sales	(2,723)	-	(2,723)	(6,277)	-	(6,277)
<b>Gross profit</b>	<b>1,553</b>	<b>-</b>	<b>1,553</b>	3,464	-	3,464
Administration expenses	(1,331)	42	(1,289)	(2,882)	95	(2,787)
<b>Operating profit</b>	<b>222</b>	<b>42</b>	<b>264</b>	582	95	677
Finance costs	(14)	-	(14)	(72)	-	(72)
<b>Profit before taxation</b>	<b>208</b>	<b>42</b>	<b>250</b>	510	95	605
Income tax credit	-	-	-	15	-	15
<b>Profit for the period</b>	<b>208</b>	<b>42</b>	<b>250</b>	525	95	620

## NOTES TO THE INTERIM REPORT

(continued)

### 3.Explanation of transition to IFRS (continued)

#### Consolidated Balance Sheet

	Half year ended 28 February 2007			Year ended 31 August 2007		
	As previously reported £000	Adjustments £000	As reported under IFRS £000	As previously reported £000	Adjustments £000	As reported under IFRS £000
<b>Non-current assets</b>						
Intangible assets – goodwill	766	42	808	713	95	808
Property, plant and equipment	229	–	229	249	–	249
	<u>995</u>	<u>42</u>	<u>1,037</u>	<u>962</u>	<u>95</u>	<u>1,057</u>
<b>Current assets</b>						
Inventories	1,041	–	1,041	1,094	–	1,094
Trade and other receivables	2,190	–	2,190	2,432	–	2,432
Cash and cash equivalents	504	–	504	682	–	682
	<u>3,735</u>	<u>–</u>	<u>3,735</u>	<u>4,208</u>	<u>–</u>	<u>4,208</u>
<b>Current liabilities</b>						
Trade and other payables	(3,481)	–	(3,481)	(3,583)	–	(3,583)
	<u>(3,481)</u>	<u>–</u>	<u>(3,481)</u>	<u>(3,583)</u>	<u>–</u>	<u>(3,583)</u>
<b>Net current assets</b>	<u>254</u>	<u>–</u>	<u>254</u>	<u>625</u>	<u>–</u>	<u>625</u>
<b>Non-current liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Net assets</b>	<u>1,249</u>	<u>42</u>	<u>1,291</u>	<u>1,587</u>	<u>95</u>	<u>1,682</u>

	Half year ended 28 February 2007			Year ended 31 August 2007		
	As previously reported £000	Adjustments £000	As reported under IFRS £000	As previously reported £000	Adjustments £000	As reported under IFRS £000
<b>Capital and reserves</b>						
Called up share capital	403	–	403	403	–	403
Share premium account	–	–	–	–	–	–
Share option valuation reserve	42	–	42	63	–	63
Profit and loss account	804	42	846	1,121	95	1,216
<b>Total shareholders' equity</b>	<u>1,249</u>	<u>42</u>	<u>1,291</u>	<u>1,587</u>	<u>95</u>	<u>1,682</u>

The adoption by the Group of IFRS, as set out in note 1, has resulted in the following adjustments:

For the six months to 28 February 2007, the amortisation of goodwill previously charged under UK GAAP, amounting to £42,000, has been reversed in accordance with IFRS 3.

For the year to 31 August 2007, the amortisation of goodwill previously charged under UK GAAP, amounting to £95,000, has been reversed.

As a result of these adjustments, the carrying value of the Group's goodwill has reverted to its value at 31 August 2006, £808,000. The directors have made an assessment of the need to impair goodwill in accordance with the requirements of IAS 38 and have concluded that this is an appropriate value and no impairment is required.



## NOTES TO THE INTERIM REPORT

(continued)

### 4. Segmental information

The majority of the Group's activity arises in the United Kingdom from the supply and distribution of electronic components, in consequence of which the Group has one business and one geographical segment.

### 5. Reconciliation of movements in shareholders equity

	Half year ended 29 February 2008	Half year ended 28 February 2007 restated	Year ended 31 August 2007 restated
	£000	£000	£000
Opening shareholders' equity	1,682	2,111	2,111
Share option valuation reserve	21	15	36
Issue of new shares during the year	6	–	–
Cancellation of share premium account	–	(2,412)	(2,412)
Corresponding increase in retained earnings	–	2,412	2,412
Purchase of ordinary shares	–	(1,085)	(1,085)
Profit for the period	270	250	620
Closing shareholders' equity	1,979	1,291	1,682

### 6. Analysis of net funds

	Half year ended 29 February 2008	Half year ended 28 February 2007 restated	Year ended 31 August 2007 restated
	£000	£000	£000
Cash, comprising current accounts and overnight deposits	324	(358)	682
Bank short-term loan facility	(885)	574	(1,459)
Finance lease	(11)	1	(12)
	(572)	217	(789)

### 7. Events subsequent to the reporting date

On 14 April 2008 the Company acquired the entire issued share capital of Novacom Microwave Limited, a distributor and manufacturers' representative for RF and microwave frequency electronic components. The maximum total cash consideration is approximately £1.6 million, comprising approximately £400,000 for the actual value of the net assets on completion, £700,000 for goodwill, and a contingent consideration of up to £500,000 based on the pre-tax performance of Novacom during the 12 months following completion.

### 8. Distribution of interim report

A copy of this interim report will be distributed to all shareholders. Additional copies are available on application to the Company's registered office:

Advanced Power Components plc, 47 Riverside, Medway City Estate, Rochester, Kent, ME2 4DP.

The report may also be viewed on the Company's website: [www.apc-plc.co.uk](http://www.apc-plc.co.uk).







ADVANCED POWER COMPONENTS

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