ADVANCED POWER COMPONENTS

Annual Report 2010

ADVANCED POWER COMPONENTS PLC

Advanced Power Components plc (APC) is one of the UK's leading distributors of specialist electronic components.

For more than 25 years we have worked in the UK`s defence, aerospace, transportation, medical and industrial sectors. As a result we have many long standing relationships with suppliers and customers who put significant value on the fact that we develop a deep understanding of their products which enables us to offer excellent technical support, resulting in a constant flow of new design wins.

We have a number of sales teams within the APC Group, each of which focuses on specific technologies and/or specific markets. Each of these sales teams operates independently but our central strategy is common across the entire Group. We sell specialist components based on solid relationships with our suppliers, great technical support and excellent customer service.

Our sales teams are:

APC Hi-Rel distributes a variety of specialist electronic components into applications where component reliability is of paramount importance. Hi-Rel's franchised product lines include power semiconductors, power supplies, memory, wound and high voltage components.

APC Locator is the number one solutions provider for obsolete and hard-to-find parts, with 25 years' experience in the industrial and defence/aerospace markets across Europe.

APC Hero has a specialist technical sales team focussing on sensors and measurement, power management, communications and connectivity and embedded computing applications.

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 displays, 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.

APC Contech is a distributor of specialist data input devices for industrial, broadcasting and medical sectors providing technically advanced solutions for specific application areas.

APC KVAR is a manufacturer and distributor of power saving equipment which optimises the performance of electrical motors, leading to reduced energy consumption and cost savings.

HIGHLIGHTS

Advanced Power Components plc returned to profitability during the year despite the continuing difficult trading environment and reduced sales revenue.

- Revenue decreased by 4.8% from £14.1 million to £13.4 million.
- Profit before tax of £247,000 achieved in the year recovering from a restated loss of £752,000 in the prior year.
- Cash inflow from operating activities £1.0 million in FY2010 compared with an outflow of £1.5 million in FY2009.
- Net debt reduced from £2.2 million to £1.7 million.
- Development and launch of imop™ product range.

CONTENT

DIRECTORS, SECRETARY AND ADVISERS

Will David, MA, FCA *(Non-executive Chairman)*

Will has more than 20 years' experience working in corporate advisory and broking roles for small and mid-cap companies. During his professional career he has worked on over 20 flotations for clients across a range of sectors. His experience also includes acquisitions and disposals, public takeovers and secondary fundraisings and provision of advice on corporate governance matters. Will is non-executive director of Cello plc and Chairman of its Audit Committee. He has also worked at Investec Henderson Crosthwaite, PricewaterhouseCoopers, Hoare Govett & Co and The London Stock Exchange.

Mark Robinson *(Chief Executive Officer)*

Mark joined the Company in 1985 as a sales engineer and was appointed to the Board in 1992. In June 2001, Mark was appointed Managing Director and then Chief Executive Officer in September 2004. He has been responsible for the expansion into new business areas for the Company and has overseen the efforts to enhance operating efficiencies and increase market penetration in recent years.

Phil Lancaster *(Operations Director)*

Phil joined the Company in 1995 as a product manager and in June 2000 was appointed General Manager of APC's distribution business. He was responsible for developing APC as a dominant technically based sales presence in the UK's military and aerospace markets. Phil was appointed to the board in September 2003 and then to Operations Director in April 2006. He has been responsible for improving operating efficiencies and for the successful integration of the Company's acquisitions.

Rob Smith, MSc, FCMA *(Finance Director)*

Rob joined the Company in January 2010 and was appointed as a Director in March 2010. He was previously Finance Director and Acting CEO at AIM listed Densitron Technologies plc a manufacturer and distributor of electronic displays. Rob has also served as Finance Director at AIM listed Curidium Medica plc, where he successfully led the sale of the business to Avacta Group plc in 2009, and Eco City Vehicles plc, where he led the business through the listing process in 2007. Rob`s earlier career was spent principally in the electronic components industry working for GEC, Centronic and International Rectifier. Rob is also a non-executive Director and Trustee of Step by Step Partnership Ltd, a charity working with homeless young people facing adversity.

John (Ian) Davidson *(Non-executive Director)*

Ian has 40 years experience in the electronic components industry. He has led start-up and turnaround situations as well as running a number of substantial distribution businesses for Diploma PLC, Lex Electronics and most recently the Addtron group of companies. During his career he has worked with the most technically advanced products, been involved with companies such as Intel, NEC and Motorola and recognises the importance of differentiation and focus for business success.

Secretary and Registered Office

David Brown, MBA, FCIS, FCCA
47 Riverside, Medway City Estate, Rochester, Kent ME2 4DP

Company Registration Number

01635609

Nominated Advisers

Strand Hanson Limited
26 Mount Row, London W1K 3SQ

Stockbroker

Northland Capital Partners
46 Worship Street, London EC2A 2EA

Auditors

Reeves & Co LLP
Montague Place, Quayside, Chatham Maritime, Chatham, Kent ME4 4QU

Solicitors

Ashurst LLP
Broadwalk House, 5 Appold Street, London EC2A 2HA

Principal Bankers

Bank of Scotland plc
(part of Lloyds Banking Group plc)
8 Air Street, Brighton BN1 3FB

Registrars

Capita Registrars
Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA

Financial Public Relations

Redleaf Communications
11-33 St John Street, London EC1M 4AA

CHAIRMAN'S STATEMENT

The year ended 31 August 2010 was a period of considerable progress on a number of fronts for APC, which has seen the business return to profitability with a considerable strengthening in the Company's financial position and an increased number of business opportunities.

The return to profitability resulted in part from the steps taken by management in 2009 to reduce support function costs. Consistent with its strategy for growth, this reduction in overhead was partially offset by increased investment in the development of the Company's technical sales approach to the market. As a result the Company continues to develop new opportunities which are expected to have a positive impact on revenues and profits in the medium to long term. Improvements in cash flow stemmed from the return to profit and better working capital management, particularly by improving credit management processes and more efficient inventory controls.

Revenues in the year were £13,410,000 compared with £14,091,000 in the prior year. However, net profit before tax for the year was £247,000 compared with a loss before tax of £752,000 (restated) in 2009. Group administrative expenses were reduced as a result of decreased support function costs and improved foreign currency management from £4,682,000 in 2009 to £3,398,000. Cash inflow from operating activities was £957,000 during the year compared with an outflow of £1,509,000 in 2009.

Early in the financial year the Company secured a long term loan, backed by the Enterprise Finance Guarantee scheme, and increased invoice discounting facilities from Bank of Scotland plc. This, combined with the strong cash generation from operating activities, enabled the Group to reduce the quantum of its net debt from £2,246,000 at 31 August 2009 to £1,686,000 at 31 August 2010 and to rebalance a significant proportion of remaining debt from current to long term.

With the Company's core activities back on a sound operating and financial footing the business has been able to increase its investment in the emerging 'green technology' sector, initially focussing on the potential which exists for its imop™ products. Opportunities for this product range continue to be developed within the UK and more recently in a number of countries in which distribution and sub-licensing agreements are either in place or are in various stages of negotiation.

The Group has continued to develop its core activities and during the year signed a number of new distribution agreements, notably including an agreement with Ceramic & Microwave Products (`CMP`), part of Dover Electronic Technologies. At the same time the ever increasing focus on the Company's 'design-in' distribution model is driving a rationalisation of the manufacturers represented leading to an increasing focus on a smaller number of manufacturers whose products have the most significant potential and whose management view the relationship with the Company as being one of strategic long term importance.

At Board level the Company appointed Rob Smith as Finance Director in March and Ian Davidson as non-executive director in August. Both of the new directors have considerable experience in the electronics industry and have already made a significant input to the improved performance of the Company.

Current market conditions remain challenging but also are presenting numerous opportunities for growth. With a strong management team in place and a more robust financial position the Company will seek to expand its activities in the emerging green technology sector and look to enhance its core distribution business selectively.

The Group is grateful for the enduring hard work of its employees who have delivered the return to profitability and for the support of its shareholders and Bank of Scotland plc.

Will David, MA, FCA
Chairman

30 November 2010

Financial results

Group revenue for the financial year was £13,410,000 compared with £14,091,000 in 2009, resulting in a net profit before tax of £247,000 compared with a restated pre-tax loss of £752,000 last year.

Basic earnings per share for 2010 were 0.7p, compared with a restated loss per share 2.8p in 2009. At 31 August 2010, as the average share price for the year was below the exercise price of issued share options and the conversion price of convertible loan notes the calculation for basic and diluted share price produced the same result.

In 2009 considerable effort was made to reduce the trading costs and improve the foreign currency management of the business and as a result overheads in 2010 were reduced to £3,398,000 compared with £4,682,000 in 2009. The reduced overhead base has allowed the Group to trade profitably without damaging the fundamental capacity of the Group to offer a technical sales solution to its customers.

Details of the restatement of 2009 results are included in note 1 to the financial statements.

Changes to the Board

On 8 October 2009 Ms Amanda Parker resigned as Sales Director. On 7 March 2010 Mr D. Brown resigned as interim Finance Director and on the same date Mr R. Smith was appointed Finance Director. Mr D. Brown continues as Company Secretary. On 4 August 2010 Mr J. Stelzer resigned as non-executive Director. On 17 August 2010 Mr J. Davidson was appointed as a non-executive Director.

Operations

The Group undertook a number of significant initiatives during the year to improve the quality and focus of its sales activities. The initiatives have been to concentrate on winning long run design in contracts on product lines where we are exclusive distributors. Despite the reduced overhead expenditure the Group has been able to strengthen its sales and management teams through the year and is beginning to see the benefits in increased inquiry levels and order intake.

The Group has tightened its working capital management which has resulted in reduced inventory levels and improved trade receivables collections. This has allowed the Group to service supplier payments more effectively and to reduce its drawings on its invoice discounting facility.

Funding and cash flow

The Group significantly restructured its funding during 2010. Early in the year the Group was able to secure a £500,000 loan from Bank of Scotland plc backed by the Enterprise Finance Guarantee Scheme. The flexible debt finance facility provided by Bank of Scotland plc was also increased by £500,000 to £3.0 million. On 18 September 2009 the Group paid deferred consideration of £423,000, to the vendors of Novacom Microwaves Limited.

The Group's overall cash position showed an inflow of £122,000 in the year, compared with an outflow of £668,000 in 2009. Cash flow from operating activities showed a positive flow of £957,000 compared with a negative flow of £1,509,000 in 2009. This inflow occurred mainly due to improvements in inventory control and trade receivable management, as well as the profit for the year. The Group ended the year with a positive cash balance of £167,000 (2009 – £45,000).

The refinancing activities during the early part of the year combined with cash generation from operations through the year has enabled the Group to reduce its current trade and other payables to £3,117,000 as at 31 August 2010 compared with £4,350,000 at the previous year end. Non-current liabilities have increased to £581,000 as at 31 August 2010 compared with £385,000 as at 31 August 2009 as a result of the inception of the long term loan from Bank of Scotland plc.

Key performance indicators

The directors set budgets for the year which are reviewed against the management accounts on a monthly basis. In addition to these results the directors review a number of key performance indicators to assess the performance of the Group and assist in decision making. The principal indicators monitored are:

Gross margin to sales ratio – The Board recognises the importance of growing the Group's turnover but believe that this should only be done at acceptable margins. To that end targets are set and monitored. The margin achieved in 2010 was 28.6% (2009 – 28.5% restated) against a target of 28.3%. The directors were pleased that the result for the year saw an improvement on both target and prior year performance but noted that price pressure in the market was still significant.

Gross margin growth ratio – In addition to measuring the gross margin ratio the Board also recognise the importance of growing the absolute gross margin over the long term and performance is measured through the year against target. The Group's budget recognised that growth was unlikely in the year given the general economic climate and the directors were satisfied that the actual decline achieved in 2010 was 4.5% (2009 – 0.5% decline) compared with a target decline of 7.8%.

Overheads to sales ratio – The Board recognises the importance of controlling administrative expenses in line with the overall level of business. As a technical sales company sufficient resources are required to provide the differentiation essential to enable the business to offer added value to our customers and to ensure that the business is developed to deliver profit both in the current period and future years. The Overheads to Sales Ratio in 2010 was 25.3% (2009 – 33.2%) against a target of 24.9%. The Board considers that the overhead expenditure of the Group was well controlled in the current year and that additional investment in overheads, described elsewhere in the Business Review, is affordable and will result in future growth of the business.

Profit before tax ratio – The Board recognise that delivering a profit before tax (PBT) is fundamental to the health of the business and monitors the PBT as a percentage of sales to ensure that an acceptable return is made. In 2010 the directors set a target of 1.6% and achieved an actual PBT to Sales Ratio of 1.8% (2009 – 5.3% loss restated). The directors are satisfied with the progress made in 2010.

In addition to measures of the profitability of the business the Board measures working capital efficiency to ensure that the funds invested in the business are effectively managed so that the business has sufficient liquidity to meet its near term obligations. The Key Performance Indicators used to monitor working capital performance are:

Inventory turns – The Group maintains inventory so that it can meet customer demand for scarce and long lead time items and to fulfil customer orders where deliveries are scheduled over a number of months or years. During 2010 the inventory turned over 9.1 times (2009 – 7.7 times restated) compared with a target of 6.7 times. The Board is pleased with the improved inventory turns.

Trade receivable days – In line with other companies in the sector the Group extends credit facilities to customers that have a sufficiently good credit rating. As at 31 August 2010 the receivable days calculated on a count back basis was 46 days (2009 – 51 days). The improvement in receivable days has been achieved through the introduction of a new credit management procedure which has helped de-risk the Group's receivables book; the Board are pleased with the results achieved in 2010.

Trade payables days – The Group receives credit from a number of suppliers and recognises the importance of paying its suppliers in a timely manner. During the year ended 31 August 2010 the average trade payables days was 34 days (2009 – 64 days).

Capital expenditure

There was no significant capital expenditure during the financial year.

Risks and uncertainties

The directors recognise that risk is inherent in any business and seeks to manage risk in a controlled manner. The key business risks are set out as follows:

Economic – the Group is subject to many of the same general economic risks faced by other businesses and especially so during periods of economic downturn such have existed since the middle of 2008. The Group seeks to mitigate this risk by concentrating on defence, aerospace, transportation, medical and industrial sectors which have historically been less susceptible to short term economic fluctuations.

Commercial – the Group operates in a competitive marketplace and faces competition from a number of other companies. The risk is managed by giving primary focus on products where the Group is the sole UK distributor and where the specific designs are registered with the products manufacturer so that the Company is sole sourced for that particular application.

Supply chain – the Group represents and distributes a range of products from a number of different suppliers and a significant proportion of the Company's business is long-term and repeat business. To be able to deliver continuous supply to customers the Company is dependent on continuity of supply over the long term. To manage this risk the company has established close working relationships with its key suppliers and diversified the range of products offered to the market.

Financing – The Group's funding requirements are met through a mixture of long-term loans, convertible loan notes and short-term invoice discounting facilities. The board meets regularly with all its funders to ensure a good working relationship.

Financial – The Group has a specific exposure to credit risk, interest rate and exchange rate fluctuations. The Group has established a number of policies to mitigate the risks presented, further details of which are presented in note 22 to the financial statements.

In addition to monthly board meetings the Group holds regular Executive and Management Meetings at which business risks are reviewed. Any areas that are causing concern are discussed and actions are identified and taken to address specific concerns.

The risks outlined above are not an exhaustive list of risks faced by the Group and are not intended to be presented in any order of priority.

Current Trading

Current trading is stable and despite the continuing economic uncertainty, current year order intake is at a healthy level. The Company's core strategy of investing in additional and improved sales resources across the Group's specialist sales teams has led to a lengthening list of new opportunities which are now beginning to develop into a flow of new business.

In addition to the core distribution strategy, the Company continues in its efforts to diversify into the 'green technology' sector with development of the imop™ product range. Whilst sales have not yet reached a material level a number of sales opportunities are progressing both in the UK and overseas. Whilst at this stage the timing and size of the opportunities are unclear, the Board continues to be optimistic about the Company's future prospects within this sector.

Outlook

The Board remains confident that the Company's strategy to grow into the UK's foremost technical electronic component distribution organisation remains intact and the progress made in the last twelve months has provided evidence that this strategy is the right one considering the nature of the UK's electronic component distribution market. This confidence is in part based on an increasing number of significant manufacturers entrusting sales of their specialist products to our various sales teams here in the UK, something anticipated to continue as consolidation within the industry results in a decreasing number of electronic component distributors focusing on technical sales. Accordingly, development of the Company's infrastructure has continued and will provide a solid platform for further long term growth.

Additionally, the Board is encouraged by developments in the Company's efforts to diversify into the green technology sector and anticipate that this will present opportunities to accelerate medium to long term growth.

M. R. Robinson
Chief Executive Officer

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements of Advanced Power Components plc ("the Company") and its subsidiary undertakings (together "the Group") for the year ended 31 August 2010.

Principal activities

The principal activity of the Group and Company in the year under review was the supply and distribution of specialist electronic components.

Results for the year and dividend

The Group's profit on ordinary activities after taxation was £179,000 (2009 – £636,000 restated loss) and is dealt with as shown in the consolidated statement of comprehensive income on page 19.

No interim dividend was paid and it is proposed that no final dividend will be paid this year (2009 – £nil).

Review of the business and future outlook

A review of the Group's activities during the year and future outlook is set out in the Chairman's Statement and the Business Review on pages 5 to 9.

Events after the reporting period

On 20 October 2010 BNY (OCS) Nominees Limited exercised an option to convert the balance of convertible loan notes that they held into ordinary shares in the Company. The value of the convertible loan notes exercised was £68,750 and BNY (OCS) Nominees Limited received 550,000 shares at a price of 12.5 pence per share.

There have been no other events following the year end that require further disclosure.

Share capital

Details of the Company's share capital are set out in note 18 to the financial statements. The following shares were issued as a result of the subscriptions, exercise of options and conversion of loans to equity.

Date	Reason for issue	Shares issued
21 September 2009	Part of deferred consideration for Novacom Microwaves Limited	1,500,000
7 January 2010	Conversion of loan	614,251
15 June 2010	Exercise of share option	25,000
17 June 2010	Conversion of loan	250,000
7 July 2010	Subscription	437,420

Substantial Interests

As at 30 November 2010, the last practical date before publication of the Financial Statements, the Group has been notified of the following interests of three per cent or more in its issued capital:

	Number of shares	Percentage of issued capital
Roger Robinson and related family trusts	6,160,488	24.0%
John Mitchell and related family trusts	4,535,500	17.6%
John Edward Evans	1,090,950	4.2%

Directors

The names of the directors who served during the year are set out below.

W. David
M. Robinson
P. Lancaster
A. Parker (resigned 8 October 2009)
D. Brown (resigned 7 March 2010)
J. Stelzer (resigned 4 August 2010)
R. Smith (appointed 7 March 2010)
J. Davidson (appointed 17 August 2010)

In accordance with the Group's Articles of Association, Mr R. Smith and Mr J. Davidson, having been appointed during the year, offer themselves for election. In addition Mr W. David retires by rotation and, being eligible, offers himself for re-election. Biographies of the directors seeking election are set out in the Directors, Secretary and Advisers section on page 3 of this report. Each of the above directors has a letter of appointment, as described in the Report of the Remuneration Committee on pages 14 and 15. Resolutions to reappoint the above directors will be proposed at the forthcoming Annual General Meeting **(Resolution 3, 4 and 5).**

Directors' interests

Details of share options held by the directors over the ordinary shares of the Group are set out in the Report of the Remuneration Committee.

Share option plan

In June 2003 the Board approved a new share option scheme, the 2003 Employee Share Option Scheme, which superseded the previous share option plan established in 1996. Details of the scheme are set out in note 18 to the financial statements.

Employment policies

The directors recognise the important role played by the Group's employees in its past success and future development and are committed to providing an environment which will attract, motivate and reward high quality employees.

Financial participation in the Group's growth and success is encouraged by means of the share option scheme, as set out in the Report of the Remuneration Committee on pages 14 and 15.

It is the policy of the directors to encourage the employment and training of disabled people wherever appropriate and to evaluate all employees on the basis of merit.

Policy and practice on payment of creditors

Whilst the Group does not have a formal payment code, the Group agrees payment terms with its suppliers when it enters into binding purchase contracts. It is the Group's policy to adhere to the payment terms agreed with its suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The ratio between the amounts invoiced to the Company by its suppliers during the year ended 31 August 2010 and the amounts owed to its trade creditors at the year-end was 34 days (2009 – 64 days).

Going concern

On the basis of current financial projections and available funds and facilities, the directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and therefore consider it appropriate to prepare the financial statements on the going concern basis.

Research and development

The Group does not undertake research and development.

Donations

During the period £1,510 (2009 – £3,009) was donated to charities. There were no political donations.

Auditors

A resolution to re-appoint Reeves & Co LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting **(Resolution 6)**.

As far as the directors are aware there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held on Friday, 21 January 2011 at 12 noon at the offices of Reeves & Co LLP, 24 Chiswell Street, London EC1Y 4YX. The text of all of the proposed Resolutions is set out in the Notice of Annual General Meeting on page 44.

By Order of the Board

D. H. Brown
Secretary

30 November 2010

CORPORATE GOVERNANCE

Since November 2002 the Company's shares have been listed on the Alternative Investment Market (AIM). As an AIM listed company, the Company is not required to follow the provisions of the Combined Code as set out in the Financial Services Authority Listing Rules. Nevertheless, the Board is committed to high standards of corporate governance throughout the Group. The Board is accountable to the Company's shareholders for good governance and this statement describes which principles of good corporate governance have been applied by the Company.

The Board of Directors

The activities of the Group are ultimately controlled by the Board of Directors. All directors are subject to retirement and re-election by rotation.

During the year under review the Board consisted of four executive directors up to 8 October 2009 and three executive directors from that date and two non-executive directors, one of whom, Will David, served as non-executive Chairman. The non-executive directors represent a strong and independent element and their views carry considerable weight in the Board's decision-making process.

The Group has a formal policy setting out the matters that require approval of the Board. This covers the major areas of decision-making in all aspects of the Group's affairs.

Committees of the Board

The Audit Committee meets at least twice a year and considers the appointment of the external auditors as well as discussing with them the findings of the audit and any reports to the management or those charged with governance arising from it. The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the interim and annual reports before publication. The Audit Committee consists of Will David and Joe Stelzer (up to 4 August 2010) and Ian Davidson (from 17 August 2010) with meetings attended by Chief Executive Officer Mark Robinson and Interim Finance Director David Brown (to 7 March 2010) and Finance Director Rob Smith (from 7 March 2010).

The Remuneration Committee operates under the chairmanship of Will David and is responsible for setting the remuneration of directors and senior management, as well as reviewing the remuneration policy throughout the Group. The Report of the Remuneration Committee is set out on pages 14 and 15.

Owing to the small size of the Group's Board, it is not considered necessary to have a formal Nomination Committee for the purpose of making recommendations regarding senior Board appointments. All of the members of the Board are involved in the decision-making process for Board and other senior management appointments.

Internal control

The directors are responsible for establishing and maintaining the Group's system of internal control. This system of internal control is designed to safeguard the Group's assets and to ensure that proper accounting records are maintained and that financial information produced by the Group is reliable. There are inherent limitations in any system of internal control and such a system can provide only reasonable, but not absolute, assurance against material misstatement or loss. The directors, through the Audit Committee, have reviewed the effectiveness of the Group's system of internal control.

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee operates under the chairmanship of Will David. It was formed in order to review the remuneration of executive directors and senior management, together with remuneration policy for the Group as a whole, and to make recommendations to the Board.

Remuneration policy

Remuneration

In order to safeguard the interests of the Group, the Committee aims to provide executive directors and employees of the Group with a remuneration package set to attract, retain and motivate directors and employees of the appropriate calibre. Bonus schemes are determined for each financial year, based on the Group's financial performance, targets for which are approved by the Remuneration Committee.

Share options

The Advanced Power Components plc Company Share Option Plan was established on 7 October 1996 for the benefit of all employees of the Group employed at that date as well as certain of the directors. On 17 June 2003 the Board approved the establishment of a new plan, the 2003 Employee Share Option Scheme, which superseded the 1996 plan.

The 2003 Employee Share Option Scheme requires that certain performance conditions must be satisfied before options may be exercised. The performance conditions are based on growth in earnings per share (EPS) but the growth criteria are computed on a pre-tax basis.

Details of the share options granted to directors and outstanding as at 31 August 2010 are listed below:

	Date granted	Latest date exercisable	Ordinary shares of 2p	Exercise price
M. Robinson	10/09/2004	09/09/2014	500,000	9p
	06/10/2004	05/10/2014	232,050	9p
P. Lancaster	10/09/2004	09/09/2014	500,000	9p
	06/10/2004	05/10/2014	117,000	9p
R. Smith	05/03/2010	04/03/2020	250,000	10p
J. Davidson	22/01/2010	21/01/2020	25,000	10p

In each case these options are exercisable in various proportions dependent upon the performance of the Company. The earliest date on which each proportion can be exercised is the date on which the results for the relevant financial year are announced.

Service contracts

Each of the executive directors that served in the year had a service agreement that may be terminated by either party upon giving between six months and one year's written notice to expire at any time, apart from D. Brown whose agreement may have been terminated at one month's notice. Non-executive directors have letters of appointment which are terminable at the will of either party.

Pensions

The Group makes contributions to defined contribution pension schemes for the benefit of the executive directors. The Group maintains health care insurance for the benefit of the executive directors and certain employees and their dependents.

Directors' emoluments

	Salary and fees	Bonus	Benefits in kind	Total emoluments (excluding pensions)		Pension contributions	
				2010	2009	**2010**	2009
	£000	£000	£000	**£000**	£000	**£000**	£000
R. Thorn	–	–	–	**–**	12	**–**	–
W. David	23	2	–	**25**	22	**–**	–
M. Robinson	99	18	16	**133**	124	**3**	3
P. Lancaster	80	9	11	**100**	89	**4**	4
R. Muir	–	–	–	**–**	95	**–**	4
A. Parker	9	–	–	**9**	85	**–**	4
J. Stelzer	21	–	–	**21**	5	**–**	–
D. Brown	29	–	1	**30**	16	**1**	–
R. Smith	46	–	1	**47**	–	**2**	–
J. Davidson	3	–	–	**3**	–	**–**	–
	310	29	29	**368**	448	**10**	15

Benefits in kind shown in the table above comprise the provision of a motor car and private health insurance.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the financial statements of Advanced Power Components plc for the year ended 31 August 2010, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report, including the opinions, is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Turner FCCA (Senior statutory auditor)
For and on behalf of
Reeves & Co LLP
Statutory Auditor
Chartered Accountants
Chatham Maritime

Date: 30 November 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2010

	Note	**2010** **£000**	2009 restated £000
Revenue	2	**13,410**	14,091
Cost of sales		**(9,577)**	(10,076)
Gross profit		**3,833**	4,015
Administrative expenses		**(3,398)**	(4,682)
Operating profit/(loss)	3	**435**	(667)
Finance costs	4	**(188)**	(85)
Profit/(loss) before taxation		**247**	(752)
Taxation expense	7	**(68)**	116
Profit/(loss) for the financial year		**179**	(636)
Basic earnings per share	8	**0.7p**	(2.8p)
Diluted earnings per share	8	**0.7p**	(2.8p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 August 2010

	Note	**2010 £000**	2009 restated £000	2008 £000
Non-current assets				
Intangible assets	9	**2,580**	2,580	2,719
Property, plant and equipment	10	**212**	296	347
Other investments	12	**40**	7	–
Deferred tax asset	13	**55**	123	–
		2,887	3,006	3,066
Current assets				
Inventories	14	**1,053**	1,304	1,298
Trade and other receivables	15	**2,310**	2,640	2,248
Cash and cash equivalents	23	**167**	45	1,118
		3,530	3,989	4,664
Total assets		**6,417**	6,995	7,730
Current liabilities				
Trade and other payables	16	**(1,845)**	(2,444)	(4,070)
Financial liabilities	16	**(1,272)**	(1,906)	(726)
		(3,117)	(4,350)	(4,796)
Total assets less current liabilities		**3,300**	2,645	2,934
Non-current liabilities				
Financial liabilities	17	**(581)**	(385)	(83)
Net assets		**2,719**	2,260	2,851
Equity attributable to equity holders of the company				
Called-up share capital	18	**503**	446	446
Share premium account		**519**	336	336
Share option valuation reserve		**219**	177	147
Other reserves		**13**	15	–
Retained earnings		**1,465**	1,286	1,922
Total equity		**2,719**	2,260	2,851

The financial statements on pages 19 to 43 were approved and authorised for issue by the Board of Directors on 30 November 2010 and were signed on its behalf by:

M. R. Robinson

R. S. Smith

Directors

ADVANCED POWER COMPONENTS plc
Registered No: 1635609

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 August 2010

	Note	**2010** **£000**	2009 restated £000	2008 £000
Non-current assets				
Intangible assets	9	**2,583**	2,583	2,722
Property, plant and equipment	10	**212**	296	347
Investments in subsidiaries	11	**225**	2,537	2,537
Other investments	12	**40**	7	–
Deferred tax asset	13	**55**	123	–
		3,115	5,546	5,606
Current assets				
Inventories	14	**1,053**	1,304	1,298
Trade and other receivables	15	**2,310**	2,640	2,248
Cash and cash equivalents	23	**167**	45	1,118
		3,530	3,989	4,664
Total assets		**6,645**	9,535	10,270
Current liabilities				
Trade and other payables	16	**(1,845)**	(2,444)	(4,070)
Financial liabilities	16	**(1,272)**	(1,906)	(726)
		(3,117)	(4,350)	(4,796)
Total assets less current liabilities		**3,528**	5,185	5,474
Non-current liabilities				
Financial liabilities	17	**(805)**	(3,148)	(2,846)
Net assets		**2,723**	2,037	2,628
Equity attributable to equity holders of the company				
Called-up share capital	18	**503**	446	446
Share premium account		**519**	336	336
Share option valuation reserve		**219**	177	147
Other reserves		**13**	15	–
Retained earnings		**1,469**	1,063	1,699
Total equity		**2,723**	2,037	2,628

The financial statements on pages 19 to 43 were approved and authorised for issue by the Board of Directors on 30 November 2010 and were signed on its behalf by:

M. R. Robinson

R. S. Smith

Directors

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2010

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Group						
At 31 August 2008	446	336	147	-	1,922	2,851
(Loss) for the year restated	–	–	–	–	(636)	(636)
Total comprehensive income restated	–	–	–	–	(636)	(636)
Transactions with owners						
Issue of convertible loan notes	–	–	–	15	–	15
Share option charge	–	–	30	–	–	30
	–	–	30	15	–	45
At 31 August 2009 restated	446	336	177	15	1,286	2,260
Profit for the year	–	–	–	–	179	179
Total comprehensive income	–	–	–	–	179	179
Transactions with owners						
Issue of new shares	57	183	–	–	–	240
Convertible loan notes	–	–	–	(2)	–	(2)
Share option charge	–	–	42	–	–	42
	57	183	42	(2)	–	280
At 31 August 2010	503	519	219	13	1,465	2,719
Company						
At 31 August 2008	446	336	147	–	1,699	2,628
(Loss) for the year restated	–	–	–	–	(636)	(636)
Total comprehensive income restated	–	–	–	–	(636)	(636)
Transactions with owners						
Issue of convertible loan notes	–	–	–	15	–	15
Share option charge	–	–	30	–	–	30
	–	–	30	15	–	45
At 31 August 2009 restated	446	336	177	15	1,063	2,037
Profit for the year	–	–	–	–	406	406
Total comprehensive income	–	–	–	–	406	406
Transactions with owners						
Issue of new shares	57	183	–	–	–	240
Convertible loan notes	–	–	–	(2)	–	(2)
Share option charge	–	–	42	–	–	42
	57	183	42	(2)	–	280
At 31 August 2010	503	519	219	13	1,469	2,723

Share capital and premium

When shares are issued, the nominal value of the shares is credited to the share capital reserve. Any premium paid above the nominal value is taken to the share premium reserve. Advanced Power Components plc shares have a nominal value of 2p per share.

Share option valuation reserve

The share option valuation reserve arises as the expense of issuing share-based payments is recognised over time. The reserve will fall as share options vest and are exercised, and the impact of the subsequent dilution of earnings crystallises, but the reserve may equally rise or see any reduction offset, as new potentially dilutive share options are issued.

Other reserves

The reserve arises as a result of assessing the equity component of the Convertible Loan Notes issued during 2009.

Retained earnings

The retained earnings reserve records the accumulated profits and losses of the Group since inception of the business. Where subsidiary undertakings are acquired, only profits arising from the date of acquisition are included.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 August 2010

	Note	**Group 2010 £000**	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Net cash inflow/(outflow) from operating activities		**957**	(1,509)	**957**	(1,509)
Finance costs	4	**(184)**	(85)	**(184)**	(85)
Taxation paid		**–**	(113)	**–**	(113)
Net cash from/used in operating activities		**773**	(1,707)	**773**	(1,707)
Acquisition of subsidiary undertakings, net of cash acquired		**(333)**	(876)	**(333)**	(876)
Dividends received from subsidiaries		**–**	–	**2,539**	–
Repayments of amounts due to subsidiaries		**–**	–	**(2,539)**	–
Purchase of investments	12	**(33)**	(7)	**(33)**	(7)
Purchase of property, plant and equipment	10	**(15)**	(81)	**(15)**	(81)
Sale of property, plant and equipment		**24**	18	**24**	18
Net cash used in investing activities		**(357)**	(946)	**(357)**	(946)
Issue of shares	18	**69**	–	**69**	–
Issue of Convertible Loan Notes	20	**–**	400	**–**	400
Bank short-term invoice discounting facility	20	**(834)**	1,594	**(834)**	1,594
Inception of bank loan facility	20	**500**	–	**500**	–
Repayment of bank loan facility	20	**(104)**	–	**(104)**	–
Inception of short term loan	20	**100**	–	**100**	–
Repayment of short term loan	20	**(25)**	–	**(25)**	–
Repayment of finance lease	20	**–**	(9)	**–**	(9)
Net cash (used in)/from financing activities		**(294)**	1,985	**(294)**	1,985
Increase/(decrease) in net cash	21	**122**	(668)	**122**	(668)

	Group 2010	Group 2009 restated	**Company 2010**	Company 2009 restated
Reconciliation of profit before tax to cash (outflow)/inflow from operating activities				
Profit/(Loss) before tax	**247**	(752)	**474**	(752)
Finance costs	**188**	85	**188**	85
Finance income	**–**	–	**(2,539)**	–
Depreciation of property, plant and equipment	**83**	104	**83**	104
(Profit)/loss on disposal of property, plant and equipment	**(8)**	10	**(8)**	10
Amounts written off – investments in subsidiaries	**–**	–	**2,312**	–
Share option valuation charge	**42**	30	**42**	30
Decrease/(increase) in inventories	**251**	(6)	**251**	(6)
Decrease/(increase) in trade and other receivables	**330**	(392)	**330**	(392)
(Decrease) in trade and other payables	**(176)**	(588)	**(176)**	(588)
Net cash inflow/(outflow) from operating activities	**957**	(1,509)	**957**	(1,509)

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

General

Advanced Power Components plc is a public limited company ("the Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 01635609).

The Company is domiciled in the United Kingdom and its registered address is 47 Riverside, Medway City Estate, Rochester, Kent ME2 4DP. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Group's principal activity is the distribution of specialist electronic components.

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Acts applicable to companies reporting under IFRS.

A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408(3) of the Companies Act 2006. The parent Company earned a profit after tax of £406,000 (2009 – £636,000 restated loss). The parent Company profit after tax included dividends received from subsidiary undertakings totalling £2,539,000 (2009 – nil) and a corresponding impairment of investment by £2,312,000 (2009 – nil) resulting in a profit from investing activities of £227,000 (2009 – nil).

Restatement of 2009 results

The 2009 consolidated statement of comprehensive income and consolidated and company statement of financial position have been restated to correct an error in the valuation of inventory in that year. The error overstated the value of inventory on the consolidated and company statement of financial position by £261,000 and consequently led to an understatement of the loss before taxation in the consolidated statement of comprehensive income of the same amount.The tax loss and deferred tax asset for 2009 have been restated to reflect the increased loss before tax.

Functional and presentational currency

These consolidated financial statements are presented in UK Sterling, which is the Company's functional currency. All financial information presented in UK Sterling has been rounded to the nearest thousand unless otherwise stated.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed below.

Exercise of Significant judgements

In preparing these accounts the Directors have assessed the facts and made particular judgements in relation to the following matters:

a. After considering anticipated discounted cash flow analysis, the Directors do not consider that the goodwill recorded in the accounts has suffered any impairment.

b. Taking account of the information at the statement of financial position date, the Directors make judgements based on experience on the level of provision required to account for potential uncollectable receivables and the potential for un-saleable inventory.

Basis of consolidation

The consolidated statement of comprehensive income and statement of financial position include the accounts of the Company and all its subsidiaries made up to 31 August 2010. The results of subsidiaries acquired are included in the consolidated statement of comprehensive income from the date control passes. Intra-group revenues and profits are eliminated fully on consolidation.

On acquisition of a business all of the identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values reflecting their condition at that date. Once finalised, changes to those assets and liabilities and the resulting gains and losses are charged to the post acquisition statement of comprehensive income.

Goodwill

Goodwill arising on acquisition represents the difference between the fair value of the identifiable assets and liabilities acquired and the fair value of the cost of the acquisition. In accordance with IFRS 1, the group has applied the exemption from retrospectively recalculating goodwill which arose in acquisitions prior to 1 September 2006. This goodwill is at deemed cost, being the amount recorded under UK GAAP as at 1 September 2006 (see note 9).

Goodwill is reviewed for impairment at least every six months. The recoverable amount is estimated at each statement of financial position date. An impairment loss is recognised when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

Revenue

Revenue represents invoiced sales of goods, net of discounts, returns and rebates, to external customers at invoiced amounts less value added tax. Revenue is recognised when the goods are despatched to the customer. Commission income is recognised when payment has been received from the principal.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Short leaseholds	–	Over the remaining period of the lease
Plant and machinery	–	25% on reducing balance
Fixtures, fittings, tools and equipment	–	25% on reducing balance
Motor vehicles	–	25% on cost

Property, plant and equipment is measured at historical cost less accumulated depreciation.

Impairment reviews of fixed assets are undertaken if there are indications that the asset's recoverable amount may be less than the carrying values.

Investments

Investments in subsidiary undertakings held as non-current assets are stated at cost less any provision for impairment. Investment in assets available for sale are carried at fair value, any movement in fair value is recognised in the statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items, on a first in first out basis.

Taxation

The taxation expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on taxable profits or losses for the period and is calculated using enacted tax rates.

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group has chosen not to adopt a policy of discounting the deferred tax provision. Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transactions. Resulting exchange differences are taken into account in arriving at the operating result.

Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Pension

The Group operates a stakeholder defined contribution scheme for directors and staff and also contributes to personal pension schemes of other directors and staff. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are charged to the statement of comprehensive income when they fall due for payment or when the employee provides the services giving rise to the pension contribution.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or other financial assets, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial liabilities are recognised when there is an obligation and that obligation is a contractual liability to deliver cash or another financial asset or exchange financial instruments with another entity on potentially unfavourable terms. When these criteria no longer apply, a financial asset or liability is no longer recognised.

Financial assets and liabilities are recognised at fair value, which in the case of trade receivables and trade payables is similar to cost, and are detailed in note 23.

Where the fair value of an asset's carrying amount falls below the asset's carrying value, any difference is, in the case of non-current assets, provided for if it is regarded that the impairment is permanent. In the case of current assets, provision is only made to the extent that it is considered as resulting in a lower net realisable value.

Invoice discounting

The Company has an agreement with the Bank of Scotland plc whereby its trade receivables are invoice discounted, with recourse after 120 days. On the basis that the benefits and risks attaching to the debts remain with the Company, the gross debts are included as an asset within trade receivables and the proceeds received are included within bank loans and overdrafts as a liability.

Share options

The Group issues equity-settled share-based payments to certain employees in the form of share options over shares in the parent company. Equity-settled share-based payments are measured at fair value at the date of the grant, calculated using an independent valuation model, taking into account the terms and conditions upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with the corresponding credit to equity.

New standards and interpretations

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that could potentially affect the Company and were not applied. These are to be applied to financial statements with periods commencing on the following dates:

Standards and interpretations	Effective date
Improvements to IFRSs (2009) – The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. This is not expected to have an impact on net assets or net profit.	1 January 2010
IFRS 2 Share based Payments: Vesting Conditions and Cancellations – these amendments concern certain aspects of the valuation of share-based payments and the impact of cancellation by a grantee. These amendments have not had a significant impact on the charges recognised to date for share-based payments.	1 January 2010
IFRS 9 Revised Financial Instruments – These amendments require additional disclosure of the basis of fair value measurements and liquidity risks. Notes 22 and 23 reflect these additional disclosure requirements.	1 January 2013
IAS 24 Revised Related Party Disclosures – The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice and seeks to simplify matters.	1 January 2011
IAS 32 Amendment Classification of Rights Issues – These amendments relate to the issue of equity instruments in currency other than the functional currency of the reporting entity.	1 February 2010
IFRIC 19 Extinguishing financial liabilities with equity instruments –This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability.	1 July 2010

The Company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

2. Revenue and segmental information

The majority of the Group's activity arises in the United Kingdom from the Group's principal activity. The directors manage and monitor all operations of the business on a unified basis and consider that all of the Group's operations are in similar markets and face similar risks. Consequently, the directors consider the Group has one business and one business segment.

An analysis of revenue by geographical destination is given below:

	2010	2009
	£000	£000
UK	**10,944**	12,478
North America	**369**	436
Far East, Europe and other	**2,097**	1,177
	13,410	14,091

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2010	2009
	£000	£000
Operating leases – short leaseholds	**109**	136
Operating leases – plant and machinery	**76**	83
Depreciation – owned assets	**83**	104
Loss on foreign exchange	**28**	174
Auditors' remuneration – audit (Company £32,000)	**32**	30
Auditor's remuneration – corporate finance (Company £nil)	**–**	49
Auditors' remuneration – taxation (Company £2,000)	**2**	2
Auditors' remuneration – other (Company £8,000)	**8**	–
Directors' emoluments	**378**	463
Redundancy and related costs	**–**	68
(Profit)/Loss on disposal of fixed assets	**(8)**	10

4. Finance cost

	2010	2009
	£000	£000
Bank interest payable	**70**	50
Convertible loan note interest payable	**27**	16
Other interest payable	**11**	19
Other finance costs	**80**	–
	188	85

5. Employee information

	2010	2009
	£000	£000
Wages and salaries	**1,880**	2,242
Redundancy and associated costs	**–**	68
Social security costs	**194**	266
Private health costs	**31**	35
Other pension costs	**39**	35
Share option charge	**42**	30
Staff costs (including directors' emoluments)	**2,186**	2,676

The average monthly number of persons employed by the Group and Company during the year was:

	2010	2009
	Number	Number
Sales and distribution	**29**	38
Operations and administration	**29**	33
	58	71

6. Directors' emoluments

Directors' emoluments are included in the staff costs in note 5. The directors are considered to be the only key management personnel.

Details of directors' emoluments are included in the Report of the Remuneration Committee on pages 14 and 15. Total directors' emoluments were £368,000 (2009 – £448,000), total pension contributions £10,000 (2009 – £15,000) and the highest paid director received emoluments of £133,000 (2009 – £124,000) and pension contributions of £3,000 (2009 – £3,000).

7. Taxation

	2010 £000	2009 restated £000
(a) Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the current year	**–**	–
Adjustments in respect of prior years	**–**	7
Total current tax (note 7(b))	**–**	7
Deferred tax (note 13)	**68**	(123)
Tax charge on profit on ordinary activities	**68**	(116)

(b) Factors affecting the tax charge in the period

The tax charge for the period is different to the standard rate of corporation tax in the UK. The rate of corporation tax for this purpose has been taken as 21% for 2010 (2009 – 21%).

The differences are explained below:

	2010 £000	2009 restated £000
Profit/(loss) on ordinary activities before tax	**247**	(752)
Rate of corporation tax	**21%**	21%
Tax on (loss) profit based on standard rate	**52**	(158)
Effects of:		
Accelerated capital allowances	**–**	(1)
Expenses not deductible	**16**	36
Adjustments relating to prior year corporation tax	**–**	7
Total tax (credit)/charge for the period (note 7a)	**68**	(116)

There are at present no other factors which will influence the Group's taxation in future years.

8. Earnings per share

The calculation of basic earnings per share is based on the profit after taxation 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 convertible loan notes and its share option scheme. The profit / (loss) for the year is adjusted to add back the tax interest cost on the liability component of the convertible loan notes. Where the effect of the above adjustments is anti-dilutive, as is the case for the year ended 31 August 2010, they are excluded from the calculation of diluted earnings per share.

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

	Earnings £000	**2010 Weighted average number of shares**	**Per share amount pence**	Earnings restated £000	2009 Weighted average number of shares	Per share amount restated pence
Basic earnings per share						
Profit/(loss) attributable to ordinary shareholders	**179**	**24,257,672**	**0.7p**	(636)	22,324,257	(2.8p)
Effect of dilutive securities						
Share options and Convertible Loan Notes	**–**	**–**	**–**	–	–	–
Diluted earnings per share	**179**	**24,257,672**	**0.7p**	(636)	22,324,257	(2.8p)

The loss per share reported for 2009 prior to restatement was 1.9p.

9. Intangible non-current assets

The Group's intangible assets consist entirely of goodwill. The balance at the beginning of 2007 arose partly on the acquisition of Silver Birch Marketing Limited and Go! Technology Limited in 2003 and partly on the acquisition of Hero Electronics Limited in 2006. Additional goodwill was acquired during 2008 through the acquisition of Novacom Microwaves Limited and Contech Electronics Limited. The Company's goodwill arises on the transfer to the Company of the net assets of the subsidiaries and represents the excess of the consideration for the transfer over book value of the assets transferred.

The Directors have undertaken an impairment review of the carrying value of the Group's goodwill based on the current and anticipated performance of the businesses concerned. In preparing these projections the Group's marginal interest rate 8% (2009 – 8%) has been used as the discount rate. A future growth rate of 5% (2009 – 5%) has been assumed and the calculations are based on future operating cash flows derived using management's latest forecasts. The outcome of the impairment review was subjected to a sensitivity analysis based on the Internal Rate of Return of the businesses concerned.

The movement in goodwill during the year arose as follows:

	Group £000	Company £000
Balance at 1 September 2009	2,580	2,583
Movements in the current year	–	–
Balance at 31 August 2010	2,580	2,583

10. Property, plant and equipment

Group	Short leaseholds £000	Plant and machinery £000	Fixtures, fittings tools and equipment £000	Motor vehicles £000	Total £000
Cost					
As at 1 September 2008	130	340	806	85	1,361
Additions	3	–	78	–	81
Disposals	–	(315)	(224)	(26)	(565)
As at 31 August 2009	**133**	**25**	**660**	**59**	**877**
As at 1 September 2009	133	25	660	59	877
Additions	–	–	15	–	15
Disposals	–	–	(9)	(59)	(68)
As at 31 August 2010	**133**	**25**	**666**	**–**	**824**
Depreciation					
As at 1 September 2008	94	319	571	30	1,014
Charge for the year	16	1	75	12	104
Disposals	(5)	(299)	(228)	(5)	(537)
As at 31 August 2009	**105**	**21**	**418**	**37**	**581**
As at 1 September 2009	105	21	418	37	581
Charge for the year	12	1	63	7	83
Disposals	–	–	(8)	(44)	(52)
As at August 2010	**117**	**22**	**473**	**–**	**612**
Net book value					
As at 31 August 2008	36	21	235	55	347
As at 31 August 2009	28	4	242	22	296
As at 31 August 2010	**16**	**3**	**193**	**–**	**212**

Company					
Cost					
As at 1 September 2008	130	340	800	83	1,353
Additions	3	–	78	–	81
Disposals	–	(315)	(224)	(24)	(563)
As at 31 August 2009	**133**	**25**	**654**	**59**	**871**
As at 1 September 2009	133	25	654	59	871
Additions	–	–	15	–	15
Disposals	–	–	(9)	(59)	(68)
As at 31 August 2010	**133**	**25**	**660**	**–**	**818**

Depreciation					
As at 1 September 2008	94	319	565	28	1,006
Charge for the year	16	1	75	12	104
Disposals	(5)	(299)	(228)	(3)	(535)
As at 31 August 2009	**105**	**21**	**412**	**37**	**575**
As at 1 September 2009	105	21	412	37	575
Charge for the year	12	1	63	7	83
Disposals	–	–	(8)	(44)	(52)
As at August 2010	**117**	**22**	**467**	**–**	**606**
Net book value					
As at 31 August 2008	36	21	235	55	347
As at 31 August 2009	28	4	242	22	296
As at 31 August 2010	**16**	**3**	**193**	**–**	**212**

11. Investment in subsidiary undertakings

	2010	2009
	£000	£000
Company		
Cost as at beginning of year	**2,537**	2,537
Additions	**–**	–
Amount written off investments (see below)	**(2,312)**	–
Cost as at end of year	**225**	2,537

The amounts written off investments are due to the hiving up of profits in subsidiary undertakings to the parent Company. This resulted in a write down in investments matched by a corresponding dividend from subsidiary undertakings, see note 1.

Details of the Company's subsidiaries are as follows:

Name	Place of incorporation	Proportion of ownership	Principal activity
Silver Birch Marketing Limited	England and Wales	100%	Dormant
Go! Technology Limited	England and Wales	100%	Dormant
Hero Electronics Limited	England and Wales	100%	Dormant
Novacom Microwaves Limited	England and Wales	100%	Dormant
Contech Electronics Limited	England and Wales	100%	Dormant

Chyman Management Services Limited was struck off during the year.

12. Financial assets held as available for sale

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Unlisted available for sale investments	**40**	7	**40**	7

The financial asset designated as available-for-sale relates to an investment in Minimise Limited a company engaged in the sales and marketing of the Group's imop™ products. It is an unlisted company and as such is classified as a level 3 fair value measurement under IFRS 7. The carrying value of the investment is at historic cost which approximates to the fair value of the asset.

The Group owns 17.27% of the ordinary share capital of Minimise Limited and under IFRS it has concluded that the asset is designated as available-for-sale.

13. Deferred tax asset

	Group 2010 £000	Group restated 2009 £000	**Company 2010 £000**	Company restated 2009 £000
Deferred tax	**55**	123	**55**	123

The following are the major deferred tax assets/(liabilities) recognised by the group and company and the movements thereon during the current year:

Company and group	**Accelerated tax depreciation £000**	**Tax Losses £000**	**Total £000**
As at 1 September 2008	–	–	–
Restated (charge)/credit to the group statement of consolidated income	(11)	134	123
As at 1 September 2009 restated	(11)	134	123
(Charge)/credit to the group statement of consolidated income	–	(68)	(68)
As at 31 August 2010	**(11)**	**66**	**55**

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable.

14. Inventories

	Group 2010 £000	Group restated 2009 £000	**Company 2010 £000**	Company restated 2009 £000
Raw materials	**167**	89	**167**	89
Finished goods	**886**	1,215	**886**	1,215
	1,053	1,304	**1,053**	1,304

The cost of inventories recognised as expense and included in cost of sales amounted to £9,350,000 (2009 – £9,727,000 restated). During the year there was a net reduction in inventory provisions of £26,000 (2009 – £198,000 net increase).

15. Trade and other receivables

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Trade receivables	**2,076**	2,483	**2,076**	2,483
Other receivables	**78**	25	**78**	25
Prepayments	**156**	132	**156**	132
	2,310	2,640	**2,310**	2,640

The Company has established a flexible debt finance facility with Bank of Scotland plc through which the majority of its trade receivables are discounted, with recourse after 120 days. The gross amount of these trade receivables is shown above. The Company has drawn down advances totalling £1,072,000 (2009 – £1,906,000) which are shown in note 16 under short term bank borrowings under invoice discounting facility.

16. Trade and other payables – current

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Trade payables	**1,380**	1,449	**1,380**	1,449
Other taxes and social security	**83**	90	**83**	90
VAT payable	**140**	245	**140**	245
Short term bank borrowings under invoice discounting facility	**1,072**	1,906	**1,072**	1,906
Other short term borrowings	**75**	–	**75**	–
Current portion of bank loan	**125**	–	**125**	–
Deferred and contingent consideration on acquisition of subsidiary	**–**	423	**–**	423
Accruals and other payables	**242**	237	**242**	237
	3,117	4,350	**3,117**	4,350

Short term bank borrowings under invoice discounting facility comprise borrowings under the flexible debt finance facility referred to in note 15. These are secured over trade receivables.

Other short term borrowings comprise an unsecured short term loan from R&J Robinson, shareholders with a substantial interest in the Company. The loan carries an interest rate of 8% per annum paid monthly in arrears.

The current portion of the bank loan is the repayments due in the next 12 months under the fixed term loan agreement with Bank of Scotland plc referred to in note 17.

17. Non-current liabilities

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Convertible Loan Notes	**310**	385	**310**	385
Bank Loan	**271**	–	**271**	–
Amounts due to subsidiary undertakings	**–**	–	**224**	2,763
	581	385	**805**	3,148

In February 2009 £400,000 Convertible Loan Notes were issued. The Notes mature on the 10 February 2014 and carry a coupon of 8% per annum, payable quarterly in arrears until such time as they are repaid or converted in accordance with their terms. The holders of the Notes may convert all or part of the notes held by them into new Ordinary Shares in the Company on delivery to the Company of a conversion notice, at the conversion rate, being the lower of the mid-market price on 10 February 2009 and the mid-market price for the 14 days following the conversion date. On the 7 January 2010 Loan Notes valued at £50,000 were converted to new Ordinary Shares at a conversion rate of 8.1 pence and on17 June 2010 Loan Notes valued at £31,250 were converted to new Ordinary Shares at a conversion rate of 12.5 pence.

The Convertible Loan Notes have been measured for fair value and a value of £13,000 (2009 – £15,000) has been assigned to the equity component. This is shown as Other Reserves in the statement of financial position.

In October 2009 the Group entered into a fixed term bank loan agreement with Bank of Scotland plc secured by the Government's Enterprise Finance Guarantee scheme. The loan value at inception was £500,000 and is repayable in monthly instalments over five years. Interest is charged at 5.30% over Bank of England base rate on the balance of the loan. Throughout the entirety of the year under review Bank of England base rate was 0.50%. The current portion of the fixed term bank loan was £125,000 and the non-current portion was £271,000 at the 31 August 2010. Further details regarding the fixed term bank loan are disclosed in note 23.

The amounts due to subsidiary undertakings arise as a result of the transfer to the Company of net assets of its subsidiaries Silver Birch Marketing Limited and Go! Technology limited on 31 August 2003, Hero Electronics Limited on 31 August 2006 and Novacom Microwaves Limited and Contech Electronics Limited on 31 August 2008. These amounts represent interest-free inter-company loans.

18. Share capital

		2010		2009
Group and company		**£000**		£000
Authorised:				
60,000,000 ordinary shares of 2p each		**1,200**		630
Allotted, issued and fully paid:	**No of shares**		No of shares	
At 31 August	**25,150,928**	**503**	22,324,257	446

Share options

The following options over the Company's ordinary shares were outstanding at 31 August 2010:

	Date granted	Earliest date exercisable	Latest date exercisable	Ordinary shares of 2p	Exercise price
2003 Employee Share Option Scheme	10/09/2004	see note (b)	09/09/2014	846,950	9.00p
	06/10/2004	see note (b)	05/10/2014	861,000	9.00p
	31/05/2005	see note (b)	30/05/2015	45,000	9.00p
	29/09/2006	see note (b)	28/09/2016	180,000	13.75p
	10/11/2006	see note (b)	09/11/2016	310,000	14.75p
	23/01/2008	see note (b)	22/01/2018	191,000	14.75p
	23/04/2008	see note (b)	22/04/2018	400,000	18.50p
	10/07/2008	see note (b)	09/07/2018	200,000	17.00p
	20/02/2009	see note (b)	19/02/2019	260,000	12.50p
	22/01/2010	see note (b)	21/01/2020	300,000	10.00p
	05/03/2010	see note (b)	04/03/2020	250,000	10.00p
Former non-executive Director	30/09/2003	see note (c)	29/09/2013	75,000	17.00p
Non-executive Director	22/01/2010	see note (d)	21/01/2020	25,000	10.00p
				3,943,950	

The weighted average price of options over the Company's ordinary shares at 31 August 2010 was 11.85p (2009 – 11.19p).

Reconciliation of movement in share option outstanding

	Ordinary shares of 2p
Share options outstanding as at 31 August 2009	4,762,700
Issued	575,000
Exercised	(25,000)
Lapsed	(1,418,750)
Share options outstanding as at 31 August 2010	**3,943,950**

Notes:

(a) On 17 June 2003 the Board approved a new share option scheme, the 2003 Employee Option Scheme. The scheme, which operates under the guidelines of the Government's Enterprise Management Incentive, provides for options to be exercisable at a pre-determined exercise price, subject to attainment of performance conditions over a three year period. Options are exercisable in tranches depending on the Group's cumulative growth in pre-tax earnings over a three year period. This process operates on a sliding scale for growth levels between RPI and RPI plus 16%.

(b) Options granted under the 2003 Employee Share Option Scheme have performance conditions linked to the growth in the Company's earnings per share in the financial years following the grant of the option.

(c) The options to the former non-executive director were granted with exercise prices equal to the market price ruling on the respective dates of the grant. These options were not granted under the 2003 Employee Share Option Scheme, but are subject to the same performance conditions as the options granted under that scheme and are exercisable in tranches, as described in note a above.

(d) The options granted to J. Davidson on 22 January 2010 were granted prior to his appointment as non-executive director with exercise prices equal to the market price ruling on the respective dates of the grant. These options were not granted under the 2003 Employee Share Option Scheme, but are subject to the same performance conditions as the options granted under that scheme and are exercisable in tranches, as described in note a above.

(e) The middle market price of the Company's shares at 31 August 2010 was 13.00p. During the year under review the middle market price range was 6.50p to 24.00p.

During the year under review the following Ordinary Shares of 2p each were issued by the Company:

Reason for issue	Date	Shares	Price
Part of deferred consideration for Novacom Microwaves Limited	21/09/2009	1,500,000	6.0p
Conversion of loan note	07/01/2010	614,251	8.1p
Exercise of Employee Share Option	15/06/2010	25,000	9.0p
Conversion of loan note	17/06/2010	250,000	12.5p
Subscription	07/07/2010	218,710	15.1p
Subscription	07/07/2010	218,710	15.1p
Total Shares issued in year		2,826,671	
Shares in issue at the 31 August 2009		22,324,257	
Shares in issue at the 31 August 2010		**25,150,928**	

The following additional information is relevant to the determination of the fair value of the options:

Option pricing model used	Black Scholes
Share price is the same as exercise price at the time the option is issued.	
Expected volatility	55.36% – 60.95%
Expected life of option	0.85 to 3.85 years
Expected dividend yield	Nil
Risk free interest rate	4.44% – 4.95%

19. Operating lease obligations

As at the 31 August 2010 the Group had future aggregate commitments under leases expiring as shown below:

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Land and buildings				
On leases expiring between one and five years	**71**	157	**71**	157
On leases expiring in five years or more	**383**	–	**383**	–
	454	157	**454**	157
Motor vehicles				
On leases expiring in less than one year	**7**	20	**7**	20
On leases expiring between one and five years	**185**	58	**185**	58
	192	78	**192**	78

20. Analysis of net debt

	At 1 September 2009 £000	Cash Flow £000	Non-cash movement £000	**At 31 August 2010 £000**
Cash, comprising current accounts and overnight deposits	45	122	–	**167**
Bank invoice discounting facility	(1,906)	834	–	**(1,072)**
Bank loan	–	(396)	–	**(396)**
Short term shareholder loan	–	(75)	–	**(75)**
Convertible loan notes	(385)	–	75	**(310)**
	(2,246)	485	75	**(1,686)**

21. Reconciliation of net cash flow to movement in net debt

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Increase/(decrease) in cash during the year	**122**	(668)	**122**	(668)
Movement in borrowings	**438**	(1,970)	**438**	(1,970)
Increase/(decrease) in net funds resulting from cash flows	**560**	(2,638)	**560**	(2,638)
Net (debt)/funds at 1 September	**(2,246)**	392	**(2,246)**	392
Net (debt) at 31 August	**(1,686)**	(2,246)	**(1,686)**	(2,246)

22. Financial instruments (Group and Company) – risk management

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash and liquid resources and various items such as trade payables and receivables that arise directly from its operations. The Group is exposed to the following risks:

- Credit risk
- Foreign currency risk
- Liquidity risk
- Fair value interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risk management policies. The objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and effectiveness.

Further details of these policies are set out below:

Credit risk

The Group is exposed to credit risk primarily on its trade receivables, which are spread over a range of customers. There are no specific concentrations of credit risk. The maximum credit risk exposure relating to financial assets is represented by their carrying value at the statement of financial position date.

The Group assesses the risk associated with each customer based on independent credit rating agency reports and on its own experience with the customer before entering into binding contracts. Each customer account is reviewed on an on-going basis based on available information and payment history.

The maximum exposure to credit risk is represented by the carrying values in the consolidated and company statement of financial position as shown in note 15.

The credit risk on liquid funds is limited as the funds are held at banks with high credit ratings assigned by international credit rating agencies.

Foreign currency risk

The Group has exposure to transactional and translational currency exposures.

Transactional currency exposure risk arises when the Group enters into contracts in currencies other than the Group functional currency. Transactional risk is mitigated by a) the creation of a natural hedge between buying and selling currencies, b) use of currency hedging contracts and c) the inclusion of a foreign currency price escalation clause in sales contracts.

Translational currency exposure risk arises when financial instruments valued in the consolidated and company statement of financial position are denominated in a currency other than the Group's functional currency. Translation risk is mitigated by the Group entering into currency option contracts.

Liquidity risk

The Group has established borrowing facilities with Bank of Scotland plc for working capital finance through an invoice discounting facility and a short term shareholder loan. The Group maintains near term cash flow forecasts that enables it to identify its near term borrowings requirement so that remedial action can be taken if necessary.

Fair value interest rate risk

All borrowing is approved by the Board of Directors to ensure that it is conducted at the most competitive rates available to it. As the Group has fixed rate convertible loan notes and a short term loan at a fixed rate it is exposed to fair value interest risk. The Group reviews these loans on an on-going basis and has the option to convert the loans into the Company's ordinary shares or repay the loans at its sole discretion should it decide that the interest rates are in excess of market rates that may be obtained by the Group.

23. Financial Instruments

Financial assets

Details of financial assets are set out in notes 12 and 15.

The currency profiles of the Group's financial assets comprising cash at bank and in hand at 31 August were:

	2010	2009
	£000	£000
Currency		
Denominated in sterling	**167**	43
Denominated in US dollars	–	1
Denominated in Euros	–	1
	167	45

Cash at banks, included in cash and cash equivalents, are with institutions with credit ratings of A or better. It is the Company's policy to maintain cash at a level to meet liabilities immediately due for payment so that the amount drawn from the invoice discounting facility is kept to a minimum.

The maximum exposure to credit risk from trade receivables at the 31 August 2010 is disclosed in note 15. The following table shows an analysis of trade receivables for the Group and Company.

	2010	**2010**	2009	2009
	£000	**%**	£000	%
Current	**1,109**	**53.5%**	1,409	56.7%
31 – 60 days	**723**	**34.8%**	654	26.4%
61 – 90 days	**231**	**11.1%**	249	10.0%
91 –120 days	**10**	**0.5%**	118	4.8%
Over 120 days	**3**	**0.1%**	53	2.1%
	2,076	**100.0%**	2,483	100.0%

The Group reviews trade receivables balances on a routine basis and makes provision for any amounts where it believes the receivable is likely to be uncollectable. In 2010 the bad debt provision was reduced by a net £28,000 due to a payment received for a previously provisioned balance, in 2009 a net decrease in bad debt provision of £36,000 was made.

Financial liabilities

The following is an analysis of the maturities of the financial liabilities in both the Consolidated and Company statement of financial position:

	Carrying amount £000	**6 months or less £000**	**6 – 12 months £000**	**1 or more years £000**
2010				
Convertible loan notes	310	–	–	310
Invoice discounting finance facility	1,072	1,072	–	–
Bank Loan	396	63	62	271
Short term shareholder loan	75	75	–	–
Trade and other payables	1,845	1,845	–	–
	3,698	**3,055**	**62**	**581**
2009				
Convertible loan notes	385	–	–	385
Deferred and contingent consideration	423	423	–	–
Invoice discounting finance facility	1,906	1,906	–	–
Trade and other payables	2,021	2,021	–	–
	4,735	4,350	–	385

Fair values of financial assets and liabilities

The fair value of the Group's financial assets and liabilities are not materially different from their book values.

Net foreign currency monetary liabilities

Net foreign currency monetary liabilities comprise the monetary assets and liabilities of the Group that are not denominated in sterling, the Group's functional currency. Net foreign currency monetary liabilities (including short term debtors and creditors) were as follows:

	2010 £000	2009 £000
Denominated in US dollars	**264**	144
Denominated in Euros	**184**	204
	448	348

Borrowing facilities

The Group has a flexible debt finance facility with Bank of Scotland plc with a cap of £3 million, secured against trade receivables. Borrowing against this facility amounted to £1,072,000 at 31 August 2010 (2009 – £1,906,000). The debt finance incurs interest at a rate of 1.75% over the Bank of England's base rate.

The Group has a fixed term loan with Bank of Scotland plc secured by the Enterprise Finance Guarantee scheme. The loan at inception was £500,000 and at 31 August 2010 the balance of the loan was £396,000. The bank loan incurs interest at a rate of 5.30% over the Bank of England base rate.

The Group has received a short term unsecured loan from R&J Robinson, shareholders with a substantial interest in the Company. The loan at inception was £100,000 and at 31 August the balance of the loan was £75,000. The loan incurs interest at 8% per annum and is payable on demand.

Hedging

The Group maintains a natural hedge between buying and selling currencies and from time to time enters into foreign exchange hedge transactions to protect it against adverse currency movements. In addition the Company enters into currency options to protect it against translation risk of the net dollar liability. On 31 August 2010 the Company entered into a currency option contract with Bank of Scotland plc for $600,000 at an exchange rate of £1 = $1.48 maturing on 31 August 2011 and exercisable by the Company at any time before that date. The Company considers the Fair Value of the currency option as zero.

24. Capital commitments

Capital expenditure commitments at 31 August 2010, authorised and contracted for but not provided for in these financial statements, were £nil (2009 – £nil).

25. Related party transactions

Key management information is included in the Report of the Remuneration Committee on pages 14 and 15.

(a) Transactions with Minimise Limited

In the ordinary course of business the Group has entered into transactions with Minimise Limited, a company in which the Group owns 17.27% of the ordinary share capital. See note 12 concerning the relationship.

The transactions and resulting balances for the year ended 31 August 2010 are summarised as follows:

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Sales	**59**	–	**59**	–
Purchases	**15**	–	**15**	–
Working capital loan	**77**	–	**77**	–
Amounts owed by Minimise Limited	**35**	1	**35**	1
Amounts owed to Minimise Limited	**2**	–	**2**	–

(b) Loans from R&J Robinson

On 10 February 2009 R&J Robinson, shareholders with a substantial interest in the ordinary share capital of the Company, subscribed to convertible loan notes issued to the company to the value of £100,000. The convertible loan notes carry a coupon rate of 8% paid quarterly in arrears.

On 8 September 2009 R&J Robinson lent the Group £100,000 to meet short term working capital requirements; in February 2010 £25,000 of this short term loan was repaid by the Group. The short term loan carries an interest rate of 8% per annum paid monthly in arrears.

The transactions and resulting balances for the year ended 31 August 2010 are summarised as follows:

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Interest paid				
– Convertible loan note	**8**	4	**8**	4
– Short term unsecured loan	**7**	–	**7**	–
Total interest paid	**15**	**4**	**15**	**4**
Amount owed to R&J Robinson	**175**	100	**175**	100

(c) Loan from J Mitchell

On 10 February 2009 J Mitchell, a shareholder with a substantial interest in the ordinary share capital of the Company, subscribed to convertible loan notes issued to the company to the value of £50,000. The convertible loan notes carry a coupon rate of 8% per annum paid quarterly in arrears.

The transactions and resulting balances for the year ended 31 August 2010 are summarised as follows:

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Interest paid	**4**	2	**4**	2
Amount owed to J Mitchell	**50**	50	**50**	50

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Advanced Power Components plc (the Company) will be held at the offices of Reeves & Co LLP, 24 Chiswell Street, London EC1Y 4YX on Friday, 21 January 2011 at 12.00 noon, for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as Ordinary Resolutions:

Ordinary Resolutions

1. To receive and, if thought fit, adopt the report of the directors and the financial statements for the year ended 31 August 2010, with the auditors' report thereon.

2. To approve the non-payment of a final dividend.

3. To elect Robert StJohn Smith as a director of the Company.

4. To elect John Mclaren Davidson as a director of the Company.

5. To re-elect William Nigel David as a director of the Company.

6. To re-appoint Reeves & Co LLP as auditors of the Company and to authorize the directors to fix their remuneration.

By Order of the Board
D. H. Brown
Secretary

30 November 2010

Registered Office:
47 Riverside
Medway City Estate
Rochester
Kent
ME2 4DP

Notes

1. Only holders of ordinary shares, or their duly authorised representatives, are entitled to attend and vote at this meeting. A member so entitled may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company. Forms of proxy need to be deposited with the Company's registrars, Capita Registrars, Proxy Department, P.O. Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.
2. A pre-paid Form of Proxy is enclosed for holders of ordinary shares.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that, in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to vote and attend may cast), a person must be entered on the register of holders of the ordinary shares of the Company by no later than 6.00 p.m. on 19 January 2011, being 48 hours before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Perivan Financial Print 219806