

# **Advanced Power Components plc**

## **Unaudited Interim Results**

### **For the six months ended 28th February 2011**

#### **Chairman's Statement**

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The six-month period ended 28 February 2011 was very positive for APC with clear signs that the level of new order intake is returning to that experienced prior to the economic downturn of the past couple of years. As a result, profitability continued to improve within the core specialist electronic component distribution business where steps taken over the past two years to engage with customers earlier in their design cycle have led to a significantly strengthened order book. In addition, the decision taken to diversify into the emerging green technology sector is looking increasingly important to the future of the Company. Sales of the imop™ energy-saving product range are beginning to grow and, significantly, through this venture APC is becoming exposed to an increasing number of global opportunities.

Sales revenues in the period of £6,519,000 were marginally higher than in the corresponding period in the prior year (£6,471,000) and gross margins were slightly lower at 29.0% compared to 30.1% in the first half of 2010. However, because of more closely controlled operational costs, net profit before tax increased 138% to £100,000. Significantly, the gross margin of 29.0% represented a noteworthy improvement over the second half of 2010 (27.2%). This was the result of the aforementioned focus on securing more profitable long term design wins at the expense of short term spot business.

The Company's financial position has continued to improve. The average level of net debt during the period was substantially lower than in the first and second halves of 2010. The lower average net debt, lower average interest rate mix and improved day to day treasury management all contributed to a reduction in finance costs to £66,000 from £96,000 in the first half of 2010.

The improving business performance and financial position have been achieved at the same time as the Company investing in recruiting a number of technical sales people. This initiative is expected to achieve closer relationships with both strategic customers and suppliers, something considered critical to the long term success of the core business.

A significant amount of progress has been made to position the Company to take advantage of the rapidly growing global market for green technology products. Distributors for the imop™ have been established in Europe and the Far East while negotiations continue in other territories, including the Middle East. Meanwhile, the Company is engaged in the process of selecting other energy related technologies to be marketed through its emerging sales and marketing channels as part of the strategy to broaden its product portfolio and increase the number of overseas distributors over a wider geographical area.

Progress achieved within the business and recent developments in both core and new target market sectors are resulting in a stronger outlook for the Company. Coupled with a strong ongoing performance in the current financial year, this enables the Board to look to the future with increasing optimism.

**Will David**

*Chairman*

9 May 2011

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the 6 months ended 28 February 2011

		<b>6 months ended 28 February 2011 (unaudited) £000</b>	6 months ended 28 February 2010 (unaudited) £000	Year ended 31 August 2010 (audited) £000
Revenue	3	<b>6,519</b>	6,471	13,410
Cost of sales		<b>(4,628)</b>	(4,524)	(9,577)
<b>Gross profit</b>		<b>1,891</b>	1,947	3,833
Administration expenses		<b>(1,725)</b>	(1,809)	(3,398)
<b>Operating profit</b>		<b>166</b>	138	435
Finance costs		<b>(66)</b>	(96)	(188)
<b>Profit before taxation</b>		<b>100</b>	42	247
Taxation expense		<b>(29)</b>	(12)	(68)
<b>Profit for the period</b>		<b>71</b>	30	179

The results all relate to continuing operations.

<b>Basic earnings per share</b>	4	<b>0.3p</b>	0.1p	0.7p
<b>Diluted earnings per share</b>	4	<b>0.3p</b>	0.1p	0.7p

There are no elements of Comprehensive Income other than those included in profit for the period.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 28 February 2011

	<b>28 February 2011</b>	28 February 2010 restated	31 August 2010
	<b>(unaudited)</b>	(unaudited)	(audited)
Note	<b>£000</b>	£000	£000
<b>Non current assets</b>			
Intangible assets - goodwill	<b>2,580</b>	2,580	2,580
Property, plant and equipment	<b>197</b>	261	212
Other investments	<b>40</b>	34	40
Deferred tax asset	<b>26</b>	111	55
	<b>2,843</b>	2,986	2,887
<b>Current assets</b>			
Inventories	<b>872</b>	1,357	1,053
Trade and other receivables	<b>2,546</b>	2,506	2,310
Cash and cash equivalents	<b>2</b>	23	167
	<b>3,420</b>	3,886	3,530
<b>Current liabilities</b>			
Trade and other payables	<b>(1,661)</b>	(1,961)	(1,845)
Financial liabilities	<b>(1,275)</b>	(1,800)	(1,272)
	<b>(2,936)</b>	(3,761)	(3,117)
<b>Net current assets</b>	<b>484</b>	125	413
<b>Non-current liabilities</b>			
Financial liabilities	<b>(452)</b>	(670)	(581)
<b>Net assets</b>	<b>2,875</b>	2,441	2,719
<b>Equity attributable to equityholders of the company</b>			
Called up share capital	<b>514</b>	488	503
Share premium account	<b>577</b>	434	519
Share option valuation reserve	<b>237</b>	189	219
Other reserves	<b>11</b>	14	13
Retained earnings	<b>1,536</b>	1,316	1,465
<b>Total equity</b>	<b>2,875</b>	2,441	2,719

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 28 February 2011

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 September 2010	503	519	219	13	1,465	2,719
Profit for the period	-	-	-	-	71	71
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>71</b>	<b>71</b>
Issue of new shares	11	58	-	-	-	69
Convertible loan notes	-	-	-	(2)	-	(2)
Share option charge	-	-	18	-	-	18
<b>Balance at 28 February 2011 (unaudited)</b>	<b>514</b>	<b>577</b>	<b>237</b>	<b>11</b>	<b>1,536</b>	<b>2,875</b>

for the 6 months ended 28 February 2010

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 September 2009 restated	446	336	177	15	1,286	2,260
Profit for the period	-	-	-	-	30	30
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>30</b>	<b>30</b>
Issue of new shares	42	98	-	-	-	140
Convertible loan notes	-	-	-	(1)	-	(1)
Share option charge	-	-	12	-	-	12
<b>Balance at 28 February 2010 (unaudited)</b>	<b>488</b>	<b>434</b>	<b>189</b>	<b>14</b>	<b>1,316</b>	<b>2,441</b>

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
Balance at 1 September 2009 restated	446	336	177	15	1,286	2,260
Profit for the period	-	-	-	-	179	179
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>179</b>	<b>179</b>
Issue of new shares	57	183	-	-	-	240
Convertible loan notes	-	-	-	(2)	-	(2)
Share option charge	-	-	42	-	-	42
<b>Balance at 31 August 2010 (audited)</b>	<b>503</b>	<b>519</b>	<b>219</b>	<b>13</b>	<b>1,465</b>	<b>2,719</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the 6 months ended 28 February 2011

	<b>6 months to 28 February 2011 (unaudited) £000</b>	6 months to 28 February 2010 (unaudited) £000	Year to 31 August 2010 (audited) £000
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(17)</b>	208	957
Finance costs	<b>(66)</b>	(96)	(184)
<b>Net cash (used in) / from operating activities</b>	<b>(83)</b>	112	773
Acquisition of subsidiary undertakings net of cash acquired	-	(333)	(333)
Purchase of investments	-	(27)	(33)
Purchase of property, plant and equipment	<b>(23)</b>	(7)	(15)
Sale of property plant and equipment	-	6	24
<b>Net cash used in investing activities</b>	<b>(23)</b>	(361)	(357)
Issue of shares	-	-	69
Bank short-term invoice discounting	<b>3</b>	(306)	(834)
Inception of bank loan facility	-	500	500
Repayment of bank loan facility	<b>(62)</b>	(42)	(104)
Inception of short term loan	-	100	100
Repayment of bank short term loan	-	(25)	(25)
<b>Net cash (used in) / from financing activities</b>	<b>(59)</b>	227	(294)
<b>(Decrease) / increase in net cash</b>	<b>(165)</b>	(22)	122
<b>Reconciliation of operating profit to cash (outflow) / inflow from operating activities</b>			
Profit before taxation	<b>100</b>	42	247
Finance costs	<b>66</b>	96	188
Depreciation of property, plant and equipment	<b>37</b>	42	83
Loss / (profit) on disposal of property, plant and equipment	<b>1</b>	(5)	(8)
Share option valuation charge	<b>18</b>	12	42
Decrease / (increase) in inventories	<b>181</b>	(53)	251
(Increase) / decrease in trade and other receivables	<b>(236)</b>	134	330
(Decrease) / increase in trade and other payables	<b>(184)</b>	(60)	(176)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(17)</b>	208	957

## NOTES TO THE INTERIM REPORT

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### 1. General information

Advanced Power Components plc is a public limited Company ("the Company / the Group") incorporated in the United Kingdom under the Companies Act 1985 (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 AIM Market of the London Stock Exchange. The Group's principal activities are the supply and distribution of electronic components.

### 2. Basis of preparation

This unaudited consolidated interim financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively EU IFRSs). The principal accounting policies used in preparing the interim results are those it expects to apply in its financial statements for the year ended 31 August 2011 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 August 2010.

The financial information for the six months ended 28 February 2011 and 28 February 2010 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 August 2010 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

### Restatement of February 2010 unaudited interim results

The comparative financial statements for the year ended 31 August 2009 were restated in the annual report for the year ended 31 August 2010 to correct an over valuation of inventory as at 31 August 2009 of £261,000 and consequent over statement of retained earnings. The comparative condensed consolidated statement of financial position and condensed consolidated statement of changes in equity have been restated as at 28 February 2010 to reflect the restatement of inventory and retained earnings as at 31 August 2009. The comparative condensed consolidated statement of comprehensive income for the period to 28 February 2010 was unaffected by the restatement. The deferred tax asset as at 28 February 2010 has been restated to reflect the increased tax loss carried forward as at 31 August 2009.

The financial information in the Interim Report is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

### 3. 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.

### 4. 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 for the six months 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 they are excluded from the calculation of diluted earnings per share.

The profit for the period and the weighted average number of shares used in the calculations are set out in the following table: -

for the 6 months ended 28 February 2011

	<b>6 months to 28 February 2011 (unaudited) £000</b>	6 months to 28 February 2010 (unaudited) £000	Year to 31 August 2010 (audited) £000
Earnings attributable to equity share holders	<b>71</b>	30	179
Dilutive earnings adjustment	-	-	-
	<b>71</b>	<b>30</b>	<b>179</b>
	<b>Number of shares thousands</b>	Number of shares thousands	Number of shares thousands
Basic average number of shares in issue	<b>25,553</b>	23,838	24,258
Effect of dilutive potential shares	<b>450</b>	-	-
	<b>26,003</b>	<b>23,838</b>	<b>24,258</b>
<b>Earnings per share</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	<b>0.3p</b>	0.1p	0.7p
Diluted earnings per share	<b>0.3p</b>	0.1p	0.7p

There were 25,700,928 shares in issue at 28 February 2011.

## 5. Analysis of net funds

	<b>6 months to 28 February 2011 (unaudited) £000</b>	6 months to 28 February 2010 (unaudited) £000	Year to 31 August 2010 (audited) £000
Cash, comprising current accounts and overnight deposits	<b>2</b>	23	167
Trade finance creditor	<b>(1,075)</b>	(1,600)	(1,072)
Convertible loan notes	<b>(244)</b>	(337)	(310)
Short term shareholder loan	<b>(75)</b>	(75)	(75)
Current portion of long term bank loan	<b>(125)</b>	(125)	(125)
Long term portion of long term bank loan	<b>(208)</b>	(333)	(271)
	<b>(1,725)</b>	<b>(2,447)</b>	<b>(1,686)</b>
Cash	<b>2</b>	23	167
Current Financial Liabilities	<b>(1,275)</b>	(1,800)	(1,272)
Long Term Financial liabilities	<b>(452)</b>	(670)	(581)
	<b>(1,725)</b>	<b>(2,447)</b>	<b>(1,686)</b>

## 6. Copies of Interim report

The Interim report is available to view and download from the Company's website at [www.apc-plc.co.uk](http://www.apc-plc.co.uk). If shareholders would like a hardcopy of the interim report they should contact the Company Secretary, Mr. David Brown.