

## **Advanced Power Components plc**

### **Unaudited Interim Results**

### **For the six months ended 29 February 2012**

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

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The six month period ended 29 February 2012 has seen APC accelerate a process of diversification which the Board of Directors believes will result in revenues in the Company's core electronic component distribution business being supplemented to an increasing degree by revenues generated by sales of 'green' products and technologies which increase the efficiency of the use of electricity.

Sales revenues in the period under review of £7,328,000 were 12.4% higher than in the corresponding period in the prior year (£6,519,000) and gross margins were slightly lower at 28.2% compared with 29.0% in the first half of 2011. Administrative expenses increased in the period to £1,996,000 compared with the corresponding period in the prior year (£1,725,000) but were lower than the level incurred in the second half of 2011 (£2,072,000). Although the profit before taxation was lower at £19,000 compared with £100,000 reported for the first half of 2011, it should be noted that the result for the current period included a planned loss of £85,000 incurred by QV Controls Limited as we invest in building that business and £25,000 in restructuring costs. Adjusting for the QV Controls loss and restructuring costs, APC would have achieved a profit before tax of £129,000.

The Company's financial position has continued to improve. Net debt at the period end reduced to £940,000 compared to £1,243,000 at 31 August 2011 and £1,725,000 at 28 February 2011.

APC started the financial year with a strong order backlog but the value of new orders received in the second quarter of the financial year fell below the level that would be expected and resulted in a reduction in the order backlog for both February and more generally for the third quarter of the financial year. This downward trend is considered to be consistent with the weakness that has been apparent in the UK's electronic component distribution market which, after a significant contraction in 2011 is expected to stabilise in the first half of 2012 before returning to modest growth in the second half of the year.

As previously announced, and considering the continued uncertainty both in the UK electronic component sector and the wider economy, the outlook for APC's core business for the remainder of 2012 has become very difficult to forecast and will remain so until order intake stabilises. However, the actions taken to reduce administrative costs and control working capital provide a stable platform for the business from which it can progress as the market improves.

To ensure that the Group is investing its resources most appropriately for the current business environment a restructuring exercise has been undertaken. Overheads within the Company's distribution business have been reduced to align costs to the best estimate of distribution revenues for the second half of the year. In addition, the Group continues to manage cash resources carefully and continues to operate comfortably within the headroom of its credit facilities and banking covenants.

The Board feels that the recent weakness in the UK's electronic component distribution market underlines the importance of the commitment made to expand the Group's involvement in the clean tech sector. QV Controls Limited, the lighting controls business acquired in 2011, is developing considerable potential and, although current revenues are small, the prospects and opportunities for

the business are looking positive. Minimise Limited, in which APC holds an 18% shareholding, has been steadily increasing its sales of imop™ products made by APC with customers both in the UK and overseas. Whilst the Board continues to recognise that investment in the clean-tech sector is reducing near term profitability, it is increasingly encouraged by the progress being made and continues to actively explore a number of options to increase the Company's exposure to this growing market.

**Will David**

*Chairman*

23 March 2012

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
for the 6 months ended 29 February 2012

		<b>6 months ended 29 February 2012 (unaudited) £000</b>	6 months ended 28 February 2011 (unaudited) £000	Year ended 31 August 2011 (audited) £000
Revenue	3	<b>7,328</b>	6,519	14,419
Cost of sales		<b>(5,259)</b>	(4,628)	(10,092)
<b>Gross profit</b>		<b>2,069</b>	1,891	4,327
Administration expenses		<b>(1,996)</b>	(1,725)	(3,797)
<b>Operating profit</b>		<b>73</b>	166	530
Finance costs		<b>(54)</b>	(66)	(128)
<b>Profit before taxation</b>		<b>19</b>	100	402
Taxation expense		<b>(7)</b>	(29)	(107)
<b>Profit for the period</b>		<b>12</b>	71	295
<b>Attributable to:</b>				
Equity holders of the parent		<b>32</b>	71	302
Non-controlling interests		<b>(20)</b>	-	(7)
		<b>12</b>	71	295
The results all relate to continuing operations.				
<b>Basic earnings per share</b>	4	<b>0.1p</b>	0.3p	1.2p
<b>Diluted earnings per share</b>	4	<b>0.1p</b>	0.3p	1.2p

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 29 February 2012

	29 February 2012 (unaudited) £000	28 February 2011 (unaudited) £000	31 August 2011 (audited) £000
Note			
<b>Non-current assets</b>			
Intangible assets	2,679	2,580	2,673
Property, plant and equipment	191	197	202
Other investments	358	40	358
Deferred tax asset	14	26	-
	<b>3,242</b>	2,843	3,233
<b>Current assets</b>			
Inventories	720	872	761
Trade and other receivables	2,478	2,546	2,547
Cash and cash equivalents	5 45	2	49
	<b>3,243</b>	3,420	3,357
<b>Total Assets</b>	<b>6,485</b>	6,263	6,590
<b>Current liabilities</b>			
Trade and other payables	(2,281)	(1,661)	(2,130)
Financial liabilities	5 (656)	(1,275)	(901)
Current tax liability	(73)	-	(49)
	<b>(3,010)</b>	(2,936)	(3,080)
<b>Net current assets</b>	<b>234</b>	484	277
<b>Non-current liabilities</b>			
Financial liabilities	5 (329)	(452)	(391)
Deferred tax liability	-	-	(3)
<b>Net assets</b>	<b>3,146</b>	2,875	3,116
<b>Equity attributable to equity holders of the company</b>			
Called up share capital	514	514	514
Share premium account	577	577	577
Share option valuation reserve	272	237	254
Other reserves	11	11	11
Retained earnings	1,799	1,536	1,767
<b>Equity attributable to equity holders of the parent</b>	<b>3,173</b>	2,875	3,123
Non-controlling interests	(27)	-	(7)
<b>Total Equity</b>	<b>3,146</b>	2,875	3,116

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the 6 months ended 29 February 2012

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Other reserves £000	Retained earnings £000	Sub total £000	Non-controlling interests £000	Total £000
at 1 September 2011	514	577	254	11	1,767	3,123	(7)	3,116
Profit / (Loss) for the period	-	-	-	-	32	32	(20)	12
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>32</b>	<b>32</b>	<b>(20)</b>	<b>12</b>
<b>Transactions with owners</b>								
Share option charge	-	-	18	-	-	18		18
	-	-	18	-	-	18		18
<b>at 29 February 2012 (unaudited)</b>	<b>514</b>	<b>577</b>	<b>272</b>	<b>11</b>	<b>1,799</b>	<b>3,173</b>	<b>(27)</b>	<b>3,146</b>
<b>for the 6 months ended 28 February 2011</b>								
	Share capital £000	Share premium account £000	Share option valuation reserve £000	Other reserves £000	Retained earnings £000	Sub total £000	Non-controlling interests £000	Total £000
at 1 September 2010	503	519	219	13	1,465	2,719		2,719
Profit for the period	-	-	-	-	71	71		71
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>71</b>	<b>71</b>	-	<b>71</b>
<b>Transactions with owners</b>								
Issue of new shares	11	58	-	-	-	69		69
Convertible loan notes	-	-	-	(2)	-	(2)		(2)
Share option charge	-	-	18	-	-	18		18
	11	58	18	(2)	-	85	-	85
<b>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>	-	<b>2,875</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Continued

for the year ended 31 August 2011

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Other reserves £000	Retained earnings £000	Sub total £000	Non- controlling interests £000	Total £000
at 1 September 2010	503	519	219	13	1,465	2,719	-	2,719
Profit / (Loss) for the period	-	-	-	-	302	302	(7)	295
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>302</b>	<b>302</b>	<b>(7)</b>	<b>295</b>
<b>Transactions with owners</b>								
Issue of new shares	11	58	-	-	-	69		69
Convertible loan notes	-	-	-	(2)	-	(2)		(2)
Share option charge	-	-	35	-	-	35		35
	11	58	35	(2)	-	102	-	102
<b>at 31 August 2011 (audited)</b>	<b>514</b>	<b>577</b>	<b>254</b>	<b>11</b>	<b>1,767</b>	<b>3,123</b>	<b>(7)</b>	<b>3,116</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
for the 6 months ended 29 February 2012

	<b>6 months to 29 February 2012 (unaudited) £000</b>	6 months to 28 February 2011 (unaudited) £000	Year to 31 August 2011 (audited) £000
<b>Cash flows from operating activities</b>			
Profit before taxation	19	100	402
Finance costs	54	66	128
Share-based payments	18	18	35
Profit on disposal of property, plant and equipment	-	1	-
Depreciation of property, plant and equipment	31	37	78
Change in inventories	41	181	292
Change in trade and other receivables	69	(236)	(237)
Change in trade and other payables	151	(184)	189
<b>Net cash generated from operating activities</b>	<b>383</b>	<b>(17)</b>	<b>887</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(19)	(23)	(63)
Acquisition of assets through business combinations	-	-	(45)
Acquisition of for sale investments	-	-	(119)
Inception of loans	-	-	(132)
Eligible development costs capitalised	(6)	-	(24)
<b>Net cash used in investing activities</b>	<b>(25)</b>	<b>(23)</b>	<b>(383)</b>
<b>Cash flows from financing activities</b>			
Finance costs	(54)	(66)	(126)
Bank short-term invoice discounting facility	(245)	3	(371)
Repayment of bank loan facility	(63)	(62)	(125)
<b>Net cash outflow from financing activities</b>	<b>(362)</b>	<b>(125)</b>	<b>(622)</b>
<b>Decrease in net cash</b>	<b>(4)</b>	<b>(165)</b>	<b>(118)</b>

## 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 2012 and are unchanged from those disclosed in the Group’s Annual Report for the year ended 31 August 2011.

The financial information does not contain all of the information that is required to be disclosed in a full set of IFRS financial statements. The financial information for the six months ended 29 February 2012 and 28 February 2011 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 2011 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.

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: -

	<b>6 months to 29 February 2012 (unaudited) £000</b>	6 months to 28 February 2011 (unaudited) £000	Year to 31 August 2011 (audited) £000
Earnings attributable to equity share holders	<b>32</b>	71	302
	<b>Number of shares thousands</b>	Number of shares thousands	Number of shares thousands
Basic average number of shares in issue	<b>25,701</b>	25,553	25,627
Effect of dilutive potential shares	<b>681</b>	450	504
	<b>26,382</b>	<b>26,003</b>	<b>26,131</b>
<b>Earnings per share</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	<b>0.1p</b>	0.3p	1.2p
Diluted earnings per share	<b>0.1p</b>	0.3p	1.2p

There were 25,700,928 shares in issue at 28 February 2012.

#### 5. Analysis of net funds

	<b>29 February 2012 (unaudited) £000</b>	28 February 2011 (unaudited) £000	31 August 2011 (audited) £000
Cash, comprising current accounts and overnight deposits	<b>45</b>	2	49
Trade finance creditor	<b>(456)</b>	(1,075)	(701)
Convertible loan notes	<b>(246)</b>	(244)	(245)
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>(83)</b>	(208)	(146)
	<b>(940)</b>	<b>(1,725)</b>	<b>(1,243)</b>
Cash	<b>45</b>	2	49
Current Financial Liabilities	<b>(656)</b>	(1,275)	(901)
Long Term Financial liabilities	<b>(329)</b>	(452)	(391)
	<b>(940)</b>	<b>(1,725)</b>	<b>(1,243)</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 Rob Smith.