

Advanced Power Components plc

Unaudited Interim Results

For the six months ended 28 February 2013

Chairman's Statement

The six month period ended 28 February 2013 was one of significant positive development for the Group. Revenues of £9,187,000 were 25.4% higher than in the corresponding period in the prior year (£7,328,000) principally as a result of the Group's diversification into the cleantech sector. Profit before taxation was £47,000 compared with £19,000 reported for the first half of 2012, despite significantly increased investment by the Group intended to strengthen its position in this rapidly expanding market.

In the first half of the financial year, APC increased its equity holding in Minimise Limited ("Minimise") to 51% (from 36.2% as at 31 August 2012), increased its shareholding in QV Controls Limited ("QV Controls") to 75% (and has subsequently been increased to 100%), acquired 90% of Minimise Energy Limited ("Minimise Energy") and 100% of CeroUK Limited ("CeroUK"), the latter being merged into Minimise Energy. We are very pleased to be able to report that Minimise performed very well during the period, something which has encouraged the Board of Directors to increase overall investment in the cleantech sector. Most notably Minimise secured significant contracts for low energy lighting products from a major UK retailer and although the majority of shipments and revenue recognition associated with those contracts will be made in the second half of the financial year, the profit generated to date has enabled the Group to continue to pursue this investment strategy, which the Board firmly believes is in the long term best interests of the Group.

The Group sees the opportunities being created in cleantech as fundamental to the long-term success of APC and is therefore actively exploring opportunities to increase its presence in the sector. The Group is currently engaged in negotiations, which, if successfully concluded, would significantly strengthen its position.

Administrative expenses increased in the period to £2,420,000 compared with the corresponding period in the prior year (£1,996,000) as a result of the consolidation of Minimise as a subsidiary and investment in the other clean tech subsidiaries, QV Controls, Minimise Energy and CeroUK.

Performance in the traditional electronic components business continues to be affected by the general weakness in the UK economy but the business remains profitable despite the difficult market conditions. Whilst the Board remains committed to developing this side of the business it believes that a conservative approach to further investment is prudent in advance of an improvement in the UK's economy.

The Group's net debt increased in the period to £1,729,000 compared to £1,028,000 at 31 August 2012 and £940,000 at 29 February 2012. The increased debt is a consequence of higher working capital required for the growth as well as the investment being made in sales and marketing to support the growth in cleantech business.

In summary, the outlook is very encouraging with numerous opportunities presenting themselves as the market for clean technology products and services evolves. Accordingly, the Board is committed to the continued realignment of the Group toward this sector and is actively pursuing a number of opportunities to increase investment in and to leverage off the successes experienced to-date.

Leonard Seelig
Chairman
17 May 2013

CONSOLIDATED STATEMENT OF INCOME
for the 6 months ended 28 February 2013

		6 months ended 28 February 2013 (unaudited) £000	6 months ended 29 February 2012 (unaudited) £000	Year ended 31 August 2012 (audited) £000
Revenue	4	9,187	7,328	13,644
Cost of sales		(6,648)	(5,259)	(9,621)
Gross profit		2,539	2,069	4,023
Administration expenses		(2,420)	(1,996)	(3,906)
Share of results of associates		-	-	10
Operating profit		119	73	127
Finance costs (net)		(72)	(54)	(98)
Profit before taxation		47	19	29
Taxation expense		(18)	(7)	(61)
Profit for the period		29	12	(32)
Attributable to:				
Equity holders of the parent		7	32	13
Non-controlling interests		22	(20)	(45)
		29	12	(32)
The results all relate to continuing operations.				
Basic earnings per share	5	0.0p	0.1p	0.0p
Diluted earnings per share	5	0.0p	0.1p	0.0p

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 2013

	28 February 2013 (unaudited) £000	29 February 2012 (unaudited) £000	31 August 2012 (audited) £000
Note			
Non-current assets			
Intangible assets	3,216	2,679	2,671
Property, plant and equipment	219	191	144
Other investments	-	358	306
Financial asset	207	-	207
Deferred tax asset	-	14	-
	<u>3,642</u>	<u>3,242</u>	<u>3,328</u>
Current assets			
Inventories	752	720	625
Trade and other receivables	3,028	2,478	2,300
Cash and cash equivalents	160	45	16
	<u>3,940</u>	<u>3,243</u>	<u>2,941</u>
Total Assets	<u>7,582</u>	<u>6,485</u>	<u>6,269</u>
Current liabilities			
Trade and other payables	(2,101)	(2,281)	(1,774)
Financial liabilities	(1,516)	(656)	(805)
Current tax liability	(73)	(73)	(55)
	<u>(3,690)</u>	<u>(3,010)</u>	<u>(2,634)</u>
Net current assets	250	233	307
Non-current liabilities			
Financial liabilities	(373)	(329)	(239)
Deferred tax liability	(7)	-	(9)
	<u>(380)</u>	<u>(329)</u>	<u>(248)</u>
Net assets	<u>3,512</u>	<u>3,146</u>	<u>3,387</u>
Equity attributable to equity holders of the company			
Called up share capital	608	514	592
Share premium account	835	577	790
Share option valuation reserve	280	272	261
Other reserves	13	11	9
Retained earnings	1,794	1,799	1,787
	<u>3,530</u>	<u>3,173</u>	<u>3,439</u>
Equity attributable to equity holders of the parent			
Non-controlling interests	(18)	(27)	(52)
	<u>(18)</u>	<u>(27)</u>	<u>(52)</u>
Total Equity	<u>3,512</u>	<u>3,146</u>	<u>3,387</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 28 February 2013

	Share capital	Share premium account	Share option reserve	Other reserves	Retained earnings	Sub total	Non-controlling interests	Total
	£000	£000	£000	£000	£000	£000	£000	£000
at 1 September 2012	592	790	261	9	1,787	3,439	(52)	3,387
Profit / (Loss) for the period	-	-	-	-	7	7	22	29
Total comprehensive income for the period	-	-	-	-	7	7	22	29
Transactions with owners								
Issue of new shares	16	45	-	-	-	61	-	61
Convertible loan notes	-	-	-	4	-	4	-	4
Share option charge	-	-	19	-	-	19	-	19
Other transactions								
Goodwill acquired from non-controlling interests	-	-	-	-	-	-	12	12
	16	45	19	4	-	84	12	96
at 28 February 2013 (unaudited)	608	835	280	13	1,794	3,530	(18)	3,512
for the 6 months ended 29 February 2012								
	Share capital	Share premium account	Share option reserve	Other reserves	Retained earnings	Sub total	Non-controlling interests	Total
	£000	£000	£000	£000	£000	£000	£000	£000
at 1 September 2011	514	577	254	11	1,767	3,123	(7)	3,116
Profit for the period	-	-	-	-	32	32	(20)	12
Total comprehensive income for the period	-	-	-	-	32	32	(20)	12
Transactions with owners								
Share option charge	-	-	18	-	-	18	-	18
	-	-	18	-	-	18	-	18
at 29 February 2012 (unaudited)	514	577	272	11	1,799	3,173	(27)	3,146

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Continued

for the year ended 31 August 2012

	Share capital £000	Share premium account £000	Share option 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	-	-	-	-	13	13	(45)	(32)
Total comprehensive income for the period	-	-	-	-	13	13	(45)	(32)
Transactions with owners								
Issue of new shares	78	213	-	-	-	291	-	291
Convertible loan notes	-	-	-	(2)	7	5	-	5
Share option charge	-	-	7	-	-	7	-	7
	78	213	7	(2)	7	303	-	303
at 31 August 2012 (audited)	592	790	261	9	1,787	3,439	(52)	3,387

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
for the 6 months ended 28 February 2013

	6 months to 28 February 2013 (unaudited) £000	6 months to 29 February 2012 (unaudited) £000	Year to 31 August 2012 (audited) £000
Reconciliation of cash flows from operating activities			
Profit before taxation for the period	47	19	29
Share of results of associates	-	-	(10)
(Profit) / Loss on disposal of property, plant and equipment	(2)	-	23
Finance costs	72	54	98
Taxation	(2)	-	(49)
Depreciation and amortisation	43	31	72
(Increase) / decrease in inventories	(107)	41	136
(Increase) / decrease in trade and other receivables	(525)	69	247
(Decrease) / increase in trade and other payables	(93)	151	(333)
Share-based payments	19	18	7
Net cash from operating activities	(548)	383	220
Cash flows from investing activities			
Acquisition of property, plant and equipment	(30)	(19)	(29)
Acquisition of liabilities through business combinations	(9)	-	-
Acquisition of shares in associate	-	-	(67)
Inception of loans	-	(6)	-
Eligible development costs capitalised	-	-	(5)
Net cash used in investing activities	(39)	(25)	(101)
Cash flows used in financing activities			
Finance costs	(72)	(54)	(106)
Proceeds from issue of convertible loan notes	100	-	100
Bank short-term invoice discounting facility	766	(245)	(21)
Repayment of bank loan facility	(63)	(63)	(125)
Net cash used in financing activities	731	(362)	(152)
Increase in net cash	144	(4)	(33)
Cash and cash equivalents as at 1 September	16	49	49
Increase in net cash	144	(4)	(33)
Cash and cash equivalents as at period end	160	45	16

NOTES TO THE INTERIM REPORT

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 2013 and are unchanged from those disclosed in the Group’s Annual Report for the year ended 31 August 2012.

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 28 February 2013 and 29 February 2012 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 2012 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 auditor’s report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying its 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. Acquisitions

On 6 September 2012 the Group increased its equity holding in Minimise Limited to 51% (31 August 2012: 36.2%) and as from 1 September 2012 has consolidated Minimise Limited as a subsidiary, previously it was treated as an associated company. The transition from associate to subsidiary has been accounted for as a deemed disposal and acquisition.

On 6 September 2012 the Group acquired control over 90% Minimise Energy Limited. The purchase and transfer of the existing share capital and investment in new share capital was made over a number of months between September 2012 and 2013. The Group elected to consolidate this company as a subsidiary from the date control was gained rather than the date that share ownership transferred.

On 1 October 2012 the Group increased its equity holding in QV Controls Limited to 75% (31 August 2013: 70%). Consideration for this transaction was in the form of swapping short-term debt for equity.

On 1 November 2012 the Group acquired 100% of the share capital of CeroUK Limited. Consideration was in cash of £23,250 and shares in APC valued at £23,250.

A summary of the transactions is set out below, for information. A full disclosure will be made in the Group's annual report and accounts in accordance with IFRS 3.

	Minimise Limited	Minimise Energy Limited	QV Controls Limited	CeroUK Limited	Total
Consideration					
Cash consideration paid	118	31	-	24	173
Reclassification of other investment to intangible asset	306	-	-	-	306
Debt for equity swap	-	-	47	-	47
Equity consideration paid	37	-	-	23	60
Total Consideration	461	31	47	47	586
Net assets / (liabilities) acquired	9	(7)	47	-	49
Goodwill arising on acquisition	456	37	9	47	549
Non-controlling interest	(4)	1	(9)	-	(12)
Total Consideration (as above)	461	31	47	47	586

4. Segmental information

The majority of the Group's activity arises in the United Kingdom from the Group's principal activities of Electronic Component Distribution under the "APC" brand and Clean Technology products and services under the "Minimise" brand. Since increasing its equity holding in Minimise Limited to 51% and consolidating that company as a subsidiary, the directors have managed and monitor the APC and Minimise operations as separate segments.

The board intends to report segmental information for APC and Minimise in its report and accounts, and provides the following unaudited information in advance of the full disclosure required by IFRS.

	Electronic Component Distribution £000s	Cleantech £000s	Total £000s
for the 6 months ended 28 February 2013			
Revenue	6,388	2,799	9,187
Profit/(loss) before tax	251	(204)	47
 for the 6 months ended 29 February 2012			
Revenue	7,208	120	7,328
Profit/(loss) before tax	257	(238)	19
 for the year ended 31 August 2012			
Revenue	13,469	175	13,644
Profit/(loss) before tax	577	(548)	29

5. 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: -

	6 months to 28 February 2013 (unaudited) £000	6 months to 29 February 2012 (unaudited) £000	Year to 31 August 2012 (audited) £000
Earnings attributable to equity share holders	7	32	13
	Number of shares thousands	Number of shares thousands	Number of shares thousands
Basic average number of shares in issue	29,580	25,701	25,942
Effect of dilutive potential shares	1,560	681	920
	31,140	26,382	26,862
Earnings per share	Pence	Pence	Pence
Basic earnings per share	0.0p	0.1p	0.0p
Diluted earnings per share	0.0p	0.1p	0.0p

There were 30,378,987 shares in issue at 28 February 2013.

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. If shareholders would like a hardcopy of the interim report they should contact the Company Secretary, Mr Rob Smith.