11 April 2017

APC Technology Group PLC
("APC", the "Company" or the "Group")

Unaudited Interim Results for the six months ended 28 February 2017

APC Technology Group PLC (AIM: APC), the provider of design-in, specification and distribution services for specialist electronic components, products and systems, announces its interim results for the six months ended 28 February 2017.

Financial Highlights

- Operating profit before exceptional items of £0.4m, representing a significant improvement from the £0.1m operating loss in the comparative period
- Total profit for the period of £0.1m (H1 2016: £1.9m loss); first reported profit since the year ended 31 August 2014
- Revenue of £8.3m, compared to £9.5m in the comparative period; the main difference due to £1.6m of residual revenue from the multi-year Morrison's contract included in prior period
- Gross margin of 34.4% in the period represents a strong margin for the lower fixed cost, design-in distribution business
- Administrative expenses reduced by £1.2m from same period last year
- Cash from earnings of £0.3m, before net investment in working capital improvement
- Working capital (excluding net debt) improved by £0.5m and net debt reduced by £0.3m compared to 31 August 2016, reflecting a strengthened balance sheet position

Operational Highlights

- Green Compliance Water Division Limited sold in October 2016 for a total consideration of £1.8m (£0.8m cash and £1.0m in repayment of debt). The transaction included the disposal of £0.7m of future liabilities under operating leases
- Group re-centred on the proven business model of specialist electronic components, products and systems design-in distribution
- £8.25m first half bookings for the refocused business with March 2017 Group bookings of £2.1m underpinning confidence in the new business model and a profitable outlook for the full year
- Significant follow-on orders received from long standing customer relationships and significant new orders gained through new preferred supplier agreements signed with major blue chip customers
- Tony Lochery appointed Non-Executive Chairman and joined the Board as a Director on 24 February 2017

Commenting on the results, Richard Hodgson, Chief Executive, said:

"I am satisfied that all the effort that has been spent in the past 18 months in restructuring the Group has resulted in a return to profitability and as the turnaround reaches its conclusion that we can focus

fully on developing our core businesses. We are now very well positioned as a design-in, specification and distribution business in the markets we serve, for a return to profitable growth.

I am also pleased to welcome Tony Lochery to the Board. His executive experience will provide invaluable guidance to all aspects of the business as we move forward."

Enquiries

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Board review

The Board is pleased to report the interim financial results for the six months ended 28 February 2017.

The actions taken over the past 18 months to address cost, efficiency, and strategic focus are reflected in the financial performance, with a small profit being reported for the first time since the year ended 31 August 2014.

Since the beginning of the current financial year, the Board has continued to implement a strategic realignment of the business as a design-in distributor of specialist electronic components, products and systems.

The most significant action in this regard was the sale of Green Compliance Water Division Limited, which completed on 13 October 2016. This sale provided cash to support working capital and strengthen the core business, which is profitable and cash generative.

The design-in distribution business is organised around technology portfolios, each with a sales leader, supported by a shared service framework of marketing, sales, logistics and administration. Our technology portfolios are now aligned around:

High Reliability – high-reliability electronic components, semiconductors, and power solutions, selling primarily into the aerospace and defence industries;

RF and Microwave – capacitors and resistors, filters, semiconductors, amplifiers, and switches, selling primarily into the industrial, defence, and medical industries;

Embedded Processing, Sensors and Connectivity – single board computers, touch-screen componentry, GPS, environmental monitoring and sensors selling into the general industrial market;

Lighting Technologies – high-end architecturally specified LED lighting and industrial optoelectronic devices for embedded applications, selling into the facility management, office, retail, municipal, healthcare, and industrial manufacturing markets; and

New Technologies and Product Lines - new product lines that have proven markets and existing revenue streams that are being developed as potential future growth drivers, including: infection prevention, time and frequency synchronisation, Internet of Things, obsolete component location and testing, and energy performance measurement.

Corporate costs are continuing to be challenged and adjusted to increase profitability and lower the monthly breakeven point to ensure the business can be cash generative through all business cycles. In particular, further office consolidation and streamlining of our back-office functions of finance and human resources has occurred with greater expense control also implemented across the business.

The Board is confident that the core business can grow organically. Our suppliers are very supportive and many have seen strong growth in their non-UK markets. With a renewed attention to the basics of the design-in distribution business, we expect this same success will be reflected in the UK market over the coming years.

Summary of Financial Performance

Overall revenue for the period was £8.3m (2016 H1: £9.5m), representing a decrease of 12.6% over the corresponding period in 2016. This drop is primarily attributable to the residual revenue generated in 2016 H1 from the end of the multi-year Morrison’s contract, which contributed £1.6m in that period.

Excluding this fall in Lighting Technology sales, the other core design-in distribution businesses rose to £5.9m in the period, an increase of 20.3%, over the same period last year as they capitalised on a particularly strong order book for high-reliability components coming into the period.

This change in revenue mix for the business meant that overall gross profit margin for the period was 34.4%. This slight decrease from 35.8% for the year ended 31 August 2016 still represents a strong margin for the lower fixed cost, design-in distribution business.

Operating profit before exceptional and non-recurring expenses, share based payments, interest, and tax was £0.4m (2016 H1 loss: £0.1m). The most significant contributor to the improvement is the reduction in administrative expenses of £1.2 million compared to the prior period. This is a result of headcount reductions, consolidation of offices, and improved cost control.

Exceptional and non-recurring expenses incurred in the period of £0.2m (2016 H1: £0.8m) are represented by reorganisation costs for personnel reduction (£0.3m), which were incurred to achieve cost savings and align staff requirements with business focus, foreign exchange losses (£0.1m), and onerous lease provisions (£0.1m), offset by release of liabilities from dormant and dissolved subsidiaries (£0.3m).

Taking into account exceptional and non-recurring expenses, share based payments, interest, and tax, the Company produced a £0.1m profit on the bottom-line for the period, compared to a loss of £1.8m in 2016 H1. This marks a significant turnaround in the business, especially in light of the decrease in revenue and gross profit.

Balance Sheet and Cash Flow

Working capital (excluding net debt) improved £0.5m through the period, from a deficit of £1.6m at 31 August 2016 (excluding assets held for sale) to a deficit of £1.1m at 28 February 2017. Trade and other receivables decreased by £1.0m during the period due to both improved working capital management and lower sales towards the end of the period. Inventory reduced by £0.2m due to improved stock management. Trade and other payables reduced by £1.6m as cash from improved management of receivables and inventory, together with the net proceeds from the sale of Green Compliance Water Division Limited, was directed to reducing trade and other liabilities to reduce overall balance sheet risk.

Net debt at the end of the period was £2.9m, including £0.2m of cash, £2.5m drawn on the invoice finance facilities and £0.6m of unsecured loan notes from shareholders (due July 2018). This is down from net debt of £3.2m at 31 August 2016, a reduction of £0.3m in the period.

Cash for the period declined by £0.2m to £0.2m. Earnings produced a positive cash flow from operations of £0.3m (excluding working capital). The sale of Green Compliance Water Division Limited generated £0.6m of cash. Cash generated in the period was used to improve net working capital (£0.5m) and to service debt (£0.6m).

Outlook

The Company has made significant progress in producing its first profit since the year ended 31 August 2014.

The Board acknowledges that there is much more work to do, not only to continue to improve efficiency but also to grow revenue. Having achieved profitability, positive cash flow, and reduced balance sheet risk, the focus now is on leveraging supplier and manufacturer relationships within our existing technologies. Our immediate aim is to increase the order book and cash generative sales. We feel confident that this will occur in the coming periods.

The Board would like to thank the Group's customers, suppliers, employees, and shareholders for their hard work and support through the past two years.

The Board
11 April 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 6 months ended 28 February 2017

	Note	**6 months ended 28 February 2017 (unaudited) £000**	6 months ended 29 February 2016 (unaudited) £000 Restated *	Year ended 31 August 2016 (audited) £000
Revenue	3	**8,304**	9,472	17,961
Cost of sales		**(5,445)**	(5,941)	(11,523)
Gross profit		**2,859**	3,531	6,438
Administration expenses		**(2,475)**	(3,649)	(6,116)
Operating profit / (loss) before exceptional and other items		**384**	(118)	322
Exceptional and non-recurring expenses	4	**(154)**	(764)	(3,026)
Share based payments		**(26)**	(46)	(51)
Operating profit / (loss)		**204**	(928)	(2,755)
Finance costs (net)		**(162)**	(116)	(331)
Profit / (loss) before taxation		**42**	(1,044)	(3,086)
Taxation expense		**26**	32	-
Profit / (loss) for the period from continuing operations		**68**	(1,012)	(3,086)
Loss for the period from discontinued operations		**-**	(782)	(9,789)
Profit / (loss) for the period		**68**	(1,794)	(12,875)
Other comprehensive income				
Currency translation movement arising on consolidation		**-**	(119)	-
Other comprehensive income for the period		**-**	(119)	-
Total comprehensive income for the period		**68**	(1,913)	(12,875)

* See Note 6

	Note			
Basic earnings per share	5	**0.1p**	(2.0p)	(12.4p)
Diluted earnings per share	5	**0.1p**	(2.0p)	(12.4p)
Earnings per share on operating profit - before exceptional and non-recurring expenses and share based payments	5	**0.3p**	(0.2p)	0.3p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the 6 months ended 28 February 2017

	Note	**28 February 2017 (unaudited) £000**	29 February 2016 (unaudited) £000	31 August 2016 (audited) £000
Non-current assets				
Intangible assets		**7,378**	16,008	7,378
Property, plant and equipment		**99**	180	132
Financial asset		-	1,540	-
		7,477	17,728	7,510
Current assets				
Inventories		**897**	1,925	1,080
Trade and other receivables		**2,775**	5,789	3,751
Current tax asset		**-**	38	-
Cash and cash equivalents		**244**	981	444
		3,916	8,733	5,275
Assets held for sale	6	**-**	-	3,036
		3,916	8,733	8,311
Total assets		**11,393**	26,461	15,821
Current liabilities				
Trade and other payables		**(4,777)**	(9,009)	(6,416)
Borrowings		**(2,552)**	(2,951)	(3,027)
		(7,329)	(11,960)	(9,443)
Liabilities directly associated with the assets held for sale	6	**-**	-	(2,395)
		(7,329)	(11,960)	(11,838)
Total assets less current liabilities		**4,064**	14,501	3,983
Non-current liabilities				
Financial liabilities		**(555)**	(648)	(578)
Deferred tax liability		**-**	(828)	-
Net assets		**3,509**	13,025	3,405
Equity attributable to equity holders of the company				
Called up share capital		**2,556**	2,258	2,556
Share premium account		**12,895**	12,076	12,895
Share option valuation reserve		**574**	543	548
Merger reserve		**4,635**	4,635	4,635
Translation reserve		**-**	(129)	(10)
Retained earnings		**(17,151)**	(6,138)	(17,219)
Equity attributable to equity holders of the parent		**3,509**	13,245	3,405
Non-controlling interests		**-**	(220)	-
Total equity		**3,509**	13,025	3,405

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 28 February 2017

	Attributable to the equity holders of the parent							Non-controlling Interests	
	Share Capital £000	Share premium account £000	Share option valuation reserve £000	Merger Reserve £000	Translation reserve £000	Retained earnings £000	**Total £000**	Retained Earnings £000	**Total £000**
For the 6 months ended 28 February 2017									
At 1 September 2016	2,556	12,895	548	4,635	(10)	(17,219)	3,405	-	3,405
Profit for the period	-	-	-	-	-	68	68	-	68
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	68	68	-	68
Transactions with equity holders of the parent									
Share option charge	-	-	26	-	-	-	26	-	26
Disposal of foreign subsidiary	-	-	-	-	10	-	10	-	10
	-	-	26	-	10	-	36	-	36
At 28 February 2017 (unaudited)	**2,556**	**12,895**	**574**	**4,635**	**-**	**(17,151)**	**3,509**	**-**	**3,509**
For the 6 months ended 29 February 2016									
At 1 September 2015	1,831	11,302	497	4,635	(10)	(4,344)	13,911	(220)	13,691
Loss for the period	-	-	-	-	-	(1,794)	(1,794)	-	(1,794)
Other comprehensive income	-	-	-	-	(119)	-	(119)	-	(119)
Total comprehensive income	-	-	-	-	(119)	(1,794)	(1,913)	-	(1,913)
Transactions with equity holders of the parent									
Issue of new shares	427	852	-	-	-	-	1,279	-	1,279
Costs associated with share issue	-	(78)	-	-	-	-	(78)	-	(78)
Share option charge	-	-	46	-	-	-	46	-	46

	Share Capital £000	Share premium account £000	Share option valuation reserve £000	Merger Reserve £000	Translation reserve £000	Retained earnings £000	**Total £000**	Retained Earnings £000	**Total £000**
	427	774	46	-	-	-	1,247	-	1,247
At 29 February 2016 (unaudited)	**2,258**	**12,076**	**543**	**4,635**	**(129)**	**(6,138)**	**13,245**	**(220)**	**13,025**

	Attributable to the equity holders of the parent							Non-controlling Interests	
	Share Capital £000	Share premium account £000	Share option valuation reserve £000	Merger Reserve £000	Translation reserve £000	Retained earnings £000	**Total £000**	Retained Earnings £000	**Total £000**
For the year ended 31 August 2016									
At 1 September 2015 (audited)	1,831	11,302	497	4,635	(10)	(4,344)	13,911	(220)	13,691
Loss for the year	-	-	-	-	-	(12,875)	(12,875)	-	(12,875)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(12,875)	(12,875)	-	(12,875)
Transactions with equity holders of the parent									
Issue of new shares	725	1,756	-	-	-	-	2,481	-	2,481
Disposal of non-controlling interest	-	-	-	-	-	-	-	220	220
Costs associated with share issue	-	(163)	-	-	-	-	(163)	-	(163)
Share option charge	-	-	51	-	-	-	51	-	51
	725	1,593	51	-	-	-	2,369	220	2,589
At 31 August 2016 (audited)	**2,556**	**12,895**	**548**	**4,635**	**(10)**	**(17,219)**	**3,405**	**-**	**3,405**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the 6 months ended 28 February 2017

	Note	**6 months ended 28 February 2017 (unaudited) £000**	6 months ended 29 February 2016 (unaudited) £000	Year ended 31 August 2016 (audited) £000
Reconciliation of cash flows from operating activities				
Profit / (loss) before taxation including discontinued operations for the period		42	(1,826)	(12,875)
Share of results of associates		-	(16)	-
Gain on disposal of property, plant and equipment		(6)	-	-
Impairment loss on assets held for sale		-	-	6,704
Loss on investment in associates		-	-	1,095
Loss on discontinued subsidiary interests		-	-	1,120
Finance costs (net)		162	115	400
Taxation receipts		26	23	29
Depreciation of property, plant and equipment		45	47	95
Amortisation of intangibles		-	345	-
Decrease in inventories		183	708	846
Decrease / (increase) in trade and other receivables		982	(549)	(1,025)
Decrease in trade and other payables		(1,635)	(611)	(685)
Share-based payments charge		26	46	51
Net cash used in operating activities		(175)	(1,718)	(4,245)
Cash flows from investing activities				
Acquisition of property, plant and equipment		(12)	-	(23)
Sale of property, plant, and equipment		6	-	-
Sale of subsidiary company	6	641	-	-
Sale of investment in associates		-	-	319
Net cash from investing activities		635	-	296
Cash flows from financing activities				
Finance costs (net)		(162)	(115)	(400)
Proceeds of share issue		-	1,201	2,318
Finance leases		(19)	(12)	(22)
Short-term borrowings		(479)	386	1,340
Repayment of loan notes		-	-	(60)
Net cash from financing activities		(660)	1,460	3,176
Decrease in net cash		(200)	(258)	(773)
Cash and cash equivalents as at 1 September		444	1,239	1,239
Decrease in net cash		(200)	(258)	(773)
Cash in assets held for sale		-	-	(22)
Cash and cash equivalents as at end of period		244	981	444

1. General information

APC Technology Group 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 6 Stirling Park, Laker Road, Rochester, Kent, ME1 3QR. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The principal activity of the Company and its subsidiary undertakings (together "the Group") is the design, specification, and distribution of specialist electronic components and systems.

2. Basis of preparation

This unaudited consolidated interim financial information has been prepared in accordance with IFRS as adopted by the European Union. 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 2017 and are unchanged from those disclosed in the Company's Annual Report for the year ended 31 August 2016.

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 2017 and 29 February 2016 is unreviewed and unaudited and does not constitute the Company's statutory financial statements for those periods. The comparative financial information for the full year ended 31 August 2016 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 where otherwise indicated.

3. Segmental information

Operating Segments

IFRS 8 "Operating Segments", requires consideration of the chief operating decision maker ('CODM') within the Company. In line with the Company's internal reporting framework and management structure, the key strategic and operating decisions are made by the CEO, who reviews internal monthly management reports, budget and forecast information as part of this process. Accordingly, the CEO is deemed to be the CODM.

The Company operates within a single reportable segment, being the the provision of design-in distribution services for specialist electronic components, products and systems.

	6 months ended 28 February 2017 (unaudited)	6 months ended 29 February 2016 (unaudited)	Year ended 31 August 2016 (audited)
	£000	£000	£000
		Restated *	
Revenue by geographic location			
UK	7,587	8,952	16,996
North America	212	179	235
Europe and Asia	505	341	730
	8,304	9,472	17,961

* See Note 6

4. Exceptional and non-recurring expenses

	6 months	6 months	Year

	ended 28 February 2017 (unaudited) £000	ended 29 February 2016 (unaudited) £000	ended 31 August 2016 (audited) £000
Corporate re-organisation - compromise agreements and redundancy costs	329	373	1,543
Foreign exchange loss	64	154	293
Corporate re-organisation – dilapidations and onerous lease provisions	52	-	254
Costs associated with aborted contract	47	149	736
Corporate re-organisation – professional fees	18	89	200
Corporate re-organisation – release of dormant and dissolved subsidiary liabilities	(356)	-	-
Costs incurred in the preparation for acquisitions	-	13	-
	154	778	3,026

5. Earnings per share

The calculation of basic earnings per share is based on the profit after taxation attributable to equity holders of the parent company 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 share option scheme.

Earnings per share on operating profit, before exceptional costs, amortisation, share based payments, and discontinued operations, are considered to be the most realistic measure of earnings and the calculation is based on the weighted average number of shares.

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

	6 months ended 28 February 2017 (unaudited) £000	6 months ended 29 February 2016 (unaudited) £000	Year ended 31 August 2016 (audited) £000
Continuing earnings: profit (loss) attributable to equity holders of the parent	68	(1,425)	(3,086)
Discontinuing earnings: loss attributable to equity holders of the parent	-	(369)	(9,789)
From profit (loss) for the year	68	(1,794)	(12,875)
Earnings: operating profit/(loss) before exceptional and non-recurring expenses and share based payments	384	(173)	322
Weighted average number of shares (000's)	127,805	91,822	103,678
Dilutive/free shares (000's)	-	-	28
Diluted number of shares (000's)	127,805	91,822	103,706

6. Sale of subsidiary company

On 13 October 2016, the Company sold Green Compliance Water Division Limited, its water hygiene and treatment business, to Integrated Water Services Limited ("IWS"), a subsidiary of South Staffordshire PLC. The business was sold for total consideration of £800,000 and assumption of related invoice finance borrowings of £999,000.

As Green Compliance Water Division was sold subsequent to the 31 August 2016 balance sheet date but before results were reported, it was classified as an asset held for sale as at 31 August 2016. Assets and liabilities were separately disclosed on the balance sheet date and valued at net realisable value. The results of operations and loss on disposal were included in discontinued operations for the year ended 31 August 2016.

The results of operations of Green Compliance Water Division Limited for the comparative period ended 29 February 2016, a loss of £0.4m, has been reclassified to discontinued operations consistent with the presentation for the year ended 31 August 2016.

7. Copies of Interim report

The interim report is available to view and download from the Company's website at www.apcplc.com. If shareholders would like a hard copy of the interim report, they should contact the Company Secretary.