

Advanced Power Components plc
Unaudited Interim Results
For the six months ended 28th February 2010

Chairman's Statement

I am pleased to present the interim report for Advanced Power Components for the six month period ended 28 February 2010.

The period has seen a return to profitability, with profit before tax of £42,000 being achieved compared with a loss of £281,000 made in the corresponding period of the previous year. The return to profit has been achieved through a number of cost saving and efficiency measures that were introduced in the last financial year and the introduction of controls that have reduced the Company's exposure to foreign exchange rate fluctuations.

In addition to the tighter financial controls, APC has further strengthened the way that it engages with its current and potential customers. An increased focus on technical selling and getting the Company's products designed into customers' programmes at an early stage will allow the Company to secure longer term sales growth as customers' programmes move into production. In support of this we have commenced a training and hiring programme to increase the skills of our sales teams so that we are able to identify design programmes earlier and provide greater technical input to our customers' component selection.

Early in the period, the Company secured increased invoice discounting facilities and a loan from the Lloyds Banking Group plc that resulted in a significant strengthening of the balance sheet. As previously reported, we were pleased to announce that our non executive director, Joe Stelzer, converted a loan note of £50,000 to equity.

Cash flow from operating activities was positive and consequently the Company did not need to draw down on its facilities to the same extent as at 28 February or 31 August 2009. During the period, the Company paid the final instalment of deferred consideration for acquisitions made in 2008.

Trading in the six months to 28 February was broadly in line with our internal projections and we continue to see an improving trend in order intake. General market conditions appear to be stabilising and we are currently seeing an increasing level of longer term opportunities. We therefore look to the future with renewed optimism.

Will David
Chairman
10 May 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

for the 6 months ended 28 February 2010

		6 months ended 28 February 2010 (unaudited) £000	6 months ended 28 February 2009 (unaudited) £000	Year ended 31 August 2009 (audited) £000
Revenue	3	6,471	6,772	14,091
Cost of sales		(4,524)	(4,618)	(9,815)
Gross profit		1,947	2,154	4,276
Administration expenses		(1,809)	(2,381)	(4,682)
Operating profit / (loss)		138	(227)	(406)
Finance costs		(96)	(54)	(85)
Profit / (loss) before taxation		42	(281)	(491)
Taxation expense		(12)	-	61
Profit / (loss) for the period		30	(281)	(430)

The results all relate to continuing operations.

Basic and diluted earnings / (loss) per share	4	0.1p	(1.3p)	(1.9p)
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There are no elements of Comprehensive Income other than those dealt with in the Income Statement.

CONDENSED CONSOLIDATED BALANCE SHEET

at 28 February 2010

	28 February 2010	28 February 2009	31 August 2009
	(unaudited)	(unaudited)	(audited)
Note	£000	£000	£000
Non current assets			
Intangible assets - goodwill	2,580	2,736	2,580
Property, plant and equipment	261	343	296
Other investments	34	-	7
Deferred tax asset	56	-	68
	2,931	3,079	2,951
Current assets			
Inventories	1,618	1,815	1,565
Trade and other receivables	2,506	3,025	2,640
Cash and cash equivalents	23	508	45
	4,147	5,348	4,250
Current liabilities			
Trade and other payables	(3,761)	(5,527)	(4,350)
	(3,761)	(5,527)	(4,350)
Net current assets / (liabilities)	386	(179)	(100)
Non-current liabilities	(670)	(300)	(385)
Net assets	2,647	2,600	2,466
Equity attributable to equityholders of the company			
Called up share capital	488	446	446
Share premium account	434	336	336
Share option valuation reserve	189	177	177
Other reserves	14	-	15
Retained earnings	1,522	1,641	1,492
Total equity	2,647	2,600	2,466

CONDENSED CONSOLIDATED CHANGES IN EQUITY

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	446	336	177	15	1,492	2,466
Total comprehensive income for the period	-	-	-	-	30	30
Issue of new shares	42	98	-	-	-	140
Exercise of convertible loan notes	-	-	-	(1)	-	(1)
Share option charge	-	-	12	-	-	12
Balance at 28 February 2010 (unaudited)	488	434	189	14	1,522	2,647
Balance at 1 September 2008	446	336	147	-	1,922	2,851
Total comprehensive loss for the period	-	-	-	-	(281)	(281)
Share option charge	-	-	30	-	-	30
Balance at 28 February 2009 (unaudited)	446	336	177	-	1,641	2,600
Balance at 1 September 2008	446	336	147	-	1,922	2,851
Total comprehensive loss for the period	-	-	-	-	(430)	(430)
Issue of convertible loan notes	-	-	-	15	-	15
Share option charge	-	-	30	-	-	30
Balance at 31 August 2009 (audited)	446	336	177	15	1,492	2,466

CONDENSED CONSOLIDATED CASH FLOW
for the 6 months ended 28 February 2010

	6 months to 28 February 2010 (unaudited) £000	6 months to 28 February 2009 (unaudited) £000	Year to 31 August 2009 (audited) £000
Net cash inflow / (outflow) from operating activities	208	(1,395)	(1,509)
Finance costs	(96)	(54)	(85)
Taxation	-	(44)	(113)
Net cash from / (used in) operating activities	112	(1,493)	(1,707)
Acquisition of subsidiary undertakings net of cash acquired	(333)	(592)	(876)
Purchase of investments	(27)	-	(7)
Purchase of property, plant and equipment	(7)	(60)	(81)
Sale of property plant and equipment	6	2	18
Net cash used in investing activities	(361)	(650)	(946)
Issue of convertible loan notes	-	300	400
Change in trade finance creditor	(306)	1,455	1,594
Inception of loans	600	-	-
Repayment of loans	(67)	-	-
Repayment of finance lease	-	-	(9)
Net cash from financing activities	227	1,755	1,985
(Decrease) in net cash	(22)	(388)	(668)
Reconciliation of operating profit / (loss) to cash inflow / (outflow) from operating activities			
Profit / (loss) before taxation	42	(281)	(491)
Finance costs	96	54	85
Depreciation of property, plant and equipment	42	62	104
(Profit) / loss on disposal of property, plant and equipment	(5)	-	10
Share option valuation charge	12	30	30
(Increase) in inventories	(53)	(517)	(267)
Decrease / (increase) in trade and other receivables	134	(777)	(392)
(Decrease) / increase in trade and other payables	(60)	34	(588)
Net cash (outflow) / inflow from operating activities	208	(1,395)	(1,509)

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 Alternative Investment Market (“AIM”) 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 statement for the year ended 31 August 2010 and are unchanged from those disclosed in the group’s Annual Report for the year ended 31 August 2009.

The financial information for the six months ended 28 February 2010 and 28 February 2009 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 2009 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 share that the company may potentially issue relating to its convertible loan notes and its share option scheme. The profit / (loss) 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, as is the case for the six months to 28 February 2010, they are excluded from the calculation of diluted earnings per share.

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

	6 months to 28 February 2010 (unaudited) £000	6 months to 28 February 2009 (unaudited) £000	Year to 31 August 2009 (audited) £000
Earnings / (loss) attributable to equity share holders	30	(281)	(430)
	Number of shares thousands	Number of shares thousands	Number of shares thousands
Basic average number of shares in issue	23,838	22,324	22,324
Effect of dilutive potential shares	-	-	-
	<u>23,868</u>	<u>22,043</u>	<u>21,894</u>
Earnings / (loss) per share	Pence	Pence	Pence
Basic and diluted earnings per share	0.1p	(1.3p)	(1.9p)

There were 24,438,508 shares in issue at 28 February 2010.

5. Analysis of net funds

	6 months to 28 February 2010 (unaudited) £000	6 months to 28 February 2009 (unaudited) £000	Year to 31 August 2009 (audited) £000
Cash, comprising current accounts and overnight deposits	23	508	45
Overdraft facility	-	(183)	-
Trade finance creditor	(1,600)	(1,767)	(1,906)
Finance lease	-	(9)	-
Convertible loan notes	(336)	-	(385)
Unsecured shareholder loan	(75)	-	-
Current portion of long term bank loan	(125)	-	-
Long term portion of long term bank loan	(333)	-	-
	<u>(2,446)</u>	<u>(1,451)</u>	<u>(2,246)</u>

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. David Brown.