

REG - Advanced Power - Final Results

Released: 17/12/2009

Click for Link:

<http://pdf.reuters.com/Regnews/regnews.asp?i=43059c3bf0e37541&u=urn:newsml:reuters.com:20091217:nRSQ2654Ea>

RNS Number : 2654E

Advanced Power Components PLC

17 December 2009

Date: 17 December 2009
On behalf of: Advanced Power Components plc ("APC" or "the Company")
Embargoed until: 0700hrs

Advanced Power Components plc
Final results for the year ended 31 August 2009

Advanced Power Components plc (AIM: APC), a specialist distributor and manufacturers' representative of electronic components, today announces its final results for the year ended 31 August 2009.

Highlights:

*

Revenues increased 16% to P14.1 million (2008: P12.2 million)

*

Pre-tax loss of P0.5 million (2008: P0.7 million profit), decrease largely due to foreign exchange losses and reorganisation costs

*

Hedging policy implemented to avoid future foreign exchange losses

*

Cost reduction programme implemented, producing savings of approximately P480,000 per year

*

Working capital strengthened by P400,000 issue of convertible loan stock

Commenting on the results, Mark Robinson, Chief Executive of APC, said:

"The past twelve months have been challenging for APC, as wider economic conditions have impacted the Company's performance. The Board has reacted by implementing a number of measures to reduce overheads and by implementing a number of new initiatives to generate increasing sales. These steps have been supported by the Company's bankers who, in October, made additional funding available to support the Company's growth. As a result the Board considers that the Company is well placed for a return to profitability and remains cautiously optimistic about the future."

Enquiries:

Advanced Power Components plc 01480 226600
Mark Robinson, Chief Executive Officer www.apc-plc.co.uk

Redleaf Communications Henry Columbine/ Lucy Salaman	020 7566 6700 apc@redleafpr.com
Strand Hanson Limited James Harris/ Angela Peace	020 7409 3494
Astaire Securities Ruari McGirr	020 7448 4400

CHAIRMAN'S STATEMENT

The year ended 31 August 2009 proved to be a challenging one for APC as the continued implementation of the Company's growth strategy was significantly impeded by deteriorating trading conditions and other factors related to the well publicised issues in the wider economy.

Revenues during the year were P14.1m compared with P12.2m in 2008 with a pre tax loss of P0.5m compared with a pre tax profit of P0.7m in the previous year.

As anticipated, revenues increased during the period as a result of the full year contribution from Novacom Microwaves Limited and Contech Electronics Limited, both of which were acquired in 2008. However, the scale of the increase was less than planned in the main because of a reduction in some of the Company's more established revenue streams, primarily due to a significant deterioration in trading conditions which, as reported by the Electronic Components Supply Network, resulted in the market for electronic components contracting by approximately 13% during the period. The net effect of lower than anticipated revenues coupled with the significant exchange rate losses previously reported and increased operating costs as a consequence of the strengthening of our management team in the first half of the year resulted in a steep decline in profitability.

In response the Board implemented a number of steps designed to return the Company to profitability. During the second half of the year a number of cost reduction measures were introduced which incurred significant one off costs but realised annualised savings of circa P480,000. This more closely aligns the overhead of the business with current trading levels.

Additionally, a complete review of the Company's accounting systems and processes has been undertaken and measures implemented to reduce any potential areas of vulnerability. This specifically included the creation of new mechanisms to reduce the Company's exposure to exchange rate movements.

In addition to taking measures to reduce operating costs and improve efficiencies, the Company also continues to develop opportunities for future growth. Agreements have been entered into with a number of new suppliers across different parts of the business which offer good long term growth opportunities. Accordingly, a review of the Company's other product ranges is being undertaken to ensure that sales and engineering resources are being invested in opportunities offering the greatest potential.

Good progress has also been made in the development of products which will be manufactured as part of the licensing

agreement signed with the KVAR Energy Saving Corporation at the end of 2008. Whilst these products will not make an immediate significant positive impact on revenues they do present good opportunities for medium term growth.

At Board level the Company's Finance Director left the Company in May 2009 and the Sales & Marketing Director resigned in October 2009 to take up a non competitive post elsewhere in the electronics industry. This has provided the Board with the opportunity to review the executive management structure and we expect to announce new appointments early in 2010, providing the Company with the skills necessary to meet the challenges ahead. As previously reported the Company's working capital was increased by P400,000 with the issue of convertible loan stock in February 2009. This position was subsequently improved further with an increase in the facilities provided by the Company's bankers in October 2009. While the Board is comfortable with the existing level of working capital taking into account current forecasts they will continue to monitor the Company's ongoing requirements closely in order to ensure that adequate working capital is available taking into account the uncertainty surrounding future trading conditions and the future need to fund growth in the new opportunities mentioned above.

Will David MA, FCA.
Chairman

15 December 2009

BUSINESS REVIEW

Financial results

Group revenue for the financial year was P14,091,000, compared with P12,164,000 in 2008, resulting in a net loss before tax of P491,000, compared with a pre-tax profit of P732,000 last year. Basic earnings per share were (1.9p) in 2009, compared with 3.4p last year. At 31 August 2009, as the group was loss-making, the calculation is the same for both basic and diluted earnings per share as any share options and Convertible Loan Notes are considered to be anti-dilutive.

At the time of the Company's interim announcement in April, we reported a pre-tax loss of P281,000 in the first half-year. Since then the underlying performance of the Group has improved, although a second-half pre-tax loss of P210,000 was incurred, resulting from further year end provisioning following a review of financial systems and controls in the second half year.

The Group's total overheads increased from P3,228,000 in 2008 to P4,682,000 this year reflecting the impact of a full year of the Novacom and Contech acquisitions and the associated costs in the period to 31 August 2009.

Changes to the Board and corporate advisers

On 20 February 2009 Mr R. F. Thorne retired as Chairman and a Director of the Company. On 22 May 2009 Mr R. F. Muir resigned as Finance Director. On the same date Mr D. H. Brown was appointed as interim Finance Director and Mr J. N. D. Stelzer was appointed a non-executive Director.

In October 2008 the Board appointed Strand Hanson Limited as the Company's NOMAD and St Helen's Capital plc (now Astaire Securities) as stockbroker and we are pleased to report that our relationships with our new advisors are developing well.

Operations

During the year much emphasis has been placed on embedding our 2008 acquisitions, Novacom Microwaves Ltd and Contech Electronics Ltd, into the Group's operations in order to maximize the significant contributions we expect them to make to the Group's results.

In addition, the Board undertook a significant review of its financial systems and controls and also a substantial internal reorganization in order to reduce overheads.

Funding and cash flow

The Group's overall cash position showed an outflow of P668,000 in the year, compared with an inflow of P31,000 in 2008.

Cash flow from operations showed a negative flow of P1,509,000 compared to a positive flow of P1,660,000 in 2008. This outflow occurred mainly due to a decrease in payables and an increase in receivables, as well as the loss for the year. The Group ended the year with a positive cash balance of P45,000.

Capital expenditure

Additional plant and equipment of P81,000 was acquired in 2009, compared with P189,000 last year. A significant proportion of those acquired in 2008 represented the assets of subsidiaries acquired during that year.

Taxation

There is no tax charge due to the losses incurred during the year.

Share options

In previous years we have reported on the formation of the new 2003 Employee Share Option Scheme, which was approved by the Board in June 2003. This scheme, based on the Government's Enterprise Management Incentive ("EMI"), provides for options to be exercisable at a fixed price if certain performance conditions are met. The conditions are linked to the Group's growth in earnings per share at the pre-tax level. Further options were granted under this scheme in the year under review.

Changes to capital structure

During the financial year there were no ordinary shares issued.

In February 2009 P400,000 Convertible Loan Notes were issued. The Notes mature on 10 February 2014 and carry a coupon of 8% per annum, payable quarterly in arrears until such time as they are repaid or converted in accordance with their terms. The holders of the Notes may convert all or part of the Notes held by them into new Ordinary Shares in the Company on delivery to the Company of a conversion notice, at the conversion rate, being the lower of the mid-market price on 10 February 2009 and the mid-market price for the 14 days following the conversion date.

Current Trading

As a result of steps taken during the course of the year the Company is better placed for a return to profitability. Sales and overheads in the early months of the current financial year have met expectations and the immediate outlook is promising although future visibility remains limited.

Outlook

The Board remains confident that the Company's strategy to grow into the UK's foremost technical electronic component distribution organisation remains intact despite the setbacks of the last 12 months. This confidence is based on a number of significant manufacturers entrusting sales of their products to our various sales teams here in the UK. Accordingly,

development of the Company's infrastructure, as referred to in last year's operational and financial review, has continued and will provide a solid platform for further long term growth.

M. R. Robinson

Chief Executive Officer

CONSOLIDATED INCOME STATEMENT
for the year ended 31 August 2009

	Note	2009 P000	2009 P000	2008 P000
2008 P000				
Revenue	2			
Continuing operations		14,091		9,742
Acquisitions		-	14,091	2,422
12,164				
Cost of sales			(9,815)	
(8,128)				
Gross profit				
Continuing operations		4,276		3,370
Acquisitions		-	4,276	666
4,036				
Administrative expenses			(4,682)	
(3,228)				
Operating (loss)/profit			(406)	
808				
Finance costs			(85)	
(76)				
(Loss)/profit before taxation			(491)	
732				
Taxation expense			61	
(26)				
(Loss)/profit for the financial year			(430)	
706				
Basic earnings per share	3		(1.9p)	
3.4p				
Diluted earnings per share	3		(1 .9p)	
3.1 p				

CONSOLIDATED BALANCE SHEET
for the year ended 31 August 2009

	2009 P000	2008 P000
Non-current assets		
Intangible assets	2,580	2,719
Property, plant and equipment	296	347
Other investments	7	-
Deferred tax asset	68	
	2,951	3,066
Current assets		
Inventories	1,565	1,298
Trade and other receivables	2,640	2,248
Cash and cash equivalents	45	1,118
	4,250	4,664
Total assets	7,201	7,730
Current liabilities	(4,350)	(4,796)
Total assets less current liabilities	2,851	2,934
Non-current liabilities	(385)	(83)

Net assets	2,466	2,851
Equity attributable to equityholders of the company		
Called-up share capital	446	446
Share premium account	336	336
Share option valuation reserve	177	147
Other reserves	15	-
Retained earnings	1,492	1,922
Total equity	2,466	2,851

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 August 2009

Group 2009 P000	Group 2008 P000	Company2009 P000	Company2008 P000
Net cash (outflow)/inflow from operating activities			
(1,509)	1,660	(1,509)	2,269
Finance costs			
(85)	(76)	(85)	(78)
Taxation paid			
(113)	(16)	(113)	(16)
Net cash (used in)/from operating activities			
(1,707)	1,568	(1,707)	2,175
Acquisition of subsidiary undertakings, net of cash acquired			
(876)	(659)	(876)	(1,268)
Purchase of investments			
(7)	-	(7)	-
Purchase of property, plant and equipment			
(81)	(109)	(81)	(107)
Sale of property, plant and equipment			
18	1	18	1
Net cash used in investing activities			
(946)	(767)	(946)	(1,374)
Issue of shares			
-	380	-	380
Issue of Convertible Loan Notes			
400	-	400	-
Bank short-term loan facility			
1,594	(1,147)	1,594	(1,147)
Repayment of finance lease			
(9)	(3)	(9)	(3)
Net cash from/(used in) financing activities			
1,985	(770)	1,985	(770)
(Decrease)/increase in net cash			
(668)	31	(668)	31
Reconciliation of profit before tax to cash (outflow)/inflow from operating activities			
(Loss)/Profit before tax			
(491)	732	(491)	597
Finance costs			
85	76	85	78
Depreciation of property, plant and equipment			
104	91	104	83
Loss/(profit) on disposal of property, plant and equipment			
10	(8)	10	(1)
Share option valuation charge			
30	84	30	84

(Increase) in inventories			
(267)	(131)	(267)	(53)
(Increase)/decrease in trade and other receivables			
(392)	709	(392)	774
(Decrease)/increase in trade and other payables			
(588)	107	(588)	(459)
(Decrease) in non-current liabilities			
-	-	-	1,166
Net cash (outflow)/inflow from operating activities			
(1,509)	1,660	(1,509)	2,269

NOTES, FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Acts applicable to companies reporting under IFRS. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below.

A separate income statement for the parent company has not been presented as permitted by section 408(3) of the Companies Act 2006. The parent company earned a loss of P430,000 after tax (2008 - P597,000 profit).

New standards and interpretations not applied

The following standards and interpretations to existing standards have been published but are not yet effective or mandatory for the year ended 31 August 2009 and have not been applied by the Group during the year:

Effective dates(periods beginning on or after)

Improvements to IFRSs

1 January 2009

IFRS 8 - Operating Segments

1 January 2009

IAS 1 Amendment - Presentation of financial statements

1 January 2009

IAS 23 Amendment - Borrowing Costs

1 January 2009

IAS 27 Amendment - Consolidated and separate financial statements

1 July 2009

IFRS 2 Amendment - Share-based payment: vesting conditions and cancellations

1 January 2009

IFRS 3 Revised - Business combinations

1 July 2009

IAS 32 and 1 Amendment - Puttable financial instruments and obligations arising on liquidation 1 January 2009

IFRS 7 Amendment - Improving Disclosures about Financial Instruments
1 January 2009
IAS 39 Amendment - Financial Instruments: Recognition and Measurement
1 July 2009
IFRIC 9 and IAS39 Amendment - Embedded Derivatives
1 July 2009

Exercise of significant judgements

In preparing these accounts the Directors have assessed the facts and made particular judgements in relation to the following matters:

*

After considering anticipated discounted cash flow analysis, the Directors do not consider that the goodwill recorded in the accounts has suffered any impairment.

*

Taking account of information at the balance sheet date, the Directors make judgements based on experience on the level of provision required to account for potential uncollectable receivables and the potential for unsaleable inventory.

Basis of consolidation

The consolidated income statement and balance sheet include the accounts of the Company and all its subsidiaries made up to 31 August 2009. The results of subsidiaries acquired are included in the consolidated income statement from the date control passes. Intra-group revenues and profits are eliminated fully on consolidation.

On acquisition of a business all of the acquired assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Once finalised, changes to those assets and liabilities and the resulting gains and losses are charged to the post acquisition income statement.

Goodwill

Goodwill arising on acquisition represents the difference between the fair value of identifiable assets and liabilities acquired and the fair value of the cost of the acquisition. In accordance with IFRS 1, the group has applied the exemption from retrospectively recalculating goodwill which arose on acquisitions prior to 1 September 2006. This goodwill is at deemed cost, being the amount recorded under UK GAAP as at 1 September 2006. Goodwill is reviewed for impairment at least every six months. The recoverable amount is estimated at each balance sheet date. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

2. Revenue and segmental information

The revenue, loss before taxation and net assets are attributable to the one principal activity of the group, the supply and distribution of electronic components, from the group's locations in the UK. Consequently the Group has one business and one geographical segment.

An analysis of revenue by geographical destination is given below:

	2009 P000	2008 P000
UK	12,478	9,742
North America	436	1,062
Far East, Europe and other	1,177	1,360
	14,091	12,164

3. 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 (loss)/profit for the year 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 2009, 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 below:

average		2008 Weighted average		2009 Weighted
				number
Per share	number	Per share	of shares	amount
Earnings	of shares			
Earnings	amount			
pence	P000		P000	
Basic earnings per share				
(Loss)/profit attributable to ordinary shareholders	(430)			22,324,257
(1.9p)	706	20,735,186	3.4p	
Effect of dilutive securities				
Share options and Convertible				
Loan Notes				
-	-	2,293,864	(0.3p)	-
Diluted earnings per share			(430)	22,324,257
(1.9p)	706	23,029,050	3.1 p	

4. Annual Report

The Company's annual report is being distributed to shareholders today and is also available at www.apc-plc.co.uk.

This information is provided by RNS

The company news service from the London Stock Exchange