

REG-Advanced Power Final Results

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Advanced Power Components PLC

27 January 2009

Date: 27 January 2009

On behalf of: Advanced Power Components plc ("APC" or the "Group")

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Advanced Power Components

Final results for the year ended 31 August 2008

Advanced Power Components plc, a specialist distributor and manufacturers' representative of electronic components, is pleased to announce its final results for the year ended 31 August 2008.

Financial Highlights:

- * Revenues increased by 25% to £12.16 million (2007: £9.74 million)
- * Pre-tax profits increased by 20% to £0.73 million (2007: £0.61 million)
- * Basic earnings per share increased by 21% to 3.4 pence (2007: 2.8 pence)

Operational Highlights:

- * Successful acquisition and integration of Novacom Microwave Ltd ("Novacom") in April and Contech Electronics Ltd ("Contech") in June
- * Focus on design-in approach for specialist, technical applications across a broad range of sectors has insulated the Company from the worst of the downturn

Current Trading:

* Underlying operational performance has been strong; however, half-year profit is likely to be severely impacted by sterling's rapid depreciation against the dollar and the Company is currently evaluating mechanisms to minimise future vulnerability in this area

* Nonetheless, the outlook for the remainder of the year is positive, with lower overheads and higher order intake than anticipated

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

"The Group has enjoyed strong and steady growth through the last 12 months, in spite of the difficult conditions affecting the rest of the market and the UK economy in general. Market conditions are likely to remain tough in the short term, but we remain upbeat about the future.

"The rapid depreciation in the value of sterling and its negative impact on our profitability in the first half of our current year is obviously disappointing as it overshadows a strong operating performance during the last financial year.

"Our recent licensing agreement with KVAR Energy Savings Corporation is an exciting step into the lucrative 'green' market. We have already demonstrated this technology to a number of organisations. The results of on-site evaluations have been very promising, demonstrating potential energy savings in some situations in excess of 20% and return on investment as low as six months. We are already in discussions with a rapidly developing list of potential customers in Europe, Asia, Middle East, Africa and Australasia."

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CHAIRMAN'S STATEMENT

I am pleased to report that the year ended 31 August 2008 was another successful and progressive year for APC, with revenues of £12.2 million compared with £9.7 million in the previous year and a pre-tax profit of over £0.7 million compared with £0.6 million, restated to IFRS, during the same period. The results include positive contributions from Novacom Microwaves Ltd ("Novacom") and Contech Electronics Ltd ("Contech"), acquired in April and June respectively.

The Company continued its planned strategy of profitable expansion through both

acquisitive and organic growth, with a clear focus on the sale of specialist components in carefully selected markets that, to date, have not been significantly adversely affected by the economic downturn. The integration of Novacom and Contech has progressed well and the Board is very satisfied with the continued development of these businesses.

The technical focus of our business continues to play a key role, maintaining the interest of existing customers and attracting new customers and suppliers.

This is at the expense of a number of traditional UK distributors who, increasingly, are not providing the levels of detailed technical support required in our target markets. This was apparent at Europe's largest electronic components exhibition, Electronica, held in Munich during November 2008, where meetings with a number of potentially significant new suppliers provided further evidence that the Company's progress is being recognised throughout the industry and will continue to generate new opportunities for growth.

During the year, order intake was particularly strong in the first eight months but fell below expectations in the early summer months, resulting in lower than anticipated invoiced sales towards the end of the financial year and in the first quarter of the current year. However, during the first quarter of 2008/9, order intake recovered in line with previous forecasts. As a result, the Company's book to bill ratio, year to date, is significantly positive and the order book is strong.

Whilst trading conditions in the near future are difficult to predict, we remain optimistic that the long term opportunities and prospects for the Company are still very good, based on its strategy of concentrating on specialist markets. Consistent with this view, the Company continues to improve its capabilities, both technically and administratively, in order to meet the forthcoming challenges and opportunities as they arise.

R. F. Thorne, OBE

Chairman

23 January 2009

OPERATIONAL AND FINANCIAL REVIEW

Financial results

Group revenue for the financial year was £12,164,000, compared with £9,741,000 in 2007, resulting in a net profit before tax of £732,000, compared with a restated pre-tax profit of £605,000 last year.

Basic earnings per share were 3.4p in 2008, compared with 2.8p last year. Earnings per share were diluted this year to 3.1 p by the effect of exercisable share options.

The Group has this year adopted the provisions of International Financial Reporting Standards. As a result the prior year figures have been restated resulting in an amount of £95,000 being credited to the consolidated income statement in that year in respect of goodwill amortisation.

At the time of the Company's interim announcement in May, we reported a pre-tax profit of £270,000 in the first half-year. Since then the underlying performance of the Group has continued to improve, recording a second-half pre-tax profit of £462,000, resulting from the continued investment in key staff and resources and the contribution from our acquisitions in the second half year.

At the operating level, using profit before tax and interest as the most relevant indicator of underlying performance, the comparison shows a profit in 2008 of £808,000, which represents an improvement of £131,000 (19.5%) over the equivalent profit of £677,000 in 2007.

The Group's total overheads increased from £2,787,000 in 2007 to £3,288,000 this year reflecting the impact of the Novacom and Contech acquisitions and the associated integration costs in the period to 31 August 2008.

Changes to the Board and corporate advisers

There were no changes to the Board of Directors during the year.

In October 2008 the Board appointed Strand Partners as the Company's NOMAD and St Helen's Capital plc as stockbroker and we look forward to working with our new advisors.

Operations

During the year the Group acquired Novacom Microwaves Ltd, which is a leading representative organisation specialising in microwave technology, and Contech Electronics Ltd and its parent company Chyman Management Services Ltd, which has been operating for 20 years as a leading supplier of computer input products. Following their acquisition their integration into the Group's systems is now complete and it is anticipated that they will be making significant contributions to the Group's operations in future years.

Funding and cash flow

The Group's overall cash flow showed an inflow of £31,000 in the year, compared with £133,000 in 2007. Cash flow from operations showed a positive flow of

£1,660,000 compared with a negative flow of £110,000 last year, the increase occurring due mainly to a decrease in debtors and the contribution from the operating profit. The Group ended the year-end with positive cash balances of £1,118,000.

During the year the Group's credit arrangements with Barclays Bank plc, consisting of a flexible debt finance facility secured against debtors with a cap of £1.5 million, was replaced with a similar but more advantageous facility with Bank of Scotland plc capped at £2.0 million. Additionally Bank of Scotland provided a temporary overdraft facility of £500,000 pending inclusion of the Novacom debtors into the main facility in September 2008 when the cap increased to £2.5 million. Borrowing against these facilities amounted to £717,000 at 31 August 2008.

Capital expenditure

Additional fixed assets of £189,000 were acquired in 2008, compared with £80,000 last year. A significant proportion of these represent the assets of subsidiaries acquired during the year.

Taxation

There is no corporation tax charge in respect of the profit arising in Advanced Power Components plc for the year under review, owing to the availability of tax losses. The tax charge in the consolidated income statement relates to profits arising in subsidiaries.

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 an additional 2,000,000 Ordinary 2p shares were issued, with proceeds of £360,000, in order to assist with the funding of acquisitions made during the year.

Current Trading

The deterioration of trading conditions both within the electronic component

distribution sector, and in the wider global economy has been well publicised and predicting future performance is difficult. However, our strategy of focusing on designing relatively specialist components into a wide cross section of technical applications is, so far, insulating the Company from the worst of the downturn. Order input was lower than anticipated through the early summer months and this resulted in sales in the first quarter of the current financial year being below expectations. Appropriate steps were taken and order input since August has recovered, gross margins have been maintained and overheads controlled well within budget. However, the rapid and significant depreciation of the value of sterling against the US Dollar and the Euro has had a considerable adverse impact on an otherwise strong operational performance. Whilst the Board is considering options to avoid future vulnerability to rapid exchange rate fluctuations, the likely effect is that profits will be reduced to a small loss in first half of 2008/9. Assuming no further unanticipated foreign exchange losses, and taking account of recent strong operational performance backed by a record order book, we expect a substantially more profitable second half. However, it is unlikely that the anticipated second half performance will entirely offset the foreign exchange losses in the first half of the financial year, and accordingly net profit before tax for the year as a whole is likely to be below market expectations.

Outlook

In the Board's view the strength of the Company's strategy is becoming increasingly apparent as the electronic component distribution market continues to consolidate into relatively few large distribution organisations. The focus within these organisations is clearly on logistical excellence at the expense of the level of technical support provided to all but a relatively small number of key accounts. As a result the majority of customers and component manufacturers are facing an increasingly narrow choice of distributors with the technical expertise needed to assist with their design process. This is particularly apparent in relation to comparatively specialist, technical components which is the niche in which APC continues to operate. Accordingly the Board is continuing to invest in the Company's infrastructure accepting that whilst this may hold back short term profitability, it will result in the Company attaining an even stronger position as the markets recover.

M. R. Robinson R. F. Muir

Chief Executive Officer Finance Director

CONSOLIDATED INCOME STATEMENT

for the year ended 31 August 2008

		2008	2008	2007 restated
2007 restated	Note	£000	£000	£000
£000				
Revenue	3			
Continuing operations		9,742		9,741
Acquisitions		2,422	12,164	-
9,741				
Cost of sales			(8,128)	
(6,277)				
Gross profit				
Continuing operations		3,370		3,464
Acquisitions		666	4,036	-
3,464				
Administrative expenses			(3,228)	
(2,787)				
Operating profit			808	
677				
Finance costs			(76)	
(72)				
Profit before taxation			732	
605				
Taxation expense			(26)	15
Profit for the financial year			706	
620				
Basic earnings per share	4		3.4p	
2.8p				
Diluted earnings per share	4		3.1p	
2.6p				

Restatement of prior periods' results

The Company has adopted International Financial Reporting Standards as set out in note 1. As a result the income statement for the comparative year has been restated.

CONSOLIDATED BALANCE SHEET

at 31 August 2008

	2008	2007
(restated)	£000	£000
Non-current assets		
Intangible assets	2,719	808
Property, plant and equipment	347	249

	3,066	1,057
Current assets		
Inventories	1,298	1,094
Trade and other receivables	2,248	2,432
Cash and cash equivalents	1,118	682
	4,664	4,208
Current liabilities	(4,796)	(3,583)
Net current (liabilities)/assets	(132)	625
Total assets less current liabilities	2,934	1,682
Non-current liabilities	(83)	-
Net assets	2,851	1,682
Equity attributable to equityholders of the company		
Called-up share capital	446	403
Share premium account	336	-
Share option valuation reserve	147	63
Retained earnings	1,922	1,216
Total equity	2,851	1,682

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 August 2008

	Group 2008
Group 2007 (restated)	£000
£000	
Net cash (outflow)/inflow from operating activities	1,660
(110)	
Finance costs	(76)
(72)	
Taxation	(16)
16	
Net cash from/(used in) operating activities	1,568
(166)	
Acquisition of subsidiary undertakings, net of cash acquired	(659)
Purchase of property, plant and equipment	(109)
(80)	
Sale of property, plant and equipment	1
8	
Net cash used in investing activities	(767)
(72)	
Issue of shares	380
-	
Repurchase of shares	-
(1,085)	
Bank short-term loan facility	(1,147)
1,459	
Repayment of finance lease	(3)
(3)	
Net cash (used in)/from financing activities	(770)
371	
Increase in net cash	31
133	
Reconciliation of operating profit to cash inflow/(outflow) from operating activities	

Operating profit	808
677	
Depreciation of property, plant and equipment	91
79	
Profit on disposal of property, plant and equipment	(8)
(3)	
Share option valuation charge	84
36	
(Increase) in inventories	(131)
(183)	
Decrease/(increase) in trade and other receivables	709
(944)	
Increase in trade and other payables	107
463	
(Decrease) in non-current liabilities	-
(235)	
Net cash inflow/(outflow) from operating activities	1,660
(110)	

NOTES, FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated, and in preparing an opening IFRS balance sheet at 1 September 2006 for the purpose of transition to IFRS.

Basis of preparation

The financial statements have been prepared for the first time 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 disclosures required by FRS 1 concerning the transition from UK GAAP to IFRS are given in note 2.

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.

Changes in accounting policies - first time adoption

The main change from preparing the results under IFRS rather than UK GAAP that affects the Group profit and net asset position relates to the assessment of goodwill. Under UK GAAP goodwill arising on acquisition was amortised on a straight line basis over its economic useful life. Under IFRS goodwill is recorded at deemed cost and reviewed for impairment at least annually. The effect of this change is shown in note 2. The only changes to the cash flow statement are presentational.

New standards and interpretations not applied

The following standards and interpretations to existing standards have been published but are not mandatory for the year ended 31 August 2008 and have not been applied by the Group during the year:

dates beginning	Effective (periods 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 January 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
IFRIC 12 - Service Concession Arrangements	1 January 2008
IFRIC 13 - Customer Loyalty Programmes	1 July 2008
IFRIC 14, IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2008

Exercise of significant judgements

In preparing the 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 2008. 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 net assets acquired and the fair value of the consideration. 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 annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

2. First-time adoption of International Financial Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles are given below:

	Year ended 31 August 2007		
	UK GAAP	Adjustments	IFRS
	£000	£000	£000
Revenue	9,741	-	9,741
Cost of sales	(6,277)	-	(6,277)
Gross profit	3,464	-	3,464
Administration expenses	(2,882)	95	(2,787)
Operating profit	582	95	677
Finance costs	(72)	-	(72)
Profit before taxation	510	95	605
Tax credit	15	-	15
Profit for the year	525	95	620
Consolidated Balance Sheet			
Non-current assets			
Intangible assets - goodwill	713	95	808
Property, plant and equipment	249	-	249
	962	95	1,057
Current assets			
Inventories	1,094	-	1,094
Trade and other receivables	2,432	-	2,432
Cash and cash equivalents	682	-	682
	4,208	-	4,208
Current liabilities			
Trade and other payables	(3,583)	-	(3,583)
	(3,583)	-	(3,583)
Net current assets	625	-	625
Net assets	1,587	95	1,682

Equity			
Called-up share capital	403	-	403
Share option valuation reserve	63	-	63
Profit and loss account	1,121	95	1,216
Total shareholders' equity	1,587	95	1,682

The adoption by the Group of IFRS, as set out in note 1, has, for the year to 31

August 2007 resulted in the amortisation of goodwill previously charged under UK

GAAP amounting to £95,000, being reversed in accordance with IFRS 3. There are

no other changes in the balance sheet presentation between IFRS and UK GAAP. The

Group has taken advantage of the exemption from retrospective application of IFRS 3 as permitted by IFRS 1. The only changes to the cash flow statement are

presentational.

3. Revenue and segmental information

The revenue, profit before taxation and net assets are attributable to the one

principal activity of the group, the supply and distribution of electronic components, which is based in the UK. Consequently the Group has one business and one geographical segment.

An analysis of revenue by geographical destination is given below:

	2008 £000	2007 £000
UK	9,742	8,759
North America	1,062	195
Far East, Europe and other	1,360	787
	12,164	9,741

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.

The earnings for the year are diluted by the share options that are exercisable as a result of the performance condition for the year being attained.

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

2007(restated) Weighted average	2008
	Weighted average

From the date of acquisition to 31 August 2008, Novacom Microwaves Limited contributed £1,062,000 to the Group's revenue, £48,000 to the Group's operating profit and £47,000 to its profit after taxation.

On 3 June 2008 the Company purchased the entire share capital, business, assets and liabilities of Chyman Management Services Limited and its subsidiary Contech Electronics Limited. The total consideration was £1,018,000 comprising an initial cash payment to the vendors of £510,000, legal and professional fees of £50,000, deferred consideration of £392,000, payable in three instalments, and an additional earn-out consideration of £66,000 linked to the gross margin of the subsidiary undertaking in the period to 31 July 2008.

The fair values of the assets and liabilities acquired are set out below:

	Provisional fair value and book value £000
Property, plant and equipment	30
Inventories	17
Trade and other receivables	217
Cash and cash equivalents	372
Trade and other payables	(284)
Net assets acquired	352
Goodwill	666
Consideration	1,018
Consideration paid	510
Acquisition costs	50
Deferred consideration	392
Earn-out consideration	66
	1,018

There were no differences between the provisional fair value of the assets acquired and their book values at the date of acquisition. The goodwill arising on the acquisition is included in intangible fixed assets.

In its last financial year to 31 March 2008, Chyman Management Services Limited earned revenues of £63,000 and made a profit after tax of £8,000. For the period from 1 April 2008 the company was dormant.

In its last financial year to 31 July 2007, Contech Electronics Limited earned revenues of £1,242,000 and made a profit after tax of £68,000. For the period from 1 August 2007 to 3 June 2007, the date of acquisition, the company earned revenues of £1,559,000 and made a profit after tax of £95,000.

From the date of acquisition to 31 August 2008, Contech Electronics Limited

contributed £1,360,000 to the Group's revenue, £86,000 to the Group's operating profit and £62,000 to its profit after taxation.

6. Annual Report

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

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