TECHNOLOGY GROUP PLC

Annual Report and Accounts

For the Seven Months Ended 31 March 2019

Company Registration Number: 01635609

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COMPANY INFORMATION

Directors

Jeremy J. Brade
James D. Agnew
Richard G. Hodgson

Company Secretary

Hugh F. Edmonds FCA

Registered Office

6 Stirling Park
Laker Road
Rochester
Kent
ME1 3QR

Company Registration Number

01635609

Independent Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

STRATEGIC REPORT AND OPERATIONS REVIEW

The Directors are pleased to present their Strategic Report for APC Technology Group PLC ("the Company") and its subsidiary undertakings (together "the Group") for the seven months ended 31 March 2019, together with a review of the Group's operations during the period. The Company and its subsidiaries have changed their accounting reference date from 31 August to 31 March. Accordingly, these accounts relate to the seven months ended 31 March 2019. Comparative figures are presented for the financial year ended 31 August 2018.

Principal activities

The principal activity of the Group and Company during the period was the design, specification and distribution of specialist electronic components and systems, lighting technologies and connectivity products to the defence, aerospace, industrial, real estate, logistics and healthcare sectors.

Review of the period

During the period under review, the Group made further progress in developing its strategy of concentrating on its core strengths, the design, specification and distribution of specialist electronic products, components and systems.

This strategy developed further during the seven-month period, resulting in a pro-rata increase of 20% in turnover. Gross margin as a percent of revenue declined 6% from the prior period as a result of product mix (3.5%) and one-time stock obsolescence provisions (2.5%). Administrative expenses rose £660,000 in the period (or £1,131,000 on a pro-rata basis) due to the acquisition of Aspen Electronics Limited on 26 July 2018 (late in the prior period) and Wavelength Electronics Limited in the current period, and additional bad debt provisions totalling £179,000 in the period (or £307,000 on a pro-rata basis). The Company produced an operating loss for the period of £488,000 primarily as a result of the decline in gross margin % (£723,000) and additional bad debt provisions (£179,000).

The Group has continued with the three core elements of its growth strategy:

- Increased revenue through our established and growth technologies;
- Growth by signing new proven technology partners matching our core competencies; and
- Sales growth through bolt-on acquisitions in complementary technologies, to provide additional revenue, an additional bank of existing customers and to leverage the Group central functions.

During the period, the Group made one acquisition in furtherance of this strategy.

On 22 November 2018, the Group acquired 100% of the share capital of Wavelength Electronics Limited, whose principal activity is acting as a premium distributor and representative of manufacturers of electronic components. This acquisition adds further complementary product lines to the Group offering. Further details of this acquisition are set out in Note 20 to the accounts.

Since the period-end the Group has made two further acquisitions and one disposal, in order to focus more closely on the strategy.

On 11 June 2019, the Group acquired 100% of the share capital of Euro-Tech (Export) Limited, whose principal activity is acting as a distributor and international reseller of electronic components.

Euro-Tech sources and supplies a wide range of active, passive and electromechanical components, industrial products and consumables from major global manufacturers and quality assured sources across Europe to blue chip customers around the world. Its products and services are complementary to APC's Locator business and will significantly enhance APC's capability in the sourcing of hard to find or obsolete and end of life components, products and systems.

On 22 November 2019, the Group acquired 100% of the share capital of Co-Tron Components Limited, whose principal activity is acting as representative of electronic component manufacturers. This acquisition adds further complementary product lines to the Group offering.

More details on these two acquisitions are set out in Note 23 to the financial statements.

The Board also made the decision in July 2019 to sell the Group's subsidiary EEVS Insight Limited, a company providing advisory and performance analysis services for clients undertaking energy efficiency projects, as this activity was not seen as core to the Group's business.

On 1 November 2019, a Scheme of Arrangement under Part 26 of the Companies Act 2006 became effective, whereby the entire share capital of the Company was acquired by Specialist Components Limited, a company formed for that purpose by funds controlled by Harwood Capital LLP and certain of their clients. As a result, the Company's shares were de-listed from the AIM market of the London Stock Exchange on 4 November 2019.

Review of continuing operations

The Group continues to trade as a design, specification and distribution business, comprising individual sales-led teams with specialist areas of expertise that adopt common marketing, sales and post-sale processing standards. APC predominately *designs-in and distributes high reliability, highly durable and long lifespan components and systems for critical applications.*

During the period under review the Group made one further acquisition and added further authorised manufacturer distribution relationships, in order to strengthen the technology offering and gain access to wider markets.

The Group's main businesses are described below.

High Reliability Electronic Components

APC's Hi-Rel team specialises in the design-in of high reliability, high temperature and high voltage components into projects within the defence, aerospace, space and high-end industrial sectors. Operating to AS9120B aerospace quality standards for component distribution, APC is an authorised UK distributor for market-leading global manufacturers. Its engineer-led, technical sales team secures the design-in of electronic components within a finished system, aircraft or vehicle, often resulting in long-term recurring revenue from continued production.

RF and Microwave Components

For more than 30 years APC's RF and microwave division has been providing UK customers with RF and microwave components from the world's leading global manufacturers. The acquisition of Aspen Electronics Limited in July 2018 strengthened this activity in the military, telecoms, wireless and broadband markets. This acquisition included Aspen's Test and Measurement business (now APC Test), which since 1974 has been providing precision test and measurement equipment and power products to customers within the aerospace, alternative power, automotive, broadcast, defence, education, health and safety, research and development, medical and semiconductor industry sectors.

Component Sourcing Solutions

APC's component buyers and engineers support customers by sourcing obsolete or hard-to-find components and providing component level testing and processes. Leveraging its network of authorised open market sources for components, APC Locator delivers quick turn business within APC's client base, providing components from multiple high profile global manufacturers in addition to APC's portfolio of authorised distribution product lines. Since the period-end this activity has been augmented by the acquisition of Euro-Tech (Export) Limited.

Smartwave

This activity encompasses several revenue lines, as follows:

Time and Frequency Synchronisation

APC Time provides systems to synchronise time and frequency across critical IT networks within financial trading institutions, broadcast, telecoms, power and data centres. As the UK and Ireland representative for one of the top three global timing system manufacturers, APC Time has experienced strong growth since 2016, driven by technology changes and compliance requirements in key markets. APC Time has continued its expansion, both through a focus on the growth markets of finance and broadcast and the signing of proven, complementary switching and antenna technology partners, enabling them to provide customers with a more complete solution.

Lighting Technologies

APC's lighting team delivers project-based lighting solutions, from lighting design and product specification through to supply, installation and lighting commissioning. APC Lighting predominately operates through preferred supplier agreements with property and facilities management (FM) companies that manage property portfolios including commercial real estate, education, public sector, retail and leisure.

Sensors and Connectivity

As part of APC's property technologies offering, APC Smartwave specialises in providing the property and facilities management sector with the sensors, controls and technologies to create connected workspaces, improve employee wellbeing and drive cost savings through energy management and predictive maintenance.

Embedded Computing and Displays

APC is a Premier Channel Partner for the number one global manufacturer of embedded computer boards, industrial PCs and displays used in applications within defence, oil and gas, medical, transport, kiosks and industrial machinery. In addition, APC has a range of complementary embedded and asset tracking products and components.

Intangible assets

During the period, the Group's goodwill increased by £964,000 as a result of the acquisition of Wavelength Electronics Limited and adjustments in the goodwill relating to the previous year's acquisitions of First Byte Micro Limited and Aspen Electronics Limited, as set out in Note 10 to the financial statements. The Board has considered the carrying value of goodwill at 31 March 2019 of £10,120,000, including that related to acquisitions in prior periods, and has concluded that the carrying value is expected to be fully recoverable.

Capital expenditure

The Group's capital expenditure in the period amounted to £12,000, compared with £5,000 in 2019.

Business model, risks and uncertainties

The Group's business model is focused on its historic strength in the design, specification and distribution of specialist electronic components and systems in markets with growth opportunities. The emphasis is on cash-generative profitability from contracts with blue-chip and other stable businesses. The Board believes that this model optimises the Group's ability to withstand the risks and uncertainties facing its business; nevertheless, the Directors recognise that risk is inherent in any business and seek to manage risk in a controlled manner. The key business risks are set out below, together with the Group's policies to mitigate those risks.

Economic: The Group is subject to many of the same general economic risks faced by other businesses and especially so during periods of slow growth, as experienced in recent years. The Group seeks to mitigate this risk by concentrating on defence, aerospace, industrial, logistics and healthcare sectors, which have historically been less susceptible to short-term economic fluctuations.

Commercial: The Group operates in a competitive marketplace and faces competition from a number of other companies. This risk is managed by giving primary focus to products where the Group is the sole UK distributor and where the specific designs are registered with the product manufacturer so that the Group is sole sourced for that particular application.

Supply chain: The Group represents and distributes a range of products from a number of different suppliers and a significant proportion of the Group's business is long-term and repeat business. To be able to deliver continuous supply to customers the Group is dependent on continuity of supply over the long term. To manage this risk, the Group has established close working relationships with its key suppliers and diversified the range of products offered to the market.

Financing: During the year the Group's funding requirements were met through short-term invoice discounting facilities and a supplier payment facility, supplemented by share subscriptions. The Board meets regularly with all its funders to ensure a good working relationship. The ABN invoice discounting facilities were renewed in May 2017 and are continuing, with no contractual end date, and the acquired companies' trade debtors have been included within that facility. The share issue during the period strengthened the balance sheet. Further, as disclosed in Note 24, the Group's ultimate parent company, Harwood Capital LLP, injected a £2.2 million shareholder loan subsequent to their acquisition of the Group to fund acquisition costs, acquisitions, and provide additional working capital.

Financial: The Group has a specific exposure to credit risk, interest rate and exchange rate fluctuations, the latter exacerbated by the UK's planned exit from the European Union. There is a natural hedge between buying and selling currencies for most of the Group's business units, the main exception being UK sales of APC Lighting products The Group has established a number of policies to mitigate the risks presented, further details of which are presented in Note 19 to the financial statements.

Europe: Depending on the outcome of the Brexit negotiations, the departure of the United Kingdom from the European Union may present trading and financial risks to the Group. The Board has created a Group-wide working party to review the potential risks and uncertainties on an ongoing basis. It continues to believe that APC's experience in trading and logistics represents a potential opportunity for the Group to add to its portfolio of foreign companies for whom it acts as UK distributor.

COVID-19: At the time of this report, the United Kingdom and many other countries in which the Group conducts business are experiencing significant economic disruption due to the COVID-19 virus. This disruption has moderately impacted the Group's ability to operate, suppliers and customers, resulting in reduced profitability.

On announcement of the lockdown by the UK government in late March 2020, all staff, other than warehouse operations, were shifted to working from home to the extent possible. Warehouse operations remained open while strictly adhering to government guidelines for safe working in order to maintain receiving and shipping. Close to 30% of the Group's workforce was placed on furlough in April 2020, assisted by the UK Coronavirus Job Retention Scheme, and remain on furlough or have been made redundant at the time of this report.

In order to support the business through this period, the Company secured a £1.5 million loan under the UK Coronavirus Business Interruption Loan Scheme in April 2020, as further discussed in Note 23.

As a result of COVID-19, revenue for the quarter ended 30 June 2020 is down 15.7% compared to the previous quarter ended 31 March 2020, however profitability has been maintained throughout the period due to strict cost control.

Key performance indicators

The Directors set a budget for the year that is reviewed against the management accounts on a monthly basis. In addition, the Directors review a number of key performance indicators to assess the performance of the Group and assist in decision making. The principal indicators monitored are set out below.

	Seven Months Ended 31 March 2019	Year ended 31 August 2018
Gross margin to sales	**27.0%**	33.1%
Overheads to sales	**30.6%**	26.7%
Pre-tax (loss)/profit from operations to sales	**(5.9%)**	4.0%

In addition to measures of the profitability of the business, the Board measures working capital efficiency to ensure that the funds invested in the business are effectively managed and ensure that the business has sufficient liquidity to meet its near-term obligations. The key performance indicators used to monitor working capital performance are:

Inventory turns (annualised)	**16.5 times**	12.1 times
Trade receivables days	**51 days**	69 days
Trade payables days	**40 days**	51 days

Outlook

The Group continues to pursue its three main growth strategies:

- growth through increased bookings and billings from its existing and high growth technologies;
- growth through the signing of new complementary product lines; and
- growth through targeted bolt-on acquisitions.

Since the end of the period under review, the Group has continued to make good progress, adding two further acquisitions and increasing its operating profitability. Looking further ahead, the Board continues to monitor the potential effects of the current negotiations for the end of the Brexit transition period. While COVID-19 has caused considerable disruption to the Group and its operations, suppliers, and customers, support schemes provided by the UK government related to furlough of employees, deferral of statutory tax obligations, and loan guarantees have provided sufficient economic support to allow the Group to continue to operate. Proactive cost reduction and business reorganisation further contributed to the Group's ability to maintain core operations throughout the lockdown period. As outlined in the Report of the Directors on page 6, the Group is confident in its ability to continue to operate as a going concern.

Richard G. Hodgson
Director

5 August 2020

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of APC Technology Group PLC ("the Company") and its subsidiary undertakings (together "the Group") for the seven months ended 31 March 2019.

Principal activities

The principal activity of the Group and Company in the period under review was the design, specification and distribution of specialist electronic components and systems, lighting technologies and connectivity products.

Results for the year and dividend

The Group's result on ordinary activities after taxation was a loss of £901,000 (2018: £633,000 profit) and is dealt with as shown in the consolidated statement of income on page 13.

No interim dividend was paid and it is proposed that no final dividend will be paid this year (2018: £nil).

Directors

The names of the Directors who served during the period are set out below:

Anthony F. Lochery
Richard G. Hodgson
Phillip J. Lancaster
Michael P. Thompson (resigned 8 March 2019).

Since the period-end there have been the following changes to the composition of the Board:

Jeremy J. Brade and James D. Agnew were appointed on 1 November 2019.
Phillip J. Lancaster resigned on 17 February 2020 and Anthony F. Lochery resigned on 29 February 2020.

Directors' interests

Details of share options held by the Directors over the Ordinary Shares of the Company are set out in Note 7.

Employment policies

The Directors recognise the important role played by the Group's employees in its past success and future development and are committed to providing an environment which will attract, motivate and reward high quality employees. Financial participation in the Group's growth and success has been encouraged by means of the share option schemes and Long Term Incentive Plan, as set out in Note 17.

It is the policy of the Directors to encourage the employment and training of disabled people wherever appropriate and to evaluate all employees on the basis of merit.

Policy and practice on payment of creditors

Whilst the Group does not have a formal payment code, the Group agrees payment terms with its suppliers when it enters into binding purchase contracts. It is the Group's policy to adhere to the payment terms agreed with its suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The ratio between the amounts invoiced to the Group by its suppliers during the period ended 31 March 2019 and the amounts owed to its trade creditors at the period-end was 40 days (2018: 51 days).

Post balance sheet events

A review of material post balance sheet events are disclosed in Note 23.

Going concern

The financial statements have been prepared on a going concern basis, as the Directors believe the Group will be able to meet its liabilities as they fall due.

For the seven months ended 31 March 2019, cash inflow from operating activities was £406,000, a significant improvement on the outflow of £288,000 in the previous period. A focused effort during the period on debtor collections, with trade receivable days decreasing to 51 days in the current period from 69 days in the previous period, contributed to an improvement in cash flow from operations. While cash and cash equivalents declined from £777,000 at 31 August 2018 to £236,000 at 31 March 2019, this is primarily a result of debt reduction, with £726,000 being directed to debt repayment during the period. As a result, net debt at 31 March 2019 declined to £2,853,000 from £3,043,000 at 31 August 2018. As reflected by the key performance indicators outlined on page 5, the Group also reduced trade payables days outstanding during the period, declining from 51 days at 31 August 2018 to 40 days at 31 March 2019, creating further headroom and resiliency in supplier credit.

The Directors have examined going concern against both actual results to 30 June 2020 and a detailed profit, working capital, and cash flow forecast to 31 July 2021.

Unaudited financial results to 31 March 2020 reflect positive cash flow from operating activities and cash at the end of the year of £368,000, up from £236,000 at 31 March 2019. Net debt, excluding the shareholder loan noted below, increased slightly to £3,083,000 as a result of additional debtor invoice financing due to growth in trade receivables arising from increased sales. As disclosed in Note 23, £2,041,000 was expended on acquisitions in the year ended 31 March 2020, which was offset by a shareholder loan of £2,164,000 from the Group's ultimate parent company, Specialist Components Limited, which is without interest and has no fixed terms of repayment.

The forecast to 31 July 2021, was prepared based on an extension of the budget for the year ended 31 March 2021 approved by the Directors in April 2020. This budget was prepared based on detailed operational inputs and revenue forecasts which reflected conservative assumptions with respect to the impact of COVID-19. As disclosed in Note 23, the Group obtained a £1,500,000 five-year loan under the UK government's Coronavirus Business Interruption Loan Scheme in April 2020 which is reflected in the budget. Even with this additional debt, the budget and forecast reflect a decrease in net debt to £3,020,000 by 31 July 2021 and cash increasing to £969,000.

The Group also stress tested the revenue forecast from July 2020 to assess the Group's ability to withstand a prolonged period of reduced revenue, representing a 33% average reduction from the forecast. As a result of this exercise, the Group implemented extended cost reduction measures to reduce administrative costs by £900,000 annually from July 2020 which are not reflected in the budget and forecast, to ensure the business is able to manage a sustained downturn in business arising from COVID-19 should that occur or be more pronounced than budgeted.

Based on the foregoing, the Directors believe that the Company is well placed to manage its business risk successfully, despite the current economic uncertainty arising from COVID-19. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and have accordingly continued to adopt the going concern basis in preparing the financial statements for the seven months ended 31 March 2019.

Research and development

During the period under review, the Group further developed the technologies utilised across its range of products and services. The Board reviewed its research and development expenditure and concluded that it was not appropriate to capitalise any such expenditure.

Donations

During the period £2,535 (2018: £1,886) was donated to charities. There were no political donations.

Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company has prepared a Strategic Report and Operations Review, as presented on page 2, which includes information on financial risk management and outlook for the business that would otherwise have been included in the Directors' Report.

Auditor

RSM UK Audit LLP has indicated its willingness to continue as auditor.

As far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware. The Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information, and to establish that the Group's auditor is aware of that information.

By Order of the Board

Hugh F. Edmonds
Secretary
5 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.
In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the APC Technology Group PLC website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF APC TECHNOLOGY GROUP PLC

Opinion

We have audited the financial statements of APC Technology Group plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2019 which comprise the consolidated statement of income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

With respect to stock having a carrying amount of £925,000 the audit evidence available to us was limited because we did not observe the counting of physical stock as at 31 March 2019. Owing to the nature of the group's records and the time that has passed since the reporting date, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures. Consequently, we were unable to determine whether any adjustments to stock were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Summary of our audit approach

Key audit matters	**Group** • Goodwill impairment **Parent Company** • Impairment of investment in subsidiaries
Materiality	**Group** • Overall materiality: £107,000 • Performance materiality: £80,900 **Parent Company** • Overall materiality: £90,400 • Performance materiality: £67,800
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Goodwill impairment

Key audit matter description	*Refer to page 22 (Accounting policies – Intangible assets), page 25 (Critical accounting estimates and judgements) and pages 26-29 (note 10 to the financial statements – Intangible assets).* The Group has goodwill totalling £10,120,000 as at 31 March 2019. Management judgement is required in making assumptions about future profitability growth rates and in using an appropriate discount rate when assessing the carrying value of the goodwill. Management have undertaken an impairment review based on the current anticipated performance of each cash-generating unit.
How the matter was addressed in the audit	We have audited the discounted cash flow forecasts prepared by management for each cash generating unit and challenged the assumptions therein. We have considered management's conclusion that no impairment is required to the carrying value of goodwill as at 31 March 2019. We have also reviewed the disclosures within the accounting policies and note 9.

Impairment of investment in subsidiaries (parent entity)

Key audit matter description	*Refer to page 24 (Accounting policies – Financial instruments), page 25 (Critical accounting estimates and judgements) and page 30 (note 12 to the financial statements – Investment in subsidiary undertakings).* The Parent Company has investments in subsidiaries totalling £11,147,000 as at 31 March 2019. Management judgement is required in assessing the carrying value of the investment. Management have undertaken an impairment review based on the current anticipated performance of each cash-generating unit.
How the matter was addressed in the audit	We have audited the discounted cash flow forecasts prepared by management for each cash generating unit and challenged the assumptions therein. We have considered management's conclusion that no impairment is required to the carrying value of investment in subsidiaries as at 31 March 2019. We have also reviewed the disclosures within the accounting policies and note 12.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£107,000	£90,400
Basis for determining overall materiality	6.3% of annualised loss before tax	7.6% of annualised loss before tax
Rationale for benchmark applied	Trading group	Trading company
Performance materiality	£80,900	£67,800
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £5,390 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £4,520 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 7 active components, all of which are based in the UK. The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	3	93%	92%	85%
Analytical procedures	4	7%	8%	15%
Total	7	100%	100%	100%

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

In respect solely to the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

PAUL WATTS (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

5 August 2020

CONSOLIDATED STATEMENT OF INCOME

For the seven months ended 31 March 2019

	Note	**Seven months ended 31 March 2019 £000**	Year ended 31 August2018 £000
Revenue from contracts with customers	3	**12,057**	17,149
Cost of sales		**(8,802)**	(11,468)
		3,255	5,681
Administrative expenses		**(3,721)**	(4,528)
Depreciation of property, plant and equipment		**(22)**	(43)
Share based payments		**-**	(32)
Operating (loss)/profit	4	**(488)**	1,078
Restructuring costs	5	**(209)**	(128)
Finance expense	6	**(283)**	(395)
(Loss)/profit before taxation		**(980)**	555
Income tax	8	**79**	78
(Loss)/profit for the period attributable to the equity holders of the parent		**(901)**	633
Earnings per share attributable to the equity holders of the parent			
Basic	9	**(0.5p)**	0.5p

There were no other items of comprehensive income. Accordingly, no consolidated statement of comprehensive income has been prepared.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	31 March 2019 £000	31 August2018 £000
Non-current assets			
Intangible assets	10	**10,120**	9,126
Property, plant and equipment	11	**252**	564
		10,372	9,690
Current assets			
Inventories	13	**925**	1,330
Trade and other receivables	14	**3,596**	4,133
Current tax asset		-	73
Cash and cash equivalents	19	**236**	777
		4,757	6,313
Total assets		**15,129**	16,003
Current liabilities			
Trade and other payables	15	**5,070**	4,375
Borrowings	16	**3,089**	3,820
		8,159	8,195
Total assets less current liabilities		**6,970**	7,808
Non-current liabilities			
Deferred tax		-	110
Net assets		**6,970**	7,698
Equity attributable to the equity holders of the parent			
Called-up share capital	17	**3,652**	3,597
Share premium account		**15,008**	14,890
Share option reserve		**226**	308
Merger reserve		**4,987**	4,987
Retained earnings		**(16,903)**	(16,084)
Total equity		**6,970**	7,698

The financial statements on pages 13 to 41 were approved and authorised for issue by the Board of Directors on 5 August 2020 and were signed on its behalf by:

Richard Hodgson

Richard G. Hodgson
Director

APC Technology Group PLC
Registered No: 01635609

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	**31 March 2019** £000	31 August 2018 £000
Non-current assets			
Intangible assets	10	**2,583**	2,583
Property, plant and equipment	11	**10**	7
Investment in subsidiaries	12	**11,147**	10,290
		13,740	12,880
Current assets			
Inventories	13	**322**	330
Trade and other receivables	14	**4,573**	4,479
Cash and cash equivalents	19	**60**	357
		4,955	5,166
Total assets		**18,695**	18,046
Current liabilities			
Trade and other payables	15	**6,147**	4,659
Borrowings	16	**2,991**	3,348
		9,138	8,007
Total assets less current liabilities		**9,557**	10,039
Non-current liabilities		**-**	-
Net assets		**9,557**	10,039
Equity attributable to equity holders of the Company			
Called-up share capital	17	**3,652**	3,597
Share premium account		**15,008**	14,890
Share option reserve		**257**	339
Merger reserve		**4,987**	4,987
Retained earnings		**(14,347)**	(13,774)
Total equity		**9,557**	10,039

The Company's loss for the financial period was £655,000 (2018: profit £334,000).

The financial statements on pages 13 to 41 were approved and authorised for issue by the Board of Directors on 5 August 2020 and were signed on its behalf by:

Richard Hodgson

Richard G. Hodgson
Director

APC Technology Group PLC
Registered No: 01635609

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the seven months ended 31 March 2019

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Merger reserve £000	Retained earnings £000	**Total £000**
At 31 August 2017	2,698	13,232	297	4,635	(16,738)	4,124
Profit for the year	-	-	-	-	633	633
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	633	633
Transactions with equity holders of the parent						
Issue of new shares	899	1,784	-	352	-	3,035
Costs associated with share issue	-	(126)	-	-	-	(126)
Share option charge	-	-	11	-	21	32
	899	1,658	11	352	21	2,941
At 31 August 2018	**3,597**	**14,890**	**308**	**4,987**	**(16,084)**	**7,698**
Loss for the period	-	-	-	-	(901)	(901)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(901)	(901)
Transactions with equity holders of the parent						
Issue of new shares	*55*	*118*	*(82)*	-	*82*	*173*
Costs associated with share issue	-	-	-	-	-	-
Share option charge	-	-	-	-	-	-
	55	118	(82)	-	82	173
At 31 March 2019	**3,652**	**15,008**	**226**	**4,987**	**(16,903)**	**6,970**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the seven months ended 31 March 2019

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Merger reserve £000	Retained earnings £000	**Total £000**
At 31 August 2017	2,698	13,232	328	4,635	(14,128)	6,765
Profit for the year	-	-	-	-	334	334
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	334	334
Transactions with equity holders of the parent						
Issue of new shares	899	1,784	-	352	-	3,035
Costs associated with share issue	-	(126)	-	-	-	(126)
Share option charge	-	-	11	-	20	31
	899	1,658	11	352	20	2,940
At 31 August 2018	**3,597**	**14,890**	**339**	**4,987**	**(13,774)**	**10,039**
Loss for the period	-	-	-	-	(655)	(655)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(655)	(655)
Transactions with equity holders of the parent						
Issue of new shares	55	118	(82)	-	82	173
Costs associated with share issue	-	-	-	-	-	-
Share option charge	-	-	-	-	-	-
	55	118	(82)	-	82	173
At 31 March 2019	**3,652**	**15,008**	**257**	**4,987**	**(14,347)**	**9,557**

Notes to the Consolidated and Company statements of changes in equity

Share capital and premium

When shares are issued, the nominal value of the shares is credited to the share capital reserve. Any premium paid above the nominal value is taken to the share premium reserve. APC Technology Group PLC shares have a nominal value of 2p per share.

Share option valuation reserve

The share option valuation reserve arises as the expense of issuing share-based payments is recognised over time. The reserve will fall as share options vest and are exercised, and the impact of the subsequent dilution of earnings crystallises, but the reserve may equally rise or see any reduction offset, as new potentially dilutive share options are issued.

Merger reserve

The merger reserve arises where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.

Retained earnings

The retained earnings reserve records the accumulated profits and losses of the Group since inception of the business. Where subsidiary undertakings are acquired, only profits arising from the date of acquisition are included. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the seven months ended 31 March 2019

	Note	**Group Seven months ended 31 March 2019 £000**	Group Year ended 31 August 2018 £000	**Company Seven months ended 31 March 2019 £000**	Company Year ended 31 August 2018 £000
Cash flows from operating activities					
(Loss)/profit after tax for the period		**(901)**	554	**(655)**	335
Finance expense		**285**	395	**223**	332
Finance income		**(2)**	-	**(1)**	-
Taxation		**(79)**	111	**-**	-
Depreciation of property, plant and equipment		**22**	43	**2**	7
Decrease/(increase) in inventories		**324**	(76)	**8**	(10)
Decrease/(increase) in trade and other receivables		**661**	(136)	**(94)**	(1,228)
Increase/(decrease) in trade and other payables		**96**	(1,211)	**726**	(283)
Share-based payments charge		**-**	32	**-**	31
Net cash from operating activities		**406**	(288)	**209**	(816)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(12)**	(5)	**(5)**	(5)
Acquisition of subsidiary undertakings; net of cash acquired	20	**(94)**	(1,971)	**(94)**	(1,996)
Sale of other investment		**-**	307		307
Net cash from investing activities		**(106)**	(1,669)	**(99)**	(1,694)
Cash flows from financing activities					
Finance expense		**(283)**	(395)	**(222)**	(332)
Proceeds of share issue (net of associated costs)		**173**	2,409	**173**	2,409
Finance leases		**-**	(4)	**-**	-
(Decrease) /increase in short-term borrowings		**(276)**	447	**97**	586
Repayment of loan notes		**(455)**	(100)	**(455)**	(100)
Net cash used in financing activities		**(841)**	2,357	**(407)**	2,563
(Decrease)/increase in net cash		**(541)**	400	**(297)**	53
Cash and cash equivalents as at beginning of period	19	**777**	377	**357**	304
Cash and cash equivalents as at end of period	19	**236**	777	**60**	357

NOTES TO THE FINANICAL STATEMENTS

For the seven months ended 31 March 2019

1. Reporting entity

APC Technology Group PLC (the "Company") is a public company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 (registration number 01635609). The Company's principal activity is the design, specification, and distribution of specialist electronic components and systems.

The Company is domiciled in the United Kingdom and its registered address is 6 Stirling Park, Laker Road, Rochester, Kent ME1 3QR. As at 31 March 2019, the Company's Ordinary Shares were traded on the Alternative Investment Market ("AIM") of the London Stock Exchange, but they were de-listed from AIM on 4 November 2019 following the acquisition of the Company by Specialist Components Limited, as described in Note 23 to the financial statements.

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The ultimate parent company into which these results are consolidated is Specialist Components Limited.

2. Significant 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.

2.1 Basis of preparation

In February 2020, following the acquisition of the Company by Specialist Components Limited, the Board of Directors adopted a resolution to change the Company's fiscal year end from 31 August to 31 March, commencing 31 March 2019. Accordingly, these financial statements are for the seven months ended 31 March 2019 and as a result information presented for the prior period may not be directly comparable.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention and are presented in UK sterling, which is the Company's functional currency. All financial information presented in UK sterling has been rounded to the nearest thousand unless otherwise stated.

A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408(3) of the Companies Act 2006. The parent company incurred a loss after tax of £655,000 (2018: £334,000)).

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.

The financial statements have been prepared on a going concern basis, as management believes the Group will be able to meet its liabilities as they fall due.

For the seven months ended 31 March 2019, cash inflow from operating activities was £406,000, a significant improvement on the outflow of £288,000 in the previous period. A focused effort during the period on debtor collections, with trade receivable days decreasing to 51 days in the current period from 69 days in the previous period, contributed to an improvement in cash flow from operations. While cash and cash equivalents declined from £777,000 at 31 August 2018 to £236,000 at 31 March 2019, this is primarily a result of debt reduction, with £726,000 being directed to debt repayment during the period. As a result, net debt at 31 March 2019 declined to £2,853,000 from £3,043,000 at 31 August 2018. The Group also reduced trade payables days outstanding during the period, declining from 51 days at 31 August 2018 to 40 days at 31 March 2019, creating further headroom and resiliency in supplier credit.

Management has examined going concern against both actual results to 30 June 2020 and a detailed profit, working capital, and cash flow forecast to 31 July 2021.

Unaudited financial results to 31 March 2020 reflect positive cash flow from operating activities and cash at the end of the year of £368,000, up from £236,000 at 31 March 2019. Net debt, excluding the shareholder loan noted below, increased slightly to £3,083,000 as a result of additional debtor invoice financing due to growth in trade receivables arising from increased sales. As disclosed in Note 23, £2,041,000 was expended on acquisitions in the year ended 31 March 2020, which was offset by a shareholder loan of £2,164,000 from the Group's ultimate parent company, Specialist Components Limited, which is without interest and has no fixed terms of repayment.

The forecast to 31 July 2021, was prepared based on an extension of the budget for the year ended 31 March 2021 approved by the Directors in April 2020. This budget was prepared based on detailed operational inputs and revenue forecasts which reflected conservative assumptions with respect to the impact of COVID-19. As disclosed in Note 23, the Group obtained a £1,500,000 five-year loan under the UK government's Coronavirus Business Interruption Loan Scheme in April 2020 which is reflected in the budget. Even with this additional debt, the budget and forecast reflect a decrease in net debt to £3,020,000 by 31 July 2021 and cash increasing to £969 ,000.

The Group also stress tested the revenue forecast from July 2020 to assess the Group's ability to withstand a prolonged period of reduced revenue, representing a 33% average reduction from the forecast. As a result of this exercise, the Group implemented extended cost reduction measures to reduce administrative costs by £900,000 annually from July 2020 which are not reflected in the budget and forecast, to ensure the business is able to manage a sustained downturn in business arising from COVID-19 should that occur or be more pronounced than budgeted.

Based on the foregoing, the Directors believe that the Company is well placed to manage its business risk successfully, despite the current economic uncertainty arising from COVID-19. Management therefore have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and have accordingly continued to adopt the going concern basis in preparing the financial statements for the seven months ended 31 March 2019.

2.2 Basis of consolidation

The consolidated statement of income and statement of financial position include the accounts of the Company and all its subsidiaries made up to 31 March 2019. The results of subsidiaries acquired are included in the consolidated statement of income from the date control passes. Intra-group revenues and profits are eliminated fully on consolidation.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

2.3 New standards, amendments, and interpretation

During the current period, the Group adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 September 2018.

The adoption of IFRS 9 resulted in no material impact on the financial statements other than terminology and disclosure consistent with the new standard. The change in methodology for valuation of trade and other receivables, from incurred losses to expected losses, did not result in a material change as credit losses are minimal.

During the period, the Group also adopted the provisions of IFRS 15- 'Revenue from Contracts with Customers' on a modified retrospective basis. There was no material impact on the financial statements on adoption of IFRS 15 other than terminology and disclosure consistent with the new standard.

At the date of approval of these financial statements the following Standards and Interpretations relevant to the Group were in issue but not yet effective and therefore have not been applied in these financial statements:

- IFRS 16: 'Leases' – effective for annual periods on or after 1 January 2019;
- IFRIC 23: 'Uncertainty over Income Tax Treatments' – effective for annual periods on or after 1 January 2019; and,
- Annual Improvements 2015-2018 Cycle – effective for annual periods on or after 1 January 2019.

The Group is assessing the impact on the financial statements of these adoptions. There were no other Standards or Interpretations, which were in issue but not yet effective at the date of authorisation of these financial statements, that the Directors anticipate will have a material impact on the financial statements of the Group.

2.4 Revenue from contracts with customers

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of discounts, value-added tax, other sales related taxes, and after the elimination of sales within the Group.

Revenue comprises sale of goods, product installation, and commission income.

The Group adopted IFRS 15 – 'Revenue from Contracts with Customers' with effect from 1 September 2018.

The Group has a number of different revenue streams and the key components in determining the recognition of revenue are as follows.

Revenue from sale of goods is recognised when the goods are dispatched and the risks and rewards of ownership have been transferred to the customer, there is no continuing performance obligation, and the amount of revenue can be reliability measured. The Group's sales order constitutes the contract with the customer and identifies the goods to be provided, the agreed price for each item, the delivery/shipping obligations, and any other performance conditions.

For product installation revenue, a contract with the customer identifies the specific performance obligation and that the Group becomes entitled to consideration as services are provided thereunder. The performance obligation of completing the installation is satisfied over time and accordingly, revenue is recognised on a percentage completion basis using an input method.

Consulting services are provided subject to a contract which identifies the specific performance obligations and the agreed price for those services. No revenue is recognised until the performance obligation is satisfied.

Warranties are of short duration and only cover defective workmanship and defective materials. No additional services are committed to which generate a performance obligation.

No adjustment is made for the effects of financing, as the Group expects, at contract inception, that the period between when the good and services are transferred to the customer and when the customer pays, will be one year or less.

If the revenue recognised for goods and services rendered by the Company exceeds amounts that the Company is entitled to bill the customer, a contract asset is recognised. If amounts billed exceed the revenue recognised for good and services renders, a contract liability is recognised.

Incremental costs of obtaining a contract are expensed as incurred.

2.5 Intangible assets

Intangible assets are comprised entirely of goodwill arising on business combinations. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

For business combinations completed prior to 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date are treated as an adjustment to cost and, in consequence, result in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Goodwill is reviewed annually for impairment. 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 statement of comprehensive income and is not subsequently reversed.

2.6 Research and development

In accordance with IAS 38 'Intangible Assets', expenditure incurred on research and development, is distinguished as relating to a research phase or to a development phase. All research phase expenditure is charged to the statement of income. Development expenditure is capitalised as an internally generated intangible asset only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits. Expenditure that cannot be classified into these two categories is treated as being incurred in the research phase.

Expenditure capitalised is amortised over its useful economic life, up to a maximum of 15 years from entry into service of the product. Amortisation is included within administrative expenses in the consolidated statement of income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and the costs directly attributable to bring the asset into use.

Impairment reviews of fixed assets are undertaken if there are indications that the asset's recoverable amount may be less than the carrying values.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Short leaseholds	Over the remaining period of the lease – straight line
Plant and machinery	Straight line between 3 and 5 years
Fixtures, fittings, tools and equipment	Straight line between 3 and 5 years
Motor vehicles	Straight line between 3 and 5 years

2.8 Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow- moving items, on a first in first out basis.

2.9 Taxation

The taxation expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on taxable profits or losses for the period and is calculated using enacted tax rates.

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group has chosen not to adopt a policy of discounting the deferred tax provision. Deferred tax assets are recognised only to the extent that the Directors consider it more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

2.10 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transactions. Exchange gains and losses arising are charged to the Consolidated Statement of Income within finance income or expense.

2.11 Leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The remaining future rental obligations, net of finance charges, are included in finance lease liabilities in current or non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.12 Pension

The Group operates a stakeholder defined contribution scheme for staff and also contributes to personal pension schemes of other staff. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are charged to the statement of comprehensive income when they fall due for payment or when the employee provides the services giving rise to the pension contribution.

2.13 Financial instruments

Financial assets and liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contracted provision of the instrument. The following policies for financial instruments have been applied in the preparation of the consolidated financial statements.

As disclosed in note 2.3, the Group adopted the provisions of IFRS 9 from 1 September 2018 and classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets re classified as at a amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect contractual cash flows: and
- the contractual terms give rise to cash flows that are solely payments of the principal and interest.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to see the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Cash and cash equivalents
For the purpose of preparation of the Consolidated Statement of Cash Flow, cash and cash equivalents includes cash at bank and in hand.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for the expected future issue of credit notes and for non-recoverability due to credit risk. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets. To measure expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics. In the year ended 31 August 2018, the impairment was based on the insured loss model.

With respect to amounts owed to the Company by subsidiary companies, expected recoverability Is assessed in relation to the current and anticipated performance of each subsidiary based on discounted cash flow consistent with the impairment review of goodwill disclosed in Note 10.

Trade and other payables
Trade and other payables are non-interest bearing and are stated at amortised cost using the effective interest method.

Borrowings
Borrowings are recorded at the proceeds received. Direct issue costs paid on the establish of borrowing facilities are recognised over the term of the loan on a straight-line basis. The initial payment is taken to the Statement of Financial Position and then amortised over the full-length of the facility.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.14 Share options

The Group issues equity-settled share-based payments to certain employees in the form of share options over shares in the parent company. Equity-settled share-based payments are measured at fair value at the date of the grant, calculated using an independent valuation model, taking into account the terms and conditions upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with the corresponding credit to equity.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in Note 9).

2.15 Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of revenue and profits during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Revenue from contracts with customers – as disclosed in Note 2.4, the Group concluded that revenue from installation projects is recognised over time as the customer simultaneously receives and consumes the benefits provided. The Group determined that the percentage completion basis is the best method in measuring progress because there is a direct relationship between the Group's effort and the transfer of services to the customer. The judgement used to apply the percentage completion basis affects the amount and timing of revenue from contracts.

- Intangible assets - recognition and measurement of intangibles acquired in business combinations has been considered by the Directors and, due to the nature of the industry and customer relationships, the Directors have concluded that based on the provisional assessment there are no material intangible assets that can be recognised separately from goodwill.

- Goodwill has been tested for impairment by comparing the amount of goodwill against a multiple of forecast profit and/or revenue expected to be generated in the future by the appropriate cash-generating unit. The basis of review of the carrying value of goodwill is detailed in Note 10. Management do not consider that any reasonably foreseeable changes in the key assumptions would result in an impairment of the goodwill allocated.

- the recoverability of investment in subsidiaries, associated and other financial assets has been tested for impairment by comparing the cost of the asset against a multiple of forecast profit and/or revenue expected to be generated in the future by the appropriate cash-generating unit, and discounted at a rate of 10.2%.

3. Revenue and segmental information

The Group determines and presents operating segments based on the information that provided internally to the Company's Chief Executive, who is the chief operating decision maker within the Group.

The Company has determined that it has only a single reportable segment, being the design, specification and distribution of specialist electronic components and systems.

The Group had no customer representing over 10% of revenue (2018: one).

	Seven months ended 31 March 2019	Year ended 31 August 2018
Revenue by product and service	**£000**	£000
Electronic components	**10,230**	12,603
LED lighting supply and installation	**1,280**	3,765
Consulting services	**547**	781
	12,057	17,149

Revenue by geographic location	**£000**	£000
United Kingdom	**11,674**	16,685
North America	**196**	140
Europe and Asia	**187**	324
	12,057	17,149

4. Operating profit

The operating profit is stated after charging/(crediting):

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
Operating leases - land and buildings	**78**	181
Operating leases – plant and machinery	**4**	-
Operating leases – motor vehicles	**47**	154
Depreciation - owned assets	**22**	40
Depreciation of assets held under hire purchase agreements	**-**	3
Loss/(profit) on foreign exchange	**25**	(36)
Auditors' remuneration - audit of parent company and consolidated accounts	**45**	64
Auditors' remuneration - audit of subsidiary companies	**19**	30
Directors' emoluments	**383**	514
Share based payments	**-**	32

5. Restructuring costs

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
Corporate re-organisation -compromise agreements and redundancy costs	**187**	37
Corporate re-organisation – professional fees	**22**	91
	209	128

Restructuring costs by nature are one-time occurrences and therefore do not represent normal trading activities of the business. These costs are disclosed separately in order to draw them to the attention of the reader of the financial statements and to enable comparability in future periods.

6. Finance expense

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
Interest payable	**114**	265
Other finance costs	**171**	130
	285	395

7. Employee information

	Group	Group	**Company**	Company
	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000	**Seven months ended 31 March 2019 £000**	Year ended 31 August 2018 £000
Wages and salaries	**2,439**	3,005	**1,212**	1,845
Social security costs	**265**	342	**138**	206
Private health costs	**21**	32	**17**	28
Defined contribution pension costs	**76**	110	**48**	84
Share option charge	**-**	32	**-**	31
	2,801	3,521	**1,415**	2,194

The average monthly number of employees (including Directors) comprised:

	Group	Group	**Company**	Company
	Seven months ended 31 March 2019	Year ended 31 August 2018	**Seven months ended 31 March 2019**	Year ended 31 August 2018
Sales and distribution	**35**	34	**16**	24
Operations and administration	**55**	55	**33**	29
	90	89	**49**	53

Directors remuneration for the period was comprised of the following:

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
Remuneration for qualifying services	**339**	480
Compensation for loss of office	**28**	-
Defined contribution pension costs (2019: 2 Directors; 2018: 3 Directors)	**16**	34
	383	514

The highest paid Director was paid total aggregate remuneration of £215,000 in the period (2018: £259,000) of which £13,000 (2018: £23,000) represented pension contributions.

Share options granted to directors and outstanding at 31 March 2019 comprised the following:

Scheme	Date granted	Latest date exercisable	Ordinary shares	Exercise price
2013 Employee share option scheme	24/09/2013	23/09/2023	500,000	38.75p
2013 Employee share option scheme	26/02/2015	25/02/2025	1,000,000 **	22.00p
Long Term Incentive Plan	17/10/2017	17/10/2027	see below **	Nil

In addition, share options were exercised by one Director in the period as follows:

Long Term Incentive Plan	25/02/2016	25/02/2026	917,431 **	Nil

Items marked ** also applied to the Highest Paid Director.

The grants of nil cost options under the LTIP made on 17 October 2017 were subject to a performance condition linked to the Group's market capitalisation prevailing in August 2020 and vesting at varying levels, depending on the level of market capitalisation between £9.1m and £40m, as described in Note 17.

All share options outstanding at 31 March 2019 have since lapsed on the acquisition of the Company by Specialist Components Limited in November 2019, as described in Note 23.

8. Income tax

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
Current tax:		
UK corporation tax on profits for the current period	-	41
Adjustments in respect of prior years	**(53)**	(119)
Total current tax	**(53)**	(78)
Deferred tax	**(26)**	-
Total tax credit	**(79)**	(78)

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Group 31 March 2019	Group 31 August 2018	**Company 31 March 2019**	Company 31 August 2018
Deferred tax	-	110	-	-

At 31 March 2019, the Group/Company had tax losses carried forward of £6,521,000 (31 August 2018: £6,023,000) which have not been recognised in these financial statements.

The difference between the total tax charge and the amount calculated by applying the standard rate of corporation tax in the UK to the profit before tax is shown below.

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
(Loss)/profit before tax	**(980)**	555
Rate of corporation tax	**19%**	19%
Tax on profit based on standard rate	**(186)**	105
Effects of:		
Expenses not deductible for tax purposes	**94**	24
Share based payments	**-**	6
Deferred tax not recognised	**76**	(59)
Prior period adjustments	**(53)**	(119)
Other adjustments	**(10)**	(35)
Total income tax for the period	**(79)**	(78)

9. 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.

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

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
Earnings attributable to equity holders of the parent	**(901)**	633
Weighted average number of shares (thousands)	**180,223**	139,472
Dilutive/free shares	**-**	917
Diluted number of shares	**180,223**	140,389
		-
Earnings per share	**(0.5p)**	0.5p

10. Intangible assets

The goodwill balance brought forward arose partly on the acquisition of Silver Birch Marketing Limited and Go! Technology Limited in 2003, partly on the acquisition of Hero Electronics Limited in 2006, partly through the acquisition of Novacom Microwaves Limited and Contech Electronics Limited in 2008 and partly through the acquisition of the business assets and trade of Quo Vadis Limited in 2011. The Company's goodwill arises on the transfer to the Company of the net assets of wholly-owned subsidiaries and represents the excess of the consideration for the transfer over book value of the assets transferred.

Goodwill of £1,748,000 added during the financial year ended 31 August 2018 arose through the acquisitions of First Byte Micro Limited ("FBM") in January 2018 and Aspen Electronics Limited ("Aspen") in July 2018. As described more fully in Note 20, goodwill on these acquisitions has been subsequently adjusted in the period to 31 March 2019 in respect of additional contingent consideration payable to the respective vendors of FBM (£72,000) and Aspen (£100,000), together with a review of acquired identifiable net assets in both companies (£284,000).

Goodwill of £538,000 added during the period ended 31 March 2019 arose through the acquisition of Wavelength Electronics Limited in November 2018, as described more fully in Note 20.

The Directors have undertaken an impairment review of the carrying value of the Group's and Company's goodwill as at 31 March 2019, based on the current and anticipated performance of each cash-generating unit. The impairment review of goodwill was based on forecast income for each cash-generating unit and reflects past experience where appropriate. The calculations are based on future operating cash flows for five years plus a terminal value derived using management's latest forecasts and can be summarised as follows:

Cash-generating unit	Carrying value of goodwill £000	Period over which cash flows have projected	Growth rate beyond management approved forecasts	Discount rate for cash flow projections
Electronic Components	5,325	5 years	3%	10.2%
LED Lighting	4,539	5 years	3%	10.2%
Consulting	256	5 years	3%	10.2%

The Directors are satisfied that any reasonable changes made to the underlying assumptions made in the impairment review would not result in a change to the carrying value of the goodwill.

The movement in intangible assets during the year arose as follows:

	Group 31 March 2019 £000	Group 31 August 2018 £000	**Company 31 March 2019 £000**	Company 31 August 2018 £000
As at beginning of period	**9,126**	7,378	**2,583**	2,583
Acquired through business combinations	**538**	1,748	-	-
Adjustments in respect of prior year business combinations (see Note 20)	**456**	-	-	-
As at end of period	**10,120**	9,126	**2,583**	2,583

11. Property, plant and equipment

Group	Short leaseholds £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Motor vehicles £000	Total £000
Cost					
As at 31 August 2017	254	43	190	42	529
Acquired through business combinations	29	695	71	105	900
Additions	-	-	5	-	5
Disposals	-	-	-	(50)	(50)
As at 31 August 2018	283	738	266	97	1,384
Acquired through business combinations	-	(304)	3	-	(301)
Additions	1	-	11	-	12
As at 31 March 2019	**284**	**434**	**280**	**97**	**1,095**
Depreciation					
As at 31 August 2017	236	38	164	36	474
Acquired through business combinations	29	219	66	39	353
Charge for the year	16	3	19	5	43
Disposals	-	-	-	(50)	(50)
As at 31 August 2018	281	260	249	30	820
Charge for the period[1]	2	2	7	11	22
Disposals	-	-	-	-	-
As at 31 March 2019	**283**	**262**	**267**	**41**	**853**
Net book value					
As at 31 August 2017	18	5	26	6	55
As at 31 August 2018	2	174	17	67	260
As at 31 March 2019	**1**	**172**	**23**	**56**	**252**

[1] Depreciation charged during the year is presented in administrative expenses in the consolidated statement of income.

Company	Short leaseholds £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
As at 31 August 2017	161	3	99	263
Additions	-	-	5	5
As at 31 August 2018	161	3	104	268
Additions	1	-	5	6
As at 31 March 2019	**162**	**3**	**109**	**274**
Depreciation				
As at 31 August 2017	160	2	92	254
Charge for the year	1	-	6	7
As at 31 August 2018	161	2	98	261
Charge for the period	1	-	2	3
As at 31 March 2019	**162**	**2**	**100**	**264**
Net book value				
As at 31 August 2017	1	1	7	9
As at 31 August 2018	-	1	6	7
As at 31 March 2019	**-**	**1**	**9**	**10**

12. Investment in subsidiary undertakings

	31 March 2019 £000	31 August 2018 £000
Company		
Cost as at beginning of period	**10,290**	5,883
Adjustment to the cost of acquisitions in previous period (see Note 20)	**172**	-
Acquisition in the period	**685**	4,407
Cost as at end of period	**11,147**	10,290

Details of the Company's subsidiaries, associates and other investments at 31 March 2019 were as follows:

Name	Incorporation	Ownership	Principal activity
Active subsidiaries			
Minimise Energy Limited *	England and Wales	100%	Supply of LED lights
Minimise Solutions Limited *	England and Wales	100%	Energy savings solutions
First Byte Micro Limited*	England and Wales	100%	Component sourcing
Aspen Electronics Limited*	England and Wales	100%	Component distribution and testing
Wavelength Electronics Limited*	England and Wales	100%	Component manufacturers' representative
EEVS Insight Limited *	England and Wales	100%	Energy savings solutions
Dormant subsidiaries			
Advanced Power Components Limited *	England and Wales	100%	
Novacom Microwaves Limited *	England and Wales	100%	
Contech Electronics Limited *	England and Wales	100%	
Hero Electronics Limited *	England and Wales	100%	
Minimise Water Limited **	England and Wales	100%	
Minimise Group Limited *	England and Wales	100%	
Admiral Microwaves Limited ***	England and Wales	100%	
Aaren Technology Limited ****	England and Wales	100%	
Minimise Energy Canada Limited **	Canada	60%	

* Subsidiary of APC Technology Group PLC
** Subsidiary of Minimise Energy Limited
*** Subsidiary of Aspen Electronics Limited
**** Subsidiary of Admiral Microwaves Limited

The registered address of all companies is 6 Stirling Park, Laker Road, Rochester, Kent ME1 3QR.

The Company's active subsidiaries listed above are exempt from the requirements of Companies Act 2006 related to the audit of individual accounts by virtue of section 479A of the Act.

13. Inventories

	Group	Group	**Company**	Company
	31 March	31 August	**31 March**	31 August
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Finished goods	**925**	1,330	**322**	330

The cost of inventories recognised as expense and included in cost of sales amounted to £7,681,000 (2018: £10,527,000). The Directors have reassessed the level of stock provisioning required in the light of stock utilised during the year and potential sales opportunities available in the foreseeable future. This has resulted in a net increase in provisions of £597,000 (2018: increase £221,000).

14. Trade and other receivables

	Group	Group	**Company**	Company
	31 March	31 August	**31 March**	31 August
	2019	*2018*	***2019***	*2018*
	£000	£000	**£000**	£000
Trade receivables	**3,098**	3,722	**2,252**	2,365
Amounts owed by subsidiary companies	-	-	**2,180**	2,001
Other receivables	**61**	83	**14**	17
Prepayments	**437**	328	**127**	96
As at end of period	**3,596**	4,133	**4,573**	4,479

The aged analysis of trade receivables is shown in Note 19.

The amounts owed by subsidiary undertakings are without interest and are repayable on demand.

During the period, the Group had a debtor invoice financing facility through which the majority of its trade receivables were eligible to be discounted, with recourse after 120 days. The gross amount of these trade receivables is shown above. At 31 *March 2019, the Group had drawn down advances totalling £2,256,000 (2018: £2,261,000) which are shown in Note 16* under borrowings under debtor invoice financing.

15. Trade and other payables

	Group	Group	**Company**	Company
	31 March	31 August	**31 March**	31 August
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade payables	**2,505**	2,381	**1,799**	1,861
Amounts owed to subsidiary undertakings	-	-	**2,790**	1,833
Accruals and other payables	**1,749**	1,351	**940**	547
Contract liabilities	**26**	-	-	-
VAT payable	**523**	318	**400**	201
Payroll taxes	**267**	325	**218**	217
	5,070	4,375	**6,147**	4,659

16. Borrowings

	Group	Group	Company	Company
	31 March 2019	31 August 2018	**31 March 2019**	31 August 2018
	£000	£000	**£000**	£000
Debtor invoice financing	**2,256**	2,261	**2,166**	1,798
Creditor invoice financing	**616**	595	**616**	595
Enterprise Finance Guarantee loan	**209**	500	**209**	500
Loan notes	-	455	-	455
Finance leases	**8**	9	-	-
	3,089	3,820	**2,991**	3,348

The debtor invoice financing is a £6.0 million revolving facility, bears interest at Bank of England base rate + 2.5%, has no fixed contractual end date, and is secured by a fixed charge over the debtors book and floating charge over all other assets.

The creditor invoice financing is a revolving facility, which bears interest at 13.7%, has no fixed contractual end date, and is unsecured.

The Enterprise Finance Guarantee (EFG) loan bears interest at Bank of England base rate + 5.5%, is repayable in 16 equal monthly instalments of principal and interest and is secured on the same basis as the debtor invoice financing.

The loan notes bear interest at 10%, were unsecured, and repaid during the period.

Finance leases are secured by motor vehicles included in property, plant and equipment with a NIL net book value (2018: £3,000).

17. Share capital

Group and Company		**31 March 2019 £000**		31 August 2018 £000
Ordinary Shares of 2p				
Allotted, issued and fully paid:	**No. of shares**		No. of shares	
At 31 March 2019	**182,627,088**	**3,652**	179,883,988	3,597

The holders of Ordinary Shares are entitled to receive dividends, if declared, and are entitled to vote at general meetings of the Company. As at 31 March 2019, all shares had been admitted to trading on AIM. Since the period-end, on 1 November 2019, a recommended cash offer from Specialist Components Limited for 100% of the share capital of the Company became effective through a Scheme of Arrangement approved by the High Court, as described in Note 23. As a result the shares were delisted from AIM on 4 November 2019.

During the period under review Ordinary Shares of 2p each were issued by the Company as shown below:

Reason for issue	**Date**	**Shares**	**Price**
Director share subscription	01/03/2019	82,569	6.50p
Shares in lieu of director's fees	01/03/2019	1,311,511	6.2375p
Exercise of LTIP nil cost option	01/03/2019	917,431	6.50p
Shares in lieu of professional fees	25/03/2019	431,589	6.100p
Shares in issue at 31 August 2018		179,883,988	
Shares in issue at 31 March 2019		**182,627,088**	

The following options over the Company's Ordinary Shares were outstanding at 31 March 2019:

	Date granted	Earliest date exercisable	Latest date exercisable	Ordinary Shares of 2p	Exercise price
2003 Employee Share Option Scheme	29/09/2010	see note a	28/09/2020	50,000	11.25p
	25/02/2011	see note a	24/02/2021	500,000	12.75p
	30/05/2012	see note a	29/05/2022	17,500	7.50p
	20/09/2012	see note a	19/09/2022	88,750	10.00p
2013 Employee Share Option Scheme	05/09/2013	see note a	04/09/2023	50,000	32.50p
	24/09/2013	see note a	23/09/2023	500,000	38.75p
	27/03/2014	see note a	26/03/2024	120,000	53.25p
	18/07/2014	see note a	17/07/2024	150,000	32.50p
	26/02/2015	see note a	25/02/2025	1,000,000	22.00p
Long Term Incentive Plan	25/02/2016	see note b	25/02/2026	-	No cost
	17/10/2017	see note c	17/10/2027	See note c	No cost
				2,476,250	

No unapproved options were outstanding at 31 March 2019. No options were exercisable at 31 March 2019. The weighted average remaining contractual life of share options outstanding at 31 March 2019 was 4 years and 6 months.

Reconciliation of movement in share options outstanding

	Weighted average Exercise Price	Ordinary Shares of 2p
Share options outstanding as at 31 August 2017	**25.67p** [1]	**4,091,681**
Lapsed	19.33p	(437,500)
Share options outstanding as at 31 August 2018	25.73p [1]	3,654,181
Lapsed	31.49p	(260,500)
Exercised	Nil cost	(917,431)
Share options outstanding as at 31 March 2019	25.13p [1]	2,476,250

[1] Calculation excludes no-cost options.

Notes:

a. The Board approved share option schemes in 2003 and 2013, both of which operated under the Government's Enterprise Management Incentive (EMI) guidelines. These options were exercisable in annual tranches based on performance conditions related to the financial results of the Group. At 31 March 2019 certain of these options remained outstanding as set out above, however in each case the exercise price exceeded the Company's share price. No further options from the 2003 or 2013 schemes were exercised after that date and these options lapsed on the acquisition of the Company by Specialist components Limited in November 2019, as set out in Note 23.

b. On 25 February 2016 the Board approved the APC Technology Group PLC Long Term Incentive Plan (LTIP), in order to provide an appropriate incentive for Executive Directors and senior management. The first award under this plan, also on 25 February 2016, was the grant of nil cost options over 917,431 shares. These optioned vested on 25 February 2019, subject to continuous employment in the Company, and were exercised on 1 March 2019.

c. Further grants of nil cost options under the LTIP were made on 17 October 2017, with a new performance condition. This performance condition was linked to the Group's market capitalisation prevailing in August 2020 and provided for nil cost options to vest at varying levels, depending on the level of market capitalisation between £9.1m and £40m (as adjusted for the cash value of shares issued since the grant date), but subject to the attainment of a minimum financial result for the year ending 31 August 2020. The maximum value of shares to be granted on this basis (i.e. attaining a market capitalisation of £40m) was approximately £3.4m, vesting in three tranches between 31 August 2020 and 31 August 2022 subject to continuous employment in each case. Following a fair valuation calculation exercise at 31 August 2018 and 31 March 2019, no charge has been ascribed to these LTIPs . They have since lapsed on the acquisition of the Company by Specialist Components Limited in November 2019, as described in Note 23.

The middle market price of the Company's shares at 31 March 2019 was 6.5p. During the year under review the middle market price range was 6.125p to 7.875p.

In accordance with IFRS 2 a share option charge of £nil (2018: £32,000) has been made to the consolidated statement of income. The following additional information is relevant to the determination of the fair value of the options:

	31 March 2019	31 August 2018
Option pricing model used	Monte-Carlo*	Monte-Carlo
Share price	At date of grant : 25.5p	At date of grant : 25.5p
	Exercise price : 22.0p	Exercise price : 22.0p
Expected annualised volatility	70.47%	70.47%
Expected life of option	2 years 11 months	2 years 11 months
Expected dividend yield	Nil	Nil
Risk free interest rate	0.72%	0.72%

*with the exception of the LTIPs as described in note c above

Expected annualised volatility has been based on an evaluation of the historical volatility of the Company's share price for the five years prior to the issuance of the option.

On 24 September 2013 the Company granted a warrant to its former Nominated Adviser, Strand Hanson Limited, to subscribe for up to 576,670 shares at an exercise price of 17.75p per share, expiring on 25 September 2018. 190,000 warrants were exercised in December 2013 and the remaining 386,670 warrants expired during the period under review.

18. Operating lease obligations

As at 31 March 2019, the Group had future aggregate minimum commitments under non-cancellable leases expiring as shown below:

	Group 31 March 2019 £000	Group 31 August 2018 £000	**Company 31 March 2019 £000**	Company 31 August 2018 £000
Land and buildings				
Payable in less than one year	**81**	66	**34**	44
Payable between one and five years	**5**	29	**5**	-
	86	95	**39**	44
Motor vehicles				
Payable in less than one year	**77**	76	**70**	65
Payable between one and five years	**70**	76	**69**	72
	147	152	**139**	137
Other				
Payable in less than one year	**30**	30	**30**	30
Payable between one and five years	**78**	108	**78**	108
	108	138	**108**	138

19. Financial instruments

	Group 31 March 2019 £000	Group 31 August 2018 £000	**Company 31 March 2019 £000**	Company 31 August 2018 £000
Financial assets at amortised cost				
Trade and other receivables	**3,158**	3,805	**4,446**	4,383
Cash and cash equivalents	**233**	777	**60**	357
	3,391	4,582	**4,506**	4,740
Financial liabilities at amortised cost				
Trade and other payables	**4,254**	3,732	**5,530**	4,241
Borrowings	**3,089**	3,820	**2,991**	3,348
	7,343	7,552	**8,521**	7,589

The amounts disclosed in the above table for trade and other receivables and trade and other payables do not agree to the amount reported in the Statement of Financial Position as they exclude prepayments, VAT and payroll taxes payable, and contract liabilities which do not meet the definition of financial assets or liabilities.

Financial Risk Management

The Group's principal financial instruments are bank balances and borrowings. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group also has other financial instruments such as trade receivables and trade payables which arise directly from its operations.

The Group is exposed through its operation to the following financial risks:

- Credit risk
- Foreign currency risk
- Liquidity risk
- Interest rate risk
- Capital risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Policy for managing risk is set by the Chief Executive and is implemented by the Group's finance department. All risks are managed centrally with a tight control of all financial matters.

Credit Risk

The Group is exposed to credit risk primarily on its trade receivables, which are spread over a range of customers. There are no specific concentrations of credit risk. The maximum credit risk exposure relating to financial assets is represented by their carrying value at the statement of financial position date.

The Group assesses the risk associated with each customer based on independent credit rating agency reports and on its own experience with the customer before entering into binding contracts. Each customer account is reviewed on an on-going basis based on available information and payment history. Provision is made for any amounts where it is assessed that the receivable is likely to be uncollectable. In the seven months ended 31 March 2019, expected credit losses were £182,000 (year ended 31 August 2018: £92,000) and the bad debt provision at 31 March 2019 was £342,000 (31 August 2018: £122,000), all of which has been applied against accounts aged over 120 days.

The following table shows an aged analysis of trade receivables for the Group.

	31 March 2019 £000	**31 March 2019 %**	31 August 2018 £000	31 August 2018 %
0 - 30 days	**1,635**	**52.8%**	1,952	52.4%
31 - 60 days	**1,173**	**37.9%**	1,048	28.2%
61 - 90 days	**172**	**5.6%**	247	6.6%
91 - 120 days	**38**	**1.2%**	165	4.4%
Over 120 days	**80**	**2.5%**	310	8.4%
	3,098	**100.0%**	3,722	100.0%

The Group does not consider exposure to the above risks to be significant and has therefore not presented a sensitivity analysis on identified risks.

With respect to amounts owed to the Company by subsidiary companies, expected recoverability Is assessed in relation to the current and anticipated performance of each subsidiary based on discounted cash flow consistent with the impairment review of goodwill disclosed in Note 10. No provision for expected credit losses has been made in either the current or prior period. The credit risk on cash and cash equivalents is limited as the funds are held at financial institutions with credit ratings of A or better.

Foreign currency risk

The Group has exposure to transactional and translational currency exposures.

Transactional currency exposure risk arises when the Group enters into contracts in currencies other than the Group functional currency. Transactional risk is mitigated by a) the creation of a natural hedge between buying and selling currencies; b) use of currency hedging contracts; and c) the inclusion of a foreign currency price escalation clause in sales contracts.

Translational currency exposure risk arises when financial instruments valued in the consolidated and Company statement of financial position are denominated in a currency other than the Group's functional currency. Translation risk is mitigated by the Group entering into currency option contracts. There were no open currency option contracts at the period-end (2018: £nil).

The currency profiles of the Group's financial assets comprising cash at bank and in hand at 31 March 2019 were:

	Group 31 March 2019 £000	Group 31 August 2018 £000	**Company 31 March 2019 £000**	Company 31 August 2018 £000
Denominated in UK sterling	**137**	425	**30**	162
Denominated in US dollars	**83**	308	**20**	167
Denominated in Euros	**16**	44	**10**	28
	236	777	**60**	357

Net foreign currency monetary assets and (liabilities) comprise the monetary assets and (liabilities) of the Group that are not denominated in sterling, the Group's functional currency. Net foreign currency monetary assets and (liabilities) (including short-term debtors and creditors) were as follows:

	31 March 2019 £000	31 August 2018 £000
Denominated in USD	**(1,167)**	(308)
Denominated in CHF	**(15)**	-
Denominated in EUR	**(729)**	(44)
	(1,911)	(352)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The considers that it has no significant liquidity risk. The Group has established a £6.0 million debtor invoice financing facility to support working capital requirements, in addition to an EFG loan facility and loan notes to provide further mid-term capacity. The Group maintains near-term cash flow forecasts that enable it to identify its near-term borrowings requirement so that remedial action can be taken if necessary.

It is the Company's policy to maintain cash at a level to meet liabilities immediately due for payment so that the amount drawn from the invoice discounting facility is kept to a minimum.

Contractual maturities of financial liabilities are as follows:

	Total £000	6 months or less £000	6-12 months £000	1 or more years £000
Trade and other payables	**4,254**	4,254	-	-
Debtor invoice financing	**2,256**	2,256	-	-
Creditor invoice financing	**616**	616	-	-
Enterprise Finance Guarantee loan	**209**	209	-	-
Finance leases	**8**	8	--	-
	7,343	7,343	-	-

Interest rate risk

All borrowing is approved by the Board of Directors to ensure that it is conducted at the most competitive rates available to it. The interest rates of all borrowing is either fixed or referenced to the Bank of England base rate and is therefore not expected to be subject to significant fluctuations.

Capital risk

The Group defines the capital that it manages as the Group's total equity. The Group's objectives when managing capital are to:

- safeguard the Group's ability to continue as a going concern;
- have available the necessary financial resources to allow the Group to deliver benefits from its operational activities and investments; and
- optimise the return to investors based on the level of risk undertaken.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets, pay dividends or return capital to shareholders.

20. Business combinations

Business combinations are accounted for using the acquisition accounting method as at the acquisition date, which is the date at which control is transferred to the Group. Goodwill is measured at the acquisition date as the fair value of consideration, less the recognised amount of the identifiable assets and liabilities assumed, in accordance with the accounting policy definition set out in the Accounting Policy notes.

Wavelength Electronics Limited

On 22 November 2018, the Group acquired 100% of the share capital of Wavelength Electronics Limited, whose principal activity is acting as a premium distributor and representative of electronic components. This acquisition adds further complementary product lines to the Group offering.

The net consideration consisted of £685,000, satisfied in cash, with approximately one third payable on completion, one third in 12 monthly instalments and the balance 12 months from completion. £57,000 of the monthly deferred consideration was paid to 31 March 2019.

Five months' trading has been included in the consolidation, contributing £343,000 revenue and £123,000 profit before tax. Full period results show revenue of £503,000 and a profit before tax of £147,000.

The recognised amounts of identifiable assets acquired and liabilities assumed and their fair value to the Group is as follows:

	£000
Cash and cash equivalents	193
Tangible fixed assets	3
Inventory	-
Trade and other receivables	123
Trade and other payables	(172)
Deferred taxes	-
	147
Goodwill	538
Total purchase consideration	685
Satisfied by:	
Initial cash consideration	37
Cash acquired	193
Deferred consideration	455
Total acquisition cost	685

First Byte Micro Limited

In the prior period, Group acquired 100% of the share capital of First Byte Micro Limited ("FBM") a company incorporated in England, whose principal activity is acting as a franchised and independent distributor of electronic components. The purchase consideration consisted of £1,224,000, of which £718,000 represented cash at completion in FBM. Of the remaining £506,000, £276,000 was paid in cash on completion and the residual £230,000 will be paid 12 months after completion. Additional, contingent consideration is payable based on growth in profitability over and above that acquired. At 31 August 2018, no contingent consideration had been provided for as determination of such required a full year's trading to be completed.

Since 31 August 2018, the quantum of the contingent consideration has been determined, as a result of which an additional £72,000 has been recorded as additional goodwill during the period under review. The acquisition accounting for First Byte Micro Limited is now complete as no further consideration is payable.

Aspen Electronics Limited

Also in the prior period, the Group acquired 100% of the share capital of Aspen Electronics Limited, whose principal activity is acting as a premium distributor of electronic components, specialising in radio frequency (RF) and microwave components and test and measurement equipment. The initial net consideration consisted of £2.4 million, satisfied partly in Ordinary Shares in APC and partly in cash.

Since 31 August 2018, completion accounts have been agreed in respect of this acquisition, as a result of which the quantum of the consideration has been increased by £100,000. In addition, the Board has undertaken a review of the acquired identifiable net assets of Aspen, which were valued provisionally in last year's financial statements as the acquisition had taken place within 12 months before the year-end.

Details of the restated fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value £000	Adjustment £000	**Restated fair value £000**
Cash and cash equivalents	986	-	**986**
Tangible fixed assets	550	(304)	**246**
Inventory	387	(87)	**300**
Trade and other receivables	881	-	**881**
Trade and other payables	(707)	23	**(684)**
Deferred taxes	(110)	84	**(26)**
	1,987	(284)	**1,703**
Goodwill	1,195	384	**1,579**
Total purchase consideration	3,182	100	**3,282**
Satisfied by:			
Initial cash consideration	1,437	-	**1,437**
Cash acquired	986	-	**986**
Vendor Ordinary Shares	259	-	**259**
New shares in APC Technology Group PLC	500	-	**500**
Additional cash consideration paid subsequent to period end	-	100	**100**
Total acquisition cost	3,182	100	**3,282**

The acquisition accounting for Aspen Electronics Limited is now complete as no further consideration is payable.

21. Related party transactions

Key management personnel compensation comprised the following:

	Seven months ended 31 March 2019 £000	Year ended 31 August 2018 £000
Short-term employee benefits	**339**	480
Post-employment benefits	**16**	34
Share based payments	**-**	23
Compensation for loss of office	**28**	-
Employer national insurance contributions	**40**	61
	423	598

There were no other transactions with related parties in the period ended 31 August 2018 or 31 March 2019, other than the issuance of shares to Directors as disclosed in Note 17.

Transactions with wholly owned subsidiaries have not been disclosed.

22. Contingent liabilities

The liabilities of the Company's active subsidiaries listed in Note 12 have been guaranteed by the Company under section 479C of the Companies Act 2006.

23. Post balance sheet events

Acquisition of Euro-Tech (Export) Limited

On 11 June 2019, the Group acquired 100% of the share capital of Euro-Tech (Export) Limited, whose principal activity is acting as a distributor and international reseller of electronic components. The purchase consideration consists of £1,060,000, 50% of which was payable in cash at completion, 25% in monthly instalments over twelve months, and 25% twelve months after completion.

The recognised amounts of identifiable assets acquired and liabilities assumed and their fair value to the Group is as follows:

	£000
Cash and cash equivalents	150
Inventory	101
Trade and other receivables	304
Trade and other payables	(344)
	211
Goodwill	849
Total purchase consideration	1,060
Satisfied by:	
Initial cash consideration	380
Cash acquired	150
Deferred consideration	530
Total acquisition cost	1,060

Sale of EEVS Insight Limited

On 8 July 2019, the Group sold its 100% interest in the shares of EEVS Insight Limited, a company providing advisory and performance analysis services for clients undertaking energy efficiency projects, as this activity was not seen as core to the Group's business. Proceeds of sale were £180,000 payable in monthly instalments.

Acquisition of the Company and de-listing from AIM

On 1 November 2019, a Scheme of Arrangement under Part 26 of the Companies Act 2006 became effective, whereby the entire share capital of the Company was acquired by Specialist Components Limited, a company formed for that purpose by funds controlled by Harwood Capital LLP and certain of their clients. As a result, the Company's shares were de-listed from the AIM market of the London Stock Exchange on 4 November 2019.

Shareholder loan

On 15 November 2019 following the Company's acquisition noted above, Specialist Components Limited advanced a shareholder loan to the Company in the amount of £2,164,000 to fund de-listing costs and acquisitions. The shareholder loan is unsecured, is without interest, and has no fixed terms of repayment.

Acquisition of Co-Tron Components Limited

On 22 November 2019, the Group acquired 100% of the share capital of Co-Tron Components Limited, whose principal activity is acting as a manufacturers' representative of electronic components. The purchase consideration consisted of £1,622,000, £480,000 of which was payable in cash on completion, deferred consideration of £500,000, 50% of which is payable in monthly instalments over 12 months from completion and 50% at the end of that period, and £642,000 proceeds on the sale of an investment property. The recognised amounts of identifiable acquired and liabilities assumed and their fair value to the Group is as follows:

	£000
Cash and cash equivalents	111
Tangible fixed assets	17
Investment property held for sale	642
Inventory	76
Trade and other receivables	240
Trade and other payables	(358)
	728
Goodwill	894
Total purchase consideration	1,622

	£000
Satisfied by:	
Initial cash consideration	480
Deferred consideration	500
Proceeds on sale of investment property	642
Total acquisition cost	1,622

COVID-19

Beginning in the first quarter of 2020, the United Kingdom and many other countries in which the Group conducts business experienced significant economic disruption due to the COVID-19 virus. This disruption moderately impacted the Group's ability to operate, suppliers and customers, resulting in reduced profitability.

As a result of COVID-19, revenue for the quarter ended 30 June 2020 is down 15.7% compared to the previous quarter ended 31 March 2020, however profitability has been maintained throughout the period due to strict cost control.

Refinancing

In order to support the business through COVID-19, the Company secured a £1.5 million loan under the UK Coronavirus Business Interruption Loan Scheme in April 2020, bearing interest at Bank of England base rate + 4.5% payable monthly in arrears, repayable in equal monthly principal instalments over 60 months, and secured on the same basis as the debtor invoice financing. Proceeds were used to retire the remaining balance of the EFG loan and to for general working capital purposes.

24. Ultimate controlling party

As at 31 August 2018, the shareholders of APC Technology Group PLC were the Company's ultimate controlling party. Following the acquisition of the Company on 1 November 2019, the Company's ultimate controlling party is Specialist Components Limited, a company incorporated in the United Kingdom.

APC Technology Group PLC is the largest and smallest company in the Group preparing consolidated accounts. These accounts are publicly available from Companies House.

25. Transition period comparative information (unaudited)

The Company changed its fiscal year-end from 31 August to 31 March, commencing 31 March 2019. Accordingly, these financial statements are for the seven months ended 31 March 2019. The following unaudited information is presented for comparative purposes.

The consolidated statement of operations for the seven months ended 31 March 2018 is as follows:

	Seven months ended 31 March 2018 £000
Revenue from contracts with customers	10,208
Cost of sales	(6,775)
Gross profit	**3,433**
Administrative expenses	(2,757)
Depreciation of property, plant and equipment	(28)
Share based payments	(30)
Operating profit	**618**
Restructuring costs	(5)
Finance expense	(202)
Profit/(loss) before income tax	**411**
Income tax	(47)
Profit/(loss) for the period	**364**

The consolidated statement of cash flow for the seven months ended 31 March 2018 is as follows:

	Seven months ended 31 March 2018 £000
Cash flows from operating activities	
Profit/(loss) before tax for the period	411
Finance expense	202
Taxation	5
Depreciation of property, plant and equipment	28
Decrease/(Increase) in inventories	(285)
Decrease/(Increase) in trade and other receivables	(1,192)
(Decrease)/Increase in trade and other payables	65
Share-based payments charge	30
Net cash from operating activities	(736)
Cash flows from investing activities	
Acquisition of subsidiary undertakings; net of cash acquired	(171)
Net cash from investing activities	(171)
Cash flows from financing activities	
Finance expense	(202)
Finance leases	(7)
Increase/(decrease) in short-term borrowings	852
Net cash used in financing activities	643
Decrease/Increase in net cash	(264)
Cash and cash equivalents as at beginning of period	377
Cash and cash equivalents as at end of period	**113**