Design, specification and distribution of specialist electronic components and systems

APC Technology Group PLC
Annual Report and Accounts 2016

APC Technology Group PLC provides 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.

Specialist Components

Products and Systems

LED Lighting

Strategic Review

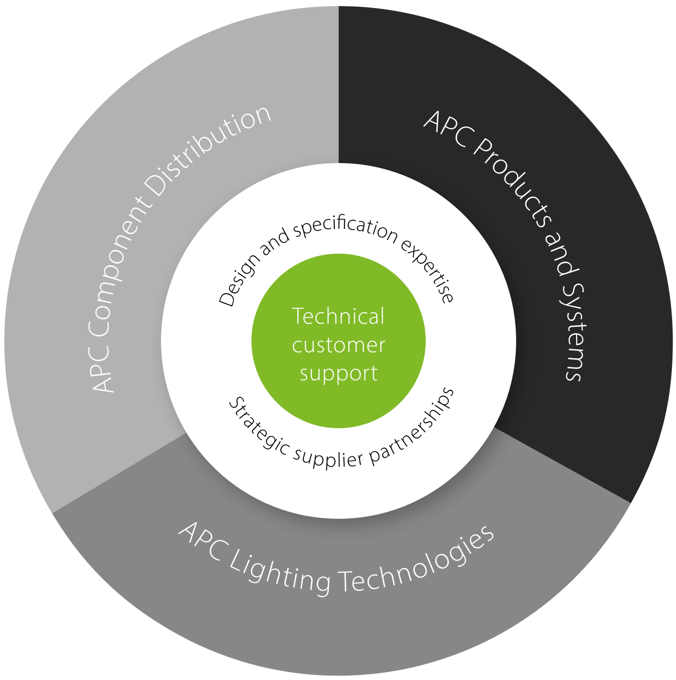
Corporate Governance

Financial Statements

Other Information

www.apcplc.com

APC Technology Group PLC combines 34 years of specialist expertise and innovation with the strength and stability of a London Stock Exchange listed business (AIM market).



The Group provides the design, specification and distribution of specialist electronic components and systems, lighting technologies and connectivity products that help our customers produce better equipment, improve efficiency and achieve superior performance.

As a trusted supplier of reliable, high quality and technologically advanced components and products, we have become the supplier of choice for an impressive list of public sector organisations and blue-chip clients within the defence, aerospace, industrial, real estate, logistics and healthcare sectors. Our products range from mission critical components and Internet of Things (IoT) solutions to high-efficiency LED lighting, all backed by outstanding engineering and technical support, design and delivery.

Industry leading technology and the 'intelligence' that our products and services deliver are key drivers in our offer to clients, enabling them to meet design specifications, improve operational performance and achieve financial savings.

APC Component Distribution

Specialist Components

- High-reliability electronic components

APC Products and Systems

Products and Systems

- Innovative and connected technology sales

APC Lighting Technologies

LED Lighting

- LED and lighting efficiency projects and products

These activities are described in more detail on **pages 6 and 7**

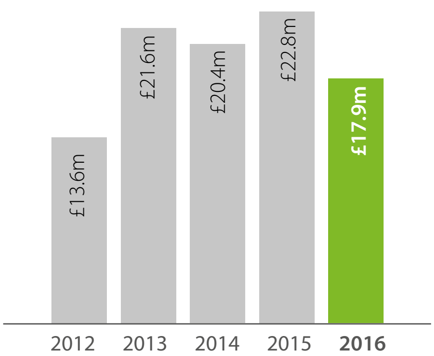
Financial highlights

- Revenue from continuing operations £17.9m (2015: £22.8m)
- Gross profit, before exceptional and non-recurring expenses, increased to £6.4m (2015: £6.0m)
- Gross margin, before exceptional and non-recurring expenses, improved to 35.8% (2015: 26.3%)
- £0.3m operating profit before exceptional and non-recurring expenses, compared to £1.4m loss in the prior year
- Headcount within continuing business reduced by 22%, from 116 to 91
- Over £2m of annualised cost savings achieved through supply chain restructuring, headcount reduction, office consolidation and improved procurement practices across the business
- Two fund raises completed in the period, resulting in £2.4m in new equity for the Group
- Net debt at year-end of £3.2m, £2.7m of which relates to amount owed under the Group's £6m invoice finance facility with ABN Commercial Finance which has been extended to 31 December 2017
- Post-tax loss of £12.9m (2015: £5.8m), of which £12.8m is attributable to exceptional and non-recurring expenses (£3.0m) and discontinued operations (£9.8m) incurred in the restructuring of the Group, discontinuance of non-core activities and the write off of goodwill and other intangible assets
- Cash impact of loss £4.6m, of which £4.2m relates to exceptional and non-recurring expenses (£2.2m) and losses sustained in discontinued operations (£2.0m)

Revenue

£17.9m

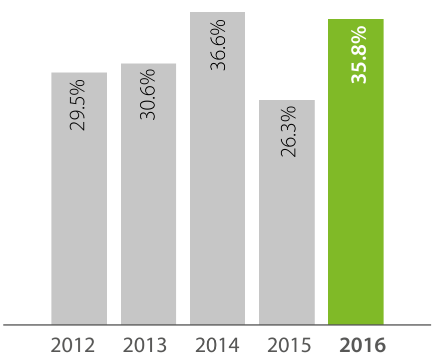
-21.5%



Gross margin

35.8%

+9.5% pt



Operational highlights

- Robust group refocused on the design, specification and distribution of specialist electronic components and systems, lighting technologies and connectivity products
- Lighting supply chain completely overhauled, dramatically decreasing working capital cycle and improving gross margins
- Group has products and proven technologies, customers with whom it has enjoyed long relationships and is well placed in the growing lighting technology and Internet of Things (IoT) markets

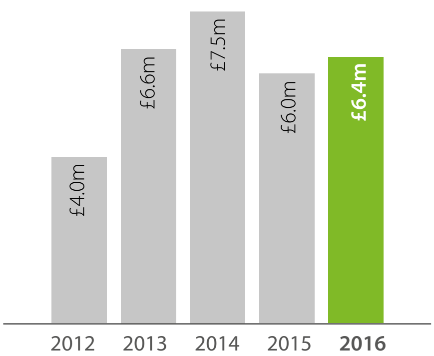
Post period-end

- Sale of Green Compliance water hygiene business for a total consideration of £1.8m (£0.8m cash and £1.0m assumption of borrowings), in addition to disposing of £0.7m of future liabilities under operating leases
- Record first quarter bookings of £4.1m in core specialist electronic component distribution business underpins confidence in continuing operations and profitable outlook for the year
- Lighting technologies division completed delivery of £1.0m specialist lighting to major high street food and clothing retailer and first £250,000 of a £2m lighting programme for a major financial institution's real estate portfolio
- Further alignment of continuing operations with expected revenues, reducing headcount by 16%, from 91 to 76, since the beginning of the year
- First quarter revenue of £4.5m from continuing operations

Gross profit

£6.4m

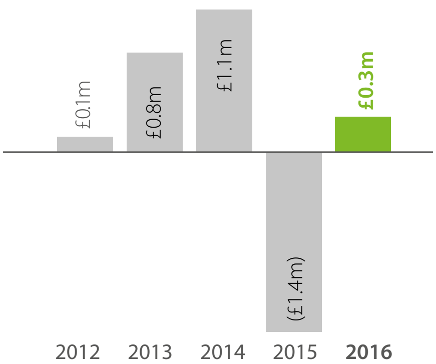
+6.7%



Operating profit

£0.3m

+£1.7m



Strategic Report and Operations Review

The Directors are pleased to submit their Statutory Strategic Report for APC Technology Group PLC ("the Company") and its subsidiary undertakings (together "the Group") for the year ended 31 August 2016, together with a review of the Group's operations during the year.

Principal activities

The principal activity of the Group and Company during the year 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 year

This has been another year of significant change for the Group. In last year's Annual Report, we highlighted the Operational Review that we had undertaken as a Board, which examined the whole Group and resulted in a renewed focus on the core businesses that were both profitable and cash-generative. This Review identified a number of activities that were non-profitable and/or ancillary to our core businesses, often using valuable resources that could be better employed in other ways.

As the year progressed, the Board re-examined the Group's strategy going forward and determined that the business should be aligned more closely to its core strength: the design, specification and distribution of specialist electronic components and systems. This process involves technical, engineer-to-engineer sales of highly specialised products that are "designed-in" to customers' complex build, manufacture and integration programmes, with the resulting procurement tailored to the customers' requirements and time schedules.

This review of the Group's strategy led the Board to make a number of difficult decisions that were necessary to reposition the Group to meet these objectives. In the short term many of these changes have a cost attached. This year's results reflect a substantial quantum of exceptional and non-recurring expenses, which have been incurred in discontinuing certain activities and implementing the necessary structural changes to the Group. It should be noted that many of these costs are non-cash and reflect the write off of goodwill or other carrying values in relation to these discontinued activities.

Major changes made during the past year have included the following:

- The Group's sites at 47-48 Riverside, Rochester, and Phoenix Park, St Neots, have been closed and all Rochester operations have been consolidated at the Group's Stirling Park premises. As well as achieving savings on fixed costs, this move enables the teams to work together more effectively.
- The business model for lighting has been totally overhauled. In addition, key partnerships have been established with leading European manufacturers within the past year, to replace the previous Far East suppliers, considerably reducing freight costs and lead time.
- The Group's involvement in North America failed to live up to the Board's expectations and has been brought to an end. The Canadian operation is being wound up and the US operation has been transferred to the Group's former partner in the joint venture originally formed to develop the US market. This enables the Group's management to concentrate on developing its UK businesses.
- The Company has sold its minority stake in its associated company Invisible Systems Holdings Limited.
- The Group has discontinued peripheral activities such as its fledgling energy generation and energy-saving project financing businesses. It has also exited its businesses selling ISOTERA and IMOP products, which had £185,000 working capital tied up in unsaleable stock.
- Excluding the water hygiene business, Group headcount has been reduced from 116 at 31 August 2015 to 91 at 31 August 2016.
- The size of the Board has been reduced to four (split equally between Executive and Non-executive Directors) and other savings have been made to Head Office costs.
- Total annualised cost savings in excess of £2 million have been achieved as a result of the above actions.
- In June 2016, we appointed a new NOMAD and Broker, Stockdale Securities Limited, who assisted us in achieving a placing at an issue price of 8 pence in August 2016.

In addition, the Board has strengthened the financing base of the Company in several ways:

- ABN invoice discounting facilities have been extended to 31 December 2017;
- A creditor invoice financing facility of £300,000 has been established with Pay4 Limited;
- The Group's loan notes have been extended to July 2018; and
- Two share placings and share subscriptions raised a total of £2.4 million before expenses.

More details on these financing measures are dealt with in the funding and cash flow section of this Report.

In addition to the above, the most significant change has involved the disposal of the Group's Green Compliance water hygiene and treatment business acquired in September 2014. The disposal took place in October 2016, after the financial year-end, but stemmed from the decisions taken during the year.

Throughout the year the Board monitored the progress of the water business. It reluctantly concluded that this business did not readily align with the Group's core strength of design, specification and distribution of specialist electronic components and systems. The high ratio of the water business's fixed costs at current revenue levels was diverting working capital resources from more profitable and cash-generative activities and diluting senior management time and attention.

Accordingly, the Board took the decision to instigate a process of seeking a buyer for the water business. This culminated in the sale of Green Compliance Water Division Limited on 12 October 2016 to Integrated Water Services Limited ("IWS"), a subsidiary of South Staffordshire PLC. The business was sold for a total consideration of £1.8 million: £0.8 million in cash consideration payable to APC, and £1 million in respect of the settlement of amounts outstanding under the invoice finance facility provided by ABN Commercial Finance. In addition, the transaction has allowed APC to dispose of £0.7 million of future liabilities under operating lease commitments, halve the Company's headcount and significantly reduce fixed costs.

The proceeds of the sale are being used to strengthen the balance sheet and support working capital.

The transaction has triggered an exceptional charge to the income statement of £7.6 million, representing a non-cash write down of the intangible asset value of customer lists and goodwill relating to the water hygiene business, which has been included in discontinued operations.

Following the disposal of the water business and the other changes outlined above, APC's principal activity is now the design, specification and distribution of specialist electronic components and systems, lighting technologies and connectivity products and the Board regards this as an integrated single activity, albeit with dedicated specialist and experienced teams dealing with the various technologies and market sectors.

These developments will also allow the Group to simplify its corporate structure and significantly reduce the number of subsidiary companies, many of them dormant following past acquisitions and disposals in previous years.

Review of continuing operations

The performance of all of our continuing operations developed steadily throughout the year under review, in challenging conditions, and by the end of the period we can look back on encouraging progress in all of these areas. This is now a design, specification and distribution business, integrating several specialised teams that leverage specific technical experience and knowhow in their respective areas of expertise. The progress made by each of these teams in the year under review is discussed on the following pages.

The performance of all our continuing operations developed steadily throughout the year under review.

APC Component Distribution

Our specialist electronic component distribution business, trading as Advanced Power Components (APC), is a leading distributor of high-reliability and specialised electronic components and has been the foundation of the Group's activities since APC's formation in 1982.

The core of APC's business continues to be the provision of high quality, high performance components to the defence, aerospace, industrial, logistics and healthcare sectors. This product offering is backed by our teams' technical, engineering and design expertise, which is particularly valuable in situations where the end-use equipment is operating in extreme conditions or is running applications where component failure would be catastrophic. The expertise within our technical sales and support teams continues to be a major factor in differentiating us from other component distribution companies.

Our specialist products are typically distributed under exclusive agreement with market-leading suppliers and manufacturers. In total APC represent over 60 manufacturers of electronic components and systems for the UK market, many of these being very long-standing relationships.

The UK component distribution market as a whole declined 3% in 2015 (Source: Electronic Component Supply Network). APC saw reduced bookings in the second half of our 2015 financial year, mainly resulting from timing of customer project cycles, and a correspondingly muted turnover figure in the first half of this financial year. However, this year we achieved our best first-half bookings performance since 2011, with bookings for the six-month period at £7.2m, up 28% on last year (bookings of £1.8m in February being the highest ever recorded in a single month). This translated into a strong revenue-earning second half to our financial year. The positive book-to-bill ratio achieved in 2016 has resulted in a healthy order book going into the new financial year.

The closure of our St Neots and Riverside offices has allowed sales, sales administration and warehousing to be brought together within a single site at Stirling Park, Rochester, reducing overheads, which in turn should improve profitability in the coming year.

As our high-reliability electronic component division grows and expands its portfolio of franchised manufacturers we continue to design-in multiple product lines within key customer projects and target markets. Applications for the year under review included components for flight critical systems, power distribution in civil aircraft, high voltage components for power supplies, custom filters for harsh environments, satellites and space exploration, transportation and hybrid vehicles and extreme temperature oil and gas components. Our commitment to quality and technical support underpins our success in these applications and our involvement in the ExoMars space mission this year typifies APC's contribution to equipment where durability and reliability are critical.

We have also had continuing success in projects for Counter-Improvised Explosive Devices, aircraft control and instrumentation systems and vehicle systems.

For the new financial year, the high-reliability sales team has integrated the activities HiRel, Locator (our obsolescence management activity) and Novacom (RF and microwave components), which were previously managed separately.

APC electronic component distribution continues to be the reliable cornerstone of the Group's activities, stable but with growth potential. It continues to do what it has done so effectively since the Company was formed, focusing on specialist applications where our sales engineers provide a value-added technical interface between the specialist component manufacturers that we represent and our customers' design engineering teams. It remains a profitable and cash-generative activity, with a steady daily invoicing flow, strong and supportive supplier relationships, and a relatively short working capital cycle, and is seen as a core business going forward.

APC Lighting Technologies (Minimise Energy)

APC Lighting Technologies trades as Minimise Energy (MEL). The Operational Review carried out at the end of the 2015 financial year confirmed that MEL's emphasis would be on the design, specification, supply and installation of individual LED projects across a diverse customer base.

Exiting that year, it was equally clear that the supply chain needed to be overhauled. The reliance on Far Eastern suppliers with long lead times was causing a drain on working capital, and freight costs were dramatically impacting gross profit. Accordingly, during the year under review, management set out to source alternative suppliers in Eastern Europe. This project has proved very successful, with freight costs significantly reduced, much shorter lead times, improved communications and, in each case, the opportunity for the Group to become a UK distributor for those suppliers' products.

The reduced turnaround times and extended, innovative product lines that these new manufacturers offer allows APC Lighting Technologies to enter the new-build and construction lighting markets in the UK on a cost competitive basis. These markets represent significant new potential revenue streams for the Group, alongside the existing turnkey lighting projects business.

The new business model is seeing increasing success over a steadily widening client base of substantial companies involved in the transport, logistics, retail, commercial property and facilities management markets. MEL focuses on LED lighting projects where our "design to installation" full service offering includes project management and the use of real-time energy monitoring to verify savings, leading to the reassurance of a successful project delivery from design to completion.

In August 2016, APC signed an agreement with Gooee Limited to be a UK partner for the launch of their IoT lighting ecosystem. Gooee provides sensing, control and communications components in a scalable framework that integrates with a cloud platform, providing lighting manufacturers with IoT connectivity. The system puts lighting at the heart of a building's IoT, providing new opportunities to monitor LED performance, track footfall and communicate directly with occupants. We believe that these factors will be of significant interest to our existing customers, particularly those in retail and commercial property.

APC Lighting Technologies has re-invented itself as another core member of the Group over the past twelve months. It brings innovative solutions to the many and varied needs of its increasingly diverse blue-chip client base. We see the team's next objective as reinforcing its sales resource to enable it to further exploit the many growth opportunities available in this market.

APC Products and Systems

As a natural extension to our component range the Group represents market-leading manufacturers of other specialist products and systems. We provide technical sales and marketing effort to drive the continued sales growth of these products within their respective markets.

Through this we continue to enjoy growth in demand for embedded computer and displays systems for process control, data terminals, and control panels and we maintain a strong focus on infection prevention products, primarily for the National Health Service.

Within our established time and frequency synchronisation product business (APC Time) we are seeing increased interest from the financial services industry in connection with the MiFID II regulations (that will take effect from January 2018) for high performance time and frequency synchronisation systems. Once again this has resulted in steady trading for this part of the business with the potential for order growth, not only in financial services but also in broadcast and telecommunications.

In the past year we have made progress in the IoT marketplace, targeting the monitoring, control and transfer of data from connected devices through network infrastructures. We believe that this market could offer significant opportunities for the Group and to this end, in June 2016, we launched a specialist IoT team (APC Smartwave), using existing resource and expertise, to consolidate our existing comprehensive range of IoT products.

This is a logical addition to the Advanced Power Components offering, providing products and technologies that aid connectivity and help increase operational performance for customers. In line with our core business, our focus will be on the procurement and sale of connectivity products to customers who specialise in systems integration and the sale of end products.

APC's IoT offering will provide products for applications including smart metering, environmental monitoring, asset tracking, smart parking and leak detection. It has already established ongoing relationships with leading IoT product suppliers. APC Smartwave offers flexible and scalable IoT solutions, backed by engineer-to-engineer expertise and technical support.

Solutions Consulting
(Minimise Solutions and EEVS)

Minimise Solutions delivers strategic and advisory services, to monitor, measure, analyse and verify energy and water usage to help clients manage their resources more efficiently and reduce cost. The expertise and proven data that the team provides enables customers to meet energy reduction, legislative, compliance and CSR targets; as well as assuring successful outcomes from energy efficiency programmes.

EEVS Insight Limited, our measurement and verification specialist subsidiary, is well-known in the energy-saving market for publishing, in partnership with Bloomberg New Energy Finance, the prestigious quarterly "Energy Efficiency Trends" report, which has established a reputation as the leading source of market intelligence in this sector.

Most recently, the EEVS Performance Management team has secured a long term contract with a major retail bank to provide performance management and analytical services to support their integrated energy efficiency programme. This estate-wide energy reduction programme is integrated within a facilities management contract, the benefits of which are shared with the facilities management provider. EEVS has developed a unique performance governance and verification service to ensure savings are maximised, sustained and properly measured, delivering the value that the client expects.

We have some impressive established products and technologies, delivered by highly experienced and professional teams of technical sales people.

Financial results

The results for the financial year are stated in terms of continuing operations. The water hygiene business, which was sold in October 2016, has been treated as a discontinued activity and its results separately reported. The comparative figures for 2015 have been correspondingly restated to exclude the water hygiene business from the results from continuing operations.

Group revenue from continuing operations for the financial year was £17,961,000 (2015: £22,786,000). Gross profit (excluding exceptional and non-recurring expenses) improved from £6,004,000 in 2015 to £6,438,000 this year, the improvement in margins from 26.3% to 35.8% reflecting the increased emphasis on profitability in Minimise Energy. The operating loss of £1,365,000 last year, before exceptional and non-recurring expenses, was transformed into a profit of £271,000 in 2016, generating earnings per share of 0.3p on this basis, compared with a loss of 1.5p per share last year, as a result of savings of £1,154,000 in annual overheads between the two years.

Loss before tax from continuing operations for the year was £3,086,000, compared with £4,097,000 in 2015. This year's loss is after accounting for one-off exceptional costs totaling £3,026,000, in respect of costs relating to the corporate reorganisation (£1,997,000), abortive contract costs (£736,000) and unprecedented foreign exchange losses due to the turbulent currency market for GBP during 2016 (£293,000).

After taking account of discontinued operations of £9,789,000, the post-tax loss for the year was £12,875,000, of which £8,229,000 was non-cash. The cost of discontinued operations represents £7,615,000 resulting from the sale of Green Compliance Water Division Limited, £1,066,000 from the closure of the Group's North American operations, £1,095,000 from the disposal or write down of the Group's minority holdings in other companies, and a net cost of £13,000 from discontinuing other UK non-core businesses.

Funding and cash flow

In the financial year, there was a cash outflow from operating activities of £4,245,000, of which £4,104,000 arose from exceptional costs and discontinued operations. The remaining £141,000 of outflow from continuing operations was the result of operating profit before share based payments and depreciation of £417,000 and improved inventory levels of £557,000, offset by growth in trade and other receivables of £279,000 and an improved creditor position of £836,000.

Loss impact on cash

As at 31 August 2016	Results from operations £000	Exceptional and non-recurring expenses £000	Discontinued operations £000	Total £000
Cash impact of loss	(472)	(2,157)	(2,016)	(4,645)
Non-cash component	412	(869)	(7,773)	(8,230)
Loss for the year	(60)	(3,026)	(9,789)	(12,875)

Source and use of cash

As at 31 August 2016	Results from operations £000	Exceptional and non-recurring expenses £000	Discontinued operations £000	Total £000
Cash from operating activities				
Loss for the year	(60)	(3,026)	(9,789)	(12,875)
Non-cash losses	–	–	8,919	8,919
Change in non-cash working capital	(587)	869	(1,146)	(864)
Finance costs, depreciation and other	506	–	69	575
	(141)	**(2,157)**	**(1,947)**	**(4,245)**
Cash from investing activities	**(23)**	**–**	**319**	**296**
Cash from financing activities				
Proceeds of share issue	2,318	–	–	2,318
Invoice finance and other borrowing	1,304	–	(46)	1,258
Finance costs (net)	(331)	–	(69)	(400)
	3,291	**–**	**(115)**	**3,176**
Increase (decrease) in net cash	**3,127**	**(2,157)**	**(1,743)**	**(773)**

The Group ended the year with a gross cash balance of £444,000 (2015: £1,239,000).

The Group's net debt at 31 August 2016 was £3,161,000 (2015: £1,986,000), excluding £856,000 that has been reclassified to liabilities directly associated with the assets held for sale. The Group has an invoice discounting facility with ABN of up to £6,000,000, of which £2,711,000 had been drawn down at the year-end (2015: £2,543,000). The facility has been extended to 31 December 2017, demonstrating ABN's considerable support for the business since the facility was established in early 2015. In addition, the Group has a trade payment credit facility with Pay4 Limited of £300,000 of which £294,000 had been utilised at 31 August 2016.

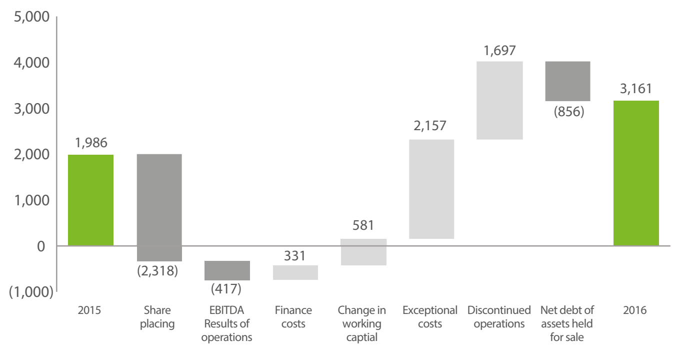
Net debt

As at 31 August 2016	2016 £000	2015 £000	Change £000
ABN debtor invoice financing	**2,711**	1,619	(1,092)
PAY4 creditor invoice financing *	**294**	–	(294)
Finance leases	**45**	67	22
Convertible loan notes *	**555**	615	60
Cash and cash equivalents	**(444)**	(1,035)	(591)
Net debt, excluding assets held for sale	**3,161**	1,266	(1,895)
Net debt related to assets held for sale	**856**	720	(136)
Total	**4,017**	1,986	(2,031)

* Unsecured debt

During the year, the Board authorised two share placings with existing and new investors, which, together with subscriptions from a Director and other private investors, raised a total of £2,481,000 (before expenses of £163,000). In addition, the Group's outstanding convertible loans were either converted into shares or have been extended to 31 July 2018. These measures have strengthened the balance sheet, in order to allow the business to take advantage of additional procurement opportunities to reduce costs and increase margin, while providing adequate working capital to support the Group through its strategic refocus.

Change in net debt during financial year ending 31 August 2016 (£000)



Working capital (excluding net debt)

As at 31 August 2016	2016 £000	2015 £000	Cash impact £000
Inventories	**1,080**	2,544	1,464
Trade receivables	**3,377**	3,389	12
Other receivables	**146**	225	79
Prepayments	**228**	550	322
	4,831	6,708	1,877
Trade payables	**(2,931)**	(3,943)	(1,012)
Other payables	**(1,163)**	(917)	246
Accruals	**(2,322)**	(3,102)	(780)
	(6,416)	(7,962)	(1,546)
Net working capital, excluding assets held for sale	**(1,585)**	(1,254)	331
Net working capital related to assets held for sale	**71**	(345)	(416)
Total	**(1,514)**	(1,599)	(85)

On the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Group and parent company have adequate resources to continue in operation for the foreseeable future. The Directors therefore continue to adopt the going concern basis of accounting when preparing the financial statements, as described more fully in the Directors' Report and the note on accounting policies in the financial statements.

Dividend

The Board has again reviewed the Group's dividend policy. Whilst its objective remains to pay dividends in the long term, it continues to believe that greater returns in the near term are available from investing available funds in opportunities for profitable, cash-generative growth. The Board is therefore not recommending a dividend for 2016 (2015: £nil).

Intangible assets

The Board considered the carrying value of goodwill at 31 August 2016 of £7,378,000, related to acquisitions in prior periods, and concluded that carrying value is expected to be fully recoverable. Intangible assets of £8,975,000 (net of amortisation), included in the balance of the prior year, were related to subsidiaries discontinued or held for sale in this period and accordingly, £1,426,000 was transferred to assets held for sale and the remainder of £7,549,000 included in the loss on discontinued operations. No development expenditure was capitalised in 2016 or 2015.

Capital expenditure

The Group's capital expenditure in the financial year amounted to £23,000, compared with £72,000 in 2015.

Business model, risks and uncertainties

The Group's business model has been developed and refined over the past year and is now set to concentrate on developing as an organisation expert in design, specification and distribution of specialist electronic components and systems in markets with growth opportunities. The emphasis is on cash-generative profitability from contracts for blue-chip and other stable businesses rather than top-line sales growth for its own sake. 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 in the panel on page 12, together with the Group's policies to mitigate those risks.

Key performance indicators

The Directors set budgets for the year that are reviewed against the management accounts on a monthly basis. In addition to these results, 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:

Gross margin to sales ratio – The Board recognises the importance of growing the Group's turnover but believes that this should only be done at acceptable margins. To that end, targets are set and monitored. The margin achieved in 2016 on continuing operations was 35.8% (2015: 26.3%). The increase was attributable to the restructuring of Minimise Energy during the year and the revision of its business model to place greater emphasis on profitability.

Overheads to sales ratio – The Board recognises the importance of controlling administrative expenses in line with the overall level of business. As a technical sales business, sufficient resources are required to provide the differentiation essential to enable the business to offer added value to our customers and to ensure that the business is developed to deliver profit both in the current period and future years. The overheads to sales ratio on continuing operations (excluding exceptional costs and discontinued activities) increased to 34.0% (2015: 31.9%), but increased gross profitability in 2016 meant that overheads expressed as a percentage of gross profit reduced to 95%, compared with 121% in 2015. This improvement was attributable to a year-on-year reduction of £1.15m (15.8%) in overheads on continuing operations.

Profit before tax ratio – The Board recognises that delivering a profit before tax (PBT) is fundamental to the health of the business and monitors the PBT, excluding exceptional items and discontinued activities, as a percentage of sales, to ensure that an acceptable return is made. On this basis the Group achieved an actual loss before tax to sales ratio of 0.3% in 2016 (2015: 6.8%). This was attributable to the improved gross margins and reduced overheads as described above.

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 – The Group maintains inventory so that it can meet customer demand for scarce and long lead-time items and to fulfil customer orders where deliveries are scheduled over a number of months or years. During 2016 the inventory turned over 10.7 times (2015 restated: 6.4 times). The improvement is attributable to the shorter supply chain established in Minimise Energy during the year and the consequent reduction in shipment lead times.

Trade receivables days – In line with other companies in the sector the Group extends credit facilities to customers that have a sufficiently good credit rating. As at 31 August 2016, the receivables days calculated on a count-back basis was 68 days (2015 restated: 48 days).

Trade payables days – The Group receives credit from a number of suppliers and recognises the importance of paying its suppliers in a timely manner. As at 31 August 2016, the payables days calculated on a count-back basis was 68 days (2015 restated: 52 days).

Board of Directors and senior management

Since November 2015, the Board has remained constant, with two Executive and two Non-executive Directors. This stability and continuity has been enhanced by the appointment to the senior management team of Art Russell as Chief Financial Officer. Art's appointment strengthens the team considerably, through his 25 years of experience in senior financial roles, primarily in private equity across a diverse range of industry sectors.

As we move forward into a new year, we are announcing two changes to the Board.

Ian Davidson has served as a Non-executive Director since August 2010. Under the Company's Articles of Association he is due to retire by rotation this year and has decided to step down from the Board, with effect from 13 December 2016. The Board would like to thank Ian for the considerable contribution he has made to the Group over a long period and to wish him well in the future.

Leonard Seelig joined the Company as Non-executive Chairman in January 2013 and has guided the Group through a period of significant realignment and refocusing of its operations and objectives in recent years. He too is due to retire by rotation this year and has notified the Board of his intention to make way for a new Chairman to lead the Group through its next phase of growth. He therefore intends to step down from the Board at the forthcoming Annual General Meeting, to be held on Friday 24 February 2017, and in the meantime is working actively with the Board on appointing a suitable successor. The Board would like to thank Leonard for his strong leadership during a period of major change in the Group's structure and strategy and wish him well in pursuing his other interests.

Outlook

The past twelve months have been extremely challenging, but the actions we have taken during that time have concentrated the Group on a suite of complementary core activities, all involving the design, specification and distribution of specialist electronic components and systems. The resulting business is more focused and easier to manage, operating from fewer sites and with lower fixed costs but addressing markets with demonstrable growth potential.

We have some impressive established products and technologies, delivered by highly experienced and professional teams of technical sales people, which has led to an already enviable list of customers across all areas of our business. The relationships we have with our customers and key suppliers make us increasingly confident that we now have a stable platform for profitable, cash-generative growth in the future.

The Board would like to take this opportunity to thank our management, staff and advisers for their dedication, professionalism and commitment to the Group, and to express our appreciation to our suppliers, partners and shareholders for their continued patience and support.

Leonard Seelig
Non-executive Chairman

Richard Hodgson
Chief Executive

John (Ian) Davidson
Non-executive Director

Phil Lancaster
Managing Director,
APC Component Distribution

13 December 2016

Risks and uncertainties

Risk	Description	Mitigating activities
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. The lighting technologies business in particular has focused on a strategy to diversify its customer base to reflect an increased number of smaller sales across new lighting schemes and retro-fit projects for end-clients, commercial real estate companies and facilities management organisations.
Commercial	The Group operates in a competitive marketplace and faces competition from a number of other companies.	The 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. The Group has had an exposure to lengthy working capital cycles caused by stockholding of goods manufactured in the Far East.	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. A major objective of the Operating Review has been to shorten the working capital cycle by concentrating the Group's business on contracts where stockholdings can be minimised. Additionally, a new group of key suppliers has been established in the UK and Europe during the past year, thus reducing shipping time.
Financing	During the year the Group's funding requirements were met through short-term invoice discounting facilities, supplemented by share placings.	The Board meets regularly with all its funders to ensure a good working relationship. The ABN invoice discounting facilities have been extended to 31 December 2017 and the share placings during the year have strengthened the balance sheet.
Financial	The Group has a specific exposure to credit risk, interest rate and exchange rate fluctuations, the latter emphasised 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 Minimise Energy lighting products.	The Group has established a number of policies to mitigate the risks presented, further details of which are presented in Note 21 to the financial statements.

In addition to regular Board meetings, the Group holds frequent executive and management meetings at which business risks are reviewed. Any areas that are causing concern are discussed and solutions are identified and actioned to address specific concerns.

The risks outlined above are not an exhaustive list of risks faced by the Group and are not intended to be presented in any order of priority.

Leonard Seelig
(Non-executive Chairman)

Leonard Seelig has had a successful career in finance spanning over 25 years and including senior positions in the US and Europe with America's largest banks. After being actively involved both at an operating and board level in several companies in the green technology space, Leonard is now involved in a variety of other tech companies including being a Non-executive Director for a mobile anti-virus and cloud backup company as well as assisting others in raising capital. Leonard's educational background includes a Bachelor of Commerce from the University of Witwatersrand in South Africa, and a Master of Science in Agricultural Economics from Texas A&M University in America.

Richard Hodgson
(Chief Executive)

Richard qualified as a chartered accountant whilst working for the financial services group Deloitte in London. He then spent several years in the music industry, working as Finance Director for Universal Music International and Warner Music International. This was followed by seven years in the business services industry as European Finance Director for Iron Mountain Europe, Chief Financial and Operating Officer for Triplearc PLC, an AIM-listed print management company, and Chief Financial and Operating Officer for Reconomy, a private equity-backed waste management company. He was appointed Chief Financial Officer of Green Compliance PLC in April 2010, becoming Chief Operating Officer in 2013. He was appointed Chief Financial Officer of APC Technology Group PLC upon the Company's acquisition of Green Compliance PLC in September 2014 and was appointed Chief Executive in August 2015.

John (Ian) Davidson
(Non-executive, Senior Independent Director)

Ian has over 40 years' experience in the electronic components industry. He has led start-up and turnaround situations as well as running a number of substantial distribution businesses for Diploma PLC, Lex Electronics and most recently the Addtron group of companies. During his career he has worked with the most technically advanced products, been involved with companies such as Intel, NEC and Motorola and recognises the importance of differentiation and focus for business success.

Phil Lancaster
(Managing Director – APC Component Distribution)

Phil joined the Group in 1995 as a product manager and in June 2000 was appointed General Manager of APC's distribution business. He was responsible for developing APC's dominant, technically-based sales presence in the UK's military and aerospace markets. Phil was appointed to the Board in September 2003 and then to Operations Director in April 2006. He has been responsible for improving operating efficiencies and for the successful integration of the Company's acquisitions. In 2013 Phil was appointed Managing Director of the Group's Electronic Components Distribution division.

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 year ended 31 August 2016.

Principal activities

The principal activity of the Group and Company in the year 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 £12,875,000 (2015: £5,774,000) and is dealt with as shown in the consolidated statement of income on page 21. The loss for 2016 includes £12,815,000 (2015: £4,323,000) of exceptional and non-recurring expenses (£3,026,000) and losses relating to discontinued activities (£9,789,000).

No interim dividend was paid and it is proposed that no final dividend will be paid this year (2015: £nil).

Review of the business and future outlook

A review of the Group's activities during the year and future outlook, together with the risks and uncertainties faced by the Group, are set out in the Strategic Report and Operations Review on pages 4 to 12.

Events after the reporting period

Since the year-end the Group has announced the sale of the Group's water hygiene and treatment business, as described more fully in the Strategic Report and Operations Review.

Share capital

Details of the Company's share capital are set out in Note 19 to the financial statements. The following shares were issued during the year:

Date	Reason for issue	Shares issued
4 September 2015	Exercise of options	30,000
25 February 2016	Share placing and subscription	21,275,834
15 July 2016	Loan note conversion and share subscription	1,049,995
5 August 2016	Share placing	13,750,000
26 August 2016	Loan note conversion	125,000
Total shares issued in the year		36,230,829

At 31 August 2016 (the balance sheet date) and 13 December 2016 (the date of this report) the total number of shares in issue was 127,804,777.

Substantial interests

As at 9 December 2016, the last practical date before publication of this report, the Group has been notified of the following interests of 3% or more in its issued capital of 127,804,777 Ordinary Shares.

	Number of shares	Percentage of issued capital
Hargreave Hale Limited (note 1)	22,728,882	17.8%
Roger Robinson and related family trusts	11,230,459	8.8%
Octopus Investments	9,134,763	7.1%
Rockridge Investments	8,000,000	6.3%
Stuart Hawthorne	4,783,000	3.7%
Hargreaves Lansdown Asset Management Limited (note 2)	4,464,840	3.5%
James Weeks	4,288,440	3.4%
John Mitchell and related family trusts	3,999,029	3.1%
Robert Holt	3,866,375	3.0%

Notes:

1. Hargreave Hale's holdings are held in several different funds, of which one has a beneficial holding of more than 3% (11.2%).
2. Hargreaves Lansdown's holdings are held in several different funds, each with less than 3% beneficial holding.

Directors

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

L. R. Seelig
J. M. Davidson
R. G. Hodgson
P. J. Lancaster
A. P. Shortis (resigned 23 November 2015)

Since the year-end, J.M. Davidson has resigned, on 13 December 2016.

L. R. Seelig retires by rotation and will not be seeking re-election. He intends to step down from the Board at the conclusion of the Annual General Meeting on Friday 24 February 2017.

Directors' interests

Details of share options held by the Directors over the Ordinary Shares of the Group are set out in the Report of the Remuneration Committee.

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 is encouraged by means of the share option schemes and Long Term Incentive Plan, as set out in the Report of the Remuneration Committee on pages 17 and 18.

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 year ended 31 August 2016 and the amounts owed to its trade creditors at the year-end was 68 days (2015: 52 days).

Going concern

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.

The Group incurred a consolidated loss after tax of £12,875,000 for the year, of which £12,815,000 related to exceptional costs and discontinued operations (Notes 4 and 8) and £8,229,000 was non-cash.

Cash from operations for the year was negatively impacted by £4,245,000, of which £4,104,000 arose from exceptional costs and discontinued operations. The remaining £141,000 of outflow from continuing operations was the result of operating profit before share based payments and depreciation of £417,000 and improved inventory levels of £557,000, offset by growth in trade and other receivables of £279,000 and an improved creditor position of £836,000.

The cash requirement of the Group was funded by two share placings, which raised a total of £2,318,000 after costs of issuance, a £1,340,000 drawdown on short-term borrowings (Note 16), and £326,000 proceeds from sale of an investment in an associate (Note 13).

The Group earned an operating profit before exceptional and non-recurring expenses of £271,000, compared to a loss of £1,365,000 in the prior year.

As described in Notes 9 and 24, subsequent to year-end the Group sold its investment in Green Compliance Water Division Limited for cash proceeds of £800,000 and £999,000 assumption of borrowings. In addition, after the end of the year the Group implemented further steps to align operations with its strategy going forward, reducing the permanent headcount a further 15 positions, or 16%, from the year-end total of 91 to 76.

Management has examined going concern against a detailed profit, working capital, and cash flow forecast to December 2017, which reflects the matters discussed in the preceding paragraph but does not reflect any additional share placings, new debt facilities, nor sale of any assets other than in the normal course of business. Based upon this review, the extension of the £6,000,000 invoice discounting facility to December 2017, extension of the loan notes to July 2018, agreement of extended payment terms with suppliers as necessary, and other prudent working capital management, the Board believes the Group will continue to be able to meet its liabilities as they fall due. Management also has the ability to raise capital through issuance of additional loan notes, further private share placings, or sale of additional assets if required.

Research and development

Capitalised development costs at the year-end were £nil (2015: £16,000), reflecting the write-down of amounts capitalised in 2014 relating to Minimise Energy's programme of developing innovative LED lighting products. During the year 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 further such expenditure this year.

Donations

During the period, £686 (2015: £1,780) was donated to charities. There were no political donations.

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.

Annual General Meeting

The Annual General Meeting of the Company will be held on Friday 24 February 2017 at 12 noon at the offices of Stockdale Securities Limited at Beaufort House, 15 St Botolph Street, London EC3A 7BB. The text of all of the proposed Resolutions is set out in the Notice of Annual General Meeting on page 49.

In addition to the normal resolutions approving the accounts and appointing the auditors (Resolutions 1 and 2), the agenda includes resolutions providing the Board with sufficient headroom to raise additional funds by the issue of share issues on a non-pre-emptive basis (Resolutions 3 and 4), which allow funds to be raised on a non-pre-emptive basis up to a limit of 25% of the existing share capital as at the date of this report.

By Order of the Board

H. F. Edmonds
Secretary

13 December 2016

Corporate Governance Statement

Since November 2002, the Company's shares have been listed on the Alternative Investment Market (AIM). The Board is accountable to the Company's shareholders for good governance and this statement describes principles of corporate governance that have been applied by the Company.

The Board of Directors

The activities of the Group are ultimately controlled by the Board of Directors. All Directors are subject to retirement and re-election by rotation.

During most of the year under review, the Board consisted of two Executive Directors and two Non-executive Directors. The Non-executive Directors represent a strong and independent element and their views carry considerable weight in the Board's decision-making process. Throughout the year the Senior Independent Director has been Ian Davidson.

The Group has a formal policy setting out the matters that require approval of the Board. This covers the major areas of decision-making in all aspects of the Group's affairs.

Committees of the Board

The Audit Committee meets at least twice a year and considers the appointment of the external auditors as well as discussing with them the findings of the audit and any reports to the management or those charged with governance arising from it. The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the interim and annual reports before publication. The Audit Committee consisted of Leonard Seelig (Chairman) and Ian Davidson throughout the financial year. Meetings of the Committee are attended by the Chief Financial Officer and other members of senior management when appropriate.

The Remuneration Committee consisted of Leonard Seelig (Chairman) and Ian Davidson throughout the year. The Committee is responsible for setting the remuneration of Directors and senior management, as well as reviewing the remuneration policy throughout the Group. The Report of the Remuneration Committee is set out on pages 17 and 18.

Owing to the small size of the Group's Board, it is not considered necessary to have a formal Nomination Committee for the purpose of making recommendations regarding senior Board appointments. All of the members of the Board are involved in the decision-making process for Board and other senior management appointments.

Internal control

The Directors are responsible for establishing and maintaining the Group's system of internal control. This system of internal control is designed to safeguard the Group's assets and to ensure that proper accounting records are maintained and that financial information produced by the Group is reliable. There are inherent limitations in any system of internal control and such a system can provide only reasonable, but not absolute, assurance against material misstatement or loss.

Report of the Remuneration Committee

The Remuneration Committee consisted of Leonard Seelig (Chairman) and Ian Davidson during the year under review. It was formed in order to review the remuneration of Executive Directors and senior management, together with remuneration policy for the Group as a whole, and to make recommendations to the Board.

Remuneration policy

Remuneration

In order to safeguard the interests of the Group, the Committee aims to provide Executive Directors and employees of the Group with a remuneration package set to attract, retain and motivate Directors and employees of the appropriate calibre. Bonus schemes are determined for each financial year, based on the Group's financial performance, targets for which are approved by the Remuneration Committee.

Share options

APC Technology Group PLC has operated several share options plans for Directors and employees since its flotation in 1996. On 6 September 2013, the Board approved the establishment of a new plan, the 2013 Employee Share Option Scheme, which superseded a 2003 plan, and all options granted to employees and Executive Directors since then have been subject to the rules of that plan.

The 2003 and 2013 Employee Share Option Schemes require that certain performance conditions must be satisfied before options may be exercised. The performance conditions are based on achievement of budgeted profit before taxation. Non-executive Directors' options are subject to similar performance conditions.

The Remuneration Committee has recognised that the level of the Company's share price has been such that the existing share options schemes do not currently provide a worthwhile incentive. Accordingly, on 25 February 2016, the Board approved a new Long Term Incentive Plan (LTIP), designed to incentivise Executive Directors and senior management. The first award under the LTIP scheme was made to the Chief Executive, Richard Hodgson, on 25 February 2016.

Details of the share options granted to Directors and outstanding as at 31 August 2016 are listed below:

		Date granted	Latest date exercisable	Ordinary Shares of 2p	Exercise price
R. G. Hodgson	2013 Employee Share Option Scheme	26 February 2015	25 February 2025	1,000,000	22.0p
	Long Term Incentive Plan (LTIP)	25 February 2016	25 February 2026	917,431	Nil
P. J. Lancaster	2013 Employee Share Option Scheme	24 September 2013	23 September 2023	500,000	38.75p
J. M. Davidson	Unapproved Share Option Scheme	22 January 2010	21 January 2020	25,000	10.0p
		20 September 2012	19 September 2022	75,000	10.0p
		17 December 2013	16 December 2023	50,000	85.0p
L. R. Seelig	Unapproved Share Option Scheme	25 January 2013	24 January 2023	100,000	24.75p
		17 December 2013	16 December 2023	200,000	85.0p

The options granted under the 2013 Scheme and the Unapproved Scheme are exercisable in various proportions dependent upon the performance of the Group. The earliest date on which each proportion can be exercised is the date on which the results for the relevant financial year are announced.

The options granted under the LTIP vest on 25 February 2019, dependent upon continuous employment with the Group during that period.

Service contracts

Each of the Executive Directors that served in the year had a service agreement that may be terminated by either party upon giving between six months and one year's written notice to expire at any time. Non-executive Directors have letters of appointment which are terminable at the will of either party.

Pensions

The Group makes contributions to defined contribution pension schemes for the benefit of the Executive Directors. The Group maintains healthcare insurance for the benefit of the Executive Directors and certain employees and their dependants.

Directors' emoluments (audited)

	Salary and fees £000	Benefits in kind £000	Employers national insurance £000	Total emoluments (excluding pensions) 2016 £000	Total emoluments (excluding pensions) 2015 £000	Pension contributions 2016 £000	Pension contributions 2015 £000
R. G. Hodgson	200	11	28	**239**	194	**–**	–
P. J. Lancaster	120	13	15	**148**	150	**6**	6
L. R. Seelig	36	–	–	**36**	38	**–**	–
J. M. Davidson	15	–	–	**15**	19	**–**	–
A. P. Shortis (resigned 23 November 2015)	162	11	23	**196**	155	**4**	3
M. R. Robinson (resigned 21 August 2015)	140	20	18	**178**	173	**3**	3
T. R. Laws (resigned 26 February 2015)	–	–	–	**–**	6	**–**	–
	673	55	84	**812**	735	**13**	12

Benefits in kind shown in the table above comprise the provision of a motor car and/or private health insurance.

No bonuses were paid in the current or prior financial year.

No Directors exercised share options during the year.

The whole of the remuneration and pensions shown above for M. R. Robinson in the current year relate to his notice period of one year since the date of his resignation as a Director.

Of the remuneration and pensions shown above for A. P. Shortis in the current year, £154,000 relates to his notice period of one year since the date of his resignation as a Director.

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 are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and 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

We have audited the Group and parent company financial statements (the financial statements) on pages 21 to 48. 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.

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.

Respective responsibilities of directors and auditor
As more fully explained in the Statement of Directors' Responsibilities set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent's affairs as at 31 August 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

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

13 December 2016

Consolidated Statement of Income

For the year ended 31 August 2016

	Note	2016 Results from operations £000	2016 Exceptional and non-recurring expenses (Note 4) £000	2016 Total £000	2015 Results from operations £000 Restated*	2015 Exceptional and non-recurring expenses (Note 4) £000 Restated*	2015 Total £000 Restated*
Revenue	2	17,961	–	**17,961**	22,786	–	22,786
Cost of sales		(11,523)	(736)	**(12,259)**	(16,782)	(757)	(17,539)
Gross profit		**6,438**	**(736)**	**5,702**	6,004	(757)	5,247
Administrative expenses		(6,116)	(2,290)	**(8,406)**	(7,270)	(1,103)	(8,373)
Operating profit / (loss) before amortisation, share based payments and acquisition costs	3	**322**	**(3,026)**	**(2,704)**	(1,266)	(1,860)	(3,126)
Impairment of intangible asset	3	–	–	**–**	–	(71)	(71)
Share based payments	3	(51)	–	**(51)**	(99)	–	(99)
Cost of acquisition	4	–	–	**–**	–	(616)	(616)
Operating profit / (loss)	3	**271**	**(3,026)**	**(2,755)**	(1,365)	(2,547)	(3,912)
Financing income	5	1	–	**1**	4	–	4
Financing costs	5	(332)	–	**(332)**	(189)	–	(189)
Loss before taxation		**(60)**	**(3,026)**	**(3,086)**	(1,550)	(2,547)	(4,097)
Taxation credit	7	–	–	**–**	99	–	99
Loss for the year from continuing operations		**(60)**	**(3,026)**	**(3,086)**	(1,451)	(2,547)	(3,998)
Discontinued operations							
Loss for the year from discontinued operations, net of tax	8	–	(9,789)	**(9,789)**	–	(1,776)	(1,776)
Loss for the year		**(60)**	**(12,815)**	**(12,875)**	(1,451)	(4,323)	(5,774)
Attributable to:							
Equity holders of the parent		(60)	(12,815)	**(12,875)**	(1,424)	(4,323)	(5,747)
Non-controlling interests		–	–	**–**	(27)	–	(27)
		(60)	**(12,815)**	**(12,875)**	(1,451)	(4,323)	(5,774)

* See Note 8

Earnings per share from continuing and discontinued operations attributable to the equity holders of the parent during the year:

	Note	2016	2015 Restated*
Basic earnings per share	9		
From continuing operations		**(3.0p)**	(4.6p)
From discontinued operations		**(9.4p)**	(2.2p)
From profit for the year		**(12.4p)**	(6.8p)
Earnings – operating profit before exceptional costs, amortisation, share based payments and acquisition costs	9	**0.3p**	(1.5p)

* See Note 8

There is no dilutive effect of options in 2016 due to the Group loss.

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 August 2016

	Note	2016 £000	2015 £000
Non-current assets			
Intangible assets	10	**7,378**	16,353
Property, plant and equipment	11	**132**	227
Associates and financial assets	13	**–**	1,524
		7,510	18,104
Current assets			
Inventories	14	**1,080**	2,633
Trade and other receivables	15	**3,751**	4,327
Current tax asset		**–**	29
Cash and cash equivalents	22	**444**	1,239
		5,275	8,228
Assets held for sale	8	**3,036**	–
		8,311	8,228
Total assets		**15,821**	26,332
Current liabilities			
Trade and other payables	16	**(6,416)**	(8,588)
Borrowings	16	**(3,027)**	(2,565)
		(9,443)	(11,153)
Liabilities directly associated with the assets held for sale	8	**(2,395)**	–
		(11,838)	(11,153)
Total assets less current liabilities		**3,983**	15,179
Non-current liabilities			
Financial liabilities	17	**(578)**	(660)
Deferred tax liability	18	**–**	(828)
Net assets		**3,405**	13,691
Equity attributable to the equity holders of the parent			
Called-up share capital	19	**2,556**	1,831
Share premium account		**12,895**	11,302
Share option reserve		**548**	497
Merger reserve		**4,635**	4,635
Translation reserve		**(10)**	(10)
Retained earnings		**(17,219)**	(4,344)
Equity attributable to the equity holders of the parent		**3,405**	13,911
Non-controlling interests		**–**	(220)
Total equity		**3,405**	13,691

The financial statements on pages 21 to 48 were approved and authorised for issue by the Board of Directors on 13 December 2016 and were signed on its behalf by:

R. G. Hodgson
Director

APC Technology Group PLC
Registered No: 01635609

Company Statement of Financial Position

As at 31 August 2016

	Note	2016 £000	2015 £000
Non-current assets			
Intangible assets	10	**2,583**	2,583
Property, plant and equipment	11	**32**	50
Investment in subsidiaries	12	**6,176**	10,935
Associates and financial assets	13	**–**	1,545
		8,791	15,113
Current assets			
Inventories	14	**441**	583
Trade and other receivables	15	**3,086**	7,702
Cash and cash equivalents	22	**342**	305
		3,869	8,590
Assets held for sale	8	**641**	–
		4,510	8,590
Total assets		**13,301**	23,703
Current liabilities			
Trade and other payables	16	**(4,235)**	(2,762)
Borrowings	16	**(2,235)**	(1,222)
		(6,470)	(3,984)
Total assets less current liabilities		**6,831**	19,719
Non-current liabilities			
Borrowings	17	**(555)**	(615)
Net assets		**6,276**	19,104
Equity attributable to equity holders of the Company			
Called-up share capital	19	**2,556**	1,831
Share premium account		**12,895**	11,302
Share option reserve		**543**	497
Merger reserve		**4,635**	4,635
Retained earnings		**(14,353)**	839
Total equity		**6,276**	19,104

The financial statements on pages 21 to 48 were approved and authorised for issue by the Board of Directors on 13 December 2016 and were signed on its behalf by:

R. G. Hodgson
Director

Consolidated Statement of Changes In Equity
For the year ended 31 August 2016

	Attributable to the equity holders of the parent							Non-controlling interests	
	Share capital £000	Share premium account £000	Share option valuation reserve £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total £000	Retained earnings £000	Total £000
At 31 August 2014	1,199	8,244	398	–	(10)	1,611	11,442	(57)	11,385
Loss for the year	–	–	–	–	–	(5,747)	(5,747)	(27)	(5,774)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	(5,747)	(5,747)	(27)	(5,774)
Transactions with equity holders of the parent									
Issue of new shares	345	3,234	–	–	–	–	3,579	–	3,579
Issue of Ordinary Shares related to a business combination	287	–	–	4,635	–	–	4,922	–	4,922
Overseas repayment of capital	–	–	–	–		(208)	(208)	(136)	(344)
Costs associated with share issue	–	(176)	–	–	–	–	(176)	–	(176)
Share option charge	–	–	99	–	–	–	99	–	99
	632	3,058	99	4,635	–	(208)	8,216	(136)	8,080
At 31 August 2015	**1,831**	**11,302**	**497**	**4,635**	**(10)**	**(4,344)**	**13,911**	**(220)**	**13,691**
Loss for the year	–	–	–	–	–	(12,875)	(12,875)	–	(12,875)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(12,875)**	**(12,875)**	**–**	**(12,875)**
Transactions with equity holders of the parent									
Issue of new shares	725	1,756	–	–	–	–	2,481	–	2,481
Disposal of non-controlling interest	–	–	–	–	–	–	–	220	220
Costs associated with share issue	–	(163)	–	–	–	–	(163)	–	(163)
Share option charge	–	–	51	–	–	–	51	–	51
	725	1,593	51	–	–	–	2,369	220	2,589
At 31 August 2016	**2,556**	**12,895**	**548**	**4,635**	**(10)**	**(17,219)**	**3,405**	**–**	**3,405**

Company Statement of Changes In Equity

For the year ended 31 August 2016

	Share capital £000	Share premium account £000	Share option valuation reserve £000	Merger reserve £000	Retained earnings £000	Total £000
Company						
At 31 August 2014	1,199	8,244	398	–	2,272	12,113
Loss for the year	–	–	–	–	(1,433)	(1,433)
Total comprehensive income for the year	–	–	–	–	(1,433)	(1,433)
Transactions with owners						
Issue of new shares	345	3,234	–	–	–	3,579
Issue of Ordinary Shares related to a business combination	287	–	–	4,635	–	4,922
Costs associated with share issue	–	(176)	–	–	–	(176)
Share option charge	–	–	99	–	–	99
	632	3,058	99	4,635	–	8,424
At 31 August 2015	**1,831**	**11,302**	**497**	**4,635**	**839**	**19,104**
Loss for the year	–	–	–	–	(15,192)	(15,192)
Total comprehensive income for the year	–	–	–	–	(15,192)	(15,192)
Transactions with owners						
Issue of new shares	725	1,756	–	–	–	2,481
Costs associated with share issue	–	(163)	–	–	–	(163)
Share option charge	–	–	46	–	–	46
	725	1,593	46	–	–	2,364
At 31 August 2016	**2,556**	**12,895**	**543**	**4,635**	**(14,353)**	**6,276**

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 reserves

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 year ended 31 August 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Reconciliation of cash flows from operating activities					
Loss before taxation including discontinued operations for the financial year		**(12,875)**	(6,044)	**(15,192)**	(1,398)
Share of results of associates		**–**	(9)	**–**	–
Loss on disposal of property, plant and equipment		**–**	56	**–**	51
Impairment loss on assets held for sale		**6,704**	–	**8,330**	–
Loss on sale of investment in associates		**1,095**	–	**1,116**	–
Loss on discontinued subsidiary interests		**1,120**	–	**2,350**	–
Finance costs		**401**	249	**261**	127
Finance income		**(1)**	(4)	**(1)**	(4)
Decrease in financial assets		**–**	156	**–**	156
Taxation receipts		**29**	13	**–**	–
Depreciation of property, plant and equipment		**95**	132	**27**	39
Amortisation of intangibles		**–**	761	**–**	–
Decrease / (increase) in inventories		**846**	(396)	**140**	(86)
(Increase) / decrease in trade and other receivables		**(1,025)**	1,429	**(1,944)**	(4,672)
(Decrease) / Increase in trade and other payables		**(685)**	768	**1,583**	979
Share-based payments charge		**51**	99	**46**	66
Net cash (used in) / from operating activities		**(4,245)**	(2,790)	**(3,284)**	(4,742)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(23)**	(72)	**(9)**	(17)
Acquisition of subsidiary undertakings, net of cash acquired		**–**	240	**–**	–
Sale / (acquisition) of investment in associates		**319**	(100)	**319**	(100)
Net cash used in investing activities		**296**	68	**310**	(117)
Cash flows from financing activities					
Finance income		**1**	4	**1**	–
Finance costs		**(401)**	(249)	**(261)**	(123)
Proceeds of share issue		**2,318**	3,403	**2,318**	3,403
Finance leases		**(22)**	(57)	**–**	–
Short-term borrowings		**1,340**	872	**1,013**	874
Overseas repayment of capital		**–**	(344)	**–**	–
Repayment of loan notes		**(60)**	(220)	**(60)**	615
Net cash from financing activities		**3,176**	3,409	**3,011**	4,769
(Decrease) / increase in net cash		**(773)**	687	**37**	(90)
Cash and cash equivalents as at 1 September	22	**1,239**	552	**305**	395
(Decrease) / increase in net cash		**(773)**	687	**37**	(90)
Cash in assets held for sale		**(22)**	–		–
Cash and cash equivalents as at 31 August	22	**444**	1,239	**342**	305

1. Accounting policies

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

General

APC Technology Group PLC is a public limited company ("the Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 01635609).

The Company is domiciled in the United Kingdom and its registered address is 6 Stirling Park, Laker Road, Rochester, Kent ME1 3QR. The Company's Ordinary Shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange. The Group's principal activity is the design, specification, and distribution of specialist electronic components and systems.

Basis of preparation

Statement of compliance

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value, as required by IAS 39 Financial Instruments: Recognition and Measurement. The basis of consolidation is set out below. These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Acts applicable to companies reporting under IFRS.

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 £15,192,000 (2015: £1,433,000).

Functional and presentational currency

These consolidated financial statements 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.

Use of estimates and judgements

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.

Going concern basis of accounting

These 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.

The Group incurred a consolidated loss after tax of £12,875,000 for the year, of which £12,815,000 related to exceptional costs and discontinued operations (Notes 4 and 8) and £8,229,000 was non-cash.

Cash from operations for the year was negatively impacted by £4,245,000, of which £4,104,000 arose from exceptional costs and discontinued operations. The remaining £141,000 of outflow from continuing operations was the result of operating profit before share based payments and depreciation of £417,000 and improved inventory levels of £557,000, offset by growth in trade and other receivables of £279,000 and an improved creditor position of £836,000.

The cash requirement of the Group was funded by two share placings, which raised a total of £2,318,000 after costs of issuance, a £1,340,000 drawdown on short-term borrowings (Note 16), and £326,000 proceeds from sale of an investment in an associate (Note 13).

The Group earned an operating profit before exceptional and non-recurring expenses of £271,000, compared to a loss of £1,365,000 in the prior year.

As described in Notes 9 and 24, subsequent to year-end the Group sold its investment in Green Compliance Water Division Limited for cash proceeds of £800,000 and £999,000 assumption of borrowings. In addition, after the end of the year the Group implemented further steps to align operations with its strategy going forward, reducing the permanent headcount a further 15 positions, or 16%, from the year-end total of 91 to 76.

Management has examined going concern against a detailed profit, working capital, and cash flow forecast to December 2017, which reflects the matters discussed in the preceding paragraph but does not reflect any additional share placings, new debt facilities, nor sale of any assets other than in the normal course of business. Based upon this review, the extension of the £6,000,000 invoice discounting facility to December 2017, extension of the loan notes to July 2018, agreement of extended payment terms with suppliers as necessary, and other prudent working capital management, the Board believes the Group will continue to be able to meet its liabilities as they fall due. Management also has the ability to raise capital through issuance of additional loan notes, further private share placings, or sale of additional assets if required.

1. Accounting policies continued

Accounting developments

The following new standards, amendments to standards and interpretations, applied for the first time from 1 September 2015. Their adoption has not had a material impact on the financial statements:

Standard	Effective date
Annual improvements to IFRSs 2011-2013 Cycle	1 January 2015
IAS 19 (Amended) 'Defined Benefit Plans: Employee Contributions'	1 February 2015
Annual improvements to IFRSs 2010-2012 Cycle – amendments to IFRS 8, IAS 16, IAS 24 and IAS 38	1 February 2015

At the date of authorisation of these financial statements, there were a number of other standards and interpretations which were in issue but not yet effective, and therefore have not been applied in these financial statements. The Directors have not yet assessed the impact of the adoption of these standards and interpretations for future periods.

Standard	Effective date
IAS 27 (Amended), 'Equity Method in Separate Financial Statements'	1 January 2016
IAS 16 and IAS 38 (Amended), 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
IFRS 11 (Amended), 'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle	1 January 2016
IAS 1 (Amended), 'Disclosure Initiative'	1 January 2016
IAS 7 (Amended), 'Statement of Cash Flows'	1 February 2017
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue for Contracts with Customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019

Revenue

Revenue represents income for the sales of goods and services, net of discounts, returns and rebates, to external customers at invoice value less value added tax. Revenue is recognised when the services have been provided or goods are despatched and the risks and rewards of ownership have been transferred to the customer, there is no continuing management involvement and the amount of revenue can be measured reliably. Commission income is recognised when payment has been received from the principal.

Basis of consolidation

The consolidated statement of comprehensive income and statement of financial position include the accounts of the Company and all its subsidiaries made up to 31 August 2016. The results of subsidiaries acquired are included in the consolidated statement of comprehensive income from the date control passes. Intra-group revenues and profits are eliminated fully on consolidation.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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.

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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.

Goodwill is capitalised as an intangible asset. 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 for impairment at least every six months. The recoverable amount is estimated at each statement of financial position date. An impairment loss is recognised when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

Intangible assets
The fair value of acquired customer contracts is capitalised and, subject to impairment reviews, amortised over the estimated life of the customer contracts acquired of seven years. The amortisation is calculated so as to write off the fair value of the customer contracts less their estimated residual values. An impairment review of customer contracts is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

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.

Property, plant and equipment
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

Property, plant and equipment are measured at historical cost less accumulated depreciation.

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

Investments
Investments in subsidiary undertakings held as non-current assets are stated at cost less any provision for impairment. Investment in assets available for sale are carried at fair value and any movement in fair value is recognised in the statement of comprehensive income.

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.

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.

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. Resulting exchange differences are taken into account in arriving at the operating result.

1. Accounting policies continued

Leases

Property, plant and equipment

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.

Other

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.

Pension

The Group operates a stakeholder defined contribution scheme for Directors and staff and also contributes to personal pension schemes of other Directors and 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.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or other financial assets, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial liabilities are recognised when there is an obligation and that obligation is a contractual liability to deliver cash or another financial asset or exchange financial instruments with another entity on potentially unfavourable terms. When these criteria no longer apply, a financial asset or liability is no longer recognised.

Financial assets and liabilities are recognised at fair value, which in the case of trade receivables and trade payables is similar to cost, and are detailed in Note 22.

Where the fair value of an asset falls below the asset's carrying value, any difference is, in the case of non-current assets, provided for, if it is regarded that the impairment is permanent. In the case of current assets, provision is made only to the extent that it is considered as resulting in a lower net realisable value.

Invoice discounting

The Group has an agreement with ABN Amro Commercial Finance whereby its trade receivables are invoice discounted, with recourse after 120 days. On the basis that the benefits and risks attaching to the debts remain with the Company, the gross debts are included as an asset within trade receivables and the proceeds received are included within current liabilities as short term borrowings under invoice discounting facilities.

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.

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:

- 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.
- The fair value of share-based payments is measured using an option pricing model which inherently makes use of significant estimates and assumptions concerning the future applied by the Directors.
- Recoverable amounts of trade and other debtors are assessed on the basis of future assumptions and the likelihood that assets will be realised.

2. Revenue and segmental information

Operating segments

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

Accordingly, the CEO is deemed to be the CODM.

As a result of the sale of Green Compliance Water Division Limited subsequent to year-end, the Company has determined that it now has only a single reportable segment, being the design, specification and distribution of specialist electronic components and systems, and has restated its operating segment reporting accordingly.

The Group had one customer representing over 10% of revenue: £2,168,000 (2015: £3,632,000).

Revenue by product and service

	2016 £000	2015 £000
Electronic Components	**10,894**	12,658
LED Lighting	**6,114**	9,751
Consulting	**953**	377
	17,961	22,786

Revenue by geographic location

	2016 £000	2015 £000 Restated*
UK	**16,996**	21,199
North America	**235**	337
Europe and Asia	**730**	1,250
	17,961	22,786

* See Note 8

3. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000 Restated*
Operating leases – land and buildings	**176**	213
Operating leases – short leaseholds	**195**	106
Operating leases – plant and machinery	**14**	14
Depreciation – owned assets	**67**	91
Depreciation of assets held under hire purchase agreements	**28**	41
Loss / (profit) on foreign exchange	**293**	(16)
Auditors' remuneration – audit of parent company and consolidated accounts	**50**	46
Auditors' remuneration – audit of subsidiary company	**50**	44
Auditors' remuneration – other advice	**40**	–
Directors' emoluments	**825**	747
Loss / (gain) on disposal of fixed assets	**–**	56
Share based payments	**51**	99
Amortisation of intangible assets	**–**	690
Impairment of R&D	**–**	71

* See Note 8

4. Exceptional and non-recurring expenses

	2016 £000	2015 £000 Restated*
Corporate re-organisation – compromise agreements and redundancy costs	**1,543**	896
Corporate re-organisation – professional fees	**200**	–
Corporate re-organisation – dilapidations and onerous lease provisions	**254**	–
Costs associated with aborted contract	**736**	757
Foreign exchange loss arising from unprecedented market volatility	**293**	–
Costs incurred in preparation for acquisition of Green Compliance PLC	**–**	616
Write off financial assets	**–**	156
Impairment of R&D capitalised costs	**–**	71
Alignment of Group accounting policies	**–**	51
	3,026	2,547

* See Note 8

Exceptional items are items that, by virtue of their nature and incidence, have been disclosed separately in order to draw them to the attention of the reader of the financial information. These costs are deemed as exceptional as they do not represent normal trading activities of the business.

5. Net financing

	2016 £000	2015 £000 Restated*
Financing income		
Other interest receivable	**1**	4
Financing costs		
Other interest payable	**158**	54
Other finance costs	**174**	135
	332	189

* See Note 8

6. Employee information

	2016 £000	2015 £000 Restated*
Wages and salaries	**3,606**	3,940
Social security costs	**441**	462
Private health costs	**43**	34
Defined contribution pension costs	**67**	95
Share option charge	**51**	100
	4,208	4,631

The average monthly number of employees comprised:

	2016 Number	2015 Number Restated*
Sales and distribution	**42**	46
Operations and administration	**56**	57
	98	103

* See Note 8

7. Taxation

(a) Analysis of charge in period

	2016 £000	2015 £000 Restated*
Current tax:		
UK corporation tax on profits for the current year	–	(91)
Adjustments in respect of prior years	–	(25)
Total current tax	–	(116)
Deferred tax (Note 18)	–	17
Tax charge / (credit) on profit on continuing operations	–	(99)

* See Note 8

(b) Factors affecting the tax charge for the period

The tax charge for the period is different to the standard rate of corporation tax in the UK. The composite rate of corporation tax for this purpose has been taken as 20.00% for 2016 (2015: 20.58%).

The differences are explained below:

	2016 £000	2015 £000 Restated*
Profit on continuing operations before tax	**(3,086)**	(4,097)
Rate of corporation tax	**20.00%**	20.58%
Tax on profit based on standard rate	**(617)**	(843)
Effects of:		
Expenses not deductible for tax purposes	**25**	105
Deferred tax not recognised	**592**	601
Share options exercised in year	–	33
Difference in deferred tax rate	–	22
Prior period adjustments	–	(58)
Other	–	41
Total tax charge / (credit) for the period	–	(99)

* See Note 8

8. Discontinued operations and assets held for sale

The following lines of business were either discontinued in the previous year and have incurred additional gains or losses in the current year, were discontinued during the current year, or were sold subsequent to the balance sheet date and accordingly have been classified as an asset held for sale.

Green Compliance Water Division Limited was sold subsequent to the balance sheet date and has been classified as an asset held for sale. The assets and related liabilities have been separately disclosed on the balance sheet and have been valued at net realisable value. The results of operations of Green Compliance Water Division Limited were previously reported within the Cleantech operating segment.

8. Discontinued operations and assets held for sale continued

Discontinued operations are comprised of the following:

	Ownership	2016 £000	2015 £000 Restated
Discontinued in previous year			
Green Compliance Limited and subsidiaries	100%	**354**	(904)
Minimise Generation Limited	100%	**(275)**	(341)
		79	(1,245)
Discontinued during the year*			
Minimise Energy Solutions Limited	100%	**(5)**	(15)
Minimise Energy Canada Limited	60%	**(738)**	(367)
Minimise Energy America LLC	60%	**(328)**	301
Invisible Systems Holdings Limited	25%	**(788)**	9
Open Energy Market Limited	15%	**(307)**	–
Isotera distributed product line of business	–	**(87)**	–
		(2,253)	(72)
Asset held for resale*			
Green Compliance Water Division Limited	100%	**(7,615)**	(459)
		(9,789)	(1,776)

* Results of operations for the previous year have been restated consistent with current year presentation.

Summarised results of discontinued operations are as follows:

Year ended 31 August 2016	Revenue £000	Expense £000	Pre-tax profit / (loss) £000	Gain / (loss) on disposal £000	Total £000
Discontinued in previous year					
Green Compliance Limited and subsidiaries	–	354	354	–	354
Minimise Generation Limited	–	(275)	(275)	–	(275)
	–	79	79	–	79
Discontinued during the year					
Minimise Energy Solutions Limited	9	(14)	(5)	–	(5)
Minimise Energy Canada Limited	286	(431)	(145)	(593)	(738)
Minimise Energy America LLC	15	(24)	(9)	(319)	(328)
Invisible Systems Holdings Limited*	–	–	–	(788)	(788)
Open Energy Market Limited	–	–	–	(307)	(307)
Isotera distributed product line of business	–	(87)	(87)	–	(87)
	310	(556)	(246)	(2,007)	(2,253)
Asset held for resale					
Green Compliance Water Division Limited	6,662	(7,550)	(888)	(6,727)	(7,615)
	6,972	(8,027)	(1,055)	(8,734)	(9,789)

* Proceeds of £326,000 were received on sale, net of related expenses.

Year ended 31 August 2015	Revenue £000	Expense £000	Pre-tax profit / (loss) £000	Gain / (loss) on disposal £000	Total £000 Restated
Discontinued in previous year					
Green Compliance Limited and subsidiaries	–	(904)	(904)	–	(904)
Minimise Generation Limited	91	(432)	(341)	–	(341)
	91	(1,336)	(1,245)	–	(1,245)
Discontinued during the year*					
Minimise Energy Solutions Limited	32	(47)	(15)	–	(15)
Minimise Energy Canada Limited	200	(567)	(367)	–	(367)
Minimise Energy America LLC	291	10	301	–	301
Invisible Systems Holdings Limited	–	9	9	–	9
Open Energy Market Limited	–	–	–	–	–
Isotera distributed product line of business	–	–	–	–	–
	523	(595)	(72)	–	(72)
Discontinued during the year*					
Green Compliance Water Division Limited	7,760	(8,219)	(459)	–	(459)
	8,374	(10,150)	(1,776)	–	(1,776)

* Results of operations for the previous year have been restated consistent with current year presentation.

Cash flows from (used in) discontinued operations are as follows:

	2016 £000	2015 £000
Discontinued in previous year		
Operating activities	**(408)**	(779)
Financing activities	**–**	(35)
	(408)	(814)
Discontinued during the year		
Operating activities	**(302)**	(15)
Investing activities	**319**	–
	17	(15)
Asset held for resale		
Operating activities	**(1,238)**	(403)
Financing activities	**(115)**	(53)
	(1,353)	(456)
	(1,744)	(1,285)

The assets and liabilities held for sale at 31 August 2016 are comprised of the following and are stated at net realisable value:

	2016 £000
Assets held for sale	
Intangible assets	**1,426**
Inventories	**119**
Trade and other receivables	**1,469**
Cash and cash equivalents	**22**
	3,036
Liabilities related to assets held for sale	
Trade and other payables	**1,517**
Borrowings	**878**
	2,395

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.

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

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

	2016 £000	2015 £000 Restated*
Continuing earnings / (loss) attributable to equity holders of the parent	**(3,086)**	(3,860)
Discontinuing earnings / (loss) attributable to equity holders of the parent	**(9,789)**	(1,914)
From (loss) for the year	**(12,875)**	(5,774)
Earnings: operating profit / (loss) before exceptional and non-recurring expenses, share based payments, amortisation and loss on discontinued operations	**322**	(1,266)
Weighted average number of shares (thousands)	**103,678**	84,004
Dilutive / free shares	**28**	273
Diluted number of shares	**103,706**	84,277

* See Note 8

10. Intangible non-current 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.

The Directors have undertaken an impairment review of the carrying value of the Group's and Company's goodwill as at 31 August 2016, based on the current and anticipated performance of each cash-generating unit. The impairment review of goodwill was based on forecast income for each business segment and reflects past experience where appropriate. Forecasts cover a 12-year period (cash flow projections for five years plus a terminal value), reflecting the long-term nature of the businesses. The calculations are based on future operating cash flows 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	2,583	5 years	0% - 3%	10.2%
LED Lighting	4,539	5 years	0% - 3%	10.2%
Consulting	256	5 years	0% - 3%	10.2%

The cash-generating unit is equivalent to the business segment.

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	Note	Development costs £000	Customer list £000	Goodwill £000	Total £000
Cost					
Balance at 31 August 2014		116	–	7,303	7,419
Additions through business combinations		–	4,832	5,022	9,854
Balance at 31 August 2015		116	4,832	12,325	17,273
Disposal / transfer to asset held for sale	8	–	(4,832)	(4,817)	(9,649)
Balance at 31 August 2016		**116**	**–**	**7,508**	**7,624**
Amortisation					
Balance at 31 August 2014		29	–	130	159
Charged in year[1]		–	690	–	690
Impairment		71	–	–	71
Balance at 31 August 2015		100	690	130	920
Charged in year[1]		–	–	–	–
Impairment		17	–	–	17
Disposal / transfer to asset held for sale	8	(1)	(690)	–	(691)
Balance at 31 August 2016		**116**	**–**	**130**	**246**
Net book value					
As at 31 August 2015		16	4,142	12,195	16,353
As at 31 August 2016		**–**	**–**	**7,378**	**7,378**

1 Amortisation charged in the year is presented in administration expenses in the consolidated statement of income.

Company	Goodwill £000	Total £000
Cost		
Balance at 31 August 2015	2,583	2,583
Balance at 31 August 2016	**2,583**	**2,583**
Amortisation		
Balance at 31 August 2015	–	–
Balance at 31 August 2016	**–**	**–**
Net book value		
As at 31 August 2015	2,583	2,583
As at 31 August 2016	**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 2014	240	81	538	126	985
Additions	12	11	49	–	72
Disposals	–	(12)	(427)	(20)	(459)
As at 31 August 2015	252	80	160	106	598
Additions	–	–	23	–	23
Disposals	–	(37)	(4)	–	(41)
As at 31 August 2016	**252**	**43**	**179**	**106**	**580**
Depreciation					
As at 31 August 2014	147	54	404	37	642
Charge for the year[1]	41	8	51	32	132
Disposals	–	(12)	(376)	(15)	(403)
As at 31 August 2015	188	50	79	54	371
Charge for the year[1]	24	3	40	28	95
Disposals	–	(18)	–	–	(18)
As at 31 August 2016	**212**	**35**	**119**	**82**	**448**
Net book value					
As at 31 August 2014	93	27	134	89	343
As at 31 August 2015	64	30	81	52	227
As at 31 August 2016	**40**	**8**	**60**	**24**	**132**

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

11. Property, plant and equipment continued

Company	Short leaseholds £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
As at 31 August 2014	161	15	489	665
Additions	–	–	17	17
Disposals	–	(12)	(427)	(439)
As at 31 August 2015	161	3	79	243
Additions	–	–	9	9
Disposals	–	–	–	–
As at 31 August 2016	**161**	**3**	**88**	**252**
Depreciation				
As at 31 August 2014	134	13	395	542
Charge for the year	9	–	30	39
Disposals	–	(12)	(376)	(388)
As at 31 August 2015	143	1	49	193
Charge for the year	9	–	18	27
Disposals	–	–	–	–
As at 31 August 2016	**152**	**1**	**67**	**220**
Net book value				
As at 31 August 2014	27	2	94	123
As at 31 August 2015	18	2	30	50
As at 31 August 2016	**9**	**2**	**21**	**32**

12. Investment in subsidiary undertakings

	2016 £000	2015 £000
Company		
Cost as at beginning of year	**10,935**	5,979
Additions from acquisitions	**–**	4,922
Additions for share based payments of subsidiaries	**–**	34
Impairment of subsidiary investment held for resale	**(4,118)**	–
Transfer to asset held for sale	**(641)**	–
Cost as at end of year	**6,176**	10,935

Additions from acquisitions in the prior year represent the 100% acquisition of Green Compliance PLC and its subsidiaries and 100% acquisition of EEVS Insight Limited.

Further detail on the impairment of the subsidiary investment and the transfer to asset held for sale can be found in Note 8.

Details of the Company's subsidiaries, associates and other investments at 31 August 2016 were as follows:

Name	Place of incorporation	Proportion of ownership	Principal activity
Active subsidiaries			
Minimise Energy Limited*	England and Wales	100%	Supply of LED lights
Minimise Controls Limited**	England and Wales	100%	Supply of lighting controls
Minimise Energy Solutions Limited*	England and Wales	100%	Manufacture of imop®
Minimise Solutions Limited*	England and Wales	100%	Energy savings solutions
Minimise Generation Limited**	England and Wales	100%	Energy generation
Minimise Holdings USA Inc.**	Delaware, USA	100%	Holding Company
Minimise Energy Canada Limited***	Canada	60%	Energy savings solutions
Green Compliance Limited*	England and Wales	100%	Holding Company
Green Compliance Water Division Limited****	England and Wales	100%	Water management
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%	
Silver Birch Marketing Limited*	England and Wales	100%	
Go! Technology Limited*	England and Wales	100%	
Minimise Water Limited**	England and Wales	100%	
Minimise Finance Limited**	England and Wales	100%	
Minimise Group Limited* (formerly Minimise Holdings Limited)	England and Wales	100%	
Minimise Taiwan Limited*	England and Wales	100%	
Minimise IP Inc***	Delaware, USA	100%	
Towerite Limited*****	England and Wales	100%	
Maplin A Division of Waterchem Limited*****	England and Wales	100%	
Simon West Limited****	England and Wales	100%	
Green Compliance Energy Consultancy Limited****	England and Wales	100%	
Innovative HIP Limited****	England and Wales	100%	
Green Compliance EBT Limited****	England and Wales	100%	
Pure Group Management Limited****	England and Wales	100%	
Pure Commissioning Limited*****	England and Wales	100%	
Water Pure Systems Limited*****	England and Wales	100%	
Purotech Limited*****	England and Wales	100%	
Green Compliance Fire Services Limited****	England and Wales	100%	
Green Compliance Fire 1 Limited****	England and Wales	100%	
Green Compliance Fire 2 Limited****	England and Wales	100%	
Green Compliance Fire 3 Limited****	England and Wales	100%	
Green Compliance Fire 4 Limited****	England and Wales	100%	
Green Compliance Fire 5 Limited****	England and Wales	100%	
Ridgegate Limited****	England and Wales	100%	
Firewatcher Extinguisher Company Limited****	England and Wales	100%	
Green Compliance Pest and Environmental Services Limited****	England and Wales	100%	
Envirocare GB Limited****	England and Wales	100%	
Enviroguard (UK) Limited****	England and Wales	100%	
Other investments			
Open Energy Market Limited	England and Wales	15%	Energy procurement

* Subsidiary of APC Technology Group PLC
** Subsidiary of Minimise Group Limited
*** Subsidiary of Minimise Holdings USA Inc
**** Direct subsidiary of Green Compliance Limited
***** Indirect subsidiary of Green Compliance Limited

13. Associates and other financial assets

	Note	Associates £000	Other investments £000	Other financial assets £000	Total £000
As at 31 August 2014		1,215	200	156	1,571
Acquisition of shares in Open Energy Market Limited		–	100	–	100
Share of retained loss for the period		9	–	–	9
Provision for doubtful debt		–	–	(156)	(156)
As at 31 August 2015		1,224	300	–	1,524
Acquisition of shares in Open Energy Market Limited		–	7	–	7
Provision for doubtful debt	8	–	(307)	–	(307)
Disposal of associates	8	(1,224)	–	–	(1,224)
As at 31 August 2016		**–**	**–**	**–**	**–**

The Group's share of equity accounting investments in 2015 relates to Invisible Systems Limited, a company in which the Group acquired a 25% holding in 2013. The investment in this associate was sold for consideration of £326,000.

Other investments relates to the Group's purchase of shares to maintain a 15% holding in Open Energy Market Limited (OEM), a company incorporated in England and Wales, at a cost of £7,000. OEM's principal activity consists of energy procurement. At the year-end the Group owns 15% of the issued share capital. The Directors have taken the decision to fully provide against this investment.

14. Inventories

	Group 2016 £000	Group 2015 £000	**Company 2016 £000**	Company 2015 £000
Finished goods	**1,080**	2,633	**441**	583

The cost of inventories recognised as expense and included in cost of sales amounted to £9,774,000 (2015: £14,778,000). 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 £43,000 (2015: increase £163,000).

15. Trade and other receivables

	Group 2016 £000	Group 2015 £000	**Company 2016 £000**	Company 2015 £000
Trade receivables	**3,377**	3,547	**2,246**	1,849
Amounts owed by subsidiary undertakings	**–**	–	**668**	5,665
Amounts owed by associates	**–**	60	**–**	60
VAT recoverable	**–**	11	**–**	–
Other receivables	**146**	125	**66**	2
Prepayments	**228**	584	**106**	126
	3,751	4,327	**3,086**	7,702

The aged analysis of trade receivables is shown in Note 22 Financial Instruments.

The amounts owed by subsidiary undertakings are without interest.

During the year the Group had a flexible debt finance facility with ABN Amro Commercial Finance 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 August 2016, the Group had drawn down advances totalling £2,711,000 (2015: £2,543,000) which are shown in Note 16 under short term bank borrowings under invoice discounting facility. The total amount eligible to be discounted as at 31 August 2016 was £3,191,000 (2015: £3,505,000). The facility has been renewed to 31 December 2017 and is secured by a fixed charge over the debtors book and floating charge over all other assets.

16. Current liabilities

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade payables	**2,931**	3,645	**2,281**	1,817
Other taxes and social security	**734**	932	**575**	283
VAT payable	**429**	590	**290**	183
Borrowings under invoice discounting facility	**2,711**	2,543	**1,942**	1,222
Other short term borrowings - unsecured	**294**	–	**293**	–
Finance leases	**22**	22	**–**	–
Accruals and other payables	**2,322**	3,421	**1,089**	479
	9,443	11,153	**6,470**	3,984

17. Non-current liabilities

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Loan notes	**555**	615	**555**	615
Finance leases	**23**	45	**–**	–
	578	660	**555**	615

Loan notes

The Group has a convertible loan note instrument of which £555,000 was drawn at year-end which bears interest at 10% with a 31 July 2018 maturity date. These interest rates are fixed and the Group is therefore not exposed to changes in interest rates in respect of these liabilities.

The conversion option on the loan notes constitutes an embedded derivative and is measured at fair value on an annual basis, with movements taken to the income statement. The Directors have assessed the fair value of the embedded derivative to be £nil.

Finance leases

The Group has entered into a number of finance leases with Volkswagen Finance. Each lease is based on a 48-month contract. The non-current portion of the lease was £23,000 at 31 August 2016 (2015: £45,000). Motor vehicles disclosed in property, plant and equipment with a net book value of £25,000 (2015: £52,000) are secured under this lease.

18. Deferred tax

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Deferred tax asset	–	–	**–**	–
Deferred tax liability	–	(828)	**–**	–
	–	(828)	**–**	–

The following are the major deferred tax assets / (liabilities) recognised by the Group and Company and the movements thereon during the current year:

Company	Accelerated tax depreciation £000	Customer lists £000	Share options exercised £000	Total £000
As at 31 August 2014	–	–	31	31
Credit to the Group statement of consolidated income	–	–	(31)	(31)
As at 31 August 2015	–	–	–	–
Credit to the Group statement of consolidated income	–	–	–	–
As at 31 August 2016	**–**	**–**	**–**	**–**

18. Deferred tax continued

Group	Accelerated tax depreciation £000	Customer lists £000	Share options exercised £000	Total £000
As at 31 August 2014	(16)	–	33	17
Acquired in the year through business combination	–	(966)	–	(966)
Credit to the Group statement of consolidated income	16	138	(33)	121
As at 31 August 2015	–	(828)	–	(828)
Credit to the Group statement of consolidated income	–	–	–	–
Impairment of subsidiary asset held for sale (Note 8)	–	828	–	828
As at 31 August 2016	**–**	**–**	**–**	**–**

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.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. At 31 August 2016, the Group / Company had tax losses carried forward of £5,987,000 / £1,790,000 for which no deferred income tax asset has been recognised.

19. Share capital

Group and Company	**No. of shares**	**2016 £000**	No. of shares	2015 £000
Allotted, issued and fully paid:				
At 31 August 2016	**127,804,777**	**2,556**	91,573,948	1,831

During the year under review the following Ordinary Shares of 2p each were issued by the Company:

Reason for issue	Date	Shares	Price
Exercise of options	04/09/2015	30,000	10.00p
Share placing and subscription	25/02/2016	21,275,834	6.00p
Loan note conversion and share subscription	15/07/2016	1,049,995	8.50p
Share placing	05/08/2016	13,750,000	8.00p
Loan note conversion	26/08/2016	125,000	8.00p
Total shares issued in year		36,230,829	
Shares in issue at 31 August 2015		91,573,948	
Shares in issue at 31 August 2016		**127,804,777**	

Share options

The following options over the Company's Ordinary Shares were outstanding at 31 August 2016:

	Date granted	Earliest date exercisable	Latest date exercisable	Ordinary Shares of 2p	Exercise price
2003 Employee Share Option Scheme	29/09/2006	see note b	28/09/2016	30,000	13.75p
	10/11/2006	see note b	09/11/2016	77,000	14.75p
	23/01/2008	see note b	22/01/2018	44,212	14.75p
	23/04/2008	see note b	22/04/2018	71,250	18.50p
	10/07/2008	see note b	09/07/2018	100,000	17.00p
	22/01/2010	see note b	21/01/2020	130,000	10.00p
	29/09/2010	see note b	28/09/2020	50,000	11.25p
	25/02/2011	see note b	24/02/2021	700,000	12.75p
	30/05/2012	see note b	29/05/2022	95,500	7.50p
	20/09/2012	see note b	19/09/2022	113,750	10.00p
	20/12/2012	see note b	19/12/2022	100,000	15.25p
2013 Employee Share Option Scheme	05/09/2013	see note c	04/09/2023	400,000	32.50p
	24/09/2013	see note c	23/09/2023	1,250,000	38.75p
	27/03/2014	see note c	26/03/2024	195,000	53.25p
	18/07/2014	see note c	17/07/2024	300,000	32.50p
	26/02/2015	see note d	25/02/2025	2,000,000	22.00p
Unapproved share option scheme	22/12/2006	see note e	21/12/2016	35,000	23.00p
	22/01/2010	see note e	21/01/2020	25,000	10.00p
	20/09/2012	see note e	19/09/2022	75,000	10.00p
	25/01/2013	see note e	24/01/2023	100,000	24.75p
	17/12/2013	see note e	16/12/2023	250,000	85.00p
Long Term Incentive Plan	25/02/2016	see note f	25/02/2026	917,431	No cost
				7,059,143	

No options were exercisable at 31 August 2016. The weighted average remaining contractual life of share options outstanding at 31 August 2016 is 7 years and 1 month.

Reconciliation of movement in share options outstanding

	Weighted average exercise price	Ordinary Shares of 2p
Share options outstanding as at 31 August 2014	26.12p	7,367,100
Issued	22.00p	2,000,000
Lapsed	29.31p	(1,340,745)
Exercised (weighted average share price at exercise 31.625p)	9.00p	(45,000)
Share options outstanding as at 31 August 2015	25.28p	7,981,355
Issued	0.00p	917,431
Lapsed	29.30p	(1,809,643)
Exercised (weighted average share price at exercise 9.63p)	10.00p	(30,000)
Share options outstanding as at 31 August 2016	**24.72p[1]**	**7,059,143**

1 Calculation excludes no-cost options.

Notes:

a. On 17 June 2003 the Board of Directors approved a share option scheme, the 2003 Employee Option Scheme (the 2003 Scheme). The scheme, which operates under the guidelines of the Government's Enterprise Management Incentive (EMI), provides for options to be exercisable at a pre-determined exercise price, subject to attainment of performance conditions over a three-year period. Options are exercisable in tranches depending on the Group's cumulative growth in pre-tax earnings over a three-year period. This process operates on a sliding scale for growth levels between RPI and RPI plus 16%.

b. On 19 April 2011 the Board of Directors amended the performance criteria of the options granted under the 2003 Scheme so that shares would vest over a five-year period following grant, depending on achievement of the Group's budgeted profit before tax. Previously performance conditions were linked to the growth in the Company's earnings per share in the financial years following the grant of the option. The change was made to ensure that the performance criteria were more easily understood by employees and were more directly related to employee performance.

c. On 6 September 2013 the Board approved a new share option scheme, the 2013 Employee Option Scheme (the 2013 Scheme). This scheme replaces the 2003 scheme for any options granted from 1 September 2013 onwards and also operates under EMI rules. Under the 2013 Scheme shares vest over a six-year period following the grant depending on achievement of the Group's budgeted profit before tax.

d. The options granted to Executive Directors on 26 February 2015 under the 2013 Scheme are subject to separate performance conditions linked to increases in the Company's share price.

e. The options to Non-executive Directors were granted with exercise prices equal to or greater than the market price ruling on the respective dates of the grant. These options were not granted under the 2003 or 2013 Schemes, but are subject to the same performance conditions as the options granted under those schemes and are exercisable in tranches, as described in note a to c above.

f. On 25 February 2016 the Board approved the APC Technology Group PLC Long Term Incentive Plan, 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 options vest on 25 February 2019, subject to continuous employment in the Company, and are exercisable at any time from that vesting date until 25 February 2026.

19. Share capital continued

The middle market price of the Company's shares at 31 August 2016 was 8.75p. During the year under review the middle market price range was 6.37p to 10.75p.

In accordance with IFRS2 a share option charge of £51,000 (2015: £99,000) 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:

	2016	2015
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%

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 386,670 warrants remain outstanding.

On 5 August 2016, the Company issued warrants to all participants in the share placing on that date, on the basis of two warrants for every five Placing Shares. Each warrant gives the holder the right to subscribe for one Ordinary Share in the Company at an exercise price of 10p per share, at any time up to 5.00 p.m. on 4 August 2018. The total number of warrants issued was 5,500,000 and these all remained outstanding at 31 August 2016.

20. Operating lease obligations

As at 31 August 2016 the Group had future aggregate minimum commitments under non-cancellable leases expiring as shown below:

	Group 2016 £000	Group 2015 £000 Restated*	**Company 2016 £000**	Company 2015 £000
Land and buildings				
Payable in less than one year	**211**	175	**136**	100
Payable between one and five years	**190**	365	**46**	190
Payable in five years or more	**–**	33	**–**	33
	401	573	**182**	323
Motor vehicles				
Payable in less than one year	**100**	130	**50**	91
Payable between one and five years	**80**	106	**37**	46
	180	236	**87**	137
Other				
Payable in less than one year	**14**	14	**14**	14
Payable between one and five years	**32**	46	**32**	46
	46	60	**46**	60

* See Note 8

Future aggregate minimum commitments under non-cancellable leases of Green Compliance Water Division Limited totalling £660,000 as at 31 August 2016 have not been included above as these were sold with the business (see Note 8).

21. Financial instruments (Group and Company) – risk management

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash and liquid resources and various items such as trade payables and receivables that arise directly from its operations. The Group is exposed to the following risks:

- Credit risk
- Foreign currency risk
- Liquidity risk
- Fair value interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risk management policies. The objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and effectiveness.

Further details of these policies are set out below:

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.

The maximum exposure to credit risk is represented by the carrying values of trade receivables in the consolidated and company statement of financial position as shown in Note 15.

The credit risk on liquid funds is limited as the funds are held at banks with high credit ratings assigned by international credit rating agencies.

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 year-end (2015: £nil).

Liquidity risk
The Group has established borrowing facilities with ABN Amro Commercial Finance for working capital finance through an invoice discounting facility and a loan note facility. 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.

Fair value 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.

22. Financial instruments

Capital risk management

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.
- 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.

The Group's capital and equity ratios are shown in the table below:

	2016 £000	2015 £000
Total equity attributable to owners of the parent	**3,405**	13,911
Total net assets	**3,405**	13,691
Equity ratio	**100%**	101.6%

Financial assets

Details of financial assets are included in Notes 13 and 15, but financial assets exclude prepayments and VAT recoverable. The currency profiles of the Group's financial assets comprising cash at bank and in hand at 31 August were:

	Group 2016 £000	Group 2015 £000	**Company 2016 £000**	Company 2015 £000
Currency				
Denominated in sterling	**156**	951	**53**	15
Denominated in US dollars	**285**	212	**285**	213
Denominated in Canadian dollars	**–**	–	**–**	–
Denominated in Euros	**3**	76	**4**	77
	444	1,239	**342**	305

Cash at banks, included in cash and cash equivalents, are with institutions with credit ratings of A or better. 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.

The maximum exposure to credit risk from trade receivables at 31 August 2016 is disclosed in Note 15. The following table shows an aged analysis of trade receivables for the Group.

	2016 £000	**2016 %**	2015 £000	2015 %
0 - 30 days	**2,350**	**69.6%**	2,146	50.3%
31 - 60 days	**523**	**15.5%**	757	21.4%
61 - 90 days	**216**	**6.4%**	400	11.3%
91 - 120 days	**46**	**1.4%**	16	0.4%
Over 120 days	**242**	**7.1%**	228	16.6%
	3,377	**100.0%**	3,547	100.0%

The Group reviews trade receivables balances on a routine basis and makes provision for any amounts where it believes the receivable is likely to be uncollectable. In 2016, bad debt expense was £25,000 (2015: £16,000) and the year-end bad debt provision was £81,000 (2015: £473,000).

Financial liabilities

The following is an analysis of the maturities of the financial liabilities excluding amount owed in relation to corporation tax, payroll taxes and VAT in the consolidated statement of financial position:

	Carrying amount £000	6 months or less £000	6-12 months £000	1 or more years £000
2016				
Invoice discounting finance facility	2,711	2,711	–	–
Other short term borrowings	294	294	–	–
Finance leases	45	11	11	23
Trade and other payables	5,253	5,253	–	–
Loan notes	555	–	–	555
	8,858	**8,269**	**11**	**578**
2015				
Invoice discounting finance facility	2,543	2,543	–	–
Finance leases	67	11	11	45
Trade and other payables	7,066	7,066	–	–
Loan notes	615	–	–	615
	10,291	9,620	11	660

Fair values of financial assets and liabilities

The fair value of the Group's financial assets and liabilities are not materially different from their book values, and therefore the Directors consider no hierarchical analysis is necessary.

Net foreign currency monetary assets and (liabilities)

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:

	2016 £000	2015 £000
Denominated in US dollars	**(765)**	(689)
Denominated in Canadian dollars	**–**	(43)
Denominated in Euros	**(245)**	(48)
	(1,010)	(780)

Borrowing facilities

During the year the Group has had a flexible debt finance facility with ABN Commercial Finance with a cap of £6 million across the Group; these facilities are secured by way of a fixed and floating charge over the whole assets of the Group and the Company. Borrowing against this facility amounted to £2,711,000 at 31 August 2016 (2014: £2,543,000), undrawn funds available on the invoice discounting facilities were £336,000 at 31 August 2016 (2014: £962,000). The facility has been renewed to 31 December 2017.

Derivative financial instruments

The Group maintains a natural hedge between buying and selling currencies and from time to time enters into foreign exchange hedge transactions to protect it against adverse currency movements. In addition, from time to time, the Company enters into currency options to protect it against translation risk of the net foreign currency assets and liabilities. There were no such options open at the year-end.

23. Related party transactions

Key management personnel compensation comprised the following:

	2016 £000	2015 £000
Short-term employee benefits	**730**	735
Post-employment benefits	**12**	12
Other long-term benefits	**–**	–
Termination benefits	**–**	–
Share based payments	**14**	55
	756	802

Transactions with related parties and the resulting balances for the year ended 31 August 2016 are summarised below:

a) Transaction with Idea Business Solutions Limited
In the ordinary course of business, the Group has entered into transactions with Idea Business Solutions Limited, a company controlled by Mr John Davidson, a Director of APC Technology Group PLC. Idea Business Solutions Ltd provides consulting services to the Group.

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Purchases	**21**	25	**21**	25
Amounts owed to Idea Business Solutions Ltd	**48**	6	**48**	6

b) Transactions with Joule Funding Limited
In the ordinary course of business, the Group has entered into transactions with Joule Funding Limited, a company in which Andrew Shortis, a Director of the Company during part of the year, is a Director.

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Purchases	**–**	60	**–**	60
Amounts owed to Joule Funding limited	**21**	30	**21**	30

c) Loans from Directors
Richard Hodgson, a Director of the Company held a convertible loan note of £10,000. The loan note accrued interest at 10% and had a maturity date of 31 July 2017. On 22 August 2016, this loan note was converted to 125,000 Ordinary Shares of 2p each in the capital of the Company at a conversion price of 8p per Ordinary Share.

24. Post balance sheet events

On 13 October 2016, the Company sold Green Compliance Water Division Limited, its water hygiene and treatment business, to Integrated Water Services Limited ("IWS"), a subsidiary of South Staffordshire PLC. The business was sold for total consideration of £800,000 and assumption of related invoice finance borrowings of £999,000. See Note 8 for more information.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of APC Technology Group PLC ("the Company") will be held at the offices of Stockdale Securities Limited at Beaufort House, 15 St Botolph Street, London EC3A 7BB on Friday 24 February 2017 at 12.00 noon, for the purpose of considering and, if thought fit, passing the following Resolutions:

Ordinary Resolutions

1. To receive and, if thought fit, adopt the Report of the Directors and the financial statements for the year ended 31 August 2016, with the auditor's report thereon.

2. To re-appoint RSM UK Audit LLP as auditors of the Company and to authorise the Directors to fix their remuneration.

3. That the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Companies Act 2006) up to an aggregate nominal amount of £852,032 (i.e. approximately one-third of the issued shares at the date of this report) provided that this authority shall expire on the date of the next Annual General Meeting of the Company, or on 24 May 2018 (whichever is the earlier), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

4. That subject to the passing of Resolution 3 above, the Board be and it is hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 561 of the said Act did not apply to any such allotment provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate (as near as may be) to the respective numbers of Ordinary Shares held by them; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £639,024 (i.e. approximately 25% of the issued shares at the date of this report).

By Order of the Board

H. F. Edmonds
Secretary

13 December 2016

Registered Office:
6 Stirling Park
Laker Road
Rochester
Kent
ME1 3QR

Notes

1. Only holders of Ordinary Shares, or their duly authorised representatives, are entitled to attend and vote at this meeting. A member so entitled may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Forms of proxy need to be deposited with the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, B63 3DA, not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.
2. A pre-paid Form of Proxy is enclosed for holders of Ordinary Shares.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that, in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to vote and attend may cast), a person must be entered on the register of holders of the Ordinary Shares of the Company by no later than 12.00 noon on Wednesday 22 February 2017, being 48 hours before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Company Information

Secretary and Registered Office

Hugh Edmonds, FCA
APC Technology Group PLC
6 Stirling Park
Laker Road
Rochester
Kent
ME1 3QR

Company Registration Number

01635609

Registrars

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
B63 3DA

Nominated Adviser and Stockbroker

Stockdale Securities Limited
Beaufort House
15 St Botolph Street
London
EC3A 7BB

Independent Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Solicitors

BPE Solicitors LLP
St James' House
St James' Square
Cheltenham
GL50 3PR

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)121 262 3830

APC Technology Group PLC
Head office:
6 Stirling Park
Laker Road
Rochester
Kent
ME1 3QR
United Kingdom

0330 313 3220

www.apcplc.com