TECHNOLOGY GROUP PLC

Annual Report and Accounts

For the Year Ended 31 March 2022

Company Registration Number: 01635609

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COMPANY INFORMATION

Directors

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

Company Secretary

Hugh F. Edmonds FCA

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Company Registration Number

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Independent Auditor

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STRATEGIC REPORT AND OPERATIONS REVIEW

The Directors are pleased to present their Strategic Report for APC Technology Group PLC (the "Company") and its subsidiary undertakings (together, the "Group") for the year ended 31 March 2022, 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 period

The year under review was spent under varying degrees of Coronavirus lockdown restrictions, with many staff working from home for all or much of the year. Nonetheless, the resilience of the workforce and the success of the sales initiatives launched last year were once again demonstrated in an excellent performance over most parts of the business. Our APC Locator business, sourcing hard to find components, had a particularly strong year. During the year, the Group's book to bill ratio for the whole year was positive at 1.10 and for the final quarter 1.26. The Group resumed its acquisition strategy with the purchase of MDL Technologies Limited on 30 April 2021 and this company made a strong contribution in its first eleven months of trading within the Group.

Turnover increased by 34%, however gross margins decreased from 31.9% to 29.8%, mainly as a result of increased freight and duty costs following Brexit. In addition, general and administrative expenses increased by 16.5%, supporting increased revenues although the Group continued to address costs, taking cost reduction measures wherever possible. These factors combined to produce an operating profit before depreciation ("EBITDA") of £1,520,000, up from £906,000 last year.

Throughout the year, the three core elements of the Group's growth strategy remained unchanged:

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

The first two elements of this strategy made further good progress, as nearer normal economic activity was gradually resumed after the domination of Covid-19 last year, while our APC Locator business grew further in the climate of a worldwide shortage of components.

On 30 April 2021 the Company acquired MDL Technologies Limited, which specialises in instrumentation and power sources for accurate measurement, testing and analysis within electronic applications. MDL also undertakes turnkey projects for the installation of shielded rooms to counter RF interference. Further details of this acquisition are shown in Note 18 to the financial statements. MDL's results for the eleven months since acquisition have exceeded management's expectations.

Review of continuing operations

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

The effects of Covid-19 on the year's operations was mixed: some parts of the business were affected by customers delaying their projects, conversely our business sourcing hard-to find components grew strongly against a background of worldwide component shortages. Our businesses involving longer-term projects were less affected and performed strongly as design-in work converted into orders. The year as a whole achieved a positive book to bill ratio of 1.10.

The Group's main businesses are described below.

RF and Microwave Components

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

High Reliability Electronic Components

APC's Hi-Rel team specialises in the design-in of high reliability, high temperature and high voltage components into projects within the defence, aerospace, space and high-end industrial sectors. Operating to AS9120B aerospace quality standards for component distribution, APC is an authorised UK distributor for market-leading global manufacturers. Its engineer-led, technical sales team secures the design-in of electronic components within a finished system, aircraft or vehicle, often resulting in long-term recurring revenue from continued production. These are long-term projects with long gestation periods, which by their nature are not subject to short-term fluctuations in demand. . After a quiet start, activity rebounded strongly later in the year, as new design-in projects started to be reflected in sales, resulting in an APC Hi-Rel overall performance that was significantly ahead of last year.

Component Sourcing Solutions

APC's component buyers and engineers support customers by sourcing obsolete or hard-to-find components and providing component level testing and processes. Leveraging its network of authorised open market sources for components, APC Locator delivers quick turn business within APC's client base, providing components from multiple high profile global manufacturers in addition to APC's portfolio of authorised distribution product lines. APC Locator performed strongly in the current marketplace conditions of worldwide component shortages, with a considerable increase in activity over last year

Smartwave

This business unit comprises the following main activities:

Time and Frequency Synchronisation

APC Time provides systems to synchronise time and frequency across critical IT networks within financial trading institutions, broadcast, telecoms, power and data centres. APC is the UK and Ireland representative for one of the top three global timing system manufacturers.

Lighting Technologies

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

Embedded Computing and Displays

APC is a Premier Channel Partner for the number one global manufacturer of embedded computer boards, industrial PCs and displays used in applications within defence, oil and gas, medical, transport, kiosks and industrial machinery.

APC's Smartwave business was the most affected by the COVID lockdowns during the early months of the year, but in recent months bookings have seen a return to pre-COVID levels and these are expected to flow through in the coming months.

Cables, Glands and Cable Accessories

This additional specialist business activity was formed through the acquisition of Co-Tron Components Limited in November 2019, as part of the strategy of broadening the market sectors for specialised components addressed by the Group. Co-Tron's business has been affected by Covid-19, with a shortfall of orders booked compared with expectations.

Test and Measurement

On 30 April 2021 APC acquired MDL Technologies Limited and eleven months' trading is therefore included in this report. MDL specialises in instrumentation and power sources for accurate measurement, testing and analysis within electronic applications. MDL also undertakes turnkey projects for the installation of shielded rooms to counter RF interference. Results for the period exceeded management's expectations on acquisition, with continued strong bookings for test products.

Business model, risks and uncertainties

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

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

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

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

Financing: During the year the Group's funding requirements were met through short-term invoice discounting facilities and a loan under the UK Coronavirus Business Interruption Loan Scheme facility. The ABN invoice discounting facilities were renewed in September 2021 and are continuing with no contractual end date. The acquired company's trade debtors have been included within that facility. Subsequent to year end, the Group secured an additional £700,000 working capital loan under the UK Recovery Loan Scheme as is disclosed in Note 21.

Financial: The Group has a specific exposure to credit risk, interest rate and exchange rate fluctuations, the latter exacerbated by the UK's exit from the European Union. There is a natural hedge between buying and selling currencies for most of the Group's business units, the main exception being UK sales of APC Lighting products The Group has established a number of policies to mitigate the risks presented, further details of which are presented in Note 17 to the financial statements.

Covid-19: At the time of this report, the United Kingdom and many other countries in which the Group conducts business are continuing to experience some economic disruption due to the Covid-19 virus. This disruption has moderately impacted the Group's ability to operate and its suppliers and customers, resulting in reduced activity in some areas during the year under review. Conversely, the Group has benefitted from a number of new opportunities that have emerged related to sourcing components currently in short supply. The Group does not expect that Covid-19 will have any material continuing effect on trading or operations over the next twelve months as related restrictions are increasingly eased in the UK and around the world.

Key performance indicators

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

	Year ended 31 March 2022	Year ended 31 March 2021
Gross margin to sales	**29.8%**	31.9%
General and administrative expenses to sales	**22.8%**	26.3%
Operating profit before depreciation	**7.0 %**	5.6%

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	**11.3 times**	10.0 times
Trade receivables days	**51 days**	57 days
Trade payables days	**70 days**	83 days

Both Trade Receivables days and Trade payables days were impacted by Covid-19. Whilst tight credit control procedures minimised impact on days receivables, payable days were closely managed to preserve cashflow through uncertainty. As trading conditions improve, KPI's are returning to more normal levels.

Outlook

The Group's three main growth strategies remain in place:

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

Development of the first two of these strategies moved forward well during the year and the Group expects further opportunities for organic growth over the coming year as economic activity returns, delayed projects are resumed, and further new opportunities arise for our component sourcing business through global supply shortages. In addition, the Group has resumed implementing its acquisition strategy, with the purchase of MDL Technologies Limited in April 2021, which is already exceeding management expectations.

These trends cause us to review the future with excitement and increasing confidence.

Richard Hodgson

Richard G. Hodgson
Director

20 July 2022

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 March 2022.

Principal activities

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

Results for the year and dividend

The Group's result on ordinary activities after taxation was a profit of £391,000 (2021: £34,000) and is dealt with as shown in the *consolidated statement of income on page 12.*

No interim dividend was paid and it is proposed that no final dividend will be paid this year (2021: £nil).

Directors

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

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

Directors' interests

None.

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.

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 March 2022 and the amounts owed to its trade creditors at the year-end was 70 days (2021: 83 days).

Post balance sheet events

A review of material post balance sheet events is disclosed in Note 21.

Going concern

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

For the year ended 31 March 2022, operating profit before depreciation ("EBITDA") increased to £1,519,000, from £906,000 in the previous year. Cash and cash equivalents also increased to £861,000, from £366,000, while the net working capital deficit decreased to £401,000 at 31 March 2022, from £908,000 last year (excluding debtor invoice financing of £2,747,000 and £2,221,000, respectively).

The Directors have examined going concern against a detailed forecast to 30 September 2023. The forecast is based on the Group's approved budget for the year ended 31 March 2023 and extended to 30 September 2023. The forecast includes the additional £700,000 loan secured under the UK Recovery Loan Scheme in May 2022, as further disclosed in Note 21, but no other new funding or changes to working capital management, other than normal advances under the debtor invoice financing facility within agreed terms.

The Group's budget for the year ended 31 March 2023 forecasts positive cash flow from operations of £1,047,000, an increase in cash and cash equivalents to £977,000, and a net working capital surplus of £527,000 compared to a deficit of £401,000 at 31 March 2022 (excluding debtor invoice financing of £2,656,000 and £2,747,000, respectively).

The forecast extension of the budget to 30 September 2023 was prepared based on conservative assumptions of the same monthly revenue and costs as the average for the rolling three previous months. This forecast projects cash and cash equivalents of £1,171,000 at 30 September 2023 and a further improvement in net working capital to £1,077,000 (excluding debtor invoice financing of £3,024,000).

Based on the foregoing, the Directors believe that the Group will continue to be able to meet its liabilities as they fall due and have accordingly continued to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2022.

Research and development

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

Donations

During the period £7,675 (2021: £6,850) was donated to charities. There were no political donations.

Strategic Report

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

Auditor

Crowe U. K. LLP has indicated its willingness to continue as auditor.

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

By Order of the Board

Hugh F. Edmonds
Secretary
20 July 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The financial statements are required by law and IFRS adopted by the UK 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 UK; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

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

Opinion

We have audited the financial statements of APC Technology PLC (the "parent company") and its subsidiaries (the "group") for the year ended 31 March 2022 which comprise the Consolidated Statement of Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRs) as adopted by the United Kingdom.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included:

- enquiries of management about their own identification and assessment of the risks of irregularities;
- reviewing board minutes and making enquiries of management regarding any non-compliance with laws and regulations and fraud;
- reviewing the revenue, supplier payments, payroll and inventory systems for significant deficiencies or susceptibility to fraud;
- reviewing revenue has been recognised appropriately and that the revenue accounting policy is compliant with the financial reporting framework;
- challenging assumptions and judgements made by management in their significant accounting estimates and judgements; and
- reviewing journal entries, in particular any journal entries posted with unusual account combinations, posted by unexpected users and posted on unexpected days.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

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

I. Weeks

Ian Weekes
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
Maidstone, Kent

20 July 2022

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 March 2022

£000	Note	2022	2021
Revenue from contracts with customers	3	**21,843**	16,253
Cost of sales		**(15,339)**	(11,070)
Gross profit		**6,504**	5,183
General and administrative expenses	4	**(4,985)**	(4,277)
Gain on disposal of property, plant and equipment		**7**	-
Depreciation of property, plant and equipment		**(250)**	(291)
Operating profit		**1,276**	615
Restructuring costs	6	**(478)**	(377)
Acquisition costs		**(37)**	-
Finance expense	7	**(373)**	(275)
Profit/(loss) before income tax		**388**	(37)
Income tax	8	**3**	71
Profit for the year attributable to shareholder		**391**	34

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

£000	Note	2022	2021
Non-current assets			
Intangible assets	9	**12,582**	11,702
Property, plant and equipment	10	**611**	505
		13,193	12,207
Current assets			
Inventories	12	**1,299**	1,080
Trade and other receivables	13	**4,094**	3,248
Current tax asset		**-**	83
Cash and cash equivalents		**861**	366
		6,254	4,777
Total assets		**19,447**	16,984
Current liabilities			
Trade and other payables	14	**5,906**	5,085
Loans and borrowings	15	**3,496**	2,821
		9,402	7,906
Total assets less current liabilities		**10,045**	9,078
Non-current liabilities			
Loans and borrowings	15	**4,414**	3,838
Net assets		**5,631**	5,240
Equity attributable to shareholder			
Called-up share capital	16	**3,652**	3,652
Share premium account		**15,008**	15,008
Merger reserve		**4,987**	4,987
Retained earnings		**(18,016)**	(18,407)
Total equity		**5,631**	5,240

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on 20 July 2022 and were signed on its behalf by:

Richard Hodgson

Richard G. Hodgson
Director

APC Technology Group PLC
Registered No: 01635609

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

£000	Note	2022	2021
Non-current assets			
Intangible assets	9	**2,583**	2,583
Property, plant and equipment	10	**595**	499
Investment in subsidiaries	11	**16,275**	13,708
		19,453	16,790
Current assets			
Inventories	12	**756**	690
Trade and other receivables	13	**2,811**	2,362
Amounts owed by subsidiary companies		**-**	-
Current tax asset		**-**	54
Cash and cash equivalents		**626**	273
		4,193	3,379
Total assets		**23,646**	20,169
Current liabilities			
Trade and other payables	14	**4,748**	4,416
Amounts owed to subsidiary companies		**8,041**	4,291
Loans and borrowings	15	**2,824**	2,973
		15,613	11,680
Total assets less current liabilities		**8,033**	8,489
Non-current liabilities			
Loans and borrowings	15	**4,414**	3,838
Net assets		**3,619**	4,651
Equity attributable to shareholder			
Called-up share capital	16	**3,652**	3,652
Share premium account		**15,008**	15,008
Merger reserve		**4,987**	4,987
Retained earnings		**(20,028)**	(18,996)
Total equity		**3,619**	4,651

The Company's loss for the financial year was £1,032,000 (2021: £3,099,000).

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board of Directors on 20 July 2022 and were signed on its behalf by:

Richard G. Hodgson
Director

APC Technology Group PLC
Registered No: 01635609

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

£000	Share capital	Share premium account	Merger reserve	Retained earnings	**Total**
At 31 March 2020	3,652	15,008	4,987	(18,441)	5,206
Profit for the year	-	-	-	34	34
At 31 March 2021	3,652	15,008	4,987	(18,407)	5,240
Profit for the year	-	-	-	391	391
At 31 March 2022	**3,652**	**15,008**	**4,987**	**(18,016)**	**5,631**

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

£000	Share capital	Share premium account	Merger reserve	Retained earnings	**Total**
At 31 March 2020	3,652	15,008	4,987	(15,897)	7,750
Loss for the year	-	-	-	(3,099)	(3,099)
At 31 March 2021	3,652	15,008	4,987	(18,996)	4,651
Loss for the year	-	-	-	(1,032)	(1,032)
At 31 March 2022	**3,652**	**15,008**	**4,987**	**(20,028)**	**(3,619)**

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

£000	**Group 2022**	Group 2021	**Company 2022**	Company 2021
Cash flows from operating activities				
Profit/(loss) before income tax for the period	**388**	(37)	**(1,032)**	(3,108)
Finance expense	**373**	275	**254**	197
Write off amount owed by subsidiary company	**-**	-	**-**	3,292
Depreciation of property, plant and equipment	**250**	291	**234**	282
Gain on sale of property, plant and equipment	**(7)**	-	**(7)**	-
Income tax	**(53)**	-	**54**	-
Decrease/(increase) in inventories	**(164)**	48	**(66)**	(109)
Decrease/(increase) in trade and other receivables	**(454)**	644	**(449)**	14
(Decrease)/increase in trade and other payables	**281**	(1,256)	**322**	(900)
Net cash from/(used in) operating activities	**614**	(35)	**(690)**	(332)
Cash flows from investing activities				
Acquisition of property, plant and equipment	**(146)**	(22)	**(146)**	(43)
Proceeds on sale of property, plant and equipment	**7**	643	**7**	-
Amounts from/(to) subsidiary companies	**-**	-	**3,750**	-
Acquisition of subsidiary; net of cash acquired	**383**	(656)	**(1,500)**	(656)
Acquisition costs	**-**	-	**-**	140
Proceeds on sale of investment	**-**	140	**-**	184
Net cash from/(used in) investing activities	**244**	105	**2,111**	(375)
Cash flows from financing activities				
Finance expense	**(373)**	(275)	**(254)**	(197)
Debtor invoice finance borrowing	**526**	(124)	**(298)**	637
Payment of lease liabilities	**(216)**	(240)	**(216)**	(240)
Coronavirus Business Interruption loan	**(300)**	1,225	**(300)**	1,225
Shareholder loan	**-**	600	**-**	600
Creditor invoice finance borrowing	**-**	(600)	**-**	(600)
Enterprise Finance Guarantee loan	**-**	(308)	**-**	(308)
Loan note borrowing	**-**	(275)	**-**	(275)
Net cash from/(used in) financing activities	**(363)**	3	**(1068)**	842
Increase in net cash	**495**	73	**353**	135
Cash and cash equivalents at beginning of year	**366**	293	**273**	138
Cash and cash equivalents at end of year	**861**	366	**626**	273

NOTES TO THE FINANICAL STATEMENTS

For the year ended 31 March 2022

1. Reporting entity

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

The Company is domiciled in the United Kingdom and its registered address is 6 Stirling Park, Laker Road, Rochester, Kent ME1 3QR.

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

2. Significant accounting policies

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

2.1 Basis of preparation

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

A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408(3) of the Companies Act 2006. The parent company earned a loss after tax of £1,032,000 (2021: £3,099,000).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed below.

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

Going concern

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

For the year ended 31 March 2022, operating profit before depreciation ("EBITDA") increased to £1,519,000, from £906,000 in the previous year. Cash and cash equivalents also increased to £861,000, from £366,000, while the net working capital deficit decreased to £401,000 at 31 March 2022, from £908.000 last year (excluding debtor invoice financing of £2,747,000 and £2,221,000, respectively).

The Directors have examined going concern against a detailed forecast to 30 September 2023. The forecast is based on the Group's approved budget for the year ended 31 March 2023 and extended to 30 September 2023. The forecast includes the additional £700,000 loan secured under the UK Recovery Loan Scheme in May 2022, as further disclosed in Note 21, but no other new funding or changes to working capital management, other than normal advances under the debtor invoice financing facility within agreed terms.

The Group's budget for the year ended 31 March 2023 forecasts positive cash flow from operations of £1,047,000, an increase in cash and cash equivalents to £977,000, and a net working capital surplus of £527,000 compared to a deficit of £401,000 at 31 March 2022 (excluding debtor invoice financing of £2,656,000 and £2,747,000, respectively).

The forecast extension of the budget to 30 September 2023 was prepared based on conservative assumptions of the same monthly revenue and costs as the average for the rolling three previous months. This forecast projects cash and cash equivalents of £1,171,000 at 30 September 2023 and a further improvement in net working capital to £1,077,000 (excluding debtor invoice financing of £3,024,000).

Based on the foregoing, the Directors believe that the Group will continue to be able to meet its liabilities as they fall due and have accordingly continued to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2022.

2.2 Basis of consolidation

The consolidated statement of income and statement of financial position include the accounts of the Company and all its subsidiaries made up to 31 March 2022. The results of subsidiaries acquired are included in the consolidated statement of income from the date control passes. Intra-group revenues and profits are eliminated fully on consolidation.

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

2.3 New standards, amendments, and interpretation

There were no new or revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2021.

There are no other IASB or IFRC standards that have been issued with an effective date after the date of the financial statements.

2.4 Revenue from contracts with customers

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

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

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

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

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

Commission income is recognised on a cash basis as it cannot reasonably be determined when the performance obligation has been completed as the timing and application is determined by the principal.

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

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

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

Incremental costs of obtaining a contract are expensed as incurred.

2.5 Government grants

The Group recognises income from government grants in the consolidated income statement as a deduction from the related expense in the same period as the related expenditure. Government grants recognised for the year ended 31 March 2022, and related expense, were as follows:

	2022	2021	
Coronavirus Job Retention Scheme furlough claims	**£ nil**	£204,000	General and administrative expenses
Coronavirus Business Interruption Loan Scheme interest	**£ 6,000**	£ 61,000	Finance expense

2.6 Intangible assets

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

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

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

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

Goodwill is reviewed annually for impairment. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

2.7 Property, plant and equipment

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

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

Leasehold improvements	Remaining term of 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
Right-of-use assets	Remaining term of lease – straight line

2.8 Inventories

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

2.9 Taxation

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

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

2.10 Foreign currencies

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

2.11 Leases

The Group leases offices, warehouses, motor vehicles, and equipment for fixed periods of one to four years, but may have extension options. Extension options are not recognised by the Group in the determination of lease liabilities unless renewals are reasonably certain.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Asset and liabilities arising from a lease are initially measured on a present value basis, with lease payments discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The Group presents lease liabilities in loans and borrowing in the statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Consolidated Statement of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are presented in property, plant and equipment and depreciated over the remaining lease term on a straight-line basis.

2.12 Pension

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

2.13 Financial instruments

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

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

With respect to amounts owed to the Company by subsidiary companies, expected recoverability Is assessed in relation to the current and anticipated performance of each subsidiary based on discounted cash flow consistent with the impairment review of goodwill disclosed in Note 9.

Trade and other payables

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

Borrowings

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

Share capital

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

2.14 Critical accounting estimates and judgements

The preparation of these consolidated financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of revenue and profits during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Revenue from contracts with customers – as disclosed in Note 2.4, the Group concluded that revenue from installation projects is recognised over time as the customer simultaneously receives and consumes the benefits provided. The Group determined that the percentage completion basis is the best method in measuring progress because there is a direct relationship between the Group's effort and the transfer of services to the customer. The judgement used to apply the percentage completion basis affects the amount and timing of revenue from contracts.
- Intangible assets - recognition and measurement of intangibles acquired in business combinations has been considered by the Directors and, due to the nature of the industry and customer relationships, the Directors have concluded that based on the provisional assessment there are no material intangible assets that can be recognised separately from goodwill.
- Goodwill has been tested for impairment by comparing the amount of goodwill against a multiple of forecast profit and/or revenue expected to be generated in the future by the appropriate cash-generating unit. The basis of review of the carrying value of goodwill is detailed in Note 9. Management do not consider that any reasonably foreseeable changes in the key assumptions would result in an impairment of the goodwill allocated.
- The recoverability of investment in subsidiaries, associated and other financial assets has been tested for impairment by comparing the cost of the asset against a multiple of forecast profit and/or revenue expected to be generated in the future by the appropriate cash-generating unit, and discounted at a rate of 5.0%.

3. Revenue

The Group had no customer representing over 10% of revenue (2021: none).

£000	2022	2021
Revenue by geographic location		
United Kingdom	**18,755**	13,276
North America	**482**	764
Europe and Asia	**2,606**	2,213
	21,843	16,253

4. General and administrative expenses

General and administrative expenses include the following:

£000	2022	2021
Auditors' remuneration - audit of parent company and consolidated accounts	**45**	45
Directors' emoluments	**269**	219

5. Employee information

£000	Group 2022	Group 2021	Company 2022	Company 2021
Wages and salaries	**3,571**	3,241	**2,700**	2,510
Social security costs	**385**	205	**300**	211
Defined contribution pension costs	**164**	159	**143**	124
Private health costs	**46**	44	**40**	38
	4,166	3,649	**3,183**	2,883

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

£000	Group 2022	Group 2021	Company 2022	Company 2021
Sales and distribution	**33**	31	**33**	25
Operations and administration	**42**	42	**42**	39
	75	73	**75**	64

Directors' remuneration for the year was comprised of the following:

£000	2022	2021
Remuneration for qualifying services	**245**	196
Defined contribution pension costs (2022: 1 Director; 2021: 1 Director)	**24**	23
	269	219

The highest paid Director was paid total aggregate remuneration of £269,000 in the year (2021: £219,000) of which £24,000 (2021: £23,000) represented pension contributions.

6. Restructuring costs

£000	2022	2021
Corporate re-organisation - compromise agreements and redundancy costs	**108**	210
Corporate re-organisation - professional fees	**337**	-
Corporate re-organisation – cessation of business	**23**	131
Corporate re-organisation – property closures	**10**	45
Other	**-**	(9)
	478	377

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

7. Finance expense

£000	**2022**	2021
Debtor invoice finance	**157**	111
Bank charges	**75**	56
Leases	**20**	23
Loan notes	**-**	10
Creditor invoice finance	**-**	8
Enterprise Finance Guarantee loan / CBILS loan	**6**	2
Foreign exchange (gain)/losses	**65**	23
Other finance costs	**50**	42
	373	275

8. Income tax

£000	**2022**	2021
Current tax:		
UK corporation tax on profits for the current period	**-**	-
Adjustments in respect of prior years	**-**	(71)
Total current tax	**-**	(71)
Deferred tax	**(3)**	-
Total tax credit	**(3)**	(71)

At 31 March 2022, the Group had tax losses carried forward of £5,874,000 (2021: £6,365,000) which have not been recognised in these financial statements.

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

£000	**2022**	2021
Profit/(loss) before tax	**388**	(37)
Rate of corporation tax	**19%**	19%
Tax on profit based on standard rate	**74**	(7)
Effects of:		
Expenses not deductible for tax purposes	**5**	3
Fixed asset differences	**(1)**	-
Trade losses eliminated	**1**	240
Group relief claimed	**(9)**	-
Deferred tax not recognised	**(73)**	(235)
Prior period adjustments	**-**	(72)
Total income tax for the period	**(3)**	(71)

9. Intangible assets

Intangible assets are comprised of goodwill on the acquisition of subsidiaries, including Silver Birch Marketing Limited and Go! Technology Limited in 2003, Hero Electronics Limited in 2006, Novacom Microwaves Limited and Contech Electronics Limited in 2008, Quo Vadis Limited in 2011, and First Byte Micro Limited and Aspen Electronics Limited in 2018, the operations of which have all been hived up into the Company.

Additional goodwill arose on the acquisition of Wavelength Electronics Limited in 2018 and Euro-Tech (Export) Limited and Co-Tron Components Limited in 2019.

During the year ended 31 March 2022, goodwill of £880,000 arose through the acquisition of MDL Technologies Limited in April 2021 as further disclosed in Note 18.

The Directors have undertaken an impairment review of the carrying value of the Group's and Company's goodwill as at 31 March 2022, based on the current and anticipated performance of each cash-generating unit. The impairment review of goodwill was based on forecast income for each cash-generating unit and reflects past experience where appropriate. The calculations are based on future operating cash flows for five years plus an estimated sale value at the end of five years based on an arm's length transaction between knowledgeable and willing parties 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	9,377	5 years	3%	5.0%
Wavelength Electronics Limited	538	5 years	3%	5.0%
Euro-Tech (Export) Limited	878	5 years	3%	5.0%
Co-Tron Components Limited	909	5 years	3%	5.0%
MDL Technology Limited	880	5 years	3%	5.0%

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:

£000	**Group 2022**	Group 2021	**Company 2022**	Company 2021
As at beginning of year	**11,702**	11,702	**2,583**	2,583
Acquired through business combinations	**880**	-	**-**	-
As at end of year	**12,582**	11,702	**2,583**	2,583

10. Property, plant and equipment

£000	Leasehold improvements	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Right-of-use assets	Total
Group						
Cost						
As at 31 March 2020	325	484	343	63	842	2,057
Additions	-	-	12	-	10	22
Disposals	-	-	-	-	(125)	(125)
As at 31 March 2021	**325**	**484**	**355**	**63**	**727**	**1,954**
Acquired through business combinations	-	-	112	21	-	133
Additions	87	-	60	-	185	332
Disposals	-	-	-	(16)	(219)	(235)
As at 31 March 2022	**412**	**484**	**527**	**68**	**693**	**2,184**
Depreciation						
As at 31 March 2020	289	368	309	57	260	1,283
Charge for the year	10	-	18	6	257	291
Disposals	-	-	-	-	(125)	(125)
As at 31 March 2021	**299**	**368**	**327**	**63**	**392**	**1,449**
Acquired through business combinations	-	-	82	21	-	103
Charge for the year	16	-	36	-	198	250
Disposals	-	-	-	(16)	(213)	(229)
As at 31 March 2022	**315**	**368**	**445**	**68**	**377**	**1,573**
Net book value						
As at 31 March 2021	26	116	28	-	335	505
As at 31 March 2022	**97**	**116**	**82**	**-**	**316**	**611**

£000	Leasehold improvements	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Right-of-use assets	Total
Company						
Cost						
As at 31 March 2020	**224**	**387**	**201**	**32**	**781**	**1,625**
Additions	-	-	13	-	10	23
Disposals	-	-	-	-	(64)	(64)
As at 31 March 2021	**224**	**387**	**214**	**32**	**727**	**1,584**
Acquired through business combinations	4	-	-	-	-	4
Additions	87	-	60	-	185	332
Disposals	-	-	-	(16)	(219)	(235)
As at 31 March 2022	**315**	**387**	**274**	**16**	**693**	**1,685**
Depreciation						
As at 31 March 2020	**194**	**271**	**177**	**26**	**218**	**886**
Charge for the year	9	-	10	6	238	263
Disposals	-	-	-	-	(64)	(64)
As at 31 March 2021	**203**	**271**	**187**	**32**	**392**	**1,085**
Charge for the year	16	-	20	-	198	234
Disposals	-	-	-	(16)	(213)	(229)
As at 31 March 2022	**219**	**271**	**207**	**16**	**377**	**1,090**
Net book value						
As at 31 March 2021	21	116	27	-	335	499
As at 31 March 2022	**96**	**116**	**67**	**-**	**316**	**595**

11. Investment in subsidiary undertakings

£000	**2022**	2021
Company		
Cost as at beginning of year	**13,708**	13,708
Acquisition in the period	**2,567**	-
Cost as at end of year	**16,275**	13,708

Details of the Company's subsidiaries, associates and other investments at 31 March 2022 were as follows:

Name	Incorporation	Ownership	Principal activity
Active subsidiaries			
Co-Tron Components Limited*	England and Wales	100%	Component distribution
Euro-Tech (Export) Limited*	England and Wales	100%	Component sourcing
MDL Technologies Limited*	England and Wales	100%	Component distribution
Wavelength Electronics Limited*	England and Wales	100%	Component manufacturers' representative
Dormant subsidiaries			
Advanced Power Components Limited *	England and Wales	100%	
Aspen Electronics Limited*	England and Wales	100%	
Contech Electronics Limited *	England and Wales	100%	
First Byte Micro Limited*	England and Wales	100%	
Hero Electronics Limited *	England and Wales	100%	
Minimise Group Limited *	England and Wales	100%	
Minimise Energy Limited *	England and Wales	100%	
Minimise Solutions Limited *	England and Wales	100%	

Name	Incorporation	Ownership
Dormant subsidiaries (continued)		
Novacom Microwaves Limited *	England and Wales	100%
Minimise Energy Canada Limited **	Canada	60%
Minimise Water Limited **	England and Wales	100%
Admiral Microwaves Limited ***	England and Wales	100%
Aaren Technology Limited ****	England and Wales	100%

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

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

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

12. Inventories

£000	**Group 2022**	Group 2021	**Company 2022**	Company 2021
Goods for resale	**1,299**	1,080	**756**	690

The cost of inventories recognised as expense and included in cost of sales amounted to £14,727,000 (2021: £10,621,000). 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 decrease in provisions of £222,000 (2021: £425,000).

13. Trade and other receivables

£000	**Group 2022**	Group 2021	**Company 2022**	Company 2021
Trade receivables	**3,684**	3,060	**2,427**	2,187
Other receivables	**103**	14	**101**	9
Prepayments	**307**	174	**283**	166
	4,094	3,248	**2,811**	2,362

The aged analysis of trade receivables is shown in Note 17.

During the period, the Group had a debtor invoice financing facility through which the majority of its trade receivables were eligible to be discounted, with recourse after 90 days. The gross amount of these trade receivables is shown above. At 31 March 2022 the Group had drawn down advances totalling £2,747,000 (2021: £2,221,000), which are shown in Note 15 under debtor invoice financing.

14. Trade and other payables

£000	**Group 2022**	Group 2021	**Company 2022**	Company 2021
Trade payables	**3,807**	3,175	**2,887**	2,653
Accruals and other payables	**524**	452	**408**	359
Payroll taxes	**110**	581	**110**	541
VAT payable	**1,465**	877	**1,343**	863
	5,906	5,085	**4,748**	4,416

15. Loans and borrowings

£000	Group 2022	Group 2021	Company 2022	Company 2021
Current liabilities				
Debtor invoice financing	**2,747**	2,221	**2,075**	2,373
Coronavirus Business Interruption loan	**300**	300	**300**	300
Deferred consideration	**288**	120	**288**	120
Lease liabilities	**161**	180	**161**	180
	3,496	2,821	**2,824**	2,973
Non-current liabilities				
Shareholder loan	**2,764**	2,764	**2,764**	2,764
Deferred consideration	**899**	-	**899**	-
Coronavirus Business Interruption Loan	**625**	925	**625**	925
Lease liabilities	**126**	149	**126**	149
	4,414	3,838	**4,414**	3,838

The debtor invoice financing is a £4.0 million revolving facility, bears interest at Bank of England base rate + 2.5%, has no fixed contractual end date, and is secured by a fixed charge over the debtors book and floating charge over all other assets.

In April 2020, the Company secured a £1,500,000 loan under the UK Coronavirus Business Interruption Loan Scheme, bearing interest at Bank of England base rate + 4.5% payable monthly in arrears, repayable in equal monthly principal instalments over 60 months, and secured on the same basis as the debtor invoice financing.

Deferred consideration is due on the purchase of MDL Technologies Limited as further disclosed in Note 18, is unsecured and without interest.

The shareholder loan is due to Specialist Components Limited, the Group's parent company, and is unsecured, without interest, and has no fixed terms of repayment. The directors of Specialist Components Limited have confirmed that loan will not be repayable within the next 12 months.

The obligations under lease liabilities are as follows:

	Minimum lease payments		Present value of minimum lease payments	
£000	**2022**	2021	**2022**	2021
Amounts payable under leases				
Less than one year	**169**	193	**161**	180
Between one and five years	**131**	154	**126**	149
	300	347	**287**	329
Future finance charges	**(13)**	(18)	**-**	-
Total obligations under lease liabilities	**287**	329	**287**	329

16. Share capital

£000		**2022**		2021
Group and Company				
Ordinary Shares of 2p				
Allotted, issued and fully paid:	**No. of shares**		No. of shares	
At 31 March 2022	**182,627,088**	**3,652**	182,627,088	3,652

The holders of Ordinary Shares are entitled to receive dividends, if declared, and are entitled to vote at general meetings of the Company.

17. Financial instruments

£000	**Group 2022**	Group 2021	**Company 2022**	Company 2021
Financial assets at amortised cost				
Trade and other receivables	**3,787**	3,074	**2,528**	2,196
Amounts owed by subsidiary companies	**-**	-	**-**	-
Cash and cash equivalents	**861**	366	**626**	273
	4,648	3,440	**3,154**	2,469
Financial liabilities at amortised cost				
Trade and other payables	**5,518**	3,747	**4,632**	3,132
Amounts owed to subsidiary companies	**-**	-	**8,041**	4,291
Loans and borrowings	**6,723**	6,539	**6,051**	6,691
	12,241	10,286	**18,724**	14,114

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

Financial Risk Management

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

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

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

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

Credit Risk

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

The Group assesses the risk associated with each customer based on independent credit rating agency reports and on its own experience with the customer before entering into binding contracts. Each customer account is reviewed on an on-going basis based on available information and payment history. Provision is made for any amounts where it is assessed that the receivable is likely to be uncollectable. In the year ended 31 March 2022, expected credit losses were £0 (2021: nil) and the bad debt provision at 31 March 2022 was £nil (2021: £7,000), all of which has been applied against accounts aged over 120 days.

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

	2022	**%**	2021	%
0 - 30 days	**2,266**	**61.5%**	1,804	58.9%
31 - 60 days	**853**	**23.1%**	737	24.1%
61 - 90 days	**271**	**7.4%**	246	8.0%
91 - 120 days	**87**	**2.4%**	112	3.7%
Over 120 days	**207**	**5.6%**	161	5.3%
	3,684	**100%**	3,060	100%

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

With respect to amounts owed to the Company by subsidiary companies, expected recoverability Is assessed in relation to the current and anticipated performance of each subsidiary based on discounted cash flow consistent with the impairment review of goodwill disclosed in Note 9. No provision for expected credit losses has been made in either the current or prior period. The credit risk on cash and cash equivalents is limited as the funds are held at financial institutions with credit ratings of A or better.

Foreign currency risk

The Group has exposure to transactional and translational currency exposures.

Transactional currency exposure risk arises when the Group enters into contracts in currencies other than the Group functional currency. Transactional risk is mitigated by the creation of a natural hedge between buying and selling currencies and 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 (2020: £nil).

The currency profiles of the Group's financial assets comprising cash at bank and in hand at 31 March 2022 were:

£000	**Group 2022**	Group 2021	**Company 2022**	Company 2021
Denominated in UK sterling	**600**	305	**390**	232
Denominated in US dollars	**87**	37	**76**	18
Denominated in Euros	**174**	24	**160**	23
	861	366	**626**	273

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:

£000	**2022**	2021
Denominated in USD	**(36)**	3
Denominated in CHF	**(12)**	-
Denominated in EUR	**(255)**	(189)
	(303)	(186)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group considers that it has no significant liquidity risk. The Group has established a £4.0 million debtor invoice financing facility to support working capital requirements, in addition to having secured a £1.5 million long-term debt facility in 2020 and a non-repayable £2,764,000 shareholder loan. The Group maintains near-term cash flow forecasts that enable it to identify its near-term borrowings requirement so that remedial action can be taken if necessary.

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

Contractual maturities of financial liabilities are as follows:

£000	**Total**	1 year or less	Between 1 and 5 years	5 or more years
Trade and other payables	**5,668**	5,668	-	-
Debtor invoice financing	**2,747**	2,747	-	-
Lease liabilities	**287**	161	126	-
Shareholder loan	**2,764**	-	-	2,764
Coronavirus Business Interruption Loan	**925**	300	625	-
	12,391	9,177	751	2,763

Interest rate risk

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

Capital risk

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

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

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

18. Business Combination

Acquisition of MDL Technologies Limited

On 30 April 2021, the Group acquired 100% of the share capital of MDL Technologies Limited, whose principal activity is the supply of electronic testing equipment. The purchase consideration consisted of £2,567,000, £1,164,000 of which was payable in cash on completion, deferred consideration of £1,153,000, 50% of which is payable in quarterly instalments over 24 months from completion and 50% at the end of that period, and additional consideration payable 24 months from completion to the extent gross profit exceeds £750,000 per annum over that period, estimated at £250,000. The recognised amounts of identifiable assets acquired and liabilities assumed and their fair value to the Group is as follows (£000s):

Cash and cash equivalents	1,883
Tangible fixed assets	31
Inventory	54
Trade and other receivables	392
Trade and other payables	(673)
	1,687
Goodwill	880
Total purchase consideration	2,567
Satisfied by:	
Initial cash consideration	1,164
Deferred consideration	1,403
Total acquisition cost	2,567

Goodwill recognised represents the value of assembled workforce and expected synergies from integrating the company into the Group's existing operations. From the date of acquisition to 31 March 2022, the company contributed revenue of £2,876,000 and profit after tax of £481,000 to the Group.

19. Related party transactions

Key management personnel compensation comprised the following:

£000	**2022**	2021
Short-term employee benefits	**245**	196
Post-employment benefits	**24**	23
Employer national insurance contributions	**32**	25
	301	244

There were no other transactions with related parties in the year ended 31 March 2022 or 2021. Transactions with wholly owned subsidiaries have not been disclosed.

20. Contingent liabilities

The liabilities of the Company's active subsidiaries listed in Note 11 totalling £1,091,000 (2021: £522,000) have been guaranteed by the Company under section 479C of the Companies Act 2006.

21. Post balance sheet event

In order to provide additional working capital to support current and planned growth following the economic disruption caused by COVID-19, the Company secured a £700,000 loan under the UK Recovery Loan Scheme in May 2022, bearing interest at Bank of England bank rate + 4.5% payable monthly in arrears, repayable in equal monthly principal instalments over 24 months, and secured on the same basis as the debtor invoice financing.

22. Ultimate controlling party

The Company's immediate parent company into which these results are consolidated is Specialist Components Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking is Harwood Capital Management Limited, which is registered in England and Wales.