

Holders Technology plc Half Yearly Report 2016

Specialised PCB Materials, LED Components and Lighting Solutions

Highlights

Holders Technology plc supplies specialty laminates and materials for printed circuit board manufacturers (“PCB”), and operates as an LED solutions provider to the lighting and industrial markets.

Unaudited results for the period are summarised as follows:

		2016	2015
		£'000	£'000
Revenue	PCB	4,014	4,146
	LED	1,648	1,333
	Total	5,662	5,479
Gross profit		1,381	1,402
Margins		24.4%	25.6%
Loss before exceptional items		(68)	(95)
Loss before taxation		(171)	(95)
Total cash		726	511
Earnings per share		(4.11p)	(2.06p)
Interim dividend per share		0.25p	0.25p
Net assets per share		92p	107p

Contents

Page

1. Chairman’s statement
2. Consolidated income statement
2. Consolidated statement of comprehensive income
3. Consolidated statement of changes in equity
4. Consolidated balance sheet
5. Consolidated cash flow statement
6. Notes

Chairman's statement

Half year ended 31 May 2016

These interim result before exceptional items shows a small improvement as compared to the equivalent period in 2015. Revenue increased by 3.3% to £5.7m (2015: £5.5m) and the loss before items relating to restructuring reduced to £68,000 (2015: loss of £95,000). The restructuring costs totalling £103,000 (2015: £nil) comprised employee termination costs, plus legal costs arising from an aborted transaction. The loss before taxation was £171,000 (2015: loss of £95,000).

PCB

PCB sales for the period reduced by 3.2% from £4,146,000 in 2015 to £4,014,000 in 2016. Our German PCB division experienced somewhat improved customer demand and achieved an increase in revenues whereas revenues from our smaller UK operation were adversely impacted by the discontinued distribution contract announced previously. The total PCB revenue figure was also impacted by the disposal in December 2015 of our interest in an Indian PCB joint venture.

Margins overall decreased by 2.7% to 21.1%, mainly due to the weaker Euro/ US Dollar exchange rate. Overheads excluding restructuring costs were reduced by 9.5% to £706,000 and the PCB result before restructuring costs was breakeven. During the period we have invested in improvements to IT systems and production machinery in order to improve efficiency.

LED

LED divisions in total achieved growth of 23.6% rising from £1,333,000 to £1,648,000 with margins improving to 32.3% from 31.1%. The Holders Components Divisions achieved good growth from new products introduced to their ranges in 2015.

Primarily due to the engagement of additional sales staff, LED overheads increased by 13.0%. Overall our LED activities achieved a reduced loss of £67,000 (2015: loss of £109,000).

Summary

Results from both the PCB and LED divisions showed some progress. Our PCB divisions have further reduced their costs in order to remain competitive in challenging markets while our LED divisions have continued to grow their revenues and improve margins. We continue to evaluate all possible routes to return the Group to satisfactory profitability.

Rudolf W. Weinreich
Executive Chairman

Holders Technology plc
27-28 Eastcastle Street
London
W1W 8HD

Consolidated income statement for the half year ended 31 May 2016 (Unaudited)

		Half year ended 31 May 2016	Half year ended 31 May 2015	Full year ended 30 Nov 2015
	Notes	£'000	£'000	£'000
Revenue	3	5,662	5,479	11,195
Cost of sales		(4,281)	(4,077)	(8,396)
Gross profit		1,381	1,402	2,799
Distribution costs		(200)	(181)	(364)
Administrative expenses		(1,249)	(1,317)	(2,652)
Restructuring costs		(103)	-	(25)
Other operating income		-	1	91
Operating loss		(171)	(95)	(151)
Finance income		-	-	1
Finance costs		-	-	(16)
Loss before taxation		(171)	(95)	(166)
Taxation	4	-	14	(195)
Loss for the period		(171)	(81)	(361)
Total and continuing				
Basic loss per share	6	(4.31p)	(2.06p)	(9.16p)
Diluted loss per share	6	(4.31p)	(2.06p)	(9.16p)

Consolidated statement of comprehensive income for the half year ended 31 May 2016 (Unaudited)

	Half year ended 31 May 2016	Half year ended 31 May 2015	Full year ended 30 Nov 2015
	£'000	£'000	£'000
Loss for the period	(171)	(81)	(361)
Exchange differences on translation of foreign operations	143	(196)	(246)
Total comprehensive expense for the period	(28)	(277)	(607)

Consolidated statement of changes in equity for the half year ended 31 May 2016 (Unaudited)

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 Dec 2014	416	1,531	1	34	2,512	4,494
Dividends	-	-	-	-	(20)	(20)
Employee share-based payment options	-	-	-	-	3	3
Transactions with owners	-	-	-	-	(17)	(17)
Loss for the year	-	-	-	-	(361)	(361)
Exchange differences on translating foreign operations	-	-	-	(246)	-	(246)
Total comprehensive income for the year	-	-	-	(246)	(361)	(607)
Balance 30 Nov 2015	416	1,531	1	(212)	2,134	3,870
Dividends	-	-	-	-	(10)	(10)
Ordinary shares issued during the period	-	59	-	-	-	59
Employee share-based payment options	-	-	-	-	10	10
Transactions with owners	-	59	-	-	-	59
Loss for the period	-	-	-	-	(171)	(171)
Exchange differences on translating foreign operations	-	-	-	143	-	143
Total comprehensive income for the period	-	-	-	143	(171)	(28)
Balance 31 May 2016	416	1,590	1	(69)	1,963	3,901

Consolidated balance sheet at 31 May 2016 (Unaudited)

	Half year ended 31 May 2016	Half year ended 31 May 2015	Full year ended 30 Nov 2015
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	317	317	316
Property, plant and equipment	319	358	327
Deferred tax assets	16	35	16
	652	710	659
Current assets			
Inventories	2,226	2,475	2,533
Trade and other receivables	1,641	1,885	1,556
Current tax	-	78	59
Cash and cash equivalents	726	511	443
	4,593	4,949	4,591
Liabilities			
Current liabilities			
Trade and other payables	(1,035)	(1,198)	(975)
Current tax liabilities	(106)	(34)	(213)
	(1,141)	(1,232)	(1,188)
Net current assets	3,452	3,717	3,403
Non-current liabilities			
Retirement benefit liability	(190)	(189)	(181)
Deferred tax liabilities	(13)	(20)	(11)
	(203)	(209)	(192)
Net assets	3,901	4,218	3,870
Shareholders' equity			
Share capital	416	416	416
Share premium account	1,590	1,531	1,531
Capital redemption reserve	1	1	1
Retained earnings	1,963	2,432	2,134
Cumulative translation adjustment	(69)	(162)	(212)
Equity attributable to the shareholders of the parent	3,901	4,218	3,870

Consolidated cash flow statement for the half year ended 31 May 2016 (Unaudited)

	Half year ended 31 May 2016	Half year ended 31 May 2015	Full year ended 30 Nov 2015
	£'000	£'000	£'000
Cash flows from operating activities			
Operating profit/ (loss)	(171)	(95)	(151)
Share-based payment charge/(credit)	10	10	3
Depreciation	38	46	86
(Increase)/decrease in inventories	439	(7)	(102)
(Increase)/decrease in trade and other receivables	(109)	(2)	295
(Decrease)/increase in trade and other payables	86	2	(86)
Cash generated from/ (used in) operations	293	(46)	45
Corporation tax received/ (paid)	(46)	(6)	(7)
Net cash generated from/ (used in) operations	247	(52)	38
Cash flows from investing activities			
Purchase of property, plant and equipment	(12)	(65)	(161)
Proceeds from sale of property, plant and equipment	-	-	3
Interest received	-	-	1
Net cash used in investing activities	(12)	(65)	(157)
Cash flows from financing activities			
Interest paid	-	-	(16)
Proceeds from issuance of share capital	59	-	-
Equity dividends paid	(10)	(9)	(20)
Net cash used in financing activities	49	(9)	(36)
Net change in cash and cash equivalents	284	(126)	(155)
Cash and cash equivalents at start of period	443	634	634
Effect of foreign exchange rates	(1)	3	(36)
Cash and cash equivalents at end of period	726	511	443

Notes

1. General information

Holders Technology plc is incorporated in the United Kingdom under the Companies Act 2006. The principal activity of the group is to provide specialised materials, components and solutions to the electronics and lighting industries.

2. Basis of preparation

The condensed consolidated half year financial statements have been prepared in accordance with the AIM Rules for Companies and prepared on a basis consistent with International Financial Reporting Standards (“IFRS”) as adopted by the EU and the accounting policies set out in the group’s financial statements for the year ended 30 November 2015.

The condensed consolidated half year financial statements are unaudited and include all adjustments which management considers necessary for a fair presentation of the group’s financial position, operating results and cash flows for the 6 month periods ended 31 May 2016 and 31 May 2015.

The half year financial statements do not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. A copy of the group’s financial statements for the year ended 30 November 2015 prepared in accordance with IFRS as adopted by the EU has been filed with the Registrar of Companies. The auditors’ report on those financial statements was not qualified and did not contain statements under s498(2) of s498(3) of the Companies Act 2006.

As permitted, the group has chosen not to adopt IAS 34 ‘Interim Financial Statements’ in preparing these half year financial statements and therefore the half year financial information is not in full compliance with IFRS.

The preparation of half year financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

These half year financial statements have been prepared under the historical cost convention.

The board of Holders Technology plc approved this half yearly report on 28 July 2016.

3. Segmental information

Management currently identifies two operating segments:

- PCB, which distributes materials, equipment and supplies to the PCB industry.
- LED, which distributes LED-related components and lighting solutions to the lighting industry.

Notes (continued):

3. Segmental information (continued)

Analysis by operating segment
for the half year ended 31 May

	PCB		LED		Other		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Revenue	4,014	4,146	1,648	1,333			5,662	5,479
Cost of sales	3,166	3,158	1,115	919			4,281	4,077
Gross Profit	848	988	533	414	-	-	1,381	1,402
Distribution costs	138	136	62	45			200	181
Administration costs	809	780	538	478	5	58	1,352	1,316
Segment profit/ (loss)	(99)	72	(67)	(109)	(5)	(58)	(171)	(95)

4. The tax provision for the six months ended 31 May 2016 is calculated based on the tax rates applicable in the country in which each company operates. Taxation includes nil tax charge (2015: tax credit of £10,000) relating to overseas operations.

5. A final dividend of 0.25p per share on the total issued share capital of 3,939,551 10p ordinary shares, excluding treasury shares, was paid on 24 May 2016 in respect of the year ended 30 November 2015.

An interim dividend payment of 0.25p per share (2015: 0.25p per share) will be payable on 11 October 2016 to shareholders on the register at 16 September 2016. The shares will go ex-dividend on 15 September 2016. The interim dividend had not been approved by the board at 31 May 2016 and accordingly, has not been included as a liability as at that date.

6. The basic earnings per share for continuing operations are based on the loss for the period of £171,000 (2015: loss £81,000) and on ordinary shares 3,968,076 (2015: 3,939,551), the weighted average number of shares in issue during the period. Diluted earnings per share for continuing operations are based on 3,968,076 ordinary shares (2015: 3,959,551), being the weighted average number of ordinary shares after an adjustment of nil shares (2015: nil) in relation to share options.

7. A copy of this half yearly report is being sent to shareholders and is available for inspection at the company's offices at Holders Technology (UK) Ltd., Units 1-4, Block 9, Tweedbank Industrial Estate, Galashiels TD1 3RS and via its website www.holdersgroup.com.