

Holders Technology plc Half Yearly Report 2019

Specialised PCB Materials, Lighting and Control Solutions

Highlights

Holdings Technology plc supplies specialty laminates and materials for printed circuit board manufacturers (“PCB”) and operates as a lighting and control solutions (“LCS”) provider to the lighting market and commercial buildings sector.

Unaudited results for the half year ended 31 May are summarised as follows:

| | | 2019 | 2018 |
|----------------------------|-------|-------|-------|
| | | £'000 | £'000 |
| Revenue | PCB | 4,291 | 4,756 |
| | LCS | 1,737 | 1,426 |
| | Total | 6,028 | 6,182 |
| Gross profit | | 1,579 | 1,585 |
| Margins | | 26.2% | 25.6% |
| Overheads | | 1,570 | 1,520 |
| Operating profit | | 9 | 65 |
| Finance income | | 11 | - |
| Profit before tax | | 20 | 65 |
| Taxation | | 29 | - |
| Profit after tax | | 49 | 65 |
| Earnings per share | | 1.17p | 1.56p |
| Interim dividend per share | | 0.25p | 0.25p |
| Net assets per share | | 100p | 96p |

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Chairman's statement

Half year ended 31 May 2019

These interim results show a mixed outcome as compared to the equivalent period in 2018. PCB revenues have been adversely impacted by the overall economic environment, and the challenges faced by the automotive industry in Germany. In contrast, revenues from the LCS divisions have grown strongly.

Group revenue decreased by 2.5% to £6.0m (H1 2018: £6.2m), gross margins increased by 0.6% to 26.2%, and the pre-tax result was a profit of £20,000 (H1 2018: profit of £65,000).

PCB

PCB sales in the period decreased by 9.8%, from £4,756,000 in 2018 to £4,291,000, while PCB gross margins decreased by 0.7% to 22.5%. At the end of the period the upgraded aluminium cutting and punching line in Germany was brought into full operation. The improved cutting line is expected to provide higher throughput and result in efficiency gains in future periods.

PCB overheads as a percentage of sales increased by 1.7% to 18.1%. Overall our PCB activities recorded a pre-tax profit of £30,000 (H1 2018: profit £159,000).

LCS

Lighting and Control Solutions divisions in the UK and Germany made good progress during the period. Revenue grew by 21.8% from £1,426,000 to £1,737,000, and gross margins improved from 33.7% to 35.2%. Overheads as a percentage of revenue decreased from 33.2% to 31.1%, leading to a profit of £31,000 (H1 2018: loss £38,000).

Taxation

HMRC have now accepted our final claim for EU Cross Border tax which was shown as a liability of £43,000 at the end of November 2018. The liability has been removed from the accounts during the period which resulted in a credit of £14,000 to interest paid and a credit of £29,000 to taxation.

Board Changes

On 7 May Thomas Bray stepped down from the Board, and I would like to thank him for his contribution to the Group over the last six years. Thomas' role will be partly filled by Mat Hanson who joined us in February and is now UK Sales Director for our Lighting and Control Solutions division. We plan to add further technical and sales capacity to LCS divisions in the UK and Germany over the next few months to support growing customer demand and our expanding portfolio of products and services.

Summary

Our PCB business continues to face challenges due to unfavourable market conditions. However, PCB operations remain profitable, and management has recently implemented targeted cost savings to further improve profitability. The LCS divisions have achieved good growth and a modest profit in the first half, and the pipeline of sales opportunities is encouraging, with the acceptance in the market of wireless lighting controls.

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Consolidated income statement for the half year ended 31 May 2019 (Unaudited)

| | | Half year ended 31 May 2019 | Half year ended 31 May 2018 | Full year ended 30 Nov 2018 |
|------------------------------------|-------|--|-----------------------------------|-----------------------------------|
| | Notes | £'000 | £'000 | £'000 |
| Revenue | 3 | 6,028 | 6,182 | 12,486 |
| Cost of sales | | (4,449) | (4,597) | (9,220) |
| Gross profit | | 1,579 | 1,585 | 3,266 |
| Distribution costs | | (199) | (210) | (422) |
| Administrative expenses | | (1,369) | (1,300) | (2,696) |
| Other operating (expenses)/ income | | (2) | - | 36 |
| Operating profit | | 9 | 65 | 184 |
| Finance income/ (costs) | | 11 | - | (7) |
| Profit before taxation | | 20 | 65 | 177 |
| Taxation | 4 | 29 | - | (8) |
| Profit for the period | | 49 | 65 | 169 |
| Total and continuing | | | | |
| Basic earnings per share | 6 | 1.17p | 1.56p | 4.06p |
| Diluted earnings per share | 6 | 1.17p | 1.46p | 4.03p |

Consolidated statement of comprehensive income for the half year ended 31 May 2019 (Unaudited)

| | | Half year ended 31 May 2019 | Half year ended 31 May 2018 | Full year ended 30 Nov 2018 |
|---|--|--|-----------------------------------|-----------------------------------|
| | | £'000 | £'000 | £'000 |
| Profit for the period | | 49 | 65 | 169 |
| Exchange differences on translation of foreign operations | | 6 | (12) | 15 |
| Total comprehensive income/ (expense) for the period | | 55 | 53 | 184 |

Consolidated statement of changes in equity for the half year ended 31 May 2019 (Unaudited)

| | Share capital | Share premium | Capital redemptio n reserve | Translation reserve | Retained earnings | Total equity |
|---|------------------|------------------|-----------------------------------|------------------------|----------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance 1 Dec 2017 | 416 | 1,590 | 1 | 207 | 1,718 | 3,932 |
| Dividends | - | - | - | - | (21) | (21) |
| Share based payments | - | - | - | - | 4 | 4 |
| Transactions with owners | - | - | - | - | (17) | (17) |
| Profit for the year | - | - | - | - | 169 | 169 |
| Other comprehensive income for the year | - | - | - | 15 | - | 15 |
| Total comprehensive income for the year | - | - | - | 15 | 169 | 184 |
| Balance 30 Nov 2018 | 416 | 1,590 | 1 | 222 | 1,870 | 4,099 |
| Dividends | - | - | - | - | (21) | (21) |
| New shares issued | 6 | - | - | - | - | 6 |
| Transactions with owners | 6 | - | - | - | (21) | (15) |
| Profit for the period | - | - | - | - | 49 | 49 |
| Other comprehensive expense for the period | - | - | - | 6 | - | 6 |
| Total comprehensive income for the period | - | - | - | 6 | 49 | 55 |
| Balance 31 May 2019 | 422 | 1,590 | 1 | 228 | 1,898 | 4,139 |

Consolidated balance sheet at 31 May 2019 (Unaudited)

| | Half year ended 31 May 2019 | Half year ended 31 May 2018 | Full year ended 30 Nov 2018 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 |
| Assets | | | |
| Non-current assets | | | |
| Goodwill | 318 | 318 | 318 |
| Property, plant and equipment | 338 | 374 | 357 |
| Deferred tax assets | 9 | 9 | 10 |
| | 665 | 701 | 685 |
| Current assets | | | |
| Inventories | 2,459 | 2,304 | 2,849 |
| Trade and other receivables | 1,542 | 1,986 | 1,791 |
| Cash and cash equivalents | 674 | 633 | 403 |
| | 4,675 | 4,923 | 5,043 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | (988) | (1,328) | (1,373) |
| Current tax liabilities | - | (94) | (43) |
| | (988) | (1,422) | (1,416) |
| Net current assets | 3,687 | 3,501 | 3,627 |
| Non-current liabilities | | | |
| Retirement benefit liability | (207) | (227) | (204) |
| Deferred tax liabilities | (6) | - | (9) |
| | (213) | (227) | (213) |
| Net assets | 4,139 | 3,975 | 4,099 |
| Shareholders' equity | | | |
| Share capital | 422 | 416 | 416 |
| Share premium account | 1,590 | 1,590 | 1,590 |
| Capital redemption reserve | 1 | 1 | 1 |
| Retained earnings | 1,898 | 1,773 | 1,870 |
| Cumulative translation adjustment | 228 | 195 | 222 |
| Equity attributable to the shareholders of the parent | 4,139 | 3,975 | 4,099 |

Consolidated cash flow statement for the half year ended 31 May 2019 (Unaudited)

| | Half year ended 31 May 2019 | Half year ended 31 May 2018 | Full year ended 30 Nov 2018 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Profit before tax from continuing operations | 20 | 65 | 177 |
| Share-based payment charge | - | - | 4 |
| Depreciation | 76 | 43 | 71 |
| Decrease/ (increase) in inventories | 375 | 104 | (427) |
| Decrease/ (increase) in trade and other receivables | 104 | 286 | (407) |
| (Decrease)/ increase in trade and other payables | (221) | (338) | 571 |
| Interest (credit)/ expense | (14) | - | 8 |
| Cash generated from/ (used in) operations | 340 | 160 | (3) |
| Interest paid | - | - | (8) |
| Corporation tax paid | - | (36) | (88) |
| Net cash generated from/ (used in) operations | 340 | 124 | (99) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (57) | (49) | (58) |
| Net cash used in investing activities | (57) | (49) | (58) |
| Cash flows from financing activities | | | |
| Equity dividends paid | (21) | (10) | (21) |
| Ordinary shares issued | 6 | - | - |
| Net cash used in financing activities | (15) | (10) | (21) |
| Net change in cash and cash equivalents | 268 | 65 | (178) |
| Cash and cash equivalents at start of period | 403 | 579 | 579 |
| Effect of foreign exchange rates | 3 | (11) | 2 |
| Cash and cash equivalents at end of period | 674 | 633 | 403 |

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 2018.

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 2018 and 31 May 2019.

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 2018 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 22 August 2019.

3. Segmental information

Management currently identifies two operating segments:

- PCB, which distributes materials, equipment and supplies to the PCB industry.
- LCS, which provides lighting and control solutions to the lighting market and commercial buildings sector.

Notes (continued):

3. Segmental information (continued)

Analysis by operating segment
for the half year ended 31 May

| | PCB | | LCS | | Central Costs | | Total | |
|---------------------------|-------|-------|-------|-------|---------------|-------|-------|-------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue | 4,291 | 4,756 | 1,737 | 1,426 | - | - | 6,028 | 6,182 |
| Cost of sales | 3,324 | 3,651 | 1,125 | 946 | - | - | 4,449 | 4,597 |
| Gross Profit | 967 | 1,105 | 612 | 480 | - | - | 1,579 | 1,585 |
| Distribution costs | 159 | 165 | 40 | 45 | - | - | 199 | 210 |
| Administration costs | 778 | 781 | 541 | 473 | 52 | 56 | 1,371 | 1,310 |
| Segment Profit/ (Loss) | 30 | 159 | 31 | (38) | (52) | (56) | 9 | 65 |

4. The tax provision for the six months ended 31 May 2019 is calculated based on the tax rates applicable in the country in which each company operates.

5. A final dividend of 0.50p per share on the total issued share capital of 4,224,164 10p ordinary shares was paid on 21 May 2019 in respect of the year ended 30 November 2018.

An interim dividend payment of 0.25p per share (2018: 0.25p per share) will be payable on 8 October 2019 to shareholders on the register at 13 September 2019. The shares will go ex-dividend on 12 September 2019. The interim dividend had not been approved by the board at 31 May 2019 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 profit for the period of £49,000 (2018: profit £65,000) and on 4,172,759 ordinary shares (2018: 4,159,551), the weighted average number of shares in issue during the period. Diluted earnings per share for continuing operations are based on 4,194,313 ordinary shares (2018: 4,159,551), being the weighted average number of ordinary shares after an adjustment of 21,554 shares (2018: nil shares) 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.