

# Holders Technology plc Half Yearly Report 2020

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 2020 are summarised as follows:

		2020	2019
		£'000	£'000
Revenue	PCB	4,157	4,291
	LCS	1,170	1,737
	Total	5,327	6,028
Gross profit		1,398	1,579
Margins		26.2%	26.2%
Overheads		1,482	1,570
Operating (loss)/ profit		(84)	9
Finance (expense)/ income		(6)	11
(Loss)/ profit before tax		(90)	20
Taxation		-	29
(Loss)/ profit after tax		(90)	49
(Loss)/ earnings per share		(2.13p)	1.17p
Interim dividend per share		0.25p	0.25p
Net assets per share		99p	100p

## Contents

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

# Chairman's statement

Half year ended 31 May 2020

Inevitably these interim results were heavily impacted by the economic consequences of the Covid-19 pandemic. The two segments of our business were affected differently. Details of this are set out below.

We have taken full benefit of all applicable assistance schemes, both in the UK and Germany, in order to reduce our costs. We have supplemented these with pay and other cost reductions wherever we can.

Against the background of the exceptionally difficult conditions, the board considers the result for the first half to be acceptable.

Group revenue decreased by 11.6% to £5.3m (H1 2019: £6.0m), gross margins were unchanged at 26.2%, and the pre-tax result was a loss of £90,000 (H1 2019: profit of £20,000).

## PCB

PCB sales in the period decreased by 3.1%, from £4,291,000 in 2019 to £4,157,000, and PCB gross margins increased by 0.8% to 23.3%. The first half revenues benefitted from increased demand from healthcare applications and a degree of stockpiling by our customers due to global uncertainty. The Government support referred to above enabled us to reduce PCB overheads as a percentage of sales by 1.7% to 16.4%. Overall, our PCB activities recorded a pre-tax profit of £124,000 (H1 2019: profit of £30,000).

## LCS

Lighting and Control Solutions division operations in the UK and Germany experienced a difficult first half due to the economic impact of Covid-19. A number of projects were delayed in the UK and the market in Germany weakened. Revenue reduced by 32.6% from £1,737,000 in H1 2019 to £1,170,000 but gross margins improved from 35.2% to 36.8%. Overheads as a percentage of revenue increased from 31.1% to 49.7%. The overall result for the LCS divisions was a loss of £174,000 (H1 2019: profit of £31,000).

In March 2020, the Group invested c. £15,000 in a 50:50 Joint Venture with a sales partner based in Austria. The new company, called Holders Technology Austria GmbH, will develop intelligent lighting business in Austria, Switzerland, Czechia, and Slovakia.

## Cash and Debt

During the Covid-19 crisis management have increased focus on controlling days of stock and debtors' days. Net cash of £107,000 was generated from operations. Group cash at the period end was £723,000 (H1 2019: £674,000). Other than lease liabilities, the company has no debt.

## Outlook

At present we have only limited visibility as to the likely level of trading in the second half of the year. We are encouraged by recent improvements in some divisions, both in quotations and order intake, as compared to the first half but cannot be certain that this will follow through to the end of the year. Our management team and work force remain committed to managing costs and containing working capital, so that the business may benefit from any improvement in trading conditions.

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## Consolidated income statement for the half year ended 31 May 2020 (Unaudited)

		<b>Half year ended 31 May 2020</b>	Half year ended 31 May 2019	Full year ended 30 Nov 2019
	Notes	<b>£'000</b>	£'000	£'000
Revenue	4	<b>5,327</b>	6,028	12,162
Cost of sales		<b>(3,929)</b>	(4,449)	(8,770)
Gross profit		<b>1,398</b>	1,579	3,392
Distribution costs		<b>(186)</b>	(199)	(419)
Administrative expenses		<b>(1,294)</b>	(1,369)	(2,890)
Other operating (expenses)/ income		<b>(2)</b>	(2)	61
Operating (loss)/ profit		<b>(84)</b>	9	144
Finance (costs)/ income		<b>(6)</b>	11	6
Profit before taxation		<b>(90)</b>	20	150
Taxation	5	<b>-</b>	29	31
Profit for the period		<b>(90)</b>	49	181
Total and continuing				
Basic earnings per share	7	<b>(2.13p)</b>	1.17p	4.31p
Diluted earnings per share	7	<b>(2.13p)</b>	1.17p	4.30p

## Consolidated statement of comprehensive income for the half year ended 31 May 2020 (Unaudited)

		<b>Half year ended 31 May 2020</b>	Half year ended 31 May 2019	Full year ended 30 Nov 2019
		<b>£'000</b>	£'000	£'000
(Loss)/ profit for the period		<b>(90)</b>	49	181
Reserves adjustment for IFRS 16		<b>(10)</b>	-	-
Exchange differences on translation of foreign operations		<b>133</b>	6	(94)
Total comprehensive income for the period		<b>33</b>	55	87

## Consolidated statement of changes in equity for the half year ended 31 May 2020 (Unaudited)

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 Dec 2018	416	1,590	1	222	1,870	4,099
Dividends	-	-	-	-	(32)	(32)
Shares issued	6	-	-	-	-	6
Share based payments	-	-	-	-	4	4
Transactions with owners	6	-	-	-	(28)	(22)
Profit for the year	-	-	-	-	181	181
Exchange differences on translating foreign operations	-	-	-	(94)	-	(94)
Total comprehensive income for the year	-	-	-	(94)	181	87
Balance 30 Nov 2019	422	1,590	1	128	2,023	4,164
Loss for the period	-	-	-	-	(90)	(90)
Reserves adjustment for IFRS 16	-	-	-	-	(10)	(10)
Exchange differences on translating foreign operations	-	-	-	133	-	133
Total comprehensive income for the period	-	-	-	133	(100)	33
Balance 31 May 2020	<b>422</b>	<b>1,590</b>	<b>1</b>	<b>261</b>	<b>1,923</b>	<b>4,197</b>

## Consolidated balance sheet at 31 May 2020 (Unaudited)

	Notes	Half year ended 31 May 2020 £'000	Half year ended 31 May 2019 £'000	Full year ended 30 Nov 2019 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible fixed assets		388	318	394
Property, plant and equipment		245	338	237
Right-of-use assets	3	409	-	-
Investment in joint venture		15	-	-
Deferred tax assets		12	9	12
		<b>1,069</b>	<b>665</b>	<b>643</b>
<b>Current assets</b>				
Inventories		2,358	2,459	2,530
Trade and other receivables		1,461	1,542	1,758
Cash and cash equivalents		723	674	734
		<b>4,542</b>	<b>4,675</b>	<b>5,022</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(765)	(988)	(1,280)
Lease liabilities	3	(419)	-	-
Current tax liabilities		-	-	-
		<b>(1,184)</b>	<b>(988)</b>	<b>(1,280)</b>
<b>Net current assets</b>		<b>3,358</b>	<b>3,687</b>	<b>3,742</b>
<b>Non-current liabilities</b>				
Retirement benefit liability		(221)	(207)	(212)
Deferred tax liabilities		(9)	(6)	(9)
		<b>(230)</b>	<b>(213)</b>	<b>(221)</b>
<b>Net assets</b>		<b>4,197</b>	<b>4,139</b>	<b>4,164</b>
<b>Shareholders' equity</b>				
Share capital		422	422	422
Share premium account		1,590	1,590	1,590
Capital redemption reserve		1	1	1
Retained earnings		1,923	1,898	2,023
Cumulative translation adjustment		261	228	128
<b>Equity attributable to the shareholders of the parent</b>		<b>4,197</b>	<b>4,139</b>	<b>4,164</b>



## Consolidated cash flow statement for the half year ended 31 May 2020 (Unaudited)

	Half year ended 31 May 2020	Half year ended 31 May 2019	Full year ended 30 Nov 2019
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
(Loss)/ profit before tax from continuing operations	(90)	20	150
Share-based payment charge	-	-	4
Depreciation	150	76	74
Decrease in inventories	261	375	237
(Increase)/ decrease in trade and other receivables	(75)	104	(140)
(Decrease)/ increase in trade and other payables	(139)	(221)	92
Interest expense/ (credit)	6	(14)	(6)
<b>Cash generated from operations</b>	<b>113</b>	<b>340</b>	<b>411</b>
<b>Interest paid</b>	<b>(6)</b>	<b>-</b>	<b>(8)</b>
<b>Net cash generated from operations</b>	<b>107</b>	<b>340</b>	<b>403</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, and equipment	(21)	(57)	(42)
Purchase of ROU assets	(514)	-	-
Proceeds from sale of property, plant, and equipment	-	-	1
Investment in joint venture	(15)	-	-
<b>Net cash used in investing activities</b>	<b>(550)</b>	<b>(57)</b>	<b>(41)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid	-	(21)	(32)
Ordinary shares issued	-	6	6
Proceeds of lease agreements	524	-	-
Lease payments	(116)	-	-
<b>Net cash used in financing activities</b>	<b>408</b>	<b>(15)</b>	<b>(26)</b>
<b>Net change in cash and cash equivalents</b>	<b>(35)</b>	<b>268</b>	<b>336</b>
Cash and cash equivalents at start of period	734	403	403
Effect of foreign exchange rates	24	3	(5)
<b>Cash and cash equivalents at end of period</b>	<b>723</b>	<b>674</b>	<b>734</b>

## Notes

### 1. General information

Holdings 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 2019.

The 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 2019 and 31 May 2020.

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 2019 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 Holdings Technology plc approved this half yearly report on 20 August 2020.

### 3. IFRS 16 Leases

The half year statements include the impact of IFRS 16 “Leases” for the first time. The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2019 periods, under the transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 December 2020.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

## Notes (continued):

### 3. IFRS Leases (continued)

Right of use (“ROU”) assets and lease liabilities were recognised as follows:

		PCB £'000	LCS £'000	Total £'000
At 1 December 2019				
ROU assets	Property	279	-	279
	Equipment	243	-	243
	Motor vehicles	-	7	7
	Total	522	7	529
Lease liabilities		534	5	539
At 31 May 2020				
ROU assets	Property	186	-	186
	Equipment	221	-	221
	Motor vehicles	-	2	2
	Total	407	2	409
Lease liabilities		417	2	419

As a result of the above adjustments, retained reserves at 1.12.19 were reduced by £10,000. The impact on the 6-month period to 31 May 2020 was a credit to administrative expenses of £6,000 (all PCB segment), and a charge to interest of the same amount.

### 4. Segmental information

Management currently identifies two operating segments:

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

Analysis by operating segment for the half year ended 31 May

	PCB		LCS		Central Costs		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Revenue	4,157	4,291	1,170	1,737	-	-	5,327	6,028
Cost of sales	3,189	3,324	740	1,125	-	-	3,929	4,449
Gross Profit	968	967	430	612	-	-	1,398	1,579
Distribution costs	164	159	22	40	-	-	186	199
Administration costs	680	778	582	541	34	52	1,296	1,371
Segment Profit/ (Loss)	124	30	(174)	31	(34)	(52)	(84)	9

## Notes (continued):

5. The tax provision for the six months ended 31 May 2020 is calculated based on the tax rates applicable in the country in which each company operates.
6. A final dividend of 0.25p per share on the total issued share capital of 4,224,164 10p ordinary shares was paid on 23 June 2020 in respect of the year ended 30 November 2019.

An interim dividend payment of 0.25p per share (2019: 0.25p per share) will be payable on 6 October 2020 to shareholders on the register at 11 September 2020. The shares will go ex-dividend on 10 September 2020. The interim dividend had not been approved by the board at 31 May 2020 and accordingly, has not been included as a liability as at that date.

7. The basic earnings per share for continuing operations are based on the loss for the period of £90,000 (2019: profit £49,000) and on 4,224,164 ordinary shares (2019: 4,172,759), the weighted average number of shares in issue during the period. Diluted earnings per share for continuing operations are based on 4,224,164 ordinary shares (2019: 4,194,313), being the weighted average number of ordinary shares after an adjustment of nil shares (2019: 21,554 shares) in relation to share options.
8. 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](http://www.holdersgroup.com).