

Holders Technology plc Half Yearly Report 2017

Specialised PCB Materials, LED Components, and Lighting Solutions

Highlights

Holdings 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 ended 31 May are summarised as follows:

	2017	2016
	£'000	£'000
Revenue		
PCB	4,577	4,014
LED	1,210	1,648
Total	5,787	5,662
Gross profit	1,472	1,381
Margins	25.4%	24.4%
Overheads	1,520	1,546
Operating loss before restructuring costs (2016 only)	(48)	(68)
Loss before taxation	(53)	(171)
Earnings per share	(1.56p)	(4.31p)
Interim dividend per share	0.25p	0.25p
Net assets per share	92p	94p

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Chairman's statement

Half year ended 31 May 2017

These interim results show an improvement as compared to the equivalent period in 2016. Revenue increased by 2.2% to £5.8m (2016: £5.7m) and the operating loss before restructuring costs reduced from £68,000 to £48,000 (there were no restructuring costs in 2017). The group result before taxation improved from a £171,000 loss to a £53,000 loss. Group revenues were increased by the strength of the Euro during the period.

PCB

PCB sales in the period increased by 14% from £4,014,000 in 2016 to £4,577,000, and PCB margins increased by 2.8% to 23.9%. Our continuing PCB activities, in the UK and Germany, benefitted from improved market conditions and achieved an increase in sales in the period. Both divisions saw some additional benefit from recently introduced products and a continuing gain from production efficiencies. We continue to invest in improvements both to our IT systems and production equipment.

Following the restructuring process announced last year, PCB overheads as a percentage of sales were reduced by 3.0% to 17.2%. Overall our PCB activities recorded a profit of £157,000 (2016: loss £99,000).

LED

I announced in my previous report accompanying the 2016 Report & Accounts, that the Opteon Germany division had been closed, and the NRGstar results were disappointing. The activities of the NRGstar division are being discontinued. This has inevitably resulted in lower total LED sales as compared to the 2016 interim figures. We expect to see the benefit of these measures in the second half of the current year.

Taken together, the continuing LED divisions achieved improved margins during the period and experienced encouraging customer reaction to recently introduced new products in the smart lighting field.

Total LED revenue for the period was £1,210,000 (2016: £1,648,000). Margins decreased slightly from 32.3% to 31.4%. The overall LED result was a £194,000 loss (2016: £61,000 loss).

Summary

PCB activities, which comprise some 80% of the Group, were ahead of our expectations in the first half and should be well placed for the balance of the year. We expect our LED divisions in the second half of the year to see the benefit of a lower overall cost base and a positive impact from the smart lighting technologies we are now able to offer.

Rudolf W. Weinreich
Executive Chairman

Holders Technology plc
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London
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Consolidated income statement for the half year ended 31 May 2017 (Unaudited)

		Half year ended 31 May 2017	Half year ended 31 May 2016	Full year ended 30 Nov 2016
	Notes	£'000	£'000	£'000
Revenue	3	5,787	5,662	11,380
Cost of sales		(4,315)	(4,281)	(8,539)
Gross profit		1,472	1,381	2,841
Distribution costs		(190)	(200)	(399)
Administrative expenses		(1,330)	(1,249)	(2,749)
Restructuring costs		-	(103)	(183)
Other operating income		-	-	116
Operating loss		(48)	(171)	(374)
Finance income		-	-	3
Finance costs		(5)	-	(7)
Loss before taxation		(53)	(171)	(378)
Taxation	4	(12)	-	(17)
Loss for the period		(65)	(171)	(395)
Total and continuing				
Basic loss per share	6	(1.56p)	(4.31p)	(9.72p)
Diluted loss per share	6	(1.56p)	(4.31p)	(9.72p)

Consolidated statement of comprehensive income for the half year ended 31 May 2017 (Unaudited)

	Half year ended 31 May 2017	Half year ended 31 May 2016	Full year ended 30 Nov 2016
	£'000	£'000	£'000
Loss for the period	(65)	(171)	(395)
Exchange differences on translation of foreign operations	49	143	346
Total comprehensive expense for the period	(16)	(28)	(49)

Consolidated statement of changes in equity for the half year ended 31 May 2017 (Unaudited)

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 Dec 2015	416	1,531	1	(212)	2,134	3,870
Dividends	-	-	-	-	(20)	(20)
Shares issued	-	59	-	-	-	59
Transactions with owners	-	59	-	-	(20)	39
Loss for the year	-	-	-	-	(395)	(395)
Exchange differences on translating foreign operations	-	-	-	346	-	346
Total comprehensive income for the year	-	-	-	346	(395)	(49)
Balance 30 Nov 2016	416	1,590	1	134	1,719	3,860
Dividends	-	-	-	-	(10)	(10)
Transactions with owners	-	-	-	-	(10)	(10)
Loss for the period	-	-	-	-	(65)	(65)
Exchange differences on translating foreign operations	-	-	-	49	-	49
Total comprehensive income for the period	-	-	-	49	(65)	(16)
Balance 31 May 2017	416	1,590	1	183	1,644	3,834

Consolidated balance sheet at 31 May 2017 (Unaudited)

	Half year ended 31 May 2017	Half year ended 31 May 2016	Full year ended 30 Nov 2016
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	320	317	318
Property, plant and equipment	404	319	400
Deferred tax assets	16	16	9
	740	652	727
Current assets			
Inventories	2,568	2,226	2,365
Trade and other receivables	1,820	1,641	1,790
Cash and cash equivalents	371	726	781
	4,759	4,593	4,936
Liabilities			
Current liabilities			
Trade and other payables	(1,295)	(1,035)	(1,457)
Current tax liabilities	(135)	(106)	(122)
	(1,430)	(1,141)	(1,579)
Net current assets	3,329	3,452	3,357
Non-current liabilities			
Retirement benefit liability	(223)	(190)	(219)
Deferred tax liabilities	(12)	(13)	(5)
	(235)	(203)	(224)
Net assets	3,834	3,901	3,860
Shareholders' equity			
Share capital	416	416	416
Share premium account	1,590	1,590	1,590
Capital redemption reserve	1	1	1
Retained earnings	1,644	1,963	1,719
Cumulative translation adjustment	183	(69)	134
Equity attributable to the shareholders of the parent	3,834	3,901	3,860

Consolidated cash flow statement for the half year ended 31 May 2017 (Unaudited)

	Half year ended 31 May 2017	Half year ended 31 May 2016	Full year ended 30 Nov 2016
	£'000	£'000	£'000
Cash flows from operating activities			
Operating loss	(48)	(171)	(374)
Share-based payment charge/(credit)	-	10	-
Depreciation	43	38	74
Loss on sale of tangible fixed assets	1	-	-
(Increase)/decrease in inventories	(203)	439	192
Increase in trade and other receivables	(30)	(109)	(298)
(Decrease)/increase in trade and other payables	(157)	(86)	824
	(394)	293	418
Cash (used in)/ generated from operations	-	(46)	(48)
	(394)	247	370
Cash flows from investing activities			
Purchase of property, plant and equipment	(39)	(12)	(110)
Proceeds from sale of property, plant and equipment	3	-	-
Proceeds from sale of joint venture	-	-	22
Interest received	-	-	3
	(36)	(12)	(85)
Cash flows from financing activities			
Interest paid	(5)	-	(7)
Proceeds from sale of shares	-	59	59
Equity dividends paid	(10)	(10)	(20)
	(15)	49	32
Net cash used in financing activities	(15)	49	32
Net change in cash and cash equivalents	(445)	284	317
Cash and cash equivalents at start of period	781	443	443
Effect of foreign exchange rates	35	(1)	21
Cash and cash equivalents at end of period	371	726	781

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 2016.

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 2017.

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 2016 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 27 July 2017.

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		Central Costs		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4,577	4,014	1,210	1,648	-	-	5,787	5,662
Cost of sales	3,485	3,166	830	1,115	-	-	4,315	4,281
Gross Profit	1,092	848	380	533	-	-	1,472	1,381
Distribution costs	149	138	41	62	-	-	190	200
Administration costs	786	809	533	538	11	5	1,330	1,352
Segment loss	157	(99)	(194)	(67)	(11)	(5)	(48)	(171)

4. The tax provision for the six months ended 31 May 2017 is calculated based on the tax rates applicable in the country in which each company operates. Taxation includes £12,000 charge (2016: £nil) relating to overseas operations.

5. A final dividend of 0.25p per share on the total issued share capital of 4,159,551 10p ordinary shares, excluding treasury shares, was paid on 23 May 2017 in respect of the year ended 30 November 2016.

An interim dividend payment of 0.25p per share (2016: 0.25p per share) will be payable on 10 October 2017 to shareholders on the register at 15 September 2017. The shares will go ex-dividend on 14 September 2017. The interim dividend had not been approved by the board at 31 May 2017 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 £65,000 (2016: loss £171,000) and on 4,159,551 ordinary shares (2016: 3,968,076), the weighted average number of shares in issue during the period. Diluted earnings per share for continuing operations are based on 4,159,551 ordinary shares (2016: 3,968,076), being the weighted average number of ordinary shares after an adjustment of nil shares (2016: 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.