

Holders Technology
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Holders Technology plc
Half yearly report 2010

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Half yearly report

for the half year ended 31 May 2010 (Unaudited)

Highlights

	Half year ended 31 May	
	2010	2009
Revenue	£7.1m	£6.5m
PBT	£0.1m	(£0.6m)
Operating cash flow before tax	(£0.8m)	(£0.4m)
Earnings per share	1.78p	(£11.61p)
Interim dividend per share	2.10p	2.10p
Net assets per share at 31 May	138p	138p

Chairman's statement

The first half of the current year showed a marked recovery when compared to the first half of the preceding year and the picture for the PCB industry in Europe has shown a general improvement.

Further to reduce costs in order to meet competitive pressures we have continued to seek to source more product lines from China and the Far East. This has inevitably lengthened our supply chain and has required a significant increase in working capital in the period.

The benefits we are seeing from these new sourcing arrangements and our continued drive to contain other costs lead us to believe that, providing there is no marked downturn in market demand, the PCB element of our business will perform in line with our expectations for the balance of the current year.

In my statement accompanying the Report and Accounts for the year to 30th November 2009 I commented on our acquisition of JK Components Limited, a distributor of Light Emitting Diodes (LED's) and stated we would be looking to build a platform to enable us to serve both the UK and the wider European market. It is pleasing to be able to report that encouraging progress towards that goal is being made. Whilst a substantial investment programme continues to be required, the business is now on a stronger footing and a consistent increase in monthly sales is being achieved. We are currently undertaking a further extension to our activities in this area and we continue to believe that we will be able to demonstrate the benefits of this in the second half of the current year.

In summary whilst fully aware of global economic uncertainties we are cautiously optimistic that the year as a whole will show progress in our core PCB business and demonstrate the validity of our decision to widen our activities into the LED market.

Against this background we have considered it appropriate to declare an unchanged interim dividend of 2.1p for the current year, which will be paid on 5 October 2010 to shareholders who are on the register on 10 September 2010.

The half yearly report was approved by the board on 21 July 2010 and signed on its behalf by:

Rudolf W. Weinreich
Chairman and Chief Executive

Holders Technology plc
 Devonshire House
 Manor Way
 Borehamwood
 Hertfordshire WD6 1QQ

21 July 2010

Condensed consolidated statement of comprehensive income

for the half year ended 31 May 2010 (Unaudited)

		Half year ended 31 May 2010	Half year ended 31 May 2009	Full year ended 30 Nov 2009
	Notes	£'000	£'000	£'000
Revenue – continuing operations	3	6,880	6,537	12,966
– acquisitions	7	250	-	-
		7,130	6,537	12,966
Cost of sales		(5,235)	(5,138)	(9,770)
Gross profit		1,895	1,399	3,196
Distribution costs		(207)	(109)	(301)
Administrative expenses		(1,554)	(1,744)	(3,044)
Fundamental restructuring		-	(176)	(176)
Other operating income		(15)	(4)	(90)
Operating profit		119	(634)	(415)
Finance income		3	39	20
Finance expense		(1)	(13)	(13)
Profit before taxation		121	(608)	(408)
Taxation	4	(50)	104	9
Profit after taxation		71	(504)	(399)
Attributable to:				
Equity shareholders of the company		74	(483)	(375)
Non-controlling interest		(3)	(21)	(24)
		71	(504)	(399)
Earnings/(Loss) per share	6	1.78p	(11.61)p	(9.52)p
Diluted earnings/(loss) per share	6	1.78p	(11.61)p	(9.52)p

Consolidated statement of recognised income and expense

for the half year ended 31 May 2010 (Unaudited)

	Half year ended 31 May 2010	Half year ended 31 May 2009	Full year ended 30 Nov 2009
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Exchange differences on translation of foreign operations			
	(120)	167	288
(Loss)/Profit for the period	<u>71</u>	<u>(504)</u>	<u>(399)</u>
	<u>(49)</u>	<u>(337)</u>	<u>(111)</u>
Attributable to:			
Equity shareholders of the company	(90)	(301)	(64)
Non-controlling interest	<u>41</u>	<u>(36)</u>	<u>(47)</u>
	<u>(49)</u>	<u>(337)</u>	<u>(111)</u>

Condensed consolidated statement of financial position

at 31 May 2010 (Unaudited)

Notes	Half year ended 31 May 2010 £'000	Half year ended 31 May 2009 £'000	Full year ended 30 Nov 2009 £'000
Assets			
Non-current assets			
Goodwill	346	204	207
Property, plant and equipment	603	614	655
Deferred tax	30	29	29
	<u>979</u>	<u>847</u>	<u>891</u>
Current assets			
Inventories	2,154	2,829	1,866
Trade and other receivables	3,027	2,105	2,301
Current tax	73	232	69
Cash and cash equivalents	1,028	1,179	2,095
	<u>6,282</u>	<u>6,345</u>	<u>6,331</u>
Liabilities			
Current liabilities			
Trade and other payables	(1,292)	(1,148)	(1,107)
Borrowings	(3)	(157)	-
Current tax	(62)	(2)	(35)
Other liabilities	(8)	-	-
	<u>(1,365)</u>	<u>(1,307)</u>	<u>(1,142)</u>
Net current assets	<u>4,917</u>	<u>5,038</u>	<u>5,189</u>
Non-current liabilities			
Finance leases	(3)	-	-
Retirement benefit liability	(133)	(165)	(176)
Deferred tax liabilities	(7)	-	(8)
Other liabilities	(28)	-	-
	<u>(171)</u>	<u>(165)</u>	<u>(184)</u>
Net assets	<u>5,725</u>	<u>5,720</u>	<u>5,896</u>
Shareholders' equity			
Share capital	416	416	416
Share premium account	1,531	1,531	1,531
Capital redemption reserve	1	1	1
Retained earnings	2,924	2,963	2,972
Cumulative translation adjustment	667	702	831
Equity attributable to the equity shareholders of the company	<u>5,539</u>	<u>5,613</u>	<u>5,751</u>
Non-controlling interest in equity	<u>186</u>	<u>107</u>	<u>145</u>
	<u>5,725</u>	<u>5,720</u>	<u>5,896</u>

Consolidated cash flow statement
for the half year ended 31 May 2010 (Unaudited)

	Half year ended 31 May 2010	Half year ended 31 May 2009	Full year ended 30 Nov 2009
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cash flows from operating activities			
Operating profit	119	(634)	(415)
Share-based payment charge/(credit)	6	6	(10)
Depreciation	83	92	180
Currency translation	(155)	165	182
Loss on sale of property, plant and equipment	15	4	13
(Increase)/Decrease in inventories	(188)	(21)	942
(Increase)/Decrease in trade and other receivables	(596)	595	410
(Decrease)/Increase in trade and other payables	(117)	(517)	(517)
	<u>(833)</u>	<u>(310)</u>	<u>785</u>
Cash (used in)/generated from operations			
Corporation tax (paid)/received	(28)	(58)	51
	<u>(861)</u>	<u>(368)</u>	<u>836</u>
Cash flows from investing activities			
Net borrowings acquired with subsidiary undertaking	(42)	-	-
Purchase of property, plant and equipment	(53)	(52)	(168)
Proceeds from sale of property, plant and equipment	15	7	-
Interest received	-	20	20
	<u>(80)</u>	<u>(25)</u>	<u>(148)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Interest paid	(1)	(13)	(13)
Equity dividends paid	(128)	(128)	(211)
	<u>(129)</u>	<u>(141)</u>	<u>(224)</u>
Net cash used in financing activities			
Net change in cash and cash equivalents	(1,070)	(534)	464
Cash and cash equivalents at start of period	2,095	1,537	1,537
Effect of foreign exchange rates	3	19	94
Cash and cash equivalents at end of period	<u>1,028</u>	<u>1,022</u>	<u>2,095</u>

Consolidated statement of changes in equity

for the half year ended 31 May 2010 (Unaudited)

Group	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Cumulative translation adjustment £'000	Retained earnings £'000	Share- holders' Equity £'000	Non- controlling interest £'000	Total equity £'000
Balance at 1 December 2008	416	1,531	1	520	3,568	6,036	130	6,166
(Loss) for the period	-	-	-	-	(483)	(483)	(21)	(504)
Dividends	-	-	-	-	(128)	(128)	-	(128)
Currency translation differences	-	-	-	182	-	182	(15)	167
Investment by non-controlling interest	-	-	-	-	-	-	13	13
Share-based payment credit	-	-	-	-	6	6	-	6
Balance at 31 May 2009	416	1,531	1	702	2,963	5,613	107	5,720
Profit/(loss) for the period	-	-	-	-	108	108	(3)	105
Dividends	-	-	-	-	(83)	(83)	-	(83)
Currency translation differences	-	-	-	129	-	129	(8)	121
Investment by non-controlling interest	-	-	-	-	-	-	49	49
Share-based payment charge	-	-	-	-	(16)	(16)	-	(16)
Balance at 30 November 2009	416	1,531	1	831	2,972	5,751	145	5,896
Profit/(loss) for the period	-	-	-	-	74	74	(3)	71
Dividends	-	-	-	-	(128)	(128)	-	(128)
Currency translation differences	-	-	-	(164)	-	(164)	44	(120)
Share-based payment credit	-	-	-	-	6	6	-	6
Balance at 31 May 2010	416	1,531	1	667	2,924	5,539	186	5,725

Notes:

1. General information

Holders Technology plc is incorporated in the United Kingdom under the Companies Act. The principal activity of the group is to provide materials, equipment and services to the electronics industry.

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 2009.

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 2010 and 31 May 2009.

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 2009 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 s237(2) of s237(3) of the Companies Act 1985.

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 21 July 2010.

3. Segmental information

The primary format used for segmental reporting is by geographic segment, as the group operates in only one business segment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The group operates in the UK, Europe and Asia.

Analysis by geographic segment for the half year ended 31 May

	UK		Rest of Europe		Asia		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2,705	2,679	4,046	3,430	379	428	-	-	7,130	6,537
Inter-segment revenue	19	38	68	197	20	20	(107)	(255)	-	-
	<u>2,724</u>	<u>2,717</u>	<u>4,114</u>	<u>3,627</u>	<u>399</u>	<u>448</u>	<u>(107)</u>	<u>(255)</u>	<u>7,130</u>	<u>6,537</u>
Segment result	53	23	73	(598)	(7)	(59)	-	-	119	(634)
Finance income									3	39
Finance expenses									(1)	(13)
Profit before taxation									<u>121</u>	<u>(608)</u>
Taxation									<u>(50)</u>	<u>104</u>
Profit for the year from continuing operations									<u>71</u>	<u>(504)</u>

Notes:

for the year ended 30 November 2009

	UK	Rest of Europe	Asia	Eliminations	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	5,218	6,788	960	-	12,966
Inter-segment revenue	56	235	41	(332)	-
	<u>5,274</u>	<u>7,023</u>	<u>1,001</u>	<u>(332)</u>	<u>12,966</u>
Segment result	199	(567)	(47)	-	(415)
Finance income					20
Finance expenses					(13)
Profit before taxation					<u>(408)</u>
Taxation					9
Profit for the year from continuing operations					<u>(399)</u>

- The tax credit/(charge) for the six months ended 31 May 2010 is calculated based on the tax rates applicable in the country in which each company operates. Taxation includes a (charge)/credit of(£27,000) (2009: £120,000) relating to overseas operations.
- A second interim dividend of 3.25p per share on the total issued share capital of 4,159,551 10p ordinary shares, excluding treasury shares, was paid on 31 March 2010 in respect of the year ended 30 November 2009.

An interim dividend payment of 2.1p per share (2009: 2.1p per share) will be payable on 5 October 2010 to shareholders on the register at 10 September 2010. The shares will go ex-dividend on 8 September 2010. The interim dividend was not approved by the board at 31 May 2010 and accordingly, has not been included as a liability as at that date.

- The basic earnings per share are based on the profit for the period of £74,000 (2009: loss £483,000) and on ordinary shares 4,159,551 (2009: 4,159,551), the weighted average number of shares in issue during the year. Diluted earnings per share are based on 4,159,551 ordinary shares (2009: 4,159,551), being the weighted average number of ordinary shares after an adjustment of nil shares (2009: nil) in relation to share options.

Notes:

7. Acquisition

On 21 December 2009, the company acquired 100% of the share capital of J K Components Limited (JK). JK is a distributor of components to the electronics industry. The consideration for the acquisition was £1 plus deferred consideration representing 50%, 30% and 15% respectively of the net profits for each of the three years following the date of acquisition. The following sets out the effect on the consolidated balance sheet:

	Balance sheet of acquired business £'000	Provisional fair value adjustment £'000	Provisional fair value of acquired business £'000
Property, plant and equipment	13	-	13
Inventories	100	-	100
Trade and other receivables	130	-	130
Cash and cash equivalents	5	-	5
Trade and other payables	(306)	-	(306)
Obligations under finance leases	(6)	-	(6)
Overdrafts	(43)	-	(43)
Net liabilities acquired	<u>(107)</u>	<u>-</u>	<u>(107)</u>
Fair value of deferred consideration			<u>36</u>
Goodwill arising on acquisition			<u>143</u>

Costs of £26,000 relating to the acquisition have been charged to the income statement in the period ending 31 May 2010.

8. A copy of this half yearly report is being sent to shareholders and is available for inspection at the company's registered office, Devonshire House, Manor Way, Borehamwood, Herts WD6 1QQ and via its website www.holderstechnology.com.

Holder's Technology

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