

Holders Technology plc Half Yearly Report 2018

Specialised PCB Materials, LED Components, and Lighting Control
 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:

	2018	2017
	£'000	£'000
Revenue		
PCB	4,756	4,577
LED	1,426	1,210
Total	6,182	5,787
Gross profit	1,585	1,472
Margins	25.6%	25.4%
Overheads	1,520	1,525
Profit/ (loss) before taxation	65	(53)
Earnings per share	1.56p	(1.56p)
Interim dividend per share	0.25p	0.25p
Net assets per share	96p	92p

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 2018

These interim results show an improvement as compared to the equivalent period in 2017. Revenue increased by 6.8% to £6.2m (2017: £5.8m) and the pre-tax result was a profit of £65,000 (2017: loss of £53,000). 2.3% of the group revenue improvement was as a result of Euro strengthening against sterling.

PCB

PCB sales in the period increased by 3.9%, from £4,577,000 in 2017 to £4,756,000, while PCB gross margins decreased by 0.7% to 23.2%. During the period we committed to a €300,000 upgrade of our German aluminium cutting and punching line, for delivery in Q1 2019. The improved cutting line is expected to provide higher throughput and result in further efficiencies.

PCB overheads as a percentage of sales decreased by 0.8% to 16.4%, which offsets the lower PCB margin. Overall our PCB activities recorded a pre-tax profit of £159,000 (2017: profit £157,000).

LED

Following the LED restructuring reported last year, I am pleased to report that both LED divisions made good progress during the period. Revenue grew by 17.9% from £1,210,000 to £1,426,000, and gross margins improved from 31.4% to 33.7%. Overheads as a percentage of revenue decreased from 44.0% to 33.2%, and while the result was £38,000 loss, it represented a significant improvement measured against the same period last year (2017: loss £194,000).

Customer interest in our smart lighting control solutions has been very encouraging and we begin the second half of the 2018 financial year with a strong order book.

Taxation

Further progress has been made in finalising the disputed EU Cross Border tax liability with HMRC. A potential £130,000 liability was fully provided for in the 2017 accounts, of which £36,000 was paid during the first half and £52,000 is expected to be paid during the second half of 2018, leaving £42,000 under discussion.

Summary

The board is encouraged that a profitable result overall has been achieved for the first half. The PCB divisions operate in a mature sector, but we see potential growth opportunities from a number of new products and efficiency gains from additional investments. The LED divisions have made good progress and achieved a strong order book.

Rudolf W. Weinreich
Executive Chairman

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

For further information, contact:

Rudi Weinreich, Executive Chairman, Holders Technology plc,
Tel. 01896 758781

Paul Geraghty, Group Finance Director, Holders Technology plc,
Tel. 07800 600 520

Tom Price, Director, Corporate Finance, Northland Capital Partners Ltd,
Tel. 020 3861 6625

Website www.holdersgroup.com

Consolidated income statement for the half year ended 31 May 2018 (Unaudited)

		Half year ended 31 May 2018	Half year ended 31 May 2017	Full year ended 30 Nov 2017
	Notes	£'000	£'000	£'000
Revenue	3	6,182	5,787	12,208
Cost of sales		(4,597)	(4,315)	(9,003)
Gross profit		1,585	1,472	3,205
Distribution costs		(210)	(190)	(438)
Administrative expenses		(1,300)	(1,330)	(2,695)
Other operating income		-	-	(7)
Operating profit/ (loss)		65	(48)	65
Finance costs		-	(5)	(11)
Profit/ (loss) before taxation		65	(53)	54
Taxation	4	-	(12)	5
Profit/ (loss) after tax from continuing operations		65	(65)	59
Loss from discontinued operations		-	-	(42)
Profit/ (loss) for the period		65	(65)	17
Total and continuing				
Basic earnings/ (loss) per share	6	1.56p	(1.56p)	1.42p
Diluted earnings/ (loss) per share	6	1.46p	(1.56p)	1.34p

Consolidated statement of comprehensive income for the half year ended 31 May 2018 (Unaudited)

	Half year ended 31 May 2018	Half year ended 31 May 2017	Full year ended 30 Nov 2017
	£'000	£'000	£'000
Profit/ (loss) for the period	65	(65)	17
Exchange differences on translation of foreign operations	(12)	49	73
Total comprehensive income/ (expense) for the period	53	(16)	90

Consolidated statement of changes in equity for the half year ended 31 May 2018 (Unaudited)

	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 Dec 2016	416	1,590	1	134	1,719	3,860
Dividends	-	-	-	-	(21)	(21)
Share based payments	-	-	-	-	3	3
Transactions with owners	-	-	-	-	(18)	(18)
Profit for the year	-	-	-	-	17	17
Other comprehensive income for the year	-	-	-	73	-	73
Total comprehensive income for the year	-	-	-	73	17	90
Balance 30 Nov 2017	416	1,590	1	207	1,718	3,932
Dividends	-	-	-	-	(10)	(10)
Transactions with owners	-	-	-	-	(10)	(10)
Profit for the period	-	-	-	-	65	65
Other comprehensive expense for the period	-	-	-	(12)	-	(12)
Total comprehensive income for the period	-	-	-	(12)	65	53
Balance 31 May 2018	416	1,590	1	195	1,773	3,975

Consolidated balance sheet at 31 May 2018 (Unaudited)

	Half year ended 31 May 2018	Half year ended 31 May 2017	Full year ended 30 Nov 2017
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	318	320	318
Property, plant and equipment	374	404	369
Deferred tax assets	9	16	9
	701	740	696
Current assets			
Inventories	2,304	2,568	2,408
Trade and other receivables	1,986	1,820	2,272
Cash and cash equivalents	633	371	579
	4,923	4,759	5,259
Liabilities			
Current liabilities			
Trade and other payables	(1,328)	(1,295)	(1,667)
Current tax liabilities	(94)	(135)	(130)
	(1,422)	(1,430)	(1,797)
Net current assets	3,501	3,329	3,462
Non-current liabilities			
Retirement benefit liability	(227)	(223)	(226)
Deferred tax liabilities	-	(12)	-
	(227)	(235)	(226)
Net assets	3,975	3,834	3,932
Shareholders' equity			
Share capital	416	416	416
Share premium account	1,590	1,590	1,590
Capital redemption reserve	1	1	1
Retained earnings	1,773	1,644	1,718
Cumulative translation adjustment	195	183	207
Equity attributable to the shareholders of the parent	3,975	3,834	3,932

Consolidated cash flow statement for the half year ended 31 May 2018 (Unaudited)

	Half year ended 31 May 2018	Half year ended 31 May 2017	Full year ended 30 Nov 2017
	£'000	£'000	£'000
Cash flows from operating activities			
Profit/ (loss) before tax from continuing operations	65	(48)	54
Share-based payment charge/(credit)	-	-	3
Depreciation	43	43	72
Loss on sale of tangible fixed assets	-	1	-
Decrease/ (increase) in inventories	104	(203)	(34)
Decrease/ (increase) in trade and other receivables	286	(30)	(368)
(Decrease)/ increase in trade and other payables	(338)	(162)	128
Interest expense	-	5	11
Cash generated from/ (used in) operations	160	(394)	(134)
Interest paid	-	(5)	(11)
Corporation tax paid	(36)	-	-
Loss from discontinued operations	-	-	(9)
Net cash generated from/ (used in) operations	124	(399)	(154)
Cash flows from investing activities			
Purchase of property, plant and equipment	(49)	(39)	(41)
Proceeds from sale of property, plant and equipment	-	3	4
Net cash used in investing activities	(49)	(36)	(37)
Cash flows from financing activities			
Equity dividends paid	(10)	(10)	(21)
Net cash used in financing activities	(10)	(10)	(21)
Net change in cash and cash equivalents	65	(445)	(212)
Cash and cash equivalents at start of period	579	781	781
Effect of foreign exchange rates	(11)	35	10
Cash and cash equivalents at end of period	633	371	579

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 2017.

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 2017 and 31 May 2018.

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 2017 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 26 July 2018.

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	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4,756	4,577	1,426	1,210	-	-	6,182	5,787
Cost of sales	3,651	3,485	946	830	-	-	4,597	4,315
Gross Profit	1,105	1,092	480	380	-	-	1,585	1,472
Distribution costs	165	149	45	41	-	-	210	190
Administration costs	781	786	473	533	56	11	1,310	1,330
Segment Profit/ (Loss)	159	157	(38)	(194)	(56)	(11)	65	(48)

4. The tax provision for the six months ended 31 May 2018 is calculated based on the tax rates applicable in the country in which each company operates.

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 22 May 2018 in respect of the year ended 30 November 2017.

An interim dividend payment of 0.25p per share (2017: 0.25p per share) will be payable on 9 October 2018 to shareholders on the register at 14 September 2018. The shares will go ex-dividend on 13 September 2018. The interim dividend had not been approved by the board at 31 May 2018 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 £65,000 (2017: loss £65,000) and on 4,159,551 ordinary shares (2017: 4,159,551), the weighted average number of shares in issue during the period. Diluted earnings per share for continuing operations are based on 4,456,906 ordinary shares (2017: 4,159,551), being the weighted average number of ordinary shares after an adjustment of 297,355 shares (2017: 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.