

Holders Technology plc

Specialised Materials, LED Components and Lighting Solutions

Audited results for the year ended 30 November 2013

Holders Technology plc (“Holders Technology” or “the Group”) announces its audited results for the year ended 30 November 2013. Holders Technology supplies special laminates and materials for printed circuit board manufacture (“PCB”), and operates as a LED solutions provider to the lighting and industrial markets.

The overall results for 2013 were mixed. In Germany the PCB and LED divisions both made good progress. However, in the UK, PCB revenue fell and LED revenue was impacted by the loss of a major customer and reduced revenue while its components division was restructured. Chinese operations incurred further losses and were sold in January 2014. The result from the discontinued Chinese business was £269,000 loss compared to £326,000 loss in 2012.

Highlights relating to continuing operations included:

- Group revenue growth 4.7%
- LED revenue growth 25.4%
- Operating profit £105,000
- Basic earnings per share 1.85p
- Cash balances £1.29 million. No debt
- Proposed final dividend 1.0 pence per share

Chairman’s statement

At the interim stage I was able to report an improvement in the result for the first half of the year as compared to the preceding year. This improved position was maintained during the second half of the year with operating profit from continuing operations amounting to £105,000 (2012 loss £56,000).

During the year China operations incurred losses and following a strategic review it was decided to dispose of these businesses. This was achieved on 3 January 2014. The loss incurred by the discontinued China operations was £269,000 (2012: loss £326,000). Further details of these items are given in the Financial review.

The major element of our PCB activities is our German subsidiary which in the year under review increased its turnover to £7.8m (2012 £7.0m). The German PCB market experienced only slight growth in the year and we believe our activities outperformed the market as a whole; however, competitive pressures remain strong and thus the growth in sales was not fully reflected in increased trading profits.

The UK PCB business is heavily dependent on aerospace and defence and the defence area saw a significant contraction during the year. Against this background it is commendable that while sales declined by 19.5% to £3.3m (2012 £4.1m) tight management of costs restricted the decline in operating profit to 1.4%.

Whilst our PCB activities remain the core element of the Group’s continuing business with turnover of £11,011,000 accounting for some 78% of total turnover we continue to seek significant growth from our LED activities.

During the year the general market for LEDs continued to grow with significant technical advances being made by a number of major manufacturers. We remain focussed on positioning our activities in a manner designed to ensure we can benefit from these market developments. We are making progress towards this goal but we have yet to achieve critical mass and were adversely affected by the loss of a major UK customer in the year. Despite this setback, LED sales from continuing operations increased from £2,595,000 to £3,254,000.

We have also made marked progress in relocating our UK production facilities and strengthening both our UK and German sales teams. Coupled with these changes we have been able further to extend our range of products and its technical sophistication.

During the course of the year to 30 November 2013 it became clear that as a result of changes in customer demand and the successful expansion of our in-house assembly capability in our Galashiels facility the role for our Chinese joint venture was much reduced. We will, as required, still deal directly with suppliers in the Far East including China but we disposed of our 70% holding in Topgrow Technologies Limited on 3 January 2014. The resulting non cash impairment of £213,000 while impacting profitability in the year under review will eliminate the considerable amount of senior management time that has had to be diverted to this activity in recent years and will, we believe, be of overall financial benefit to the Group in future years.

As always on behalf of the board and shareholders I would like to thank our staff whose continued support gives us confidence that we will be able to maintain our position in our PCB markets and grow our LED presence significantly.

Given our financial strength and the board's belief in the Group's future we consider it appropriate to recommend a final dividend for the past year of 1.0p per share.

While it would be wrong to imply that there will not be challenges across the Group in the current year we believe that our German PCB activities will maintain the progress they have made. The addition of a major new product range will aid our UK PCB operations to maximise their share of the market available to them.

We expect LED operations generally to make good progress this year but I would caution that this will mainly be weighted towards the second half of the year.

R W Weinreich

Executive Chairman

19 February 2014

Consolidated income statement for the year ended 30 November 2013

	Note	2013 £'000	2012 Restated £'000
Continuing operations			
Revenue		14,265	13,631
Cost of sales		(10,798)	(10,047)
Gross profit		3,467	3,584
Distribution costs		(381)	(376)
Administrative expenses		(3,049)	(3,275)
Other operating (expenses)/ income		68	11
Operating profit/ (loss)		105	(56)
Finance income		4	1
Finance expenses		(12)	(13)
Profit/ (loss) before taxation		97	(68)
Tax expense	2	(24)	(43)
Profit/ (loss) for the year from continuing operations		73	(111)
Loss for the year from discontinued operations	3	(269)	(326)
(Loss)/ profit for the year		(196)	(437)
(Loss)/ profit for the year attributable to:			
Owners of the parent		(179)	(374)
Non-controlling interest		(17)	(63)
(Loss)/ profit for the financial year		(196)	(437)
Basic earnings/ (loss) per share – continuing operations			
	5	1.85p	(2.82p)
Diluted earnings/ (loss) per share – continuing operations			
	5	1.78p	(2.82p)
Basic and diluted loss per share – discontinued operations			
	5	(6.83p)	(8.27p)
Total loss per share			
	5	(4.98p)	(11.09p)

Consolidated statement of comprehensive income for the year ended 30 November 2013

	2013 £'000	2012 £'000
(Loss)/ profit for the year	(196)	(437)
Items that will not be reclassified subsequently to profit or loss:		
Change in actuarial assumption re pension liability	-	(45)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	114	(168)
Total comprehensive income and expense for the year	(82)	(650)
Total comprehensive income and expense for the year attributable to:		
Owners of the parent	(70)	(582)
Non-controlling interests	(12)	(68)
	(82)	(650)

Statements of changes in equity

Group	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 December 2011	416	1,531	1	268	3,725	5,941	76	6,017
Dividends	-	-	-	-	(168)	(168)	-	(168)
Employee share-based payment options	-	-	-	-	1	1	-	1
Transactions with owners	-	-	-	-	(167)	(167)	-	(167)
Profit/(loss) for the year	-	-	-	-	(374)	(374)	(63)	(437)
Effect of change in pension liability assumptions	-	-	-	-	(45)	(45)	-	(45)
Exchange differences on translating foreign operations	-	-	-	(163)	-	(163)	(5)	(168)
Total comprehensive income for the year	-	-	-	(163)	(419)	(582)	(68)	(650)
Balance at 30 November 2012	416	1,531	1	105	3,139	5,192	8	5,200
Dividends	-	-	-	-	(78)	(78)	-	(78)
Employee share-based payment options	-	-	-	-	9	9	-	9
Transactions with owners	-	-	-	-	(69)	(69)	-	(69)
Profit/(loss) for the year	-	-	-	-	(179)	(179)	(17)	(196)
Reclassification adjustment related to terminated foreign operations	-	-	-	(45)	45	-	-	-
Exchange differences on translating foreign operations	-	-	-	109	-	109	5	114
Total comprehensive income for the year	-	-	-	64	(134)	(70)	(12)	(82)
Balance at 30 November 2013	416	1,531	1	169	2,936	5,053	(4)	5,049
Company			Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity	
			£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 December 2011			416	1,531	1	728	2,676	
Profit/ (loss) and total comprehensive income for the year			-	-	-	(166)	(166)	
Dividends			-	-	-	(168)	(168)	
Share-based payment charge			-	-	-	1	1	
Balance at 30 November 2012			416	1,531	1	395	2,343	
Profit/ (loss) and total comprehensive income for the year			-	-	-	(284)	(284)	
Dividends			-	-	-	(78)	(78)	
Share-based payment charge			-	-	-	9	9	
Balance at 30 November 2013			416	1,531	1	42	1,990	

Balance sheets at 30 November 2013

Company number: 1730535

		Group		Company	
	Note	2013	2012	2013	2012
		£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Goodwill	13	320	318	-	-
Property, plant and equipment	14	320	398	16	21
Investments in subsidiaries	15	-	-	2,308	2,780
Investment in joint venture	16	-	-	15	15
Deferred tax assets	22	41	41	-	-
		681	757	2,339	2,816
Current assets					
Inventories	17	2,799	3,140	-	-
Trade and other receivables	18	1,927	2,397	225	387
Current tax assets		26	57	-	-
Cash and cash equivalents		1,290	700	480	6
		6,042	6,294	705	393
Liabilities					
Current liabilities					
Trade and other payables	19	(1,413)	(1,556)	(1,019)	(800)
Current tax liabilities		(34)	(35)	(32)	(32)
		(1,447)	(1,591)	(1,051)	(832)
Net current assets					
		4,595	4,703	(346)	(439)
Non-current liabilities					
Borrowings	20	-	-	-	-
Retirement benefit liability	21	(205)	(199)	-	-
Contingent consideration	28	-	(29)	-	(29)
Deferred tax liabilities	22	(22)	(32)	(3)	(5)
		(227)	(260)	(3)	(34)
		5,049	5,200	1,990	2,343
Shareholders' equity					
Share capital	23	416	416	416	416
Share premium account		1,531	1,531	1,531	1,531
Capital redemption reserve		1	1	1	1
Retained earnings		2,936	3,139	42	395
Cumulative translation adjustment reserve		169	105	-	-
Equity attributable to the shareholders of the parent					
		5,053	5,192	1,990	2,343
Non-controlling interest					
		(4)	8	-	-
		5,049	5,200	1,990	2,343

The financial statements were approved by the Board on 19 February 2014 and signed on its behalf by:

R W Weinreich
Director

Statements of cash flows for the year ended 30 November 2013

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash flows from operating activities				
Operating (loss)/ profit	(148)	(365)	(369)	(175)
Share-based payment credit	9	1	9	1
Depreciation	110	151	8	9
Impairment costs	213	287	472	-
(Gain)/ Loss on sale of property, plant and equipment	1	(3)	-	-
(Increase)/decrease in inventories	348	488	-	-
(Increase)/decrease in trade and other receivables	322	415	157	289
Increase/(decrease) in trade and other payables	(87)	(92)	219	34
Cash (used in)/generated from operations	768	882	496	158
Corporation tax (paid)/received	(18)	15	72	(1)
Net cash (used in)/generated from operations	750	897	568	157
Cash flows from investing activities				
Purchase of property, plant and equipment	(48)	(74)	(3)	(1)
Proceeds from sale of property, plant and equipment	1	18	-	-
Interest received	4	1	13	14
Net cash (used in)/generated from investing activities	(43)	(55)	10	13
Cash flows from financing activities				
Interest paid	(14)	(15)	(2)	(5)
Loan repayments	-	(26)	-	-
Settlement of contingent consideration	(24)	-	(24)	-
Equity dividends paid	(78)	(168)	(78)	(168)
Net cash used in financing activities	(116)	(209)	(104)	(173)
Net change in cash and cash equivalents	586	633	474	(3)
Cash and cash equivalents at start of period	700	67	6	9
Effect of foreign exchange rates	4	-	-	-
Cash and cash equivalents at end of period	1,290	700	480	6

Notes

1. Basis of preparation

The group and parent company financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act applicable to companies reporting under IFRS. All accounting standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee effective at the time of preparing these financial statements have been applied.

2. Taxation

	2013 £'000	2012 £'000
Analysis of the charge in the period		
Current tax		
- Current period	30	15
- Adjustments in respect of prior periods	4	(7)
	34	8
Deferred tax	(10)	35
Total tax	24	43

Tax reconciliation

The tax for the period is higher (2012: higher) than the standard rate of corporation tax in the UK, effectively 23.67% (2012: 24.67%) for the company's financial year. The differences are explained below:

	2013 £'000	2012 £'000
Profit/(loss) before taxation	97	(68)
Profit/(loss) before taxation multiplied by the rate of corporation tax in the UK of 23.67 % (2012: 24.67%)	23	(17)
Effects of:		
Differences between capital allowances and depreciation	(2)	(2)
Amounts not deductible for taxation purposes	-	3
Non-taxable income	-	-
Adjustments in respect of prior years	-	-
Taxation losses	2	43
Other temporary differences	1	16
Taxation	24	43

3. Discontinued operations

On 3 January 2014, the Group's 70% shareholding in Topgrow Technologies Ltd was sold for a cash consideration of one Hong Kong dollar plus a future consideration of 440,000 Hong Kong dollars.

The Topgrow Technologies Ltd disposal has been presented as discontinued operations in the income statement and the Board are of the view that this presentation of information enables the users of the

financial statements to understand the financial effects of these operations no longer being part of the Group.

In the cash flow statement, the cash flows of the discontinued business have been aggregated with those of continuing businesses, but are also shown separately in the note below.

The information presented in this note is presented at the lower of cost and fair value less costs to sell as prescribed in IFRS 5. As a result of this treatment an impairment charge of £213,000 relating to fixed assets, inventories and receivables has been recognised in the income statement in the year 30 November 2013 (2012: £287,000). This, combined with an operating loss of £56,000 (2012: loss £39,000), results in a loss on discontinued operations of £269,000 (2012: £326,000).

The results from discontinued operations which have been included in the income statement are as below:

	2013	2012
	£'000	£'000
Revenue	990	1,974
Cost of sales	(714)	(1,716)
Gross profit	276	258
Distribution costs	(26)	-
Administrative expenses	(266)	(275)
Other operating costs	(24)	(5)
Operating loss	(40)	(22)
Impairment costs	(213)	(287)
Finance expense	(2)	(2)
Loss before tax	(255)	(311)
Taxation on discontinued operations	(14)	(15)
Loss for the period from discontinued operations	(269)	(326)

4. The directors have proposed a final dividend of 1.0p per share payable on 20 May 2014 to shareholders on the register at close of business on 30 April 2014. The total dividend for the year, including the interim dividend of 1.0p (2012: 1.0p) per share paid on 3 October 2013, amounts to £79,000 (2012: £79,000), which is equivalent to 2.0p (2012: 2.0p) per share.
5. The basic earnings per share are based on the profit for the financial year attributable to the equity shareholders of £105,000 (2012: loss of £56,000) and on ordinary shares 3,939,551 (2012: 3,939,551), the weighted average number of shares in issue during the year, excluding treasury shares. Diluted earnings per share are based on 4,094,272 ordinary shares (2012: 3,939,551), being the weighted average number of ordinary shares after an adjustment of 154,721 shares (2012: nil) in relation to share options.
6. This preliminary statement, which has been approved by the Board on 19 February 2014, is not the Company's statutory accounts. The statutory accounts for each of the two years to 30 November 2012 and 30 November 2013 received audit reports, which were unqualified and did not contain statements under section 498(2) and section 498(3) of the Companies Act 2006. The 2012 accounts have been filed with the Registrar of Companies but the 2013 accounts are not yet filed.

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