Holders Technology plc
Annual Report & Accounts 2018

Specialised PCB Materials, LED Components and Smart Lighting

Year in Brief

Holders Technology supplies specialty laminates and materials for printed circuit board manufacture ("PCB") and operates as an LED solutions provider to the lighting market.

The Group made further progress during the year, with overall revenue growth and improved profitability.

The Group comprises two PCB divisions based in the UK and Germany, and two LED divisions also based in the UK and Germany. In the opinion of the directors, all divisions made satisfactory progress during the year.

The directors will recommend payment of a final dividend of 0.50p per share, a total of 0.75p for the year (2017 total: 0.50p).

The results are summarised below.

Highlights

		2018 £'000	2017 £'000
Continuing Revenue	PCB	9,374	9,453
	LED	3,112	2,755
	Group	12,486	12,208
Gross Margins	PCB	23.5%	24.2%
	LED	34.1%	33.4%
	Group	26.2%	26.3%
Operating Profit/ (Loss)	PCB	280	214
	LED	(13)	(92)
	Central costs	(83)	(57)
	Group	184	65
Profit before tax	Group	177	54
Tax (expense)/ credit		(8)	5
Discontinued Loss		-	(42)
Profit after tax	Group	169	17
Basic earnings per share		4.06p	1.42p
Diluted earnings per share		4.03p	1.34p
Dividend paid & proposed		0.75p	0.50p
Cash		403	579

STRATEGIC REPORT

Chairman's Statement

Given our continuing commitment to achieving satisfactory levels of profitability I am pleased to be able to report that the Group has made further progress over the year. Group revenue for the year was £12.5m (2017: £12.2m), with gross margins of 26.2% (2017: 26.3%). The operating profit for the year from continuing operations was £184,000 (2017: operating profit of £65,000), and the profit after tax from continuing operations was £169,000 (2017: profit £59,000).

The Group comprises two PCB divisions, based in the UK and Germany, and two LED divisions, also based in the UK and Germany.

The PCB divisions together had revenue of £9.4m (2017: £9.5m) and achieved an operating profit of £280,000 (2017: profit £214,000). Margins reduced from 24.2% to 23.5%.

Our German PCB operations, the largest single element of the Group, achieved similar revenue to 2017, but improved operating profit therefrom. Investments were made in machinery and improved systems during the year, and in Q1 2019 an upgraded aluminium coil cutting machine will be installed in our Germany premises. This investment will enable both further efficiency improvements and will increase capacity.

UK PCB operations achieved satisfactory revenue in the year despite a lower level of market demand than 2017.

LED revenues overall amounted to £3.1m (2017: £2.8m) with gross margins increasing from 33.4% to 34.1% and operating losses reducing from £92,000 in 2017 to £13,000 in 2018. The product range continues to develop with smart lighting controls a key focus for the future. Both divisions were profitable in the second half of the year.

The Cross-Border Corporation Tax liability reported in 2015 is nearing settlement: £88,000 was paid during 2018 which leaves a potential liability of up to £43,000 remaining which has been fully provided for.

We believe the Group is well positioned to deliver further improvements in the current year but recognise that the market conditions that we face remain unpredictable.

On behalf of the Board I would like to record our thanks to all of our staff for their hard work during 2018 which resulted in a profitable year for the Group. Given the improved results, the Board considers it appropriate to recommend an increased final dividend of 0.50p in respect of the 2018 year.

R W Weinreich
Executive Chairman
21 February 2019

STRATEGIC REPORT

Operating and Business Review

Corporate strategy

The board seeks to enhance shareholder value over the medium to long term. Our strategy to achieve this is to focus resources on business activities which can generate profitable and sustainable growth.

In doing so, we ensure that risk is carefully managed, and that high standards of corporate governance and transparency are maintained. Where a suitable investment opportunity is identified, we invest within the bounds of internally generated cash flow and bank facilities.

Business strategy

Holders Technology plc ("Holders") has operated for many years as a distributor of specialised and consumable materials to the PCB industry in the UK and continental Europe. The European PCB industry has strengths in the defence, aerospace, automotive and medical sectors.

Holders continues to pursue a PCB strategy based on dual positioning: both as a low-cost source of standard products used throughout the industry; and as an exclusive supplier of technically sophisticated products to the PCB sector.

In addition to the PCB industry, Holders operates as a LED and smart control solutions provider to the lighting market. The product offering ranges from distribution of a full range of LED components, to supporting our customers with the design and assembly of light engines and integration of smart control lighting solutions.

Our LED strategy is to provide a competitive and complementary premium product range for our selected markets, supported by strong technical support and industry knowledge. In addition, Holders provides bespoke solutions to fulfil customer requirements.

Overall, PCB operations provide a steady profitable revenue stream, and LED operations offer the opportunity for higher growth/ higher margin returns. In combination they also allow certain efficiency gains.

Market Overview

The first half of 2018 saw stability for the European PCB manufacturers. However, the second half saw weaker revenue. This was caused by global component shortages, and the slowdown in the automotive industry caused by additional emissions testing requirements.

With the acceptance of LEDs in the marketplace and an understanding of the energy saving benefits, the market has moved to developing solutions for Smart Lighting and incorporating lighting within the 'Internet of Things'. Holders is well placed in offering solutions which incorporate this smart, wireless technology and is working with key suppliers in this sector.

PCB operations

UK

UK trading operations are based in Galashiels, Scotland. The PCB industry in the UK is oriented towards the aerospace and defence industries, both of which require a broad range of products. During the year the division benefitted from a wider product range, and improved product availability.

Continental Europe

The German PCB industry is dominated by demand from the automotive and industrial sectors. In 2018, further investment in machinery and systems continued, and the PCB product offering was extended. We have seen more business uncertainty at the start of 2019 due to the overall economic environment and the continuing challenges in the automotive industry.

LED & Lighting solutions

UK

Holders Components UK specialises in providing LED solutions to original equipment manufacturers (OEMs) in the general lighting market. During 2018, the division benefited from an extended product range and a strengthened sales team.

Sales for the first half of 2018 were below expectations, however marked progress was made in the second half with good growth and profitability. The division has seen strong interest in smart lighting control solutions during the first quarter of 2019.

STRATEGIC REPORT

Operating and Business Review (continued)

Continental Europe
Holders Components Germany specialises in providing LED solutions to customers in continental Europe. The division also had a slower start in 2018 but saw improving sales and profitability in the second half. The division enters 2019 with a strong order book in smart lighting control solutions, as well as customised components.

Conclusion
We have made good progress in 2018 across all four divisions, investing in new products, equipment, and strong technical sales people, as well as focussing on improving our processes to become more efficient. We look forward to achieving further progress in 2019.

Victoria Blaisdell
Group Managing Director
21 February 2019

STRATEGIC REPORT

Financial Review

Key performance indicators

The board believes that the following key performance indicators are of most significance to assessment of the Group's performance and financial position:

- Revenue

  The turnover level is an important indication of the strength of the Group's product range and coverage.

- Profitability

  Profitability is largely a function of the gross margins achieved and management's success in containing administrative expenses in relation to turnover.

- Liquidity

  The Group operates in a cyclical industry and the directors have consistently adopted a conservative approach to financing the Group's activities. The key measure is *net liquid funds*, which is described in more detail below.

- Efficiency

  Production efficiency is important in a competitive PCB market.

Revenue

Group revenue from continuing operations increased from £12.2m to £12.5m. Overall PCB revenue decreased by 0.8%, and LED revenue increased by 13.0%.

Profitability

The result from continuing operations was an operating profit of £184,000 compared to an operating profit of £65,000 in 2017. The gross profit margin was 26.2% compared to 26.3% in 2017. Administration costs as a proportion of revenue decreased from 22.1% in 2017 to 21.6% in 2018.

Taxation

The Group has a potential UK tax liability in respect of EU Cross Border Group Relief claims relating to its former Swedish and Dutch operations. During 2018, £88,000 was paid against this liability, which leaves a remaining liability of up to £43,000.

The full liability was provided for in the 2018 accounts, although the board believes a lower amount may be payable when the final settlement is agreed.

Post tax result

The profit for the financial year after tax, attributable to equity shareholders was £169,000 (2017: profit of £17,000). The basic earnings per share was 4.06p (2017: 1.42p per share) and the fully diluted profit per share was 4.03p (2017: 1.34p).

Dividends

The board proposes a final dividend of 0.50p per share to be paid on 21 May 2019 to shareholders on the register on 3 May 2019. Including the 0.25p interim dividend already paid on 9 October 2018 the total dividend for 2018 would be 0.75p (2017: 0.50p).

Principal risks and uncertainties

The directors believe that the following are the principal risks and uncertainties faced by the Group:

- **Competition**

  Both the PCB and LED sectors are highly competitive, and the Group faces competition from a wide range of companies. The Group continually seeks the most cost-effective sources for its products in order to remain competitive.

- **Customers**

  The Group is exposed to the risk of bad debts. Within the major European markets, the Group uses credit analysis data to monitor customer risk levels and maintain appropriate credit limits. Credit insurance is used for UK and European customers whenever it is economically available.

- **Suppliers**

  As with any distribution business, the Group is dependent on maintaining supply. The Group has diversified its product range and sources in order not to be overly dependent on any single supplier.

- **EU Withdrawal Agreement**

  The Group has insignificant revenue arising from sales between the UK and mainland EU, and therefore the Board does not anticipate a significant impact on revenue arising from the EU Withdrawal process. In the event of a "No-Deal" outcome, however, the Group would potentially face additional WTO duties of c. £30,000 on purchases from the EU into the UK.

STRATEGIC REPORT

Financial Review (continued)

Cash flow, liquidity and financing

The Group's cash position has remained satisfactory during the year. Cash balances reduced from £579,000 to £403,000.

In the second half of the 2018, the German PCB division began stockpiling aluminium sheets and panels to ensure continuity of supply to customers whilst the upgraded coil machine is installed in Q1 2019. The value of this additional stock is c. £380,000, most of which is expected to be sold and thereby converted to cash during 2019. Group inventory increased by £450,000 over the year, most of which increase is caused by this additional aluminium stock plus overall volume growth.

Given the need to finance this increased stockholding and the £88,000 tax payment reported above, cash balances have remained satisfactory.

The Group maintains overdraft and trade financing facilities with its banks to meet short term financing requirements during the year. An overdraft facility of £300,000 is in place, however this has not been needed nor used during the period under review. The trade financing facility is used for occasional letters of credit and duty deferment.

At 30 November 2018 the Group had *net liquid funds* (trade and other receivables plus cash minus current liabilities) of £0.8m (2017: £1.2m). Net assets per ordinary share at 30 November 2018 were £0.99 compared with £0.95 in 2017.

Derivatives and other financial instruments

Operations are financed by a mixture of retained profits and overdrafts. The Board's current policy is to use variable rate overdraft facilities in order to maintain short term flexibility.

The Group's financial instruments, other than forward currency contracts, comprise borrowings, cash and items, such as trade receivables and payables that arise directly from its operations. The main purpose of these instruments is to raise finance for operations if necessary.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Currency risk and exposure

The Group enters into derivatives transactions, in the form of forward currency contracts that are used to manage the currency risks arising from purchases from foreign suppliers where the products are sold in local currencies.

The overseas sales operations during the year were predominantly in the European Union. The Group has currency exposures primarily in US dollars and Euros. Although day to day transactional exposures are regularly covered by forward contracts, the Group has an underlying exposure, particularly to the Euro. At the year-end forward USD purchase contracts with a contracted value of £605,000 were held as detailed in note 19.

Unlike previous years, the key sterling/ Euro exchange rate has remained relatively stable at around 1.13 up to the financial year end.

Net assets

Net assets at the 2018 year-end were £4,099,000 (2017: £3,932,000). In addition to the net profit of £169,000, the Group benefited from £15,000 of exchange differences from Euro-based foreign operations.

Conclusion

The Group continues to operate a conservative financial policy, which leaves it well placed to benefit from future growth opportunities.

Paul Geraghty
Group Finance Director
21 February 2019

STRATEGIC REPORT

The Strategic Report on pages 1-5 was approved by the Board on 21 February 2019 and signed on its behalf by

Paul Geraghty
Group Finance Director
21 February 2019

BOARD REPORTS

Company Information

Directors	R W Weinreich, Executive Chairman V M Blaisdell, BSc, Group Managing Director P K I Geraghty BSc, FCA, Group Finance Director T G Bray MEng, Executive Director D A Mahony, BA (Econ), MSc, Non-Executive Director
Secretary	P K I Geraghty BSc, FCA
Registered office	27-28 Eastcastle Street London W1W 8DH
Website	www.holdersgroup.com
Registered number	1730535
Auditors	Grant Thornton UK LLP Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU
Bankers	HSBC North London Corporate Centre 1 Old Street London EC1V 9HL
Registrars	Neville Registrars Neville House Steelpark Road Halesowen West Midlands B62 8HD
Nominated Adviser and Broker	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP

BOARD REPORTS

Report of the Directors

Business review and future developments
A review of the year and likely developments is contained in the Strategic Report.

Results and dividends
The Group made a profit after taxation for the financial year attributable to shareholders of £169,000 (2017: profit £17,000).

Full details are contained in the Group income statement on page 21. The directors have proposed a final dividend of 0.50p per share payable on 21 May 2019 to shareholders on the register at close of business on 3 May 2019. The total dividend for the year, including the interim dividend of 0.25p (2017: 0.25p) per share paid on 9 October 2018, amounts to £31,000 (2017: £20,000), which is equivalent to 0.75p (2017: 0.50p) per share.

Financial risk management
Details of the Group's financial risk management are contained in note 4 to the financial statements.

Directors
The directors, all of whom served throughout the year, are listed on page 6. The beneficial shareholdings of the directors at 30 November 2018 are set out in note 23 to the financial statements.

Rudi Weinreich, aged 72, Chairman and Chief Executive, was born in Austria. He has been responsible for all aspects of the business since he started it in 1972, particularly the assessment of new products and distributorship agreements.

Victoria Blaisdell, aged 46, joined the Group in 2004 and is now Group Managing Director. Prior to joining the Group, she worked in the IT industry for over 12 years and worked in several countries as a Senior Consultant for a large American telecom consulting company.

Paul Geraghty, aged 58, joined the Group in 2011 as Group Finance Director and Company Secretary. He previously held senior financial roles in engineering companies, including Elektron Components Limited and Protec plc.

Thomas Bray, aged 37, joined the Group in 2013 as Holders Components Sales Director, and is now LED Business Development Director. Thomas was previously Technical Director of ACDC Lighting.

David Mahony, aged 75, is the Senior Non-Executive Director, appointed in 1988.

Substantial shareholdings
At 15 February 2019 the company had been informed of the following interests, in addition to the interests of R W Weinreich and T G Bray, amounting to 3% or more in the issued ordinary share capital of the company:

	Number	%
Andre Marcou	520,000	12.50%
Armstrong Investments Limited	275,000	6.61%
Rath Dhu Limited	235,000	5.65%
Stockinvest Limited	171,500	4.12%
Hugh S Pearson Gregory	161,290	3.88%

Report of the Directors (continued)

Annual General Meeting

The Annual General Meeting of the Company will be held at the Fairfax Suite, Cromwell Hotel, Old Stevenage, Hertfordshire SG1 3AZ at 11.30 a.m. on 29 April 2019.

Special business at the Annual General Meeting

An ordinary resolution (set out as resolution 5 in the Notice of the Annual General Meeting) will be proposed to give the directors authority to allot 1,386,517 ordinary shares being approximately 33% of the issued ordinary share capital of the company as at the date of this report which includes 150,000 ordinary shares being the maximum number of shares the company may be obliged to issue under its employee share option scheme. The authority, when given, will expire at the conclusion of next year's annual general meeting. The directors have no present intention of exercising this authority.

A special resolution (set out as resolution 6 in the Notice of Annual General Meeting) will be proposed to empower the directors to allot securities of the company up to a specified amount in connection with rights issues without having to obtain prior approval from shareholders on each occasion and also to allot a smaller number of these for cash without first being required to offer such shares to existing shareholders. The number of ordinary shares which may be issued for cash under the latter authority will not exceed 207,978 being approximately 5% of the issued ordinary share capital of the company as at the date of this report. The proposed power will expire at the conclusion of next year's Annual General Meeting.

A special resolution (set out as resolution 7 in the Notice of Annual General Meeting) will be proposed to authorise the company to buy on the open market up to 415,955 ordinary shares of 10p each, representing 10% of the issued ordinary share capital of the company as at the date of this report, excluding treasury shares. The directors, in reaching any decision to purchase ordinary shares, will take into account the company’s cash resources, capital requirements and the effect of any purchase on earnings per share.

Going Concern

The company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on page 4. In addition, notes 2, 3, 4, 19 and 24 to the financial statements include the company’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and foreign exchange risk mitigation activities; and its exposures to credit risk and liquidity risk. Budgets and forecasts indicate a satisfactory going concern position.

The company enjoys a positive cash position, and benefits from a number of customers and suppliers across different geographic areas and industries. Management have prepared budgets and forecasts covering the period to May 2020. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook and therefore conclude it is appropriate to prepare the financial statements on a going concern basis.

Report of the Directors (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnity arrangements

The company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of its directors. The directors also have the benefit of the indemnity provision contained in the company's Articles of Association. These provisions, which are qualifying third party indemnity provisions as defined by the Companies Act, were in force since 30 April 2007, and are currently in force.

Auditors

The auditors, Grant Thornton UK LLP, are willing to continue in office as auditors of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board
Paul Geraghty
Secretary

21 February 2019

Directors' Remuneration Report

The directors present the directors' remuneration report for the financial year ended 30 November 2018. As the company is listed on AIM, it does not have to comply with the requirements of the remuneration report contained in the listing rules.

Remuneration policy

The company policy is to design prudent executive remuneration packages to attract, motivate and retain directors of a high calibre and to reward them for enhancing value to shareholders. The determination of the annual remuneration packages of the senior executive directors and key members of senior management are undertaken as set out in the corporate governance report on page 11.

There are three main elements of the remuneration packages of the executive directors:

- Basic annual salary and benefits;
- Share option incentives; and
- Pension arrangements.

The company believes that share option incentives encourage long term commitment to shareholder value and ensure that rewards for executive directors and senior managers are aligned with the interests of shareholders.

Contributions are made to the pension schemes of certain directors.

Executive directors may accept up to two external non-executive appointments, as long as these are not with competing companies and are not likely to lead to conflicts of interest. This policy is followed where such appointments would beneficially broaden experience and knowledge.

Executive directors' remuneration and terms of appointment

Base salaries are reviewed annually and are set to reflect responsibilities, experience and marketability. Regard is also given to the level of rewards made in the year to staff. The mechanism for supervising the company share option scheme and the granting of options under it is as set out in the corporate governance report on page 11.

None of the directors have service contracts with a notice period exceeding one year. Each director is entitled to contributions to personal pension schemes and certain benefits in kind, which include car allowance and private health insurance.

Non-executive directors' remuneration

The fees paid to non-executive directors are determined by the board. Non-executive directors are normally appointed for an initial period of three years. Appointments are made subject to retirement by rotation or removal under the company's articles of association. Non-executive directors do not participate in the company's option scheme.

Details of the directors' remuneration, pension entitlements, shareholdings and share options are included in note 23 to the financial statements.

Corporate Governance

CORPORATE GOVERNANCE REPORT

The QCA Code sets out 10 principles which it advocates should be applied. These are listed below together with a short explanation of how the Group applies each of the principles. Where the Group does not fully apply a principle, an explanation as to why has been provided.

Principle One: Business Model and Strategy

For each business unit the Board has adopted a strategy to promote long-term value for shareholders as outlined in the Operating and Business Review on pages 2 to 3.

Principle Two: Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communications and constructive dialogue with its shareholders. Institutional shareholders and analysts are welcome to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, www.holdersgroup.com. Paul Geraghty, Group Finance Director is available in the first instance to respond to investor enquiries.

Principle Three: Stakeholder and Social Responsibilities

The Board recognises that the long-term success of the Group is reliant upon the efforts of the employees, customers and suppliers to the Group. The Board has put in place a range of processes and systems to ensure close contact with these key stakeholders is maintained. The Board also ensures that key relationships with customers and suppliers are the responsibility of one of the directors or the Divisional Managing Directors.

The Board at all times seeks to act in a legally compliant and socially responsible manner and also seeks to ensure that senior management act in a similar fashion.

Principle Four: Risk Management

The Board and Divisional Managing Directors are responsible to the Board for ensuring both that procedures are in place, and that these are being effectively implemented so as to identify, evaluate and manage the risks faced by the Group. The nature of the risks and degree of exposure are reviewed periodically.

The following principal risks, and controls to mitigate them, have been identified:

Activity	Risk	Impact	Control(s)
Customers and Suppliers	Loss of major customer/ supplier	Reduction in profitability	Multiple-level contact. Reduce dependence on any one customer/ supplier. Regular review.
Key Manage-ment	Recruitment/ retention of key management	Reduced perfor-mance	Competitive short term and long-term remuneration and incentives. Stimulating environment with clear two-way communication.
Business Interruption	Loss of operating capability.	Potential loss of business	Business interruption insurance. Dual capacity UK and Germany. Ongoing renewal and maintenance of machinery.
Financial Control	Fraud or misstatement of accounts	Financial loss	Multiple authorisation levels and internal controls. Segregation of duties. Monthly review of operating results and cash.

There are a range of Group policies which cover matters such as share dealing. The current Board takes the view that an internal audit function is not necessary or practical due to the size of the Group and the close day to day control exercised by the executive directors.

Corporate Governance (continued)

However, the Board will continue to monitor the need for an internal audit function.

Principle Five: A Well-Functioning Board of Directors

The Board comprises:

• Executive Chairman	Rudi Weinreich
• Group Managing Director	Victoria Blaisdell
• Group Finance Director	Paul Geraghty
• Executive Director	Thomas Bray
• Non-executive Director	David Mahony*

Currently the Group Managing Director and Group Finance Director are full time employees. The Executive Chairman and Executive Director are part time employees, and the non-Executive Director David Mahony is a part time consultant. Biographical details of the current directors are set out within Principle Six below. At each Annual General Meeting, one-third of the Board members retire by rotation and offer themselves for re-election.

*David Mahony is deemed by the Board to be independent even though he has served on the Board since the company was floated on the Unlisted Securities Market in 1988. The Board believes that Mr Mahony's broad senior level experience enables him to be classed as independent.

The letters of appointment of all directors are available for inspection at the Company's Tweedbank office during normal business hours.

The Executive and Non-Executive Directors are bound by contracts which require no more than one year's notice. The Non-executive Director receives a fee for his services as a director which is approved by the Board, based upon the time commitment and responsibilities of his roles, of current market rates for comparable appointments, and within any constraints imposed by the current financial position of the Group. The Non-executive Director is also reimbursed for travelling and other incidental expenses incurred on Group business.

Directors' emoluments, including Directors' interest in share options over the Group's share capital, are set out in Note 23 of the 2018 Annual Report.

The Board meets each month. It has an established Audit Committee and a Remuneration Committee, particulars of which appear hereafter. The Board has resolved that any appointments to the Board are made by the Board as a whole and therefore a Nominations Committee has not been created.

Attendance at Board and Committee Meetings

The Board retains full control of the Group with day-to-day operational control delegated to Executive Directors. The full Board meets monthly and on other occasions as it considers necessary. During 2018 there were twelve Board meetings, one Remuneration Committee meeting and two Audit Committee meetings. All meetings were fully attended by their constituent directors apart from one board meeting where apologies were received from David Mahony.

Principle Six: Appropriate Skills and Experience of the Directors

The Board currently consists of five directors. The Board believes that the Board composition is appropriate to provide the necessary skills, balance and experience for the needs of the company.

Board biographies:

- Rudi Weinreich, Executive Chairman, born in 1946 in Austria, was sole executive director of Holders Technology until 1987. He has been responsible for all aspects of the business since the business commenced in 1972 and continues to be closely involved with all aspects of the Group.
- Victoria Blaisdell BSc, born in 1972, joined the Group in 2004 and is now the Group Managing Director. She previously worked in the IT industry and has worked in several countries as a Senior Consultant for one of the largest global IT consultancies.
- Paul Geraghty BSc, FCA, born in 1960, joined the Group in 2011 as Group Finance Director and Company Secretary. He previously held senior financial roles in engineering companies, including Elektron Components Limited and Protec plc.

Corporate Governance (continued)

Principle Six: Appropriate Skills and Experience of the Directors (continued)

- Thomas Bray MEng (Electronic Engineering), born in 1981, is the LED Business Development Director and joined the Board in 2017 as an Executive Director. Thomas was previously the Technical Director of ACDC Lighting Ltd.
- David Mahony BA (Economics), MSc, born in 1944, is the Senior Non-executive Director, appointed in 1988. He is also a Director of Tower Mint Limited. David spent thirty-five years with Hambros Bank in Corporate Finance and as an Industrial Advisor, during which time he was Chairman or Director of various PLC, Aim and Private companies.

Principle Seven: Evaluation of Board Performance

In 2019 the Board will strengthen its hitherto informal monitoring of individual directors' performance by instituting a formal system whereby the Chairman and non-executive director will formally meet to evaluate and record the performance of the executive directors whilst the executive directors will perform the same exercise in regard to the Chairman and any non-executive directors. This process of board evaluation will also examine issues relating to succession planning as necessary.

Principle Eight: Corporate Culture

The Board recognises the importance of appropriate ethical values and behaviour in relation to the Group's activities and encourages suitable behaviour and principles from employees and suppliers. These principles are set out in the company's Ethics Policy and the Board keeps a watching brief over its application.

The Company has adopted, for the Board and Senior Management, a Share Dealing Code in accordance with Aim Rule 21.

Principle Nine: Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Group's activities rests with the Board. Rudi Weinreich is Executive Chairman of the Board, which sets the overall business strategy. Victoria Blaisdell is Group Managing Director responsible for the performance of the Group in line with its agreed business strategy.

The following matters are reserved for the Board:

- Senior appointments and remuneration
- Budget approval
- Acquisitions
- Major capital expenditure
- Major sales quotations and purchase orders
- Foreign exchange policy
- Significant legal, health and safety matters
- Stock exchange compliance and other corporate governance issues

Principle Nine: Maintenance of Governance Structures and Processes (continued)

Mr Weinreich when required acts in an Executive capacity, for example by deputising for the German Managing Director when necessary. The board recognises that his role is therefore not 100% independent however it believes that, given Mr Weinreich's unique skills and experience, this is a cost-effective beneficial arrangement for the size of the company.

In accordance with the Companies Act 2006, the Board complies with its duties: to act within its powers; to promote the success of the Company; to exercise independent judgement; to exercise reasonable care, skill and diligence; to avoid conflicts of interest; not to accept benefits from third parties and always to declare any interest in a proposed transaction or arrangement.

Audit Committee

For the period under review the Audit Committee comprised David Mahony. Paul Geraghty as Group Finance Director is invited to attend Audit Committee meetings when appropriate. The Audit Committee meets as required and specifically to review the Interim Report and Annual Report. There were two meetings of the Audit Committee during 2018. The Audit Committee also reviews the findings of the external auditor and reviews accounting policies and material accounting judgements.

The independence and effectiveness of the external auditor is reviewed annually. The possibility of

Corporate Governance (continued)

undertaking an audit tender process is considered on a regular basis. The Audit Committee meets at least once per year with the auditor to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. As well as providing audit related services, the auditor also provides taxation and other advice. The fees in respect of audit and tax services are set out in Note 8 of the Annual Report. Fees for non-audit services paid to the auditor are not deemed to be of such significance to them as to impair their independence and therefore the Audit Committee considers that the objectivity and independence of the auditor is safeguarded.

Remuneration Committee

For the period under review the Remuneration Committee comprised David Mahony. The purpose of the Remuneration Committee is to ensure that the Executive Directors and other employees are fairly rewarded for their individual contribution to the overall performance of the Group. The Committee considers and recommends to the Board the remuneration of the Executive Directors and is kept informed of the remuneration packages of senior staff and invited to comment on these. There was one Remuneration Committee meeting during 2018.

The Board retains responsibility for remuneration policy. Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Group. The Remuneration Committee recommends to the Board the remuneration packages by reference to individual performance, general market changes and any constraints imposed by the then financial position of the Group. The Remuneration Committee has responsibility for recommending the adoption of any long-term incentive schemes.

Principle Nine: Maintenance of Governance Structures and Processes (continued)

There are three main elements of the remuneration packages for Executive Directors and staff:

1. Basic salaries and benefits in kind: Basic salaries are recommended to the Board by the Remuneration Committee, considering the performance of the individual and the rates for similar positions in comparable companies. Certain benefits in kind are available to senior staff and Executive Directors.

2. Share options: The Company operates an approved share option scheme for Executive Directors and certain other employees both to motivate those individuals through equity participation, and to align the interests of senior employees with those of shareholders. Exercise of share options under the schemes is subject to specified exercise periods and compliance with the AIM Rules. The schemes are overseen by the Remuneration Committee which recommends to the Board all grants of share options specifying the terms under which eligible individuals may be invited to participate.

3. Bonus Scheme: The Group has a discretionary bonus scheme for staff and Executive Directors which is specific to each individual and the role performed by that individual within the Group. Salaries and benefits were reviewed in November 2018 to cover the period to 30 November 2019. Future reviews will be held in November/ December each year for implementation from 1 December.

Principle Ten: Shareholder Communication

The Board is committed to maintaining good communication with its shareholders. All shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, www.holdersgroup.com, and via Paul Geraghty, Group Finance Director, who is available to answer investor queries.

AUDITOR'S REPORT

Independent auditor's report to the members of Holders Technology plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Holders Technology plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2018 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Statements of Cash Flow and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 November 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor’s report (continued)

Overview of our audit approach

- Overall group materiality: £62,000, which represents 0.5% of the group's revenue;
- Key audit matters were identified as impairment of investments; and
- We performed full scope audit procedures on the financial statements of Holders Technology plc, and on the financial information of Holders Technology UK Limited and Holders Technology GmbH

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – parent	How the matter was addressed in the audit
Impairment of investments	
At the year end Holders Technology plc had an investment of £2,291,000 in subsidiary undertakings. International Accounting Standard (IAS) 36 ‘Impairment of assets’ requires management to test assets other than goodwill and indefinite life intangibles for impairment where potential triggers for impairment are identified. Such triggers include declining performance or losses at individual cash generating units (CGUs), which are identified as being each division.	Our audit work included, but was not restricted to: • Assessing whether the company’s accounting policy for impairment of investments is in accordance with IAS 36; • checking the appropriateness of the methodology applied by management in their assessment of the carrying value of investments in accordance with the accounting policy; • comparing historical forecasts against actual results to test the accuracy of management’s forecasting; • applying sensitivity analysis to future forecast assumptions; and • evaluating the reasonableness of inputs including the assumptions contained in the impairment models through our knowledge of the business and future forecasts.

Independent auditor's report (continued)

Key Audit Matter – parent	How the matter was addressed in the audit
Impairment of investments (continued)	
The performance of the impairment review requires management to make key judgements and assumptions. We therefore identified the impairment of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	The company's accounting policy on investments, note 2 to the financial statements and related disclosures are included in note 15. **Key observations** Our testing did not identify any material deviations in the Company's impairment review from IAS 36 Impairment of Assets.

We have no key audit matters to report in relation to the Group.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

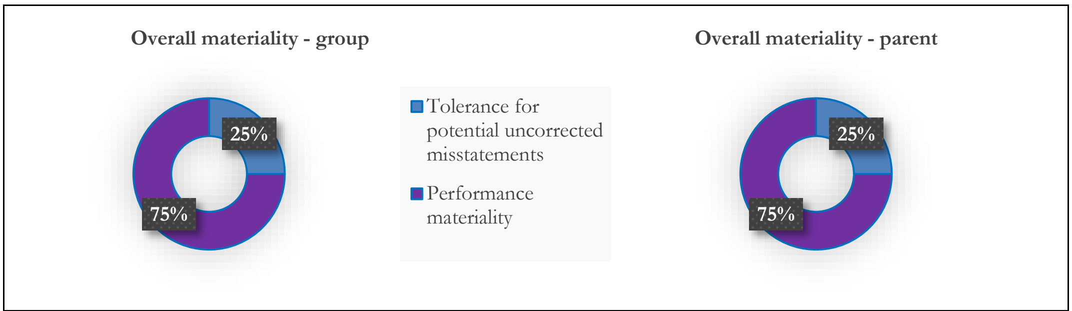
Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£62,000, which is 0.5% of the group's total revenue. This benchmark is considered the most appropriate because revenue is a primary measure used by shareholders in assessing the performance of the business and is a KPI for the Group. Materiality for the current year is higher than the level that we determined for the year ended 30 November 2017 to reflect the increase in revenue over the year.	£44,000 which is 1.5% of parent company's total assets. This benchmark is considered the most appropriate because it is a non-trading company, holding investments in group companies. Materiality for the current year is consistent with the level that we determined for the year ended 30 November 2017 as there were no significant changes in total assets at year end.

Independent auditor's report (continued)

Materiality measure	Group	Parent
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality
Specific materiality	We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions	We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions
Communication of misstatements to the audit committee	£3,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business. We took into account the size and risk profile of each entity, any changes in the business and other factors when determining the level of work to be performed at each entity, which in particular included the following considerations:

- The group operates from three locations with accounting functions at each location. All accounting is conducted locally for each entity within the group and we have tailored our audit response accordingly. Audit work for Holders Technology plc and Holders Technology UK Limited was undertaken by the group audit team. Audit work for Holders Technology GmbH was undertaken by Warth & Klein Grant Thornton under direction from the group audit team, with the group audit team reviewing the audit work completed. We performed full scope audit procedures on the financial statements of Holders Technology plc, and on the financial information of Holders Technology UK Limited and Holders Technology GmbH. All other entities in the group are dormant. In assessing the risks of material misstatement to the group financial statements we considered the transactions undertaken by each entity and therefore where the focus of our work was required;
- The total percentage coverage of procedures over revenue was 100%;
- The total percentage coverage of procedures over total assets was 100%;
- Our audit approach was fully substantive in nature and consistent with 2017.

Independent auditor's report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the directors have been prepared in accordance with applicable legal requirements with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report (continued)

Responsibilities of directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 9 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Read
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
21 February 2019

Group Income Statement for the year ended 30 November 2018

	Note	2018 £'000	2017 £'000
Revenue - continuing operations	5	12,486	12,208
Cost of sales		(9,220)	(9,003)
Gross profit		3,266	3,205
Distribution costs		(422)	(438)
Administrative expenses		(2,696)	(2,695)
Other operating income/ (expenses)		36	(7)
Operating profit from continuing operations	7	184	65
Finance expenses	6	(7)	(11)
Profit before taxation from continuing operations		177	54
Tax credit/ (expense)	8	(8)	5
Profit after taxation from continuing operations		169	59
Loss from discontinued operations	9	-	(42)
Profit for the year attributable to equity shareholders		169	17
Basic earnings per share – continuing operations	11	4.06p	1.42p
Diluted earnings per share – continuing operations	11	4.03p	1.34p
Basic and diluted loss per share – discontinued operations	11	-	(1.01p)
Total earnings per share	11	4.06p	0.41p

Group statement of comprehensive income for the year ended 30 November 2018

	2018 £'000	2017 £'000
Profit for the year	169	17
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	15	73
Total comprehensive income for the year	184	90

Statements of Changes in Equity for the year ended 30 November 2018

Group	Share capital	Share premium	Capital redemption reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 November 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	-	-	-	73	-	73
Total comprehensive income for the year	-	-	-	73	17	90
Balance at 30 November 2017	416	1,590	1	207	1,718	3,932
Dividends	-	-	-	-	(21)	(21)
Share based payments	-	-	-	-	4	4
Transactions with owners	-	-	-	-	(17)	(17)
Profit for the year	-	-	-	-	169	169
Other comprehensive income	-	-	-	15	-	15
Total comprehensive income for the year	-	-	-	15	169	184
Balance at 30 November 2018	**416**	**1,590**	**1**	**222**	**1,870**	**4,099**

Company	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 30 November 2016	416	1,590	1	589	2,596
Dividends	-	-	-	(21)	(21)
Share based payments	-	-	-	3	3
Transactions with owners	-	-	-	(18)	(18)
Loss and total comprehensive income for the year	-	-	-	(42)	(42)
Balance at 30 November 2017	**416**	**1,590**	**1**	**529**	**2,536**
Dividends	-	-	-	(21)	(21)
Share based payments	-	-	-	4	4
Transactions with owners	-	-	-	(17)	(17)
Loss and total comprehensive income for the year	-	-	-	(92)	(92)
Balance at 30 November 2018	**416**	**1,590**	**1**	**420**	**2,427**

Balance Sheets at 30 November 2018

Company number: 1730535		Group		Company	
	Note	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Assets					
Non-current assets					
Goodwill	13	318	318	-	-
Property, plant and equipment	14	357	369	2	2
Investments in subsidiaries	15	-	-	2,291	2,291
Deferred tax assets	21	10	16	-	-
		685	703	2,293	2,293
Current assets					
Inventories	16	2,849	2,408	-	-
Trade and other receivables	17	1,791	2,272	628	611
Current tax assets		-	-	-	-
Cash and cash equivalents		403	579	11	4
		5,043	5,259	639	615
Liabilities					
Current liabilities					
Trade and other payables	18	(1,373)	(1,675)	(505)	(372)
Current tax liabilities		(43)	(122)	-	-
		(1,416)	(1,797)	(505)	(372)
Net current assets		3,627	3,462	134	243
Non-current liabilities					
Retirement benefit liability	20	(204)	(226)	-	-
Deferred tax liabilities	21	(9)	(7)	-	-
		(213)	(233)	-	-
		4,099	3,932	2,427	2,536
Shareholders' equity					
Share capital	22	416	416	416	416
Share premium account		1,590	1,590	1,590	1,590
Capital redemption reserve		1	1	1	1
Retained earnings		1,870	1,718	420	529
Cumulative translation adjustment reserve		222	207	-	-
		4,099	3,932	2,427	2,536

Parent Company Income Statement

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £92,000 (2017: loss £42,000).

The financial statements were approved by the Board on 21 February 2019 and signed on its behalf by:

R W Weinreich
Director

Statements of Cash Flows for the year ended 30 November 2018

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Cash flows from operating activities				
Profit/ (loss) before tax from continuing operations	**177**	54	**(92)**	(54)
Share-based payment charge	**4**	3	**4**	-
Depreciation	**71**	72	**-**	4
Increase in inventories	**(427)**	(34)	**-**	-
Increase in trade and other receivables	**(407)**	(368)	**(17)**	(419)
Increase)/ (decrease) in trade and other payables	**571**	128	**133**	(239)
Interest expense	**8**	11	**(18)**	-
Cash (used in)/ generated from operations	**(3)**	(134)	**10**	(708)
Interest paid	**(8)**	(11)	**-**	-
Corporation tax paid	**(88)**	-	**-**	-
Loss from discontinued operations	**-**	(9)	**-**	-
Net cash (used in)/ generated from operations	**(99)**	(154)	**10**	(708)
Cash flows from investing activities				
Purchase of property, plant, and equipment	**(58)**	(41)	**-**	-
Proceeds from sale of property, plant, and equipment	**-**	4	**-**	-
Dividends received from Group undertakings	**-**	-	**-**	400
Interest received	**-**	-	**18**	15
Net cash (used in)/generated from investing activities	**(58)**	(37)	**18**	415
Cash flows from financing activities				
Equity dividends paid	**(21)**	(21)	**(21)**	(21)
Net cash used in financing activities	**(21)**	(21)	**(21)**	(21)
Net change in cash and cash equivalents	**(178)**	(212)	**7**	(314)
Cash and cash equivalents at start of period	**579**	781	**4**	318
Effect of foreign exchange rates	**2**	10	**-**	-
Cash and cash equivalents at end of period	**403**	579	**11**	4

Notes to the Financial Statements

1. General information

Holders Technology plc, a public company limited by shares, is incorporated in the United Kingdom under the Companies Act.

These consolidated financial statements are presented in pounds sterling and all information has been rounded to the nearest thousand. Foreign operations are consolidated in accordance with the policies set out in note 2 below.

2. Accounting policies

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 and adopted by the EU 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.

The Group and parent company financial statements have been prepared under the historical cost convention with the exception of forward currency contracts which are carried at fair value. A summary of the significant Group accounting policies adopted in the preparation of the financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Change in accounting policies

The Group has not adopted any new standards or amendments that have a significant impact on the Group's results or financial position.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on page 4. In addition, notes 2, 3, 4, 19 and 24 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and foreign exchange risk mitigation activities; and its exposures to credit risk and liquidity risk.

The company has numerous financial resources, as shown in the financial statements, together with a number of customers and suppliers across different geographic areas and industries. The Board pursues a cautious strategy, combined with effective cost control in order to maintain a strong working capital position. Budgets and forecasts indicate a satisfactory going concern position. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook and therefore conclude it is appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Standards and Interpretations to Standards not yet effective

The following Standards and Interpretations have been issued, but are not yet effective and have not been early adopted by the Group:

- IFRS 9 Financial Instruments (EU effective date 1 January 2018)
- IFRS 15 Revenue from contracts with customers including amendments to IFRS 15 (EU effective date 1 January 2018)
- IFRS 16 Leases (EU effective date 1 January 2019)
- Amendments to IAS 40: Recognition of Deferred Tax Assets for Unrealised Losses (EU effective date 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-Based Payments Transactions (EU effective date 1 January 2018)
- Annual improvements to IFRS Standards 2014 – 2017 cycle (EU effective date 1 January 2018)
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration (EU effective date 1 January 2018)
- Clarifications to IFRS 15: Revenue from Contracts with Customers (EU effective date 1 January 2018)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures when the relevant standard comes into effect. The group's revenues normally comprise items where parties, products, prices and ownership transfers are very unambiguous and although we do not anticipate a significant impact arising from IFRS 15, a full assessment has not yet been done.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical judgements and key estimates and assumptions are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. Intra-Group transactions, including sales, profits, receivables and payables, have been eliminated in the Group consolidation. Control is achieved where the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through the power over the investee.

Subsidiaries

Subsidiaries are entities controlled by the company. Control is achieved where the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through the power over the investee. The financial statements of subsidiaries are included from the date that control commences until the date that control ceases.

In the parent company accounts investments and long-term loans to subsidiaries are initially recorded at cost. The investment value is subsequently recorded at cost less any impairment value.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Goodwill and business combinations

The results of subsidiaries acquired in the period are included in the income statement from the date they are acquired. On acquisition, all of the subsidiaries' assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. For business combinations occurring since 1 December 2009, the requirements of IFRS 3R have been applied. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. As permitted by IFRS 1, goodwill arising on acquisitions before 1 December 2005 (date of transition to IFRS) has been frozen at the UK GAAP amounts subject to being tested for impairment at that date.

Impairment charges

The company considers at each reporting date whether there is any indication that assets are impaired. If there is such an indication, the company carries out an impairment test by measuring an asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Goodwill, which is allocated to individual cash generating units, is reviewed annually for impairment. Value in use represents the present value of the future cash flows expected to be derived from the cash generating unit. The present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the cash generating unit for which future cash flow estimates have not been adjusted. If the recoverable amount is less than the carrying amount an impairment loss is recognised, and the asset is written down to its recoverable amount.

Revenue recognition

Revenue comprises the value of sales of goods to third party customers occurring in the period, stated exclusive of value added tax and net of trade discounts and rebates. Revenue is earned from sale of PCB raw and processed materials; and LED components, assemblies and finished goods. Revenue is measured at the fair value of the consideration received or receivable. Revenue on the sale of goods is recognised when substantially all of the risks and rewards in the product have passed to the customer, which is usually upon delivery to the customer. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the company.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management system are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Trade and other receivables

Trade and other receivables do not carry interest and are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate, as reduced by appropriate allowances for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of these receivables. The amount of the provision is the difference between the carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the income statement.

Trade and other payables

Trade and other payables are not interest bearing and are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

Property, plant, and equipment

The cost of items of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write off assets over their expected useful lives. Where there is evidence of impairment, property, plant and equipment is written down to the recoverable amount. Depreciation is calculated at the following rates:

Leasehold building improvements	Over the period of the lease
Motor vehicles	20% on either cost or written down value
Plant and machinery	20% - 33% on either cost or written down value
Office equipment	25% on cost

Methods of depreciation, recoverable amounts and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Provision is made against the carrying value of items of property, plant and equipment where impairment in value is deemed to have occurred.

Leased assets

Leases are classified as operating leases when a significant portion of the risks and rewards of ownership are retained by the lessor. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the periods of the leases.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of each transaction. Foreign currency monetary assets and liabilities are retranslated using the exchange rates at the balance sheet date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the original transaction.

In the consolidated financial statements, the net assets of the Group's foreign operations are translated at the rate of exchange at the balance sheet date. Income and expense items are translated at the average rates for the period where these rates approximate to actual rates. Otherwise actual rates are used. The resulting exchange differences are charged/ credited to other comprehensive income and recognised in the currency translation reserve in equity. Such translation differences are recognised in the income statement on the disposal of the foreign operation. All other currency differences are taken to the income statement. Profit and losses on holding foreign currency balances are treated as a finance cost.

Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposure to foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of directly attributable issue costs.

Taxes

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the asset is realised, or the liability settled. Deferred tax is not discounted.

Provision is not made for deferred tax on the unremitted earnings of foreign subsidiaries where such remittances are not considered probable as the Group's policy is to reinvest profits to fund growth locally. Provision is made where it is likely that dividends will be remitted within the foreseeable future.

A deferred tax asset is recognised only when it is probable that suitable taxable profits will be available in the foreseeable future from which the reversal of the temporary differences can be deducted.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Employee share option scheme

The fair value of employee share plans is calculated using an appropriate actuarial model. In accordance with IFRS 2 the resulting cost is charged to the income statement over the vesting period of the plans, with a corresponding credit to retained earnings. The value of the charge is adjusted to reflect the expected and the actual levels of options vesting. IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 December 2005, in accordance with the transitional arrangements of IFRS 1.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

Pension contributions

The Group does not operate a pension scheme. Pension costs relate to Group contributions to the personal pension schemes of certain directors and employees. The contributions are recognised as an employee benefit expense when they are due. There is also a retirement benefit liability arising from an asset purchase of Cimatec GmbH as disclosed in note 20. The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the accounting period less the fair value of plan assets, together with adjustments for past-service costs. Independent actuaries annually calculate the defined benefit obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Dividends payable

Distributions to equity holders are disclosed as a component of the movement in shareholders' equity. A liability is recorded for a final dividend when the dividend is approved by the company's shareholders, and, for an interim dividend, when the dividend is paid.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Treasury shares

When the company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the company's equity holders.

Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to re-sale.

Notes to the Financial Statements (continued)

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgement in applying the Group's accounting policies
Income taxes
The determination of the Group's tax liabilities requires the interpretation of tax law. The Group obtains appropriate professional advice from its tax advisors in relation to all significant tax matters. The directors believe that the judgements made in determining the Group's tax liabilities are reasonable and appropriate; however, actual experience may differ and materially affect future tax charges. The key current judgement relates to the liability for Cross Border tax. The full potential liability, of up to £43,000, has been provided within current tax liabilities and accruals. The final outturn depends upon an ongoing court case decision. The company is not a party to the court case and the timing of its conclusion is currently uncertain.

Estimation uncertainty
Impairment testing
Impairment testing of goodwill and investment in subsidiaries involves comparing the carrying value of an asset with its value in use, based upon a discounted cash flow model. This model involves making assumptions involving future revenues and profits as well as long-term growth rates and the appropriate discount rate. Further details are set out in note 13. Management is not aware of any probable scenarios that would require changes in its key estimates, and lead to impairment. The key assumption impacting the value in use is the revenue forecast.

4. Financial risk management

Treasury management
Group treasury policies are reviewed and approved by the board. The objectives of Group treasury policies are to ensure that adequate financial resources are available for development of the business while at the same time managing financial risks. Derivative financial instruments are used to reduce financial risk exposures arising from the Group's business activities and not for speculative purposes.

The Group Finance Director manages the Group's treasury activities. The Group Finance Director reports to the board on the implementation of Group treasury policy.
The Group's business activities expose it to a variety of financial risks that include:

- Liquidity risk;
- Credit risk;
- Cash flow interest rate risk; and
- Currency risk.

The policies for managing these risks are described below:

Liquidity risk
The Group finances its operations through a combination of bank borrowings, finance leases and cash generated from operations. The Group's treasury policy aims to ensure that there are sufficient funds available to meet the projected cash flow requirements in the business plan.
The Group's principal source of funding is cash generated from operations. Liquidity is maintained through committed bank credit facilities (note 19).

Notes to the Financial Statements (continued)

4. Financial risk management (continued)

Credit risk

Credit risk on trade receivables is managed by monitoring the amount and duration of exposures to individual customers depending on their credit rating. Where possible, trade receivables are insured. The amounts of trade receivables presented in the balance sheet are net of allowances for doubtful accounts estimated by management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are high credit quality financial institutions.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and counterparties.

Currency risk

The Group is exposed to currency risk through movements in exchange rates on its purchases and sales that are not denominated in the local functional currencies. The Group uses forward foreign exchange contracts to mitigate the currency risk associated with these transactions, where material exposure exists. The contracts are denominated primarily in US dollars and Euros. Such contracts are accounted for in accordance with the policies set out in note 2. At the year-end forward purchase contracts totalling $800,000 were held as described in note 19.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk on bank borrowings, which are arranged at floating rates. The board monitors the overall level of bank debt and interest costs to limit any adverse effects on the financial performance of the Group. The Group does not use interest rate swaps to reduce its exposure to interest rate fluctuations at the present time.

Fair value estimation

The fair values of cash and cash equivalents, receivables, payables and borrowings with a maturity of less than one year approximate their book values.

5. Segment reporting

The group has four continuing operating divisions: PCB UK, PCB Germany, LED UK and LED Germany. Only the two PCB divisions qualify to be reported as operating segments. Both PCB divisions however have very similar products, processes, customers, distribution means and margins, and therefore in the Board's view they qualify to be aggregated as one "PCB" reportable segment.

In the Board's view, it is important for readers to be provided with a meaningful picture of the Group's performance and therefore the non-reportable LED divisions have also been aggregated and reported below. The two reported segments are therefore:

- PCB, which distributes materials, equipment and supplies to the PCB industry. This comprises UK PCB and Germany PCB.
- LED, which distributes LED-related components, lighting products and lighting solutions. This comprises Holders Components UK and Germany.

Management information is prepared and monitored, and strategic decisions are made based on all four divisions' results.

Notes to the Financial Statements (continued)

5. Segment reporting (continued)

	PCB		LED		Other		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Revenue - Continuing	**9,374**	9,453	**3,112**	2,755	**-**	-	**12,486**	12,208
Cost of sales	**(7,168)**	(7,169)	**(2,052)**	(1,834)	**-**	-	**(9,220)**	(9,003)
Gross profit	**2,206**	2,284	**1,060**	921	**-**	-	**3,266**	3,205
Distribution costs	**(331)**	(335)	**(91)**	(103)	**-**	-	**(422)**	(438)
Administrative expenses	**(1,625)**	(1,693)	**(985)**	(917)	**(86)**	(85)	**(2,696)**	(2,695)
Other operating income/(expenses)	**30**	(42)	**3**	7	**3**	28	**36**	(7)
Segment operating profit/ (loss)	**280**	214	**(13)**	(92)	**(83)**	(57)	**184**	65
Discontinued loss	**-**	-	**-**	(42)	**-**	-	**-**	(42)
Total operating profit/ (loss)	**280**	214	**(13)**	(134)	**(83)**	(57)	**184**	23
Other segmental information								
Depreciation (Note 14)	**73**	70	**2**	7	**1**	3	**76**	80
Segment assets	**7,282**	7,501	**1,807**	2,617	**(3,361)**	(4,163)	**5,728**	5,955
Segment liabilities	**(2,136)**	(2,633)	**(3,306)**	(4,093)	**3,813**	4,703	**(1,629)**	(2,023)

"Other" amounts relate to central Group activities, which are not identifiable to the operating segments.

Analysis of external revenue by geographic region

	UK		EU		Rest of World		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Revenue - PCB	**1,341**	1,458	**6,582**	6,558	**1,451**	1,437	**9,374**	9,453
- LED	**1,628**	1,474	**1,369**	1,034	**115**	247	**3,112**	2,755
	2,969	2,932	**7,951**	7,592	**1,566**	1,684	**12,486**	12,208
Non-current assets	**489**	519	**184**	175	**12**	2	**685**	696

UK revenues originate from UK which is where the UK segments are domiciled. EU and Rest of World revenues originate from Germany which is where the operating segments are domiciled. Over 90% of Rest of World revenues are from European countries outside the EU.

No customer contributed more than 10% of external revenue.

Notes to the Financial Statements (continued)

6. Finance income and expenses

	2018 £'000	2017 £'000
Interest on bank deposits	-	-
Interest on tax liability and pension liability	(7)	(11)

7. Profit for the year

The following items have been included in arriving at the profit for the year:

	2018 £'000	2017 £'000
Costs of inventories recognised as an expense	8,950	8,911
Write-down of inventory to net realisable value	76	(34)
Depreciation of property, plant and equipment (note 14)	76	81
Fees payable to the company's auditors for the audit of the financial statements	24	24
Fees payable to the company's auditors for other services:		
- Audit of the financial statements of the company's subsidiaries pursuant to legislation	27	27
- Audit related assurance services	2	2
- Tax compliance services	8	8
- Tax advisory services	-	-
Operating leases - land and buildings	148	147
Operating leases – motor vehicles	-	-
Exchange profit	(30)	(6)
Restructuring costs	-	-

8. Taxation

Analysis of the charge in the period	2018 £'000	2017 £'000
Current tax		
- Current period	-	-
- Adjustments in respect of prior periods	-	-
	-	-
Deferred tax charge/ (credit) (note 21)	8	(5)
Total tax	8	(5)

Tax reconciliation

The tax for the period is lower (2017: lower) than the standard rate of corporation tax in the UK, effectively 19.0% (2017: 19.3%) for the company's financial year. The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	177	54
Profit/ (loss) before taxation multiplied by the rate of corporation tax in the UK of 19.0% (2017: 19.3%)	34	10
Effects of:		
Accelerated capital allowances	2	-
Taxation losses	(28)	(15)
Taxation	8	(5)

Notes to the Financial Statements (continued)

9. Discontinued operations

In March 2017 the LED finished goods activity in UK, branded as NRGstar, was discontinued. This point marked the Group's cessation of this type of LED operation, and a re-focus on sales of LED components, lighting solutions and smart lighting systems.

Accordingly, this change has been presented as discontinued operations in the 2017 income statement, and in the cash flow statement. The Board are of the view that this presentation of information enables users of the financial statements to understand the financial effects of these operations no longer being part of the Group.

10. Profit of the parent company for the financial year

The result for the financial year dealt with in the accounts of the parent company was a loss of £92,000 (2017 loss: £42,000).

As permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company.

11. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of treasury shares is deducted from the number of shares issued in arriving at the weighted average number of shares outstanding during the period.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. Potentially dilutive ordinary shares are those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the period, and where exercise would decrease earnings per share or increase loss per share from continuing operations. There was no earnings dilution calculated in 2017 as a loss was recorded by the Group.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2018 Number	2017 Number
Weighted average number of ordinary shares	4,159,551	4,159,551
Dilutive effect of share options	31,043	254,868
Fully diluted weighted average number of ordinary shares	4,190,594	4,414,419

	2018 Pence per share	2017 Pence per share
Basic earnings/ (loss) per share:		
Continuing operations	4.06	1.42
Discontinued operations	-	(1.01)
Total operations	4.06	0.41
Diluted earnings/ (loss) per share:		
Continuing operations	4.03	1.34
Discontinued operations	-	(1.01)
Total operations	4.03	0.33

Notes to the Financial Statements (continued)

12. Ordinary dividends

	2018 £'000	2017 £'000
Final dividend for the year ended 30 November 2017 of 0.25p (year ended 30 November 2016 final dividend: 0.25p)	10	10
Interim dividend paid in respect of the year of 0.25p (2017: 0.25p)	11	11
Amounts recognised as distributions to equity holders	21	21

The directors propose a final dividend in respect of the year ended 30 November 2018 of 0.50p per share. If approved by shareholders, it will be paid on 21 May 2019 to shareholders registered on 3 May 2019.

13. Goodwill

	2018	2017
Group	£'000	£'000
Cost		
At 1 December	318	316
Currency translation	-	2
At 30 November	318	318
	£'000	£'000
Analysis by cash generating unit		
PCB	146	146
LED	172	172
	318	318

As permitted by IFRS 1, goodwill arising on acquisitions before 1 December 2005 (date of transition to IFRS) has been frozen at the UK GAAP amounts subject to being tested for impairment at that date, the results of which assessment indicated no such impairment.

Under UK GAAP, goodwill of £239,000 arising on acquisitions prior to 1 July 1998 was eliminated directly against reserves. The gain or loss on the disposal of a previously acquired business reflects the attributable amount of purchased goodwill in respect of that business. As the Group has opted not to restate business combinations prior to the date of transition, the goodwill written off to reserves under UK GAAP has been frozen and remains in reserves. Goodwill previously written off to reserves is not written back to the income statement on subsequent disposal.

Notes to the Financial Statements (continued)

13. Goodwill (continued)

The recoverable amount of a cash-generating unit is based on its value-in-use. Value-in-use is the present value of the projected cash flows of the cash-generating unit (CGU). The key assumptions regarding the value-in-use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of a number of factors that impact on the time value of money and any risk specific to the CGU. The rate includes management's assessment of a normal level of debt: equity ratio within similar companies in its sector and reflects the risks specific to the relevant business segment.

The Group prepares cash flow forecasts based on the most recent financial budgets approved by management, which cover a three-year period. The model includes the impact of expected changes in stock levels, anticipated capital expenditure, tax costs, and dividends. Terminal values are calculated using a growth rate approximating the long-term average growth rates for the product sectors concerned. The growth rates were assessed at 1.5% for Holders Technology Germany (PCB) and 2.5% for Holders Components UK (LED). The discount rate applied for PCB was 10%, and the discount rate for LED was 15.0%.

14. Property, plant, and equipment

	Group			Company	
	Short leasehold land and buildings	Motor vehicles, plant and machinery, office equipment	Total	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 30 November 2017	**92**	**2,303**	**2,395**	**61**	**61**
Currency translation	-	9	9	-	-
Additions	-	70	70	1	1
Disposals	-	(111)	(111)	-	-
At 30 November 2018	**92**	**2,271**	**2,363**	**62**	**62**
Depreciation					
At 30 November 2017	**92**	**1,934**	**2,026**	**59**	**59**
Currency translation	-	(48)	(48)	-	-
Provided in year	-	76	76	1	1
Disposals	-	(48)	(48)	-	-
At 30 November 2018	**92**	**1,914**	**2,006**	**60**	**60**
Net book value					
At 30 November 2018	**-**	**357**	**357**	**2**	**2**
At 30 November 2017	**-**	**369**	**369**	**2**	**2**

Notes to the Financial Statements (continued)

15. Investments in subsidiaries

	Investments at Cost £'000
Cost	
At 1 December 2016	2,291
At 1 December 2017	2,291
At 30 November 2018	**2,291**

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements.

Name	Country of incorporation and operation	Nature of business	Interest in ordinary shares & voting rights
Holders Technology GmbH	Germany	Specialised materials and components	100%
Holders Technology UK Limited	England and Wales	Specialised materials and components	100%
Holders Components Limited	England and Wales	Dormant	100%
Opteon Limited	England and Wales	Dormant	100%

16. Inventories

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Raw materials and consumables	**1,474**	1,048	**-**	-
Goods for resale	**1,375**	1,360	**-**	-
	2,849	2,408	**-**	-

17. Trade and other receivables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade receivables	**1,559**	1,799	**-**	1
Less: provision for impairment	**(31)**	(21)	**-**	-
Net trade receivables	**1,528**	1,778	**-**	1
Amounts due from Group undertakings	**-**	-	**601**	583
Other receivables	**50**	102	**15**	17
Prepayments and accrued income	**213**	392	**12**	10
	1,791	2,272	**628**	611

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

All trade receivables that are more than 365 days overdue have been provided for except where monies have been received after the reporting date. The Group also provides for all other specifically identified amounts that are less than 365 days overdue based on known impairment indicators including known trading difficulties. The table below shows the movements in the provision for impairment of trade receivables:

Group	2018 £'000	2017 £'000
Impairment at 1 December	21	9
Currency translation	-	-
Impairment losses recognised	20	17
Amounts written off as irrecoverable	(5)	(4)
Amounts recovered	-	(1)
Impairment losses reversed	(5)	-
Balance 30 November	31	21

Ageing of past due unimpaired debt:	2018 £'000	2017 £'000
Past due 0-30 days	224	291
Past due 31-60 days	33	65
Past due 61-90 days	3	54
Past due 91-365 days	-	70
Past due > 365 days	-	-
	260	480

18. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	529	755	15	18
Amounts due to Group undertakings	-	-	428	318
Other taxation and social security	132	319	-	-
Other payables	115	159	5	-
Accruals	597	442	57	36
	1,373	1,675	505	372

Notes to the Financial Statements (continued)

19. Financial instruments

a) The carrying amount and fair value of financial assets and liabilities at 30 November

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Financial assets				
Cash and cash equivalents	403	579	11	4
Trade and other receivables	1,578	1,880	616	601
Loans and receivables at amortised cost	1,981	2,459	627	605
Financial liabilities				
Trade and other payables	1,241	1,356	77	54
Financial liabilities at amortised cost	1,241	1,356	77	54
Derivatives	-	-	-	-
Liabilities at fair value through profit and loss	-	-	-	-
Net financial assets	740	1,103	550	551

The carrying value of the Group's financial assets and liabilities are considered to approximate their respective fair values. The value of foreign exchange forward contracts has not been included as it is considered to be not material.

b) Interest rate and currency profile of financial assets and liabilities

Currency profiles of the Group's financial assets and liabilities are set out below:

	Group Financial assets £'000	Group Financial liabilities £'000	Group Net financial assets / (liabilities) £'000	Company Financial assets £'000	Company Financial liabilities £'000	Company Net financial assets / (liabilities) £'000
Sterling	784	258	526	15	65	(50)
Euro	1,123	835	288	612	12	600
US dollar	74	148	(74)	-	-	-
At 30 November 2018	1,981	1,241	740	627	77	550
Sterling	953	350	603	6	47	(41)
Euro	1,113	701	412	599	7	592
US dollar	393	305	88	-	-	-
At 30 November 2017	**2,459**	**1,356**	**1,103**	**605**	**54**	**551**

All the Group's financial assets and liabilities are non-interest bearing or have floating interest rates. There are no fixed rate financial assets. Floating rate financial assets earn interest at rates based on local bank deposit rates. Floating rate financial liabilities bear interest at rates based on the Bank of England Base Rate or relevant national equivalents.

Notes to the Financial Statements (continued)

19. Financial instruments (continued)

c) Currency profile of net foreign currency monetary assets and liabilities

The table below shows the net monetary assets/(liabilities) of the Group that are not denominated in the functional currency of the operating unit and which therefore give rise to exchange gains and losses in the income statement.

	Group			Company		
	Euro £'000	US dollar £'000	Total £'000	Euro £'000	US dollar £'000	Total £'000
Sterling At 30 November 2018	**304**	**(74)**	**230**	**600**	**-**	**600**
Sterling At 30 November 2017	412	88	500	592	-	592

d) Market risk: objectives, policies, and strategies

The Group's interest rate risks, liquidity risks and currency risks are managed centrally within policies approved by the board.

No mitigation of interest rates using interest rate swaps has been undertaken. The net interest receivable for the year was nil compared to nil receivable last year. No speculative transactions are undertaken. At present, forward foreign exchange contracts are only used to hedge the value of anticipated purchase orders to be placed in foreign currencies.

e) Market risk: sensitivities

A sensitivity analysis for financial assets and liabilities affected by market risk is set out below. Each risk is analysed separately and shows the sensitivity of financial assets and liabilities when a certain parameter is changed. The sensitivity analysis has been performed on balances at 30 November each year and therefore is not representative of transactions throughout the year. The rates used are based on historical trends and, where relevant, projected forecasts.

(i) Currencies

The Group is exposed to currency risk in relation to the value of its financial assets and liabilities that are denominated in currencies other than sterling (see note 19(b) above), arising from fluctuations in exchange rates. The table below shows the impact on the value of the Group's reported net financial assets at 30 November of exchange rates either strengthening or weakening by 10 per cent against sterling and the impact this would have on the reported profit or loss and equity. The Group's reported profit is not materially impacted by the effect of changes in exchange rates on the value of its net financial assets, but equity would be £209,000 lower if sterling strengthened by 10 per cent and £256,000 higher if sterling weakened by 10 per cent.

Notes to the Financial Statements (continued)

19. Financial instruments (continued)

Group

2018

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10%			Effect of sterling weakening by 10%		
		Rate +10%	Profit	Equity	Rate -10%	Profit	Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Denominated in sterling	510	-	-	-	-	-	-
Not denominated in sterling	230	(21)	(27)	(209)	26	33	256
Net financial assets	740	(21)	(27)	(209)	26	33	256

2017

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10%			Effect of sterling weakening by 10%		
		Rate +10%	Profit	Equity	Rate -10%	Profit	Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Denominated in sterling	603	-	-	-	-	-	-
Not denominated in sterling	500	(45)	(11)	(205)	56	11	205
Net financial assets	1,103	(45)	(11)	(205)	56	11	205

Company

2018

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10%			Effect of sterling weakening by 10%		
		Rate +10%	Profit	Equity	Rate -10%	Profit	Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Denominated in sterling	(50)	-	-	-	-	-	-
Not denominated in sterling	600	(55)	(55)	-	67	67	-
Net financial assets	550	(55)	(55)	-	67	67	-

2017

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10%			Effect of sterling weakening by 10%		
		Rate +10%	Profit	Equity	Rate -10%	Profit	Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Denominated in sterling	(41)	-	-	-	-	-	-
Not denominated in sterling	592	(54)	(54)	-	66	66	-
Net financial assets	551	(54)	(54)	-	66	66	-

Notes to the Financial Statements (continued)

19. Financial instruments (continued)

(ii) Interest rates

Changes in market interest rates expose the Group to the risk of fluctuations in the cash flow relating to its financial assets and liabilities that attract interest at floating rates (see note 19(b)). Based upon the interest rate profile of the Group's financial assets and liabilities as at both 30 November 2018 and 30 November 2017, there would be no material impact of a one percentage point change in the market interest rates on the Group's profit and equity.

f) Liquidity risk

The Group monitors its liquidity to maintain a sufficient level of undrawn debt facilities together with central management of the Group's cash resources to minimise liquidity risk. All the trade and other payables at 30 November 2018 amounting to £776,000 (2017: £1,373,000) are payable within three months.

Borrowing facilities

The Group has various borrowing facilities available to it. The unutilised portion of the facilities at 30 November 2018 amounted to £300,000 (2017: £100,000).

g) Credit risk

Group policies are aimed at minimising losses due to customer payment default. Deferred payment terms are only granted to those customers who satisfy creditworthiness criteria and individual exposures to customers are monitored. Where possible, operations purchase credit insurance.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region is as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
UK	**717**	976	**15**	18
Rest of Europe	**861**	904	**601**	583
At 30 November	**1,578**	1,880	**616**	601

h) Capital risk

The Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and proposed dividend policy. It aims to minimise any capital risk by maintaining a conservative financing structure. The board's current policy is to use the Group's cash resources for any capital requirements and, where necessary, by adjustment to the amount of dividends paid to shareholders.

i) Exchange rate instruments

The Group held forward exchange contracts with a contracted value of £605,000 at 30 November 2018 (2017: £298,000). When appropriate during the year, contracts were taken out to mitigate trade payables denominated in foreign currencies. The fair value of these instruments was £20,000 (2017: minus £2,000).

Notes to the Financial Statements (continued)

20. Retirement benefit liability

Group	Retirement benefit liability £'000
At 1 December 2016	219
Currency translation	5
Change in actuarial assumptions	(2)
Utilised	4
At 1 December 2017	226
Currency translation	1
Change in actuarial assumptions	(27)
Utilised	4
At 30 November 2018	204

The retirement benefit liability arose from the 2002 acquisition of assets by Holders Technology GmbH from Cimatec GmbH. Following the bankruptcy of Cimatec GmbH, a German court determined that Cimatec's pension obligation to one former Cimatec employee must be met by Holders Technology GmbH. The provision represents the estimated net present value of the liability to pay an annuity to that employee upon retirement, which began in 2008. The assumptions are: discount rate 1.74%, salary increase 0.0%, rate of pension increase (every 3 years 5.25%).

No other Holders Technology employees have any retirement benefit rights from their previous employment at Cimatec.

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of 19.0% to 30.0% (2017: 20.0% to 30.0%). The movement on the deferred tax asset account is as shown below:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 December – net deferred tax assets	9	4	-	-
Income statement credit/(charge)	(8)	5	-	-
At 30 November	1	9	-	-

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

Deferred tax assets

Group	Pension liability £'000	Total £'000
At 1 December 2016	9	9
Credited to income statement	7	7
At 30 November 2017	16	16
Charged to income statement	(6)	(6)
At 30 November 2018	**10**	**10**

Notes to the Financial Statements (continued)

21. Deferred tax (continued)

At the year end the amount of temporary differences associated with the undistributed earnings of overseas subsidiaries for which deferred tax liabilities had not been recognised was insignificant.

Deferred tax assets are only recognised where in the Directors' opinion there is a reasonable expectation of the tax asset being realised. Assets are recognised based on business forecasts and the local tax environment.

Deferred tax liabilities

Group	Accelerated capital allowances £'000
At 1 December 2016	5
Transfer from income statement	2
At 30 November 2017	7
Transfer from income statement	2
At 30 November 2018	**9**

Deferred tax liabilities

Company	Accelerated capital allowances £'000
At 1 December 2016	-
Credited to income statement	-
At 30 November 2017	-
At 30 November 2018	-

The Company had no deferred tax assets.

22. Share Capital

	2018 £'000	2017 £'000
Authorised		
6,000,000 ordinary shares of 10p each (2017: 6,000,000)	600	600

	Number of shares	Number of shares
Allotted and fully paid ordinary shares of 10p each		
At 30 November 2017 and 30 November 2018	**4,159,551**	**4,159,551**

Notes to the Financial Statements (continued)

23. Employees and staff costs

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	1,875	1,850	175	157
Social security costs	321	339	17	21
Other pension costs	119	75	84	48
Share based payments	-	-	-	-
	2,315	2,264	276	226

Average monthly number of permanent employees, including executive directors:

Group	2018 Number	2017 Number
Administration and sales	30	31
Service and fabrication	29	29
	59	60
Part-time	3	3
	62	63

Directors' remuneration

Directors' remuneration for the year was as follows:

Company	Basic salary fees, bonuses and expenses	Benefits in kind	Total emoluments	
			2018	2017
	£'000	£'000	£'000	£'000
R W Weinreich (Chairman)	15	4	19	19
V M Blaisdell	95	-	95	83
P K I Geraghty	56	2	58	77
T G Bray	95	-	95	59
D A Mahony	18	-	18	17
	279	6	285	255

Pension entitlement

Directors are entitled to receive their remuneration either as salary or as pension contributions. Pension contributions to directors' personal pension schemes are as follows:

Pension Contributions	2018 £'000	2017 £'000
V M Blaisdell	22	22
P K I Geraghty	63	26
T G Bray	2	2
	87	50

Notes to the Financial Statements (continued)

23 Employees and staff costs (continued)

Directors' shareholdings

The shareholdings of those serving at the end of the year were as follows:

	Ordinary shares 2018	2017
R W Weinreich	**1,871,202**	1,871,202
D A Mahony	**20,000**	20,000
V M Blaisdell	**34,102**	34,102
T G Bray	**200,000**	200,000

The shareholdings are all beneficial.

Directors' interests in share options

	At start of year or on date of appointment	No. of options granted / (exercised) during year	No. of options lapsed during the year	At end of year	Exercise price	Date from which exercisable	Expiry date
T G Bray	30,172	-	30,172	-	63.80p	28/03/17	28/03/18
T G Bray	100,000	-	-	100,000	30.00p	23/03/19	23/03/20
V M Blaisdell	120,000	-	-	120,000	41.25p	27/03/20	27/03/21
P K I Geraghty	100,000	-	-	100,000	41.25p	27/03/20	27/03/21
	350,172	-	30,172	320,000			

The share price at 30 November 2018 was 39.0p (2017: 32.0p) whilst during the year the high and low prices were 49.0p and 31.5p.

Key management compensation

Group	2018 £'000	2017 £'000
Short-term employee benefits	**481**	463
Post-employment benefits	**89**	52
Termination benefits	**-**	-
Share-based payments	**-**	-
	570	515

Key management includes Directors and senior executives.

Notes to the Financial Statements (continued)

23 Employees and staff costs (continued)

Total share options in issue

	2018 No	2017 No
Total options in issue 1 December	400,172	139,672
Issued during year	-	370,000
Lapsed	(30,172)	(109,500)
Forfeited	-	-
Leavers	-	-
Total options in issue 30 November	370,000	400,172

At the year-end no share options were exercisable.

24. Financial commitments

Capital commitments

As at 30 November 2018 the group had capital commitments for plant and machinery totalling £266,000 (2017: nil).

Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years. The majority of lease agreements are renewable at the end of the lease period at market rate. Total aggregate minimum lease payments under non-cancellable operating leases were:

	2018 £'000	2017 £'000
Land and buildings		
- No later than one year	192	190
- Later than one year and no later than five years	223	559
- Later than 5 years	-	-
Motor vehicles, plant and machinery		
- No later than one year	13	15
- Later than one year and no later than five years	12	17
Other equipment		
- No later than one year	-	-
- Later than one year and no later than five years	-	-

25. Share based payments

The Company operates a share option scheme under which options are exercisable at a price equal to the average quotation of a share as derived from the AIM appendix of the Daily Official List of the London Stock Exchange for the twenty dealing days immediately preceding the date of grant, subject to relevant performance criteria, as described in note 23, being satisfied.

Options to subscribe for ordinary shares of 10p each are as follows:

Notes to the Financial Statements (continued)

25. Share based payments (continued)

Subscription Price	Dates when exercisable	Number of shares 2018	2017
63.8p	28 March 2017 to 28 March 2018	-	30,172
30.0p	23 March 2019 to 23 March 2020	150,000	150,000
41.25p	27 March 2020 to 27 March 2021	220,000	220,000

The estimated fair values were calculated using the option pricing model with the following inputs:

Grant date	27 March 2017	23 December 2016
Share price at date of grant	37.50	30.00
Exercise price	41.25	30.00
No. of employees	2	2
Shares under option	220,000	150,000
Vesting period (years)	3	3
Expected volatility	13%	13%
Option life (years)	3	3
Expected life (years)	3.5	3.5
Risk free rates	0.0%	0.0%
Expected dividends	1.6%	1.4%
Possibility of ceasing employment before vesting	10.0%	10.0%
Expectations of meeting performance criteria	75%	75%
Fair value of option	3p	4p

The expected volatility is based on historical volatility over the expected life period. The expected life is the average expected period to exercise based on historical experience and the terms of the scheme. The risk-free return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised £4,000 charge (2017: £3,000 charge) related to equity-settled share-based payment transactions during the year.

Notes to the Financial Statements (continued)

26. Related party transactions (continued)

Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Dividends were paid to directors as follows:	2018 £'000	2017 £'000
R W Weinreich	9	9
D A Mahony	-	-
V M Blaisdell	-	-
T G Bray	1	1
	10	10

Company

The company carried out the following transactions with its subsidiaries and joint venture:

	2018 £'000	2017 £'000
Consultancy fees charged to subsidiaries and joint venture	300	274
Interest on short term loans	15	18

FINANCIAL STATEMENTS

Five-year summary

	2018	2017	2016	2014	2013
	£'000	£'000	£'000	£'000	£'000
Group revenue – continuing	**12,486**	12,208	10,698	11,195	13,478
Group revenue – discontinued		50	682		
Gross profit	**3,266**	3,205	2,660	2,799	3,254
Distribution costs	**(422)**	(438)	(385)	(364)	(414)
Administrative expenses	**(2,696)**	(2,695)	(2,539)	(2,652)	(3,167)
Restructuring costs and impairment charges	**-**	-	(116)	(25)	(67)
Other operating income	**36**	(7)	119	91	37
Group operating profit/ (loss)	**184**	65	(261)	(151)	(357)
Finance income	**-**	-	3	1	2
Finance expenses	**(7)**	(11)	(7)	(16)	(7)
Profit/ (loss) before taxation from continuing operations	**177**	54	(265)	(166)	(362)
Tax credit/ (expense)	**(8)**	5	(17)	(195)	(11)
Profit/ (loss) after tax from continuing operations	**169**	59	(282)	(361)	(373)
Loss from discontinued operations	**-**	(42)	(113)	-	-
Profit/ (loss) for the year attributable to equity shareholders	**169**	17	(395)	(361)	(373)
Earnings per share – continuing business					
Earnings per share – basic	**4.06p**	1.42p	(9.72p)	(9.16p)	(9.47p)
Earnings per share - diluted	**4.03p**	1.34p	(9.72p)	(9.16p)	(9.47p)
Dividends per share in respect of each year	**0.75p**	0.50p	0.50p	0.50p	1.25p
Equity attributable to shareholders of the parent	**4,099**	3,932	3,860	3,870	4,494