Holders Technology plc
Annual Report & Accounts 2019

Specialised PCB Materials, Lighting and Control Solutions

Year in Brief

Holders Technology plc ("The Group") supplies specialty laminates and materials for printed circuit board manufacture ("PCB") and operates as a Lighting and Control Solutions ("LCS") provider.

The Group operates from the UK and from Germany, with a PCB division and an LCS division in each country.

LCS divisions made further progress during the year and achieved profitability, and the PCB division in the UK made modest progress. Market conditions for the PCB division in Germany remained difficult which resulted in reduced revenue and profitability for the division. The UK legacy tax liabilities were resolved with a favourable outcome. The overall profit after tax was a modest improvement compared to 2018, from slightly reduced revenue.

The directors will recommend payment of a final dividend of 0.75p per share, a total of 1.00p for the year (2018 total: 0.75p).

The results are summarised below.

Highlights

		2019	2018
		£'000	£'000
Continuing Revenue	PCB	**8,647**	9,374
	LCS	**3,515**	3,112
	Group	**12,162**	12,486
Gross Margins	PCB	**24.3%**	23.5%
	LCS	**36.7%**	34.1%
	Group	**27.9%**	26.2%
Operating Profit/ (Loss)	PCB	**230**	280
	LCS	**69**	(13)
	Central costs	**(155)**	(83)
	Group	**144**	184
Profit before tax	Group	**150**	177
Tax credit/ (expense)		**31**	(8)
Profit after tax	Group	**181**	169
Basic earnings per share		**4.31p**	4.06p
Diluted earnings per share		**4.30p**	4.03p
Dividend paid & proposed		**1.00p**	0.75p
Cash		**734**	403

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STRATEGIC REPORT

Chairman's Statement

The Group operates from the UK and from Germany, with a PCB division and an LCS division in each country.

I am pleased to report that both LCS divisions have continued to make good progress during 2019, and PCB UK has achieved modest growth. Market conditions for PCB Germany however have remained difficult. As a consequence, Group revenue was slightly lower than 2018. Operating profitability was lower than 2018, while after-tax profitability improved slightly compared to 2018.

Revenue for the year was £12.2m (2018: £12.5m), with gross margins of 27.9% (2018: 26.2%). The operating profit for the year was £144,000 (2018: operating profit of £184,000), and the profit after tax was £181,000 (2018: profit £169,000).

The PCB divisions together had revenue of £8.6m (2018: £9.4m) and achieved an operating profit of £230,000 (2018: profit £280,000). Margins increased from 23.5% to 24.3%.

Economic conditions in Germany, especially in the manufacturing sector, remained difficult during 2019. This adversely impacted our German PCB operations, the largest single element of the Group, with lower revenue and profitability than in 2018.

UK PCB operations achieved a modest improvement in the year despite the continuing challenging market.

LCS revenues overall amounted to £3.5m (2018: £3.1m) with gross margins increasing from 34.1% to 36.7% and a profit of £69,000 was achieved (2018: loss of £13,000). In the second half the sales and technical team was considerably strengthened, and further LCS investments are planned for 2020.

HMRC has now agreed the 2005 Cross-Border Corporation Tax claim reported previously. As a result, the related £29,000 tax and £14,000 interest liabilities recognised at last year end were reversed during the year.

On behalf of the Board I would like to record our thanks to our staff for their hard work during 2019 which resulted in a profitable year for the Group. Given the improved earnings, the Board recommends an increased final dividend of 0.75p in respect of the 2019 year.

The outlook for 2020 is in many ways the same as 2019. Our LCS divisions are well placed to deliver further improvements, whilst improvement in results from the German PCB operations is heavily dependent on recovery in the German automotive sector and wider economy.

R W Weinreich
Executive Chairman
13 March 2020

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

The Group 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.

The Group 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.

The Group's LCS product and service offering ranges from the sale of lighting components to supporting customers with the design and assembly of complete light engines. The LCS divisions also offer a complete ecosystem of wireless control solutions, as well as the provision of technical support and project services. The Group has supported projects in the commercial, education, healthcare and leisure sectors.

Our lighting and wireless controls strategy is to provide a competitive and complementary premium product range for our selected markets, enhanced by strong technical support, services and industry knowledge.

The former "LED" divisions of the Group have been renamed "LCS" or Lighting and Controls Solutions divisions to recognise their broader offering of complete light engines and wireless controls solutions.

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

Market Overview

2019 overall saw lower PCB revenue caused by the overall weaker global economy.

With the acceptance of LED lighting 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'. The Group 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. The division achieved modest growth in revenue and profitability.

Continental Europe

The German PCB industry is dominated by demand from the automotive and industrial sectors. This was impacted in 2019 by the weaker German economy and we have seen continuing business uncertainty at the start of 2020 due to the overall economic environment.

Lighting and Controls Solutions

UK

The LCS division Holders Components UK specialises in providing Lighting and Controls solutions to Original Equipment Manufacturers (OEMs), as well as working closely with the lighting specification market. During 2019, the division benefited from an extended product range and considerably strengthened sales and technical teams.

STRATEGIC REPORT

Operating and Business Review (continued)

UK (continued)

Overall growth during 2019 was encouraging, especially in the first half. The division has seen strong interest in smart lighting control solutions during the first quarter of 2020.

Continental Europe

The LCS division Holders Components Germany specialises in providing Lighting and Controls solutions to customers in continental Europe. The division also made good progress in 2019 with an enhanced sales team. In 2020, the division will add further resources to the sales and technical teams to enhance the focus on promoting the technology and services to the lighting specification market.

Conclusion

During 2019 we continued to invest in new products, equipment, and strong technical salespeople, further developed our value-added services and focussed on improving our processes to become more efficient. We plan further investment in 2020 to broaden our sales territory.

The outlook for LCS divisions is encouraging, and for PCB UK is satisfactory. However, the outlook for PCB Germany is heavily dependent on improvement in the wider German economy.

V. Blaisdell

Victoria Blaisdell
Group Managing Director
13 March 2020

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*, as described below.

- Efficiency

  Production efficiency is important in a competitive PCB market.

Revenue

Group revenue from continuing operations decreased from £12.5m to £12.2m. Overall PCB revenue decreased by 7.8%, whilst Lighting and Controls revenue increased by 12.9%.

Profitability

The operating profit was £144,000 compared to an operating profit of £184,000 in 2018. The gross profit margin was 27.9% compared to 26.2% in 2018. Administration costs as a proportion of revenue increased from 21.6% in 2018 to 23.8% in 2019. Administration costs increased from £2.7m to £2.9m.

Taxation

At the beginning of the year the Group had a potential UK tax and interest liability of £43,000 in respect of EU Cross Border Group Relief claims from former Swedish operations. In 2019, the claim relating to this liability was accepted by HMRC and the liability was reversed.

Post tax result

The profit for the financial year after tax, attributable to equity shareholders was £181,000 (2018: profit of £169,000). The basic earnings per share was 4.31p(2018: 4.06p per share) and the fully diluted profit per share was 4.30p (2018: 4.03p).

Dividends

The board proposes a final dividend of 0.75p per share to be paid on 19 May 2020 to shareholders on the register on 1 May 2020. Including the 0.25p interim dividend already paid on 8 October 2019 the total dividend for 2019 would be 1.00p (2018: 0.75p).

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 Lighting and Controls 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.

- **Key Management**

  In order to ensure retention of key management, the Group offers competitive remuneration, a stimulating working environment and clear two-way communication.

- **Business Interruption**

  In order to minimise the impact of business interruption, the Group offers dual capacity in UK and Germany, regularly maintains key machinery, and holds appropriate business interruption insurance.

- **Financial Control**

  Internal controls and multiple authorisation levels, with monthly review of results and cash, are used to combat fraud and potential misstatement of results.

Financial Review (continued)

- **Brexit**
  The Group has insignificant revenue 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.

- **Coronavirus**
  The Group follows government health advice in respect of the Covid-19 virus and is working to ensure business continuity is maintained as far as is practical during the current global pandemic.

Cash flow, liquidity and financing

The Group's cash position improved during the year. Cash balances increased from £403,000 to £734,000.

The improvement mainly came from the trading result plus a stock reduction of £237,000. The stock reduction mainly comprised aluminium buffer stock which had increased during 2018 to cover the upgraded coil machine installation in early 2019.

The Group maintains overdraft and trade financing facilities with its banks to meet short term financing requirements during the year. An overdraft facility of £100,000 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 2019 the Group had *net liquid funds* (trade and other receivables plus cash minus current liabilities) of £1.2m (2018: £0.8m). Net assets per ordinary share at 30 November 2019 were £0.99 (2018: £0.99).

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 daily transactional exposures are regularly covered by forward contracts, the Group has an underlying exposure, particularly to the Euro. No forward currency contracts were held at the year end.

Net assets

Net assets at the 2019 year-end were £4,164,000 (2018: £4,099,000). The increase mainly came from the Group net profit of £181,000 minus £94,000 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.

Group Finance Director
13 March 2020

STRATEGIC REPORT

The Strategic Report on pages 1-5 was approved by the Board on 13 March 2020 and signed on its behalf by

Paul Geraghty
Group Finance Director
13 March 2020

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 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	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
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 £181,000 (2018: profit £169,000).

Full details are contained in the Group income statement on page 21. The directors have proposed a final dividend of 0.75p per share payable on 19 May 2020 to shareholders on the register at close of business on 1 May 2020. The total dividend for the year, including the interim dividend of 0.25p (2018: 0.25p) per share paid on 8 October 2019, amounts to £42,000 (2018: £32,000), which is equivalent to 1.00p (2018: 0.75p) 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 are listed on page 6. All directors served throughout the year except for Thomas Bray who stepped down from the Board on 8 May 2019. The beneficial shareholdings of the directors at 30 November 2019 are set out in note 23 to the financial statements.

Rudi Weinreich, aged 73, Chairman and Chief Executive, was born in Austria. He has been responsible for all aspects of the business since he started it in 1972.

Victoria Blaisdell, aged 47, 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 59, 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.

David Mahony, aged 76, is the Senior Non-Executive Director, appointed in 1988.

Substantial shareholdings

At 11 March 2020 the company had been informed of the following interests, in addition to the interests of R W Weinreich, amounting to 3% or more in the issued ordinary share capital of the company:

	Number	%
Andre Marcou	520,000	12.31%
Armstrong Investments Limited	275,000	6.51%
Rath Dhu Limited	235,000	5.56%
David Barry	231,000	5.47%
Charles Stanley & Co. Limited	210,000	4.97%
Stockinvest Limited	171,500	4.06%
Hugh S Pearson Gregory	161,290	3.82%

Report of the Directors (continued)

Annual General Meeting

The Annual General Meeting of the Company will be held at the Dyrham Park Country Club, Galley Lane, Barnet EN5 4RA at 11.30 a.m. on 24 April 2020.

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 1,408,055 ordinary shares being approximately 33% of the issued ordinary share capital of the company as at the date of this report which includes 220,000 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, other than in relation to the current share option scheme.

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 211,208 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 422,416 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 2021. 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

On 1 November 2019, Saffery Champness LLP were appointed as auditors of the Group and its UK subsidiary. Saffery Champness 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.

P. Geraghty.

Paul Geraghty
Secretary

13 March 2020

Directors' Remuneration Report

The directors present the directors' remuneration report for the financial year ended 30 November 2019. 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 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 director's remuneration

The fees paid to the non-executive director 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. The non-executive director does 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 through 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 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)
Competition	Loss of revenue	Reduced profitability	Continually seek cost-effective products
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 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 results and cash.

There are a range of Group policies which cover matters such as share dealing. The current Board takes

Corporate Governance (continued)

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. 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
• 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 2019 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 2019 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 four 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 the Group 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)

- 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 2020 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 2019. The Audit Committee also reviews the findings of the external auditor and reviews accounting policies and material accounting judgements.

Corporate Governance (continued)

Audit Committee (continued)

The independence and effectiveness of the external auditor is reviewed annually. The possibility of 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 2019.

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 2019 to cover the period to 30 November 2020. 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.holderstechnology.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

We have audited the financial statements of Holders Technology PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2019 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheet, the Group and Company Statements of Changes in Equity, the Group and Company Statement of Cash Flows and 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. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the group and of the parent company as at 30 November 2019 and of the group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 the 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 SME 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)

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	How our audit addressed the key audit matter
Valuation and provisioning of stock Both the UK and German trading subsidiaries hold significant reserves of stock in order that they can satisfy customer orders promptly. At 30 November 2019 the Group held stock with a carrying value of £2.53m. Stock valuation and provisioning was considered to be a key audit matter because of the materiality of the balance, and it was an area assessed as one of the most significant areas to present a risk of material misstatement.	Our audit procedures included the following: • Testing a sample of stock to ensure it is being held at the lower of cost and net realisable value • Attending the year end stock count to assess the systems for recording stocks in order to gain comfort over the stock quantities reported in the accounts • Reviewed management's stock provision and assessed the underlying assumptions for reasonableness. We have also challenged managements assumptions to ensure these are in line with write off's experienced post year end • Review the aging of stock lines for post year-end sales to ensure there are no issues from a provisioning perspective • Reviewing a sample of purchases and sales made around the year end to ensure cut off has been correctly applied Based on our procedures, we noted no material exceptions and considered management's key assumptions to be within reasonable ranges. We consider that stock valuation and provisioning is reasonable.

Independent auditor's report (continued)

Key audit matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<u>Valuation of investments in subsidiaries</u> The parent company holds investments in its subsidiary companies. At 30 November 2019 the carrying value of investments in subsidiaries was £2.291m. The valuation of investments in subsidiaries was considered to be a key audit matter because of the materiality of the balance on the parent company's balance sheet, and it was an area assessed as one of the most significant areas to present a risk of material misstatement.	Our audit procedures included the following: • Assessed whether the company's accounting policy for impairment of investments is in accordance with IAS 36 • Reviewed and challenged management's discounted cash flow forecasts for each of the subsidiary entities and assessed the underlying assumptions for reasonableness using sensitivity analysis • Assessed historical forecasting by comparing this against actual results to test the accuracy of management's forecasting Compared and challenged management's valuation of investments through the discounted cash flow prepared to determine their value with the amounts that they are held at on the balance sheet and considered the potential need for impairment Based on our procedures, we noted no material exceptions and considered management's key assumptions to be within reasonable ranges. We consider that the valuation of investments in subsidiaries is reasonable.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our audit opinion. Our overall objective as auditor is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We consider a misstatement to be material where it could reasonably be expected to influence the economic decisions of the users of the financial statements.

We have determined a materiality of £122,000 for both the Group and the Company financial statements. This is based on 1% of revenue per draft financials at the planning stage.

AUDITOR'S REPORT

Independent auditor's report (continued)

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we obtained sufficient evidence to support our opinion on the financial statements as a whole, taking into account the structure of the Group and the company, the accounting processes and controls and the industry in which the Group operates.

As Group auditors we carried out the audit of the Company financial statements and, in accordance with ISA (UK) 600, obtained sufficient evidence regarding the audit of the Group's material German subsidiary, Holders Technology GmbH. We also performed a full scope audit of the Group's UK subsidiary, Holders Technology UK Limited. These subsidiaries were deemed to be significant to the Group financial statements due to their size. The Group audit team directed, supervised and reviewed the work of the component auditors in Germany, which involved issuing detailed instructions and holding discussions with component audit teams, performing detailed file reviews and visiting Germany to review the work performed. Audit work in Germany was performed at materiality levels of £89,000, lower than Group materiality.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumption and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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.

Independent auditor's report (continued)

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

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

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

Matters on which we are required to report by exception

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

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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 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.

AUDITOR'S REPORT

Independent auditor's report (continued)

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.

Jamie Cassell
(Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Statutory Auditor, Chartered Accountants
71 Queen Victoria Street
London
EC4V 4BE
13 March 2020

Group Income Statement for the year ended 30 November 2019

	Note	2019 £'000	2018 £'000
Revenue	5	**12,162**	12,486
Cost of sales		**(8,770)**	(9,220)
Gross profit		**3,392**	3,266
Distribution costs		**(419)**	(422)
Administrative expenses		**(2,890)**	(2,696)
Other operating income		**61**	36
Operating profit	7	**144**	184
Finance income/ (expenses)	6	**6**	(7)
Profit before taxation		**150**	177
Tax credit/ (expense)	8	**31**	(8)
Profit for the year attributable to equity shareholders		**181**	169
Basic earnings per share	11	**4.31p**	4.06p
Diluted earnings per share	11	**4.30p**	4.03p

Group statement of comprehensive income for the year ended 30 November 2019

	2019 £'000	2018 £'000
Profit for the year	**181**	169
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(94)**	15
Total comprehensive income for the year	**87**	184

Statements of Changes in Equity for the year ended 30 November 2019

Group	Share capital	Share premium account	Capital redemption reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
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
Exchange differences on translating foreign operations	-	-	-	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
Dividends	-	-	-	-	(32)	(32)
Shares issued	6	-	-	-	-	6
Share based payments	-	-	-	-	4	4
Transactions with owners	6	-	-	-	(28)	(22)
Profit for the year	-	-	-	-	181	181
Exchange differences on translating foreign operations	-	-	-	(94)	-	(94)
Total comprehensive income for the year	-	-	-	(94)	181	87
Balance at 30 November 2019	**422**	**1,590**	**1**	**128**	**2,023**	**4,164**

Company	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
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**
Dividends	-	-	-	(32)	(32)
Shares issued	6	-	-	-	6
Share based payments	-	-	-	4	4
Transactions with owners	6	-	-	(28)	(22)
Loss and total comprehensive income for the year	-	-	-	(131)	(131)
Balance at 30 November 2019	**422**	**1,590**	**1**	**261**	**2,274**

Balance Sheets at 30 November 2019

Company number: 1730535		Group		Company	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets					
Non-current assets					
Intangible fixed assets	13	394	416	-	-
Property, plant and equipment	14	237	259	-	2
Investments in subsidiaries	15	-	-	2,291	2,291
Deferred tax assets	21	12	10	-	-
		643	685	2,291	2,293
Current assets					
Inventories	16	2,530	2,849	-	-
Trade and other receivables	17	1,758	1,791	166	628
Current tax assets		-	-	-	-
Cash and cash equivalents		734	403	167	11
		5,022	5,043	333	639
Liabilities					
Current liabilities					
Trade and other payables	18	(1,280)	(1,373)	(350)	(505)
Current tax liabilities		-	(43)	-	-
		(1,280)	(1,416)	(350)	(505)
Net current assets		3,742	3,627	(17)	134
Non-current liabilities					
Retirement benefit liability	20	(212)	(204)	-	-
Deferred tax liabilities	21	(9)	(9)	-	-
		(221)	(213)	-	-
		4,164	4,099	2,274	2,427
Shareholders' equity					
Share capital	22	422	416	422	416
Share premium account	22	1,590	1,590	1,590	1,590
Capital redemption reserve	22	1	1	1	1
Retained earnings		2,023	1,870	261	420
Cumulative translation adjustment reserve		128	222	-	-
		4,164	4,099	2,274	2,427

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 £131,000 (2018: loss £92,000).

The financial statements were approved by the Board on 13 March 2020 and signed on its behalf by:

R W Weinreich
Director

Statements of Cash Flows for the year ended 30 November 2019

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Cash flows from operating activities				
Profit/ (loss) before tax from continuing operations	**150**	177	**(131)**	(92)
Share-based payment charge	**4**	4	**4**	4
Depreciation	**74**	71	**2**	-
Decrease/ (Increase) in inventories	**237**	(427)	**-**	-
(Increase)/ Decrease in trade and other receivables	**(140)**	(407)	**328**	(17)
Increase/ (Decrease) in trade and other payables	**92**	571	**(22)**	133
Interest (income)/ expense	**(6)**	8	**(15)**	(18)
Cash generated from/ (used in) operations	**411**	(3)	**166**	10
Interest paid	**(8)**	(8)	**-**	-
Corporation tax paid	**-**	(88)	**-**	-
Net cash generated from/ (used in) operations	**403**	(99)	**166**	10
Cash flows from investing activities				
Purchase of property, plant, and equipment	**(42)**	(58)	**-**	-
Proceeds from sale of property, plant, and equipment	**1**	-	**-**	-
Interest received	**-**	-	**15**	18
Net cash (used in)/generated from investing activities	**(41)**	(58)	**15**	18
Cash flows from financing activities				
Sale of shares	**6**	-	**6**	-
Equity dividends paid	**(32)**	(21)	**(32)**	(21)
Net cash used in financing activities	**(26)**	(21)	**(26)**	(21)
Net change in cash and cash equivalents	**336**	(178)	**155**	7
Cash and cash equivalents at start of period	**403**	579	**11**	4
Effect of foreign exchange rates	**(5)**	2	**1**	-
Cash and cash equivalents at end of period	**734**	403	**167**	11

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 pounds. 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. IFRS 9 Financial Instruments and IFRS 15 have been adopted for the first time in 2019 however their impact on the results and financial position has not been material.

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 16 Leases (Effective 1 January 2019)
- IFRIC 23 Uncertainty over Income tax treatments (Effective 1 January 2019)
- IFRS 9 Amendments Prepayment features with negative compensation (Effective 1 January 2019)
- Amendments to references to conceptual framework in IFRS standards (Effective 1 January 2020)
- Definition of material reform (Effective date 1 January 2020)
- Amendments to IFRS9, IAS 39 and IFRS 7 Interest rate benchmark reform (Effective 1 January 2020)
- Amendments to IAS 1 Classification of liabilities as current or non-current

The directors anticipate that, with the exception of IFRS 16 mentioned below, 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.

The Group has a number of property and other leases that are currently accounted for as operating leases with no balance sheet impact. The introduction of IFRS 16 will require these leases to be accounted for as finance leases showing as assets and corresponding financial liabilities. The Group is still quantifying the impact that this will have on the financial statements. There is not expected to be a significant profit impact although there will be classification changes which, on the Group Income statement, will reduce administration expenses and increase depreciation and finance expenses. On the Group Balance sheet, non-current assets will increase representing the value-in-use of the leases, and with corresponding current and non-current liabilities representing the outstanding lease payments due.

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.

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

The adoption of IFRS 15 commenced on 1 January 2018. The application of IFRS 15 requires that a 5-step, principles-based model should be applied to all contracts with customers. IFRS 15 has not had a significant impact on the financial position or performance of the company. Revenue arises principally from the sale of specialised materials and finished goods. There is also an insignificant amount of commissioning revenue.

- Sale of specialised materials and finished goods are for a fixed price which is recognised when the Group transfers control of the assets to the customer. Invoices for goods fall due for settlement upon dispatch to the customer, the customer has full discretion over the use of the components and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Transfer of control does not occur until the risks of obsolescence and loss have been transferred, and either the products have been accepted in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- Sales of commissioning services are recognised depending on the substance and legal form of the contracts with its customers. Revenue is recognised once a legally binding contract between the Group and its customers has been established and the delivery of the service including support and maintenance has commenced. Revenues are recognised as each element of commissioning service is invoiced in line with the contract, with associated costs for labour and subsistence accrued for as necessary.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Financial instruments

The Group has adopted IFRS 9 which became effective on 1 January 2018. Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Examples of the Group's financial instruments include:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Derivative financial instruments
- Equity instruments

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.

Trade and other receivables

The Group's trade receivables do not carry a significant financing element as defined by IFRS 15. Therefore, trade receivables are recorded initially and throughout the life of the receivable, at fair value less an amount equal to lifetime expected credit losses ("ECL").

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.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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.

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.

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.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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.

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.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgement in applying the Group's accounting policies

Stock Provision

Provisions are made for slow moving, excess and obsolete stock. Each stock line across the Group is reviewed, and consideration is given to current inventory, historic sales, purchasing history, sales orders on hand, potential obsolescence and market factors. The review takes place quarterly, and changes in provisions are reviewed to highlight opportunities for improved accuracy.

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, and reports to the board thereon. 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.

Notes to the Financial Statements (continued)

4. Financial risk management (continued)

The policies for managing these risks are described below:

Liquidity risk

The Group finances its operations through a combination of bank borrowings, 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).

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 based on expected credit losses as required by IFRS 9.

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, Japanese Yen 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 JPY12.6m 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.

Notes to the Financial Statements (continued)

5. Segment reporting

The group has four operating divisions: PCB UK, PCB Germany, LCS UK and LCS Germany. Both PCB divisions have very similar products, processes, customers, distribution means and margins. Strategic and operational decisions are normally made on the basis that together they comprise one "PCB" reportable segment. The same is true of the "LCS" divisions, which share many common characteristics. The two reported segments are therefore:

- PCB, comprising PCB UK and PCB Germany, distributes materials, equipment and supplies to the PCB industry
- LCS, which distributes Lighting and Controls-related components, lighting products and lighting solutions. This comprises LCS UK and LCS Germany. These divisions were previously named "LED".

	PCB		LCS		Other		Total	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Revenue	**8,647**	9,374	**3,515**	3,112	**-**	-	**12,162**	12,486
Cost of sales	**(6,546)**	(7,168)	**(2,224)**	(2,052)	**-**	-	**(8,770)**	(9,220)
Gross profit	**2,101**	2,206	**1,291**	1,060	**-**	-	**3,392**	3,266
Distribution costs	**(336)**	(331)	**(83)**	(91)	**-**	-	**(419)**	(422)
Administrative expenses	**(1,588)**	(1,625)	**(1,149)**	(985)	**(153)**	(86)	**(2,890)**	(2,696)
Other operating income/ (expenses)	**53**	30	**10**	3	**(2)**	3	**61**	36
Segment operating profit/ (loss)	**230**	280	**69**	(13)	**(155)**	(83)	**144**	184
Other segmental information								
Depreciation (Note 14)	**62**	73	**11**	2	**2**	1	**75**	76
Segment assets	**6,810**	7,282	**1,743**	1,807	**(2,888)**	(3,361)	**5,665**	5,728
Segment liabilities	**(1,553)**	(2,136)	**(3,117)**	(3,306)	**3,169**	3,813	**(1,501)**	(1,629)

"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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Revenue - PCB	**1,377**	1,341	**5,598**	6,582	**1,672**	1,451	**8,647**	9,374
- LCS	**1,789**	1,628	**1,625**	1,369	**101**	115	**3,515**	3,112
	3,166	2,969	**7,223**	7,951	**1,773**	1,566	**12,162**	12,486
Non-current assets	**440**	489	**191**	184	**12**	12	**643**	685

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

	2019 £'000	2018 £'000
Interest income/ (expense) on tax liability	14	(1)
Interest expense on and pension liability	(8)	(6)

7. Profit for the year

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

	2019 £'000	2018 £'000
Costs of inventories recognised as an expense	8,809	8,950
Write-down of inventory to net realisable value	121	76
Depreciation of property, plant and equipment (note 14)	75	76
Staff costs	2,329	2,315
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	40	27
Operating leases - land and buildings	185	148
Foreign exchange gain	(34)	(30)

8. Taxation

Analysis of the charge in the period	2019 £'000	2018 £'000
Current tax		
- Current period	-	-
- Credit adjustment in respect of prior years	(29)	-
	(29)	-
Deferred tax charge/ (credit) (note 21)	(2)	8
Total tax	(31)	8

Tax reconciliation

The tax for the period is lower (2018: lower) than the standard rate of corporation tax in the UK, effectively 19.0% (2018: 19.0%) for the company's financial year. The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	150	177
Profit/ (loss) before taxation multiplied by the rate of corporation tax in the UK of 19.0% (2018: 19.0%)	29	34
Effects of:		
Accelerated capital allowances	-	2
Adjustment from prior years	(29)	-
Taxation losses	(31)	(28)
Taxation	(31)	8

Notes to the Financial Statements (continued)

9. 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 £131,000 (2018 loss: £92,000).

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.

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

	2019 Number	2018 Number
Weighted average number of ordinary shares	4,199,735	4,159,551
Dilutive effect of share options	7,464	31,043
Fully diluted weighted average number of ordinary shares	4,207,199	4,190,594

	2019 Pence per share	2018 Pence per share
Basic earnings per share:		
Continuing operations	4.31	4.06
Diluted earnings per share:		
Continuing operations	4.30	4.03

12. Ordinary dividends

	2019 £'000	2018 £'000
Final dividend for the year ended 30 November 2018 of 0.50p (year ended 30 November 2017 final dividend: 0.25p)	21	10
Interim dividend paid in respect of the year of 0.25p (2018: 0.25p)	11	11
Amounts recognised as distributions to equity holders	32	21

The directors propose a final dividend in respect of the year ended 30 November 2019 of 0.75p per share. If approved by shareholders, it will be paid on 19 May 2020 to shareholders registered on 1 May 2020.

Notes to the Financial Statements (continued)

13. Intangible fixed assets

Group	Goodwill £'000	Computer software £'000	Total £'000
Cost			
At 1 December 2017	**424**	**242**	**666**
Currency translation	-	3	3
Additions	-	10	10
Disposals	-	(59)	(59)
At 30 November 2018	**424**	**196**	**620**
Currency translation	(4)	(8)	(12)
At 30 November 2019	**420**	**188**	**608**
Depreciation			
At 1 December 2017	**106**	**131**	**237**
Provided in year	-	19	19
Disposals	-	(52)	(52)
At 30 November 2018	**106**	**98**	**204**
Currency translation	(4)	(4)	(8)
Provided in year	-	18	18
At 30 November 2019	**102**	**112**	**214**
Net book value			
At 30 November 2019	**318**	**76**	**394**
At 30 November 2018	**318**	**98**	**416**

Analysis by cash generating unit	£'000	£'000	£'000
PCB	146	76	146
Lighting and Controls	172	-	172
	318	76	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 latest 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 PCB Germany and 2.5% for LCS UK. The discount rate applied for PCB was 10%, and the discount rate for LCS was 15%.

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**	**2,061**	**2,153**	**61**	**61**
Currency translation	-	6	6	-	-
Additions	-	60	60	1	1
Disposals	-	(52)	(52)	-	-
At 30 November 2018	**92**	**2,075**	**2,167**	**62**	**62**
Currency translation	-	(36)	(36)	-	-
Additions	-	42	42	-	-
Disposals	-	(593)	(593)	-	-
At 30 November 2019	**92**	**1,488**	**1,580**	**62**	**62**
Depreciation					
At 30 November 2017	**92**	**1,803**	**1,895**	**59**	**59**
Currency translation	-	5	5	-	-
Provided in year	-	56	56	1	1
Disposals	-	(48)	(48)	-	-
At 30 November 2018	**92**	**1,816**	**1,908**	**60**	**60**
Currency translation	-	(30)	(30)	-	-
Provided in year	-	57	57	2	-
Disposals	-	(592)	(592)	-	-
At 30 November 2019	**92**	**1,251**	**1,343**	**62**	**62**
Net book value					
At 30 November 2019	**-**	**237**	**237**	**-**	**-**
At 30 November 2018	**-**	**259**	**259**	**2**	**2**

Notes to the Financial Statements (continued)

15. Investments in subsidiaries

	Investments at Cost £'000
Cost	
At 1 December 2017	2,291
At 1 December 2018	2,291
At 30 November 2019	**2,291**

The following subsidiary undertakings were included in the consolidated financial statements at the year end.

Name	Registered office	Nature of business	Interest in ordinary shares & voting rights
Holders Technology GmbH	Woogmorgen 12, 67272 Kirchheimbolanden, Germany	Specialised materials and components	100%
Holders Technology UK Limited	27-28 Eastcastle Street, London W1W 8DH, UK	Specialised products and components	100%
Holders Components Limited	Monkwood Cottage, Whitakers Way, Loughton IG101SQ, UK	Dormant	100%
Opteon Limited	Monkwood Cottage, Whitakers Way, Loughton IG101SQ, UK	Dormant	100%

16. Inventories

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Raw materials and consumables	**1,120**	1,474	**-**	-
Goods for resale	**1,410**	1,375	**-**	-
	2,530	2,849	**-**	-

17. Trade and other receivables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade receivables	**1,532**	1,559	**-**	-
Less: provision for impairment	**(18)**	(31)	**-**	-
Net trade receivables	**1,514**	1,528	**-**	-
Amounts due from Group undertakings	**-**	-	**151**	601
Other receivables	**13**	50	**3**	15
Prepayments and accrued income	**231**	213	**12**	12
	1,758	1,791	**166**	628

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables, as these to not have a significant financing component. The expected lifetime credit losses reflect assumptions on the ageing of overdue debts that may become unrecoverable, equivalent to a Group rate of 1.2% (2018: 2.0%). The provision is based upon historical observed default rates over the expected life of trade receivables, adjusted for an assessment of the current economic environment.

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	2019 £'000	2018 £'000
Impairment at 1 December	31	21
Currency translation	-	-
Impairment losses recognised	10	20
Amounts written off as irrecoverable	(7)	(5)
Amounts recovered	(16)	-
Impairment losses reversed	-	(5)
Balance 30 November	18	31

Ageing of past due unimpaired debt:	2019 £'000	2018 £'000
Past due 0-30 days	326	224
Past due 31-60 days	34	33
Past due 61-90 days	-	3
Past due 91-365 days	-	-
Past due > 365 days	-	-
	360	260

18. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	436	529	10	15
Amounts due to Group undertakings	-	-	295	428
Other taxation and social security	212	132	-	-
Other payables	150	115	-	5
Accruals	482	597	45	57
	1,280	1,373	350	505

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		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets				
Cash and cash equivalents	734	403	167	11
Trade and other receivables	1,527	1,578	154	616
Loans and receivables at amortised cost	2,261	1,981	321	627
Financial liabilities				
Trade and other payables	1,068	1,241	55	77
Financial liabilities at amortised cost	1,068	1,241	55	77
Derivatives	-	-	-	-
Liabilities at fair value through profit and loss	-	-	-	-
Net financial assets	1,183	740	266	550

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			Company		
	Financial assets £'000	Financial liabilities £'000	Net financial assets / (liabilities) £'000	Financial assets £'000	Financial liabilities £'000	Net financial assets / (liabilities) £'000
Sterling	1,181	191	990	105	53	52
Euro	1,001	753	248	216	2	214
US dollar	79	124	(45)	-	-	-
At 30 November 2019	2,261	1,068	1,193	321	55	266
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**

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 2019	**248**	**(45)**	**203**	**214**	**-**	**214**
Sterling At 30 November 2018	304	(74)	230	600	-	600

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 £222,000 lower if sterling strengthened by 10 per cent and £272,000 higher if sterling weakened by 10 per cent.

Notes to the Financial Statements (continued)

19. Financial instruments (continued)

Group

2019

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10% Rate +10%	Profit	Equity	Effect of sterling weakening by 10% Rate -10%	Profit	Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Denominated in sterling	1,020	-	-	-	-	-	-
Not denominated in sterling	203	(18)	(21)	(222)	23	26	272
Net financial assets	1,223	(18)	(21)	(222)	23	26	272

2018

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10% Rate +10%	Profit	Equity	Effect of sterling weakening by 10% 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

Company

2019

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10% Rate +10%	Profit	Equity	Effect of sterling weakening by 10% Rate -10%	Profit	Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Denominated in sterling	82	-	-	-	-	-	-
Not denominated in sterling	214	(19)	(19)	-	24	24	-
Net financial assets	296	(19)	(19)	-	24	24	-

2018

Net financial assets/(liabilities)	As reported	Effect of sterling strengthening by 10% Rate +10%	Profit	Equity	Effect of sterling weakening by 10% 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	-

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 2019 and 30 November 2018, 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 2019 amounting to £1,068,000 (2018: £1,241,000) 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 2019 amounted to £100,000 (2018: £300,000).

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	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
UK	**704**	717	**104**	15
Rest of Europe	**823**	861	**50**	601
At 30 November	**1,527**	1,578	**154**	616

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 value of dividends paid to shareholders.

i) Exchange rate instruments

The Group forward exchange contracts to a vale of £89,000 at 30 November 2019 (2018: £605,000). When appropriate during the year, contracts were taken out to mitigate trade payables denominated in foreign currencies. The fair value of these instruments was £nil (2018: £nil).

Notes to the Financial Statements (continued)

20. Retirement benefit liability

Group	Retirement benefit liability £'000
At 1 December 2017	226
Currency translation	1
Change in actuarial assumptions	(27)
Utilised	4
At 1 December 2018	204
Currency translation	(6)
Change in actuarial assumptions	9
Utilised	5
At 30 November 2019	212

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 0.73%, 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% (2018: 19.0% to 30.0%). The movement on the deferred tax asset account is as shown below:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 December – net deferred tax assets	1	9	-	-
Income statement credit/(charge)	2	(8)	-	-
At 30 November	3	1	-	-

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 2017	16	16
Credited to income statement	(6)	(6)
At 30 November 2018	10	10
Charged to income statement	2	2
At 30 November 2019	**12**	**12**

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 2017	7
Transfer from income statement	2
At 30 November 2018	9
Transfer from income statement	-
At 30 November 2019	**9**

The Company had no deferred tax assets or liabilities.

22. Share Capital

	2019 £'000	2018 £'000
Authorised		
6,000,000 ordinary shares of 10p each (2018: 6,000,000)	600	600

	Number of shares
Allotted and fully paid ordinary shares of 10p each	
At 30 November 2018	4,159,551
Shares issued 16 April 2019	64,613
At 30 November 2019	**4,224,164**

Other Reserves

	2019 £'000	2018 £'000
Share premium account	1,590	1,590
Capital redemption reserve	1	1

The Share Premium Account is the excess amount received for shares issued over their nominal value.

The Capital Redemption Reserve is the cumulative nominal value of own shares acquired by the company.

Notes to the Financial Statements (continued)

23. Employees and staff costs

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	1,902	1,875	209	175
Social security costs	331	321	21	17
Other pension costs	126	119	73	84
Share based payments	-	-	-	-
	2,359	2,315	303	276

Average monthly number of permanent employees, including executive directors:

Group	2019 Number	2018 Number
Administration and sales	24	30
Service and fabrication	27	29
	51	59
Part-time	1	3
	52	62

Directors' remuneration

Directors' remuneration for the year was as follows:

Company	Basic salary fees, bonuses and expenses	Benefits in kind	Total emoluments	
			2019	2018
	£'000	£'000	£'000	£'000
R Weinreich (Chairman)	15	7	22	19
V Blaisdell	134	-	134	95
P Geraghty	66	2	68	58
T Bray	37	-	37	95
D Mahony	18	-	18	18
	270	9	279	285

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	2019 £'000	2018 £'000
V Blaisdell	24	22
P Geraghty	51	63
T Bray	1	2
	76	87

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 2019	2018
R Weinreich	1,871,202	1,871,202
D Mahony	20,000	20,000
V Blaisdell	34,102	34,102
T Bray	-	200,000

The shareholdings are all beneficial.

Directors' interests in share options

	At start of year or on date of appointment	No. of options exercised or lapsed during year	At end of year	Minimum Threshold	Maximum Threshold	Exercise price	Date from which exercisable	Expiry date
T Bray	100,000	(100,000)	-					
V Blaisdell	120,000	-	120,000	41.25p	100.00p	10.0p	27/03/20	27/03/21
P Geraghty	100,000	-	100,000	41.25p	100.00p	10.0p	27/03/20	27/03/21
	320,000	(100,000)	220,000					

The share price at 30 November 2019 was 42p (2018: 39p) whilst during the year the high and low prices were 46p and 35p.

Key management compensation

Group	2019 £'000	2018 £'000
Short-term employee benefits	522	481
Post-employment benefits	81	89
Termination benefits	-	-
Share-based payments	-	-
	603	570

Key management includes Directors and senior executives.

Notes to the Financial Statements (continued)

23 Employees and staff costs (continued)

Total share options in issue

	2019 No	2018 No
Total options in issue 1 December	370,000	400,172
Issued during year	-	-
Exercised	(150,000)	(30,172)
Forfeited	-	-
Leavers	-	-
Total options in issue 30 November	220,000	370,000

At the year-end no share options were exercisable.

24. Financial commitments

Capital commitments

As at 30 November 2019 the group had capital commitments for plant and machinery totalling £236,000 (2018: £266,000).

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:

	2019 £'000	2018 £'000
Land and buildings		
- No later than one year	186	192
- Later than one year and no later than five years	94	223
- Later than 5 years	-	-
Motor vehicles, plant and machinery		
- No later than one year	12	13
- Later than one year and no later than five years	11	12
Other equipment		
- No later than one year	43	-
- Later than one year and no later than five years	193	-

25. Share based payments

The Company operates a share option scheme under which a variable number of options are exercisable at a price of 10p. The number of options available at this price is determined by the average share price for the 20 days preceding the first exercise date. If this average share price equals or exceeds the maximum threshold shown in Note 23, then 100% of the options may be exercised. If the average share price is below the maximum threshold, then the number of options available is reduced pro rata.

Notes to the Financial Statements (continued)

25. Share based payments (continued)

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

Subscription Price	Dates when exercisable	Number of shares 2019	2018
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 March 2016
Share price at date of grant	37.50	27.50
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 (2018: £4,000 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:	2019 £'000	2018 £'000
R W Weinreich	14	9
D A Mahony	-	-
V M Blaisdell	-	-
T G Bray	-	1
	14	10

Company

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

	2019 £'000	2018 £'000
Consultancy fees charged to subsidiaries and joint venture	297	300
Interest on short term loans	15	15

FIVE-YEAR SUMMARY

	2019 £'000	2018 £'000	2017 £'000	2014 £'000	2013 £'000
Group revenue – continuing	**12,162**	12,486	12,208	10,698	11,195
Group revenue – discontinued			50	682	
Gross profit	**3,392**	3,266	3,205	2,660	2,799
Distribution costs	**(419)**	(422)	(438)	(385)	(364)
Administrative expenses	**(2,890)**	(2,696)	(2,695)	(2,539)	(2,652)
Restructuring costs and impairment charges	**-**	-	-	(116)	(25)
Other operating income	**61**	36	(7)	119	91
Group operating profit/ (loss)	**144**	184	65	(261)	(151)
Finance income	**6**	-	-	3	1
Finance expenses	**-**	(7)	(11)	(7)	(16)
Profit/ (loss) before taxation from continuing operations	**150**	177	54	(265)	(166)
Tax credit/ (expense)	**31**	(8)	5	(17)	(195)
Profit/ (loss) after tax from continuing operations	**181**	169	59	(282)	(361)
Loss from discontinued operations	**-**	-	(42)	(113)	-
Profit/ (loss) for the year attributable to equity shareholders	**181**	169	17	(395)	(361)
Earnings per share – continuing business					
Earnings per share – basic	**4.31p**	4.06p	1.42p	(9.72p)	(9.16p)
Earnings per share - diluted	**4.30p**	4.03p	1.34p	(9.72p)	(9.16p)
Dividends per share in respect of each year	**1.00p**	0.75p	0.50p	0.50p	0.50p
Equity attributable to shareholders of the parent	**4,164**	4,099	3,932	3,860	3,870