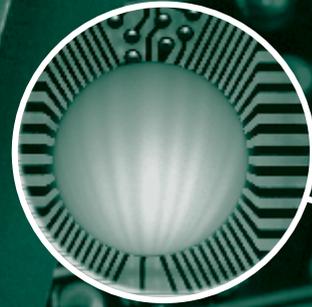
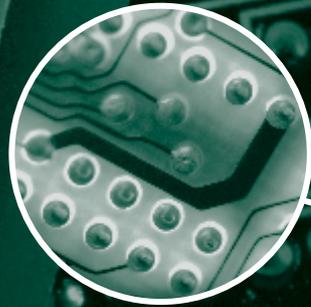
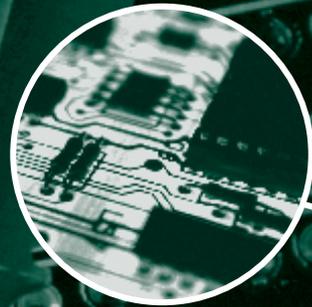


Holdings Technology

Annual Report

2004



**Specialised materials,
equipment and services**



**Holdere Technology
products are used
in a wide range of
applications.**

**Holdere supplies special
laminates and materials to make
printed circuit boards for a
variety of industries, including
telecommunications, defence and
automotive sectors.**

Year in brief

The European electronics industry started 2004 strongly. Whilst the pace of activity slackened in the second half, the full year results were satisfactory.

- Turnover grew 10% to £15.7m
- PBT grew 123% to £0.7m
- Sale of surplus properties yielded £0.6m cash
- Further investment made in Topgrow Technologies
- Final dividend increased by 10%
- Forthcoming year likely to be challenging



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CHAIRMAN'S STATEMENT

" ... a challenging
year for
the group **"**

In the year to 30 November 2004, turnover increased to £15.7m (2003: £14.2m). The group achieved a pre-tax profit of £0.7m (2003: £0.3m). The earnings per share were 11.00p (2003: 2.67p). Your directors are recommending a final dividend of 2.75p (2003: 2.50p) per share, which will be payable on 24 May 2005 to shareholders on the register at close of business on 29 April 2005. The shares will go ex dividend on 27 April 2005. A more detailed analysis of the year is contained within the Operating and Financial Review.

The second half of the year saw slower trading conditions in mainland Europe as compared with the first half. In August 2004, we increased our holding in Topgrow Technologies, a Hong Kong company, to 60% and Topgrow is now consolidated within the group's turnover figure. On a like for like basis, group turnover grew by 7.1% in the year.

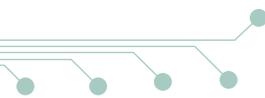
A favourable product mix enabled margins for the year to be maintained at planned levels and this, coupled with a policy of strict containment of overheads, led to a marked improvement in operating profit in comparison with the preceding year.

In the UK, we have benefited both from the specialist nature of our customer base, which features a bias towards the

defence and avionics areas, and opportunities arising from a reduction in the number of suppliers to the PCB industry. If, as we expect, this process occurs in Europe generally, we believe we will be well placed to take advantage of this, as we are now one of the largest European distributors of supplies for the PCB industry, both in terms of product range and sales coverage.

Whilst our trading benefited from favourable exchange movements particularly in regard to products sourced from the USA, these have had an adverse effect on a number of companies in Europe and we are seeing a further transfer of long production run items to the Far East, particularly to China. We continue to seek to counter the potential impact of this by extending the range of products and services which we offer and this coupled with redirected sales effort will ensure that we maximise our participation in the shorter run specialist business which will remain in Europe.

Our most recent acquisitions were HT Cimatic in Germany and Screen Circuit in Holland. HT Cimatic, despite a subdued domestic economy, has made and continues to make sound and profitable progress. The same has not been true of Screen Circuit. Whilst this acquisition has provided access to certain customers with whom we did not



previously trade and opportunities to reduce costs elsewhere in the group, Screen Circuit itself has been loss making. We now intend substantially to restructure this company and have therefore made a provision of £47,000 against the goodwill carried by the group in respect of the acquisition cost of Screen Circuit.

During 2004 we increased our holding in Topgrow Technologies from 35% to 60%. In common with most overseas investors we have viewed the Chinese market as potentially very attractive but fraught with complications. Recently the Chinese authorities have agreed to adopt World Trade Organisation guidelines. When fully implemented, these changes will considerably ease some of the difficulties currently inherent in trading within China. Given the high probability that China will continue to experience very high growth rates in the market areas we serve we intend, albeit with caution, further to increase our investment in this market.

Our balance sheet liquidity has been noticeably strengthened by the disposal of properties in Germany and Holland and we closed the year with positive net funds of £0.1m. These disposals have enabled us to concentrate our activities into fewer facilities and to reduce overheads accordingly. We continue to appraise opportunities further to progress this approach when appropriate.

As in previous years I would like to record the board's appreciation of the efforts our staff have made in helping to achieve the improvement in profitability realised in the year to 30 November 2004.

So as to ensure a clear separation between the operational and the corporate elements of the group, Mike Batsch stood down from the plc board on his taking the post of sales director of Holders Technology UK Limited, our most established trading subsidiary.

We are undertaking a number of measures in the current year designed to enable us to continue to be an efficient low cost supplier. These include a reorganisation of our UK production facilities and further development of our IT systems.

Trading in the current year has generally been somewhat below the levels we experienced in the second half of last year and the first quarter is well below the first quarter of last year and, at present, there are no signs that this position will ease. The planned expansion in China, whilst potentially of considerable benefit when completed, will not yield immediate benefits to offset what is likely to be a challenging year for the group.

R W Weinreich

Chairman and Chief Executive

9 March 2005

OPERATING AND FINANCIAL REVIEW

Operating Review

Corporate strategy

The board is committed to enhancing shareholder value over the medium to long term, while maintaining a conservative financial framework. Where Holders has seen opportunities to increase market share or to lower operating costs, these opportunities have been addressed within the bounds of internally generated cash flow and bank facilities.

Product strategy

Holdes continues to pursue its successful strategy based on dual positioning: on the one hand, as a low-cost source of standard products used throughout the European printed circuit board industry; on the other hand, as an exclusive supplier of technically sophisticated products to the PCB sector.

The two elements of this strategy are interdependent and complementary. The high volumes achieved on standard products ensure a competitive cost-base for this part of the business thus enabling the territorial coverage and technical support levels needed to attract suppliers of and customers for sophisticated niche products.

This approach limits the company's exposure to any one market or product. It also ensures that Holdes is well placed to benefit, as these products gain wider acceptance in a technical market, which demands innovation.

Economic environment

The slight recovery in European manufacturing industry, that was evident in the first half of 2004, stalled in the second half. The strength of the pound and the euro against the US dollar has adversely impacted European PCB manufacturers in two ways. Firstly, their exports to the US market have become

more expensive. Secondly, the Far Eastern producers, in dollar-pegged economies, have been able to undercut their European counterparts. Consequently, the profitability of European PCB manufacturers has been squeezed and the prospect of any recovery in capital investment in this industry appears remote.

China has experienced high growth rates, but over-investment in the PCB industry has caused excess capacity and price competition is fierce.

Holdes Technology

UK Operations

UK trading operations are based in Galashiels, Scotland. Despite a difficult economic environment, Holdes UK grew its business by 12.9%. The withdrawal of erstwhile competitors from the market in part facilitated the growth in turnover realised in the year. A greater focus on sales coverage was also beneficial.

Dutch operations

Dutch operations comprise Holdes Technology BV, near Rotterdam, and Screen Circuit BV at Nijverdal in the east of the country.

During the year, the remaining production operations at Rotterdam were transferred to Screen Circuit's factory at Nijverdal, enabling the Rotterdam facility to be sold. Holdes Technology BV has retained a small rented office near Rotterdam.

Screen Circuit has experienced weak demand particularly for refurbished capital equipment which traditionally was an important element of its business. In view of its continuing losses an impairment review in regard to the goodwill carried in respect of the group's acquisition of this company was undertaken and a 50% provision was made, reducing the ongoing goodwill to

£47,000. Plans to restructure the business in order to restore it to profitability are in hand.

German operations

HT Cimatic GmbH is located at Kirchheimbolanden, near Frankfurt. This business joined the group in 2002 and is the leading supplier of backing and entry materials to the PCB industry in Germany.

In August 2004, HT Cimatic attained certification for EN ISO 9001:2000 for its quality processes in the manufacture and supply of materials for the electronics industry.

Holdes Technology GmbH, which was based near Munich, transferred its base to the HT Cimatic facility at Kirchheimbolanden in June 2004 and the Munich facility was sold. Holdes Technology GmbH continues to supply specialised materials to customers in Germany and Switzerland, notably for the medical industry.

Swedish operations

The group's Swedish subsidiary is located in Lidingö, close to Stockholm and services customers in Sweden and Finland. The PCB industry in Scandinavia has declined over the last three years and Holdes Technology AB has reduced the scale of its operation accordingly.

Far East operations

Topgrow Technologies Limited became a subsidiary in August 2004, when the group increased its stake from 35% to 60% of the company. Topgrow's materials business is based in Hong Kong but it also has a joint venture in Dongguan and an associate, Sino Pacific Limited, which provides sub-contract drilling services to PCB manufacturers. Topgrow will expand its operations through a new subsidiary in mainland China during 2005.



Financial Review

Turnover, operating profit and profit before tax

Group turnover in continuing operations grew by 10.3% from £14.2m to £15.7m. Nearly all the growth occurred in the first half of the year, with the second half growing just 1% on a like for like basis.

Operating profit increased from £0.4m in 2003 to £0.7m in 2004. The improvement was derived from the increase in gross profit, whereas administrative expenses were held almost flat compared with 2003. The ratio of administration expenses to turnover fell from 24.1% in 2003 to 22.3%.

The disposal of two premises in Germany and Holland during the year enabled a sharp reduction in bank borrowings. Consequently, interest costs were reduced to less than £0.1m in 2004.

Taxation

The tax expense of £0.3m (2003: £0.2m) represents a group tax rate of 37.4% (2003: 66.5%).

In 2003, the tax rate was unusually high due to it not being possible to offset losses in certain overseas subsidiaries against taxable profits elsewhere in the group. In 2004, one subsidiary which returned to profit was able to use some of the prior year tax losses to reduce the effective tax rate.

Post tax profits

The profit for the financial year after tax and after minority interests was £0.5m compared with £0.1m in 2003. As a result basic earnings per share increased from 2.67p per share in 2003 to 11.00p per share. Diluted earnings per share were 10.83p (2003: 2.63p).

Dividends

An interim dividend of 2p per ordinary share was paid on 21 September 2004. A final dividend of 2.75p is proposed, a 10% increase over the 2003 final dividend of 2.5p. The total dividend for the year will therefore be 4.75p (2003: 4.5p).

The dividend is covered 2.3 times by earnings.

Cash flow, liquidity and financing

The increased operating profit, together with tight management of working capital enabled the group to generate £0.8m of operating cash flow.

The strong operating cash flow and the sale of surplus properties, which yielded £0.6m of cash, enabled the group to repay the bank loan of £0.6m that had been taken out in 2003. The acquisition of a further 25% stake in Topgrow Technologies, requiring £0.1m, and capital expenditure of £0.3m were also funded from cash flow in the year.

Total borrowings, comprising overdrafts and finance leases, as at 30 November 2004, amounted to £0.3m (2003: £0.9m). Borrowings to finance European requirements were denominated in euros.

At 30 November 2004 the group had net liquid funds (debtors and cash minus short term creditors) of £1.1m compared to £0.6m in the preceding year.

Net assets per ordinary share at 30 November 2004 were £1.14, compared with £1.04 in 2003.

Derivatives and other financial instruments

Operations are financed by a mixture of retained profits, bank loans and overdrafts. The board's current policy is to use short term loans under the revolving

loan facility and variable rate overdraft facilities in order to maintain short term flexibility. At present the group has gearing, being debt divided by debt plus shareholders funds, of 6.7% (2003: 17.3%).

The group's financial instruments, other than derivatives, comprise borrowings, some cash and various items, such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to raise finance for operations.

The group also enters into derivatives transactions, in the form of forward currency contracts that are used to manage the currency risks arising from the group's operations and its sources of finance.

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 overseas sales operations are in the European Community and in Hong Kong. The group has currency exposures in dollars, euros and Swedish krona. Although day to day transactional exposures are regularly covered by forward contracts, the group has an underlying exposure, particularly to the euro.

Conclusion

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

Jim Shawyer

Group Finance Director

9 March 2004



COMPANY INFORMATION

Directors	R W Weinreich, Chairman and Chief Executive J S Shawyer BA, FCA, Finance Director D A Mahony, BA (Econ), MSc, Non-Executive Director
Secretary	J S Shawyer BA, FCA
Registered office	Northway House 1379 High Road Whetstone London N20 9LP
Website	www.holders.co.uk
Registered number	1730535
Auditors	RSM Robson Rhodes LLP Daedalus House Station Road Cambridge CB1 2RE
Bankers	Barclays Bank plc Fortis Bank S.A./N.V.
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Stockbroker	Rowan, Dartington & Co Limited Colston Tower Colston Street Bristol BS1 4RD
Solicitors	Osborne Clarke



REPORT OF THE DIRECTORS

Principal activities

The principal activity of the group is to provide specialised materials, equipment and services for the electronics and telecommunications industries.

Business review and future developments

A review of the year and likely developments is contained in the Chairman's Statement and Operating and Financial Review.

Results and dividends

The group made a profit after taxation for the financial year attributable to shareholders of £456,000 (2003: £110,000).

Full details are contained in the consolidated profit and loss account on page 16. The directors have recommended a final dividend of 2.75p (2003: 2.5p) per share payable on 24 May 2005 to shareholders on the register at close of business on 29 April 2005. The total dividend for the year, including the interim dividend of 2.0p (2003: 2.0p) per share paid on 21 September 2004, amounts to £197,000 (2003: £190,000), which is equivalent to 4.75p (2003: 4.5p) per share.

Payment of creditors

The group's policy is to use its best endeavours to settle with suppliers in accordance with agreed payment terms. The average number of days credit taken from trade creditors at 30 November 2004 was 29 days (2003: 27 days).

Directors

The directors currently holding office are listed on page 6. All of the directors listed on page 6 served throughout the year.

Mr Michael Batsch served as a director until 8 November 2004. The beneficial shareholdings of the directors at 30 November are set out in the Remuneration Report.

Rudi Weinreich, aged 58, chairman and chief executive, was born in Austria and was sole executive director of Holders Technology until 1987. He has been responsible for all aspects of the business since he started it in 1972, particularly the assessment of new products and negotiating distributorship agreements.

Jim Shawyer, aged 51, joined the group in July 2000 as group finance director and company secretary. He previously held senior financial roles in international companies, including Xerox Limited and Vale International Limited.

David Mahony, aged 61, is the senior non-executive director, appointed in 1988. He is chairman of Applied Optical Technologies plc and Samedaybooks.co.uk plc.

REPORT OF THE DIRECTORS

continued

Substantial shareholdings

At 5 March 2004 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 ordinary share capital of the company:

	Number	%
Rath Dhu Limited	410,000	9.89%
Armstrong Investments Limited	325,000	7.84%
Hugh S Pearson Gregory	136,109	3.28%
Andre Marcou	132,000	3.18%

Special business at the Annual General Meeting

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 1,446,517 ordinary shares being approximately 34.9% of the issued ordinary share capital of the company as at the date of this report which includes 65,000 ordinary shares being the maximum number of shares the company may be obliged to issue under its employee share option scheme. The authority, when given, will expire at the conclusion of next year's annual general meeting. The directors have no present intention of exercising this authority.

A special resolution (set out as resolution 6 in the notice of annual general meeting) will be proposed to empower the directors to allot securities of the company up to a specified amount in connection with rights issues without having to obtain prior approval from shareholders on each occasion and also to allot a smaller number of these for cash without first being required to offer such shares to existing shareholders. The number of ordinary shares which may be issued for cash under the latter authority will not exceed 207,228 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 to authorise the company to buy on the open market up to 414,455 ordinary shares of 10p each (representing 10% of the issued ordinary share capital) and cancel them. 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 directors confirm that, after having made appropriate enquiries, they have a reasonable expectation that the group and company have adequate resources to continue operating for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in the preparation of the accounts.

Statement of directors' responsibilities for the annual report

Company Law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.



The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking steps for the prevention and detection of fraud and other irregularities.

The annual report is available on the company's web site. The maintenance and integrity of Holders Technology plc's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual report may differ from legislation in other jurisdictions.

Auditors

The auditors, RSM Robson Rhodes LLP, are willing to continue in office and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board

Jim Shawyer
Secretary

9 March 2005



DIRECTORS' REMUNERATION REPORT

The directors present the directors' remuneration report for the financial year ended 30 November 2004.

This report has not been prepared in accordance with the Directors' Report Regulations 2002 because as an AIM listed company Holders Technology plc does not fall within the scope of the regulations.

Unaudited Information

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 12.

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.

There is no company pension scheme in place. Contributions are made to the personal pension schemes of certain directors.

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

Executive directors' remuneration and terms of appointment

Base salaries are reviewed annually and are set to reflect responsibilities, experience and marketability. Regard is also given to the level of rewards made in the year to staff. The mechanism for supervising the company share option scheme and the granting of options under it is as set out in the corporate governance report on page 12.

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 benefits in kind, which include car allowance and private health insurance.

Non-executive directors' remuneration

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

Audited Information

Details of the directors' remuneration, pension entitlements, shareholdings and share options are included on page 11.

Approval

The directors' remuneration report was approved by the board on 9 March 2005 and signed on its behalf by:

R W Weinreich
Chairman

Audited Information

Directors' remuneration

Directors' remuneration for the year was as follows:

	Basic salary and fees	Incentive scheme	Benefits in kind	Total emoluments	
				2004	2003
	£'000	£'000	£'000	£'000	£'000
R W Weinreich (Chairman)	52	56	1	109	86
M R Batsch	46	—	2	48	47
J S Shawyer	60	—	—	60	58
D A Mahony	18	—	—	18	18
	176	56	3	235	209

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	
	2004	2003
	£'000	£'000
R W Weinreich (Chairman)	84	47
M R Batsch	3	3
J S Shawyer	5	4
	92	54

Directors' shareholdings

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

	Ordinary shares	
	2004	2003
R W Weinreich	2,051,202	2,071,202
J S Shawyer	15,000	15,000
D A Mahony	26,300	26,300

The shareholdings are all beneficial and have not changed between 30 November 2004 and 9 March 2005.

Directors' interests in share options

	No. of options			At end of year	Market price Exercise price	Date on date of exercise	Date from which exercisable	Expiry date
	At start of year	Granted during year	Expired during year					
J S Shawyer	25,000	—	—	25,000	54p	N/A	01/08/06	31/07/09
J S Shawyer	—	25,000	—	25,000	84.5p	N/A	26/04/07	25/04/10

The share price at 30 November 2004 was 113.0p (2003: 65.0p) whilst during the year the high and low prices were 65.0p and 127.5p.

Compliance

The directors recognise the value of the Principles of Good Governance and Code of Best Practice (the "Combined Code"). Although, as an AIM listed company, compliance with the Combined Code is not required the group seeks to apply the Code when practicable and appropriate for a company of its size.

The following statement describes how the company as at 30 November 2004 sought to address the principles underlying the Code.

Board composition and responsibility

During the year the board comprised three executive and one non-executive director. It is intended that another non-executive director will be appointed when a suitable candidate has been identified and approved by the full board. Given the size of the company it is not considered by the board that it is either necessary or appropriate to incur the cost of employing a separate chairman. All directors are required to retire and submit themselves for re-election at three yearly intervals. No director has a service agreement requiring more than twelve months notice of termination to be given.

All directors receive management information in advance of board meetings, which are held monthly, and the board visits subsidiary companies as appropriate. There is a schedule of matters requiring board approval. All directors have access to the advice and services of the Company Secretary (and there are processes in place enabling directors to take independent legal advice at the company's expense in the furtherance of their duties).

Due to the size of the company the board believes it is inappropriate to appoint full audit, remuneration and nomination committees.

Audit Committee

The Group Finance Director and the Non-executive Director act as the audit committee which is responsible for reviewing a range of financial matters, including the interim and final accounts, and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. It has met twice in the year. The Non-executive Director meets separately with the auditors as part of such meetings.

Remuneration Committee

During the year, the Non-executive Director has acted as the sole member of the remuneration committee.

The principal function of the remuneration committee is to determine on behalf of the board the remuneration and other benefits of the executive directors, including pensions, share options, service contracts and compensation payments.

The principal objectives of the remuneration committee in respect of executive directors and the board in respect of the company as a whole are to ensure that the company's senior management remuneration policies and practice facilitate the recruitment, retention and motivation of top quality personnel and to ensure that senior management remuneration operates on a best-practice basis, aligning, where practicable, the remuneration of executives with the interests of shareholders.



Board nominations

The company has formal procedures for making appointments to the board and these would be applied to ensure that any new appointments meet the desired criteria.

Shareholders relationships

The objective of the board is to create increased shareholder value by growing the business in a way that delivers sustainable improvement in earnings over the medium and long term.

The board regards the annual general meeting as an important opportunity to communicate with private investors in particular. Directors make themselves available to shareholders both before and after the annual general meeting and at other times.

Internal Control

The system of internal controls established by the directors is intended to be comprehensive, although the limitations of any system of control is such that it is designed to manage rather than eliminate the risk of failure to achieve business objectives and it provides a reasonable, rather than absolute, level of assurance against material misstatement or loss.

The principal features of the system of internal financial controls are:

- budgetary control over all operating units, measuring performance against pre-determined targets on at least a monthly basis;
- regular forecasting and reviews covering trading performance, assets, liabilities and cash flows;
- delegated limits of authority covering key financial commitments including capital expenditure and recruitment;
- identification and management of key business and inherent risks.

The board continually reviews the effectiveness of other internal controls, including financial, operational, compliance controls and risk management.

Financial reporting

- A detailed formal budgeting process for all group businesses culminating in an annual group budget which is approved by the board. Results for the company and for its main constituent businesses are reported monthly to the board against this budget and revised forecasts for the year are prepared each quarter.

Financial and accounting principles

- A comprehensive financial and accounting controls manual sets out the principles of and minimum standards required by the board for effective financial control. The manual sets out the financial and accounting policies and procedures to be applied throughout the group. Compliance with the policies and procedures set out in the manual is reviewed on a regular basis.

Internal financial controls assurance

- In addition to the existing procedures, during the year senior executives have prepared detailed reports on the operation of those elements of the system for which they are responsible.

Capital investment

- The group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisals and review procedures, levels of authority and due diligence requirements where businesses are being acquired. Post investment appraisals are performed for major investments.

Turnbull risk assessment

- The group has implemented a process for identifying, reporting and assessing risk at each subsidiary. The board regularly reviews the subsidiaries' risk assessments.

The directors confirm that they have reviewed the effectiveness of the system of internal controls in operation during the year.

The board is committed to the principles of openness, integrity and accountability in dealing with the company's affairs. It believes it has always acted with probity in the best interests of the company, its employees and shareholders and fully intends to continue to do so in the future.



INDEPENDENT AUDITORS' REPORT

to the shareholders of Holders Technology plc

We have audited the financial statements on pages 16 to 37.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Operating and Financial Review, the Report of the Directors, the Remuneration Report, Corporate Governance and the Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 November 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

Cambridge
England

9 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 November 2004

	Note	2004 £'000	2003 £'000
Group turnover			
Current year acquisition		271	-
Other continuing operations		15,387	14,155
		15,658	14,155
Discontinued operation		-	46
Group turnover	2	15,658	14,201
Cost of sales		(11,023)	(10,211)
		4,635	3,990
Gross profit			
Distribution costs		(483)	(358)
Administrative expenses		(3,498)	(3,424)
Other operating income		66	176
		(2)	(119)
Analysis of group operating profit			
Current year acquisition		722	579
Other continuing operations			
Total continuing operations		720	460
Discontinued operation		-	(76)
		720	384
Group operating profit			
Share of associates operating profit/(loss)		4	(22)
		724	362
Total operating profit	4		
Profit on disposal of subsidiary – discontinued operation		24	26
		748	388
Profit on ordinary activities before interest and tax			
Interest receivable		15	6
Interest payable and similar charges	5	(31)	(66)
		732	328
Profit on ordinary activities before taxation			
Tax on profit on ordinary activities	6	(274)	(218)
		458	110
Profit on ordinary activities after taxation			
Minority interests – equity		(2)	-
		456	110
Profit for the financial year			
Dividends (all equity)	7	(197)	(190)
		259	(80)
Transfer to/(from) reserves	19		
		11.00p	2.67p
Basic earnings per share	8		
		10.83p	2.63p
Diluted earnings per share	8		

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 November 2004

	2004 £'000	2003 £'000
Profit for the financial year	456	110
In respect of associated undertaking prior to acquisition	23	-
Currency translation differences	11	200
Total recognised gains	490	310

CONSOLIDATED BALANCE SHEET

at 30 November 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	9	424	209
Tangible fixed assets	10	640	1,136
Investment in associated undertaking	12	97	207
		1,161	1,552
Current assets			
Stocks	13	2,607	2,159
Debtors	14	2,804	2,813
Cash at bank and in hand		480	394
		5,891	5,366
Creditors: amounts falling due within one year	15	(2,217)	(2,566)
Net current assets		3,674	2,800
Total assets less current liabilities		4,835	4,352
Creditors: amounts falling due after one year	16	(25)	(51)
Provision for liabilities and charges	17	(104)	(11)
		4,706	4,290
Capital and reserves			
Called up share capital	18	414	414
Share premium account	19	1,525	1,525
Capital redemption reserve	19	1	1
Profit and loss account	19	2,643	2,350
Equity shareholders' funds	20	4,583	4,290
Minority interests - equity		123	-
		4,706	4,290

The financial statements were approved by the Board on 9 March 2005 and signed on its behalf by:

R W Weinreich

Director

COMPANY BALANCE SHEET

at 30 November 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible fixed assets	10	4	396
Investment in subsidiary undertakings	11	2,203	1,902
Investment in associate undertaking	12	–	234
		2,207	2,532
Current assets			
Debtors	14	1,100	1,465
Cash at bank and in hand		53	13
		1,153	1,478
Creditors: amounts falling due within one year	15	(594)	(1,221)
Net current assets		559	257
Total assets less current liabilities		2,766	2,789
Provision for liabilities and charges	17	(104)	(11)
		2,662	2,778
Capital and reserves			
Called up share capital	18	414	414
Share premium account	19	1,525	1,525
Capital redemption reserve	19	1	1
Profit and loss account	19	722	838
Equity shareholders' funds	20	2,662	2,778

The financial statements were approved by the Board on 9 March 2005 and signed on its behalf by:

R W Weinreich

Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 November 2004

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	21	837	327
Returns on investment and servicing of finance			
Interest received		15	6
Interest paid		(25)	(59)
Finance lease interest		(6)	(7)
Net cash outflow from returns on investment and servicing of finance		(16)	(60)
Taxation (paid)/received			
UK Corporation tax		(63)	(129)
Overseas corporation tax		(157)	146
		(220)	17
Capital expenditure			
Payments to acquire tangible fixed assets		(253)	(168)
Receipts from sales of tangible fixed assets		554	49
		301	(119)
Acquisitions and disposals			
Acquisition of business	25	(76)	(125)
Net cash/(overdraft) acquired with subsidiary undertaking		8	(186)
Payment in respect of existing subsidiary		-	(206)
Investment in associated undertaking		(24)	(234)
Sale of subsidiary undertaking		24	120
		(68)	(631)
Equity dividends paid		(187)	(187)
Cash flow before financing		647	(653)
Financing			
Capital element of finance leases		(32)	(13)
(Repayment)/draw-down of bank loan		(598)	598
		(630)	585
Increase/(decrease) in cash	23	17	(68)

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

1. Accounting policies

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention. As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements.

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings at each period-end using acquisition accounting. The results of subsidiary undertakings acquired or disposed of during a financial year are included from or up to the effective date of acquisition or disposal.

Investments in subsidiary undertakings

Investments held as fixed assets are shown at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and market value. Dividends received or receivable are credited to the profit and loss account in the year to which they relate.

Turnover

Turnover comprises amounts invoiced during the year for goods and services supplied to third parties net of value added tax.

Depreciation

Depreciation is calculated to write off assets over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. No depreciation is provided on freehold land. Depreciation is calculated at the following rates:

Freehold buildings	2% on cost
Leasehold buildings	Over the period of the lease
Motor vehicles	20% on written down value
Plant and machinery	20% - 33% on written down value
Office equipment	25% on cost

Stocks

Stocks are valued at the lower of cost and estimated 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.

Research and development expenditure

Expenditure on pure and applied research and product development is written off in the year it is incurred.

Pensions

The group does not operate a pension scheme. Pension costs relate to group contributions to the personal pension schemes of certain directors and senior management.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. The company and certain subsidiaries are able to relieve taxable losses by surrendering them where capacity to utilise losses exists. Such losses are paid for by the recipient company at that company's marginal rate of tax. Full provision for deferred taxation is made without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. In accordance with FRS 19, deferred taxation is not provided for extra tax payable if the overseas retained profits of subsidiaries are remitted in future.



1. Accounting policies *(continued)*

Foreign currencies

Assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling each period-end. Exchange differences arising from the treatment of the net investments in overseas subsidiaries are taken directly to reserves. The trading results of foreign subsidiaries are translated into sterling at the average exchange rate for the year, and the difference in relation to closing rates is taken to reserves. All other currency differences are taken to the profit and loss account. Profits and losses on forward exchange contracts are recognised when the contracts mature. Profit and losses on holding foreign currency balances are treated as a finance cost.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

Assets held under finance leases are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Goodwill

Goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. In accordance with FRS 10, goodwill relating to acquisitions made before 30 November 1998 continues to be eliminated against reserves and will be expensed in the profit and loss account on any future disposal or closure of the acquired businesses. Goodwill arising on acquisitions after 30 November 1998 is shown as an asset in the balance sheet and is amortised over its useful life which in the opinion of the directors is 15 years. In the opinion of the directors, this represents a prudent estimate of the period over which the group will derive economic benefit from the goodwill acquired as part of the business. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Associated undertakings

The group's investments in associated undertakings comprise investments where the group has a participating interest and exercises significant influence over their strategic operating and financial policy decisions. The group's share of the results of associated undertakings is included in the consolidated profit and loss account from operating profit onwards. In the consolidated balance sheet the interest in associated undertakings is included at the group's share of the net assets of the associated undertakings plus goodwill on acquisition less related amortisation and impairment write downs. Goodwill arising on acquisition of associated undertakings is amortised over its useful life which in the opinion of the directors is 15 years.

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

2. Segmental analysis

Turnover by geographical market	2004 £'000	2003 £'000
United Kingdom	4,073	3,668
Rest of Europe	11,290	10,425
Rest of the world	295	108
	<u>15,658</u>	<u>14,201</u>

Geographical origins

	Turnover		Pre-tax profits/(losses)		Net assets	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Materials and equipment						
United Kingdom	4,409	3,872	493	577	2,459	2,372
Rest of Europe	10,978	10,283	230	(170)	1,932	1,918
Rest of the world	271	-	9	-	315	-
	<u>15,658</u>	<u>14,155</u>	<u>732</u>	<u>407</u>	<u>4,706</u>	<u>4,290</u>
Telecommunication services						
United Kingdom	-	46	-	(79)	-	-
	<u>15,658</u>	<u>14,201</u>	<u>732</u>	<u>328</u>	<u>4,706</u>	<u>4,290</u>

In 2003, the discontinued operations relate to telecommunications services. All other activities relate to continuing operations.

3. Employees and staff costs

	2004 £'000	2003 £'000
Wages and salaries	1,692	1,671
Social security costs	262	283
Other pension costs	133	97
	<u>2,087</u>	<u>2,051</u>

Average monthly number of permanent employees, including executive directors:

	2004 Number	2003 Number
Administration and sales	34	39
Service and fabrication	25	23
	<u>59</u>	<u>62</u>
Part-time	11	9
	<u>70</u>	<u>71</u>

Detailed information concerning directors' emoluments, shareholdings and share options is shown in the board's remuneration report.

4. Operating profit

	Continuing operations 2004 £'000	Continuing operations 2003 £'000	Discontinued operations 2003 £'000	Total 2003 £'000
Turnover	15,658	14,155	46	14,201
Cost of sales	(11,023)	(10,194)	(17)	(10,211)
Gross profit	4,635	3,961	29	3,990
Distribution costs	(483)	(358)	-	(358)
Administrative expenses	(3,498)	(3,319)	(105)	(3,424)
Other operating income	66	176	-	176
Operating profit/(loss)	720	460	(76)	384

This year, acquisitions contributed £209,000 to cost of sales, £62,000 to gross profit, £30,000 to distribution costs, £36,000 to administrative expenses, and £32,000 to operating income.

Operating profit is arrived at after charging/(crediting):

	2004 £'000	2003 £'000
Depreciation of tangible fixed assets	240	253
Gain on sale of tangible fixed assets	(45)	-
Amortisation of goodwill – subsidiary undertakings	21	14
Amortisation of goodwill – associate undertaking	-	5
Impairment of goodwill	47	-
Research and development expenses	-	33
Auditors' remuneration – audit services – UK	20	19
Auditors' remuneration – audit services – overseas	32	34
Auditors' remuneration – non audit fees – UK	14	20
Operating leases – land and buildings	208	197
Operating leases – plant and machinery	161	101
Exchange gain	(27)	(60)

The auditors remuneration for UK audit services includes £10,000 (2003: £10,000) relating to the company.

5. Interest payable and similar charges

	2004 £'000	2003 £'000
Bank loans and overdrafts	25	56
Finance leases	6	7
Other	-	3
	31	66

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

6. Taxation

	2004 £'000	2003 £'000
United Kingdom corporation tax		
Current tax on income for the year at 30% (2003: 30%)	253	266
Adjustments in respect of prior years	9	39
	<hr/>	<hr/>
Before double taxation relief	262	305
Double taxation relief	(64)	(163)
	<hr/>	<hr/>
After double taxation relief	198	142
Foreign tax		
Current tax on income for the year	107	122
	<hr/>	<hr/>
	305	264
Deferred taxation	(31)	(46)
	<hr/>	<hr/>
Group taxation charge	274	218
	<hr/>	<hr/>
Current taxation reconciliation		
Profit on ordinary activities before taxation	732	328
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate of 30%	220	98
Effects of:		
Accelerated capital allowances	38	(34)
Research and development deduction	-	(5)
Amounts not deductible for taxation purposes	(2)	1
Adjustments in respect of prior years	9	39
Taxation losses	19	99
Higher overseas tax rates	21	48
Tax migration exit charge	-	18
	<hr/>	<hr/>
Current taxation	305	264
	<hr/>	<hr/>

7. Dividends

	2004 £'000	2003 £'000
Ordinary shares:		
Interim 2.0p per share (2003: 2.0p)	83	86
Proposed final 2.75p per share (2003: 2.5p)	114	104
	<hr/>	<hr/>
	197	190
	<hr/>	<hr/>

8. Earnings per share

	2004	2003
Basic earnings per share	11.00p	2.67p
Diluted earnings per share	10.83p	2.63p

The basic earnings per share are based on the profit for the financial year of £456,000 (2003: £110,000) and on 4,144,551 ordinary shares (2003: 4,122,842), the weighted average number of shares in issue during the year. Diluted earnings per share are based on 4,209,551 ordinary shares (2003: 4,177,842), being the weighted average number of ordinary shares after an adjustment of 65,000 shares (2003: 55,000) in relation to share options.

9. Intangible assets

Group	Goodwill £'000
Cost	
At 1 December 2003	223
Currency translation	1
Arising on acquisitions during the year (note 25)	282
At 30 November 2004	506
Amortisation	
At 1 December 2003	14
Amortisation for the year	21
Impairment of goodwill	47
At 30 November 2004	82
Net book value	
At 30 November 2004	424
At 30 November 2003	209

In view of the continuing losses at Screen Circuit, the directors undertook an impairment review and a provision of £47,000 was made against the value of goodwill at 30 November 2004.

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

10. Tangible fixed assets

Group	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Motor vehicles, plant and machinery and office equipment £'000	Total £'000
Cost				
At 1 December 2003	618	94	1,668	2,380
Exchange adjustment	(4)	-	9	5
Additions	-	-	253	253
Disposals	(614)	-	(205)	(819)
At 30 November 2004	<u>-</u>	<u>94</u>	<u>1,725</u>	<u>1,819</u>
Depreciation				
At 1 December 2003	101	39	1,104	1,244
Exchange adjustment	(1)	-	6	5
Provided in year	6	9	225	240
Disposals	(106)	-	(204)	(310)
At 30 November 2004	<u>-</u>	<u>48</u>	<u>1,131</u>	<u>1,179</u>
Net book value				
At 30 November 2004	<u>-</u>	<u>46</u>	<u>594</u>	<u>640</u>
At 30 November 2003	<u>517</u>	<u>55</u>	<u>564</u>	<u>1,136</u>

The net book value of tangible fixed assets includes £90,000 (2003: £110,000) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £32,000 (2003: £24,000).

10. Tangible fixed assets (continued)

Company	Freehold land and buildings £'000	Motor vehicles, plant and machinery and office equipment £'000	Total £'000
Cost			
At 1 December 2003	434	32	466
Disposals	(434)	-	(434)
At 30 November 2004	-	32	32
Depreciation			
At 1 December 2003	42	28	70
Provided in year	2	-	2
Disposals	(44)	-	(44)
At 30 November 2004	-	28	28
Net book value			
At 30 November 2004	-	4	4
At 30 November 2003	392	4	396

11. Investments in group undertakings

	Shares £'000	Loans £'000	Total £'000
Cost			
At 1 December 2003	1,902	-	1,902
Increase in shares in existing subsidiary	-	62	62
Acquisition (note 25)	110	71	181
Disposal to another group company	(176)	-	(176)
Reclassification from investment in associate	125	109	234
At 30 November 2004	1,961	242	2,203

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

11. Investments in group undertakings *(continued)*

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

Name	Country of incorporation and operation	Nature of business	Interest in ordinary shares and voting rights
Holdings Technology GmbH	Germany	Specialised materials and equipment	100%
Holdings Technology BV	The Netherlands	Specialised materials and equipment	100%
Holdings Technology AB	Sweden	Specialised materials and equipment	100%
Holdings Technology UK Limited	England and Wales	Specialised materials and equipment	100%
Holdings Marketing Co Limited	England and Wales	Dormant	100%
HT Cimatic GmbH	Germany	Specialised materials and equipment	100%
Screen Circuit BV*	The Netherlands	Specialised materials and equipment	100%
Screen Circuit GmbH*	Germany	Specialised materials and equipment	100%
Topgrow Technologies Limited	Hong Kong	Specialised materials and equipment	60%

* Screen Circuit BV and Screen Circuit GmbH are owned indirectly through Holdings Technology BV

12. Investment in associate undertaking

Group	Interest in associate undertaking £'000
Share of net assets including cost of goodwill	
Cost	
At 1 December 2003	212
Reclassification on becoming a subsidiary	(212)
Acquisitions	71
Additions	26
	<hr/>
At 30 November 2004	97
	<hr/>
Provisions and amortisation	
At 1 December 2003	5
Transfer to reserves on becoming a subsidiary	(5)
	<hr/>
At 30 November 2003	-
	<hr/>
Net book value	
At 30 November 2004	97
	<hr/>
At 30 November 2003	207
	<hr/>

The investment in associate undertaking at 30 November 2004 represents a 40% holding by Topgrow Technologies Limited in the Hong Kong company, Sino Pacific Limited.

12. Investment in associate undertaking (continued)

Company	Interest in associate undertaking £'000
Cost	
At 1 December 2003	234
Reclassification to investment in subsidiary undertakings	(234)
	<hr/>
At 30 November 2004	-
	<hr/>
At 30 November 2003	234
	<hr/> <hr/>

The company's investment in associated undertakings at 30 November 2003, consisted of a 35% holding in Topgrow Technologies Limited. Following the acquisition of a further 25% holding in August 2004, this investment has been reclassified as an investment in subsidiary undertakings.

13. Stocks

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Raw materials and consumables	1,047	875	-	-
Goods for resale	1,560	1,284	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,607	2,159	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The replacement cost of the above stocks would not be significantly different from the values stated.

14. Debtors

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Trade debtors	2,469	2,492	-	-
Amounts due from group undertakings	-	-	691	1,457
Amounts due from associated undertakings	-	141	-	-
Dividends receivable from group undertakings	-	-	400	-
Corporation tax recoverable	53	10	-	-
Deferred tax asset	20	-	1	-
Other debtors	90	119	2	2
Prepayments and accrued income	172	51	6	6
	<hr/>	<hr/>	<hr/>	<hr/>
	2,804	2,813	1,100	1,465
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

15. Creditors: amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank overdraft	272	203	-	-
Finance lease obligations	39	45	-	-
Bank loan	-	598	-	598
	<hr/>	<hr/>	<hr/>	<hr/>
Borrowings due within one year	311	846	-	598
Trade creditors	908	765	1	7
Amounts due to group undertakings	-	-	321	320
Corporation tax	321	193	45	59
Other taxation and social security	137	102	10	4
Other creditors	143	121	37	24
Accruals	283	435	66	105
Dividends payable	114	104	114	104
	<hr/>	<hr/>	<hr/>	<hr/>
	2,217	2,566	594	1,221

The bank overdraft facilities and the bank loan are secured by a multi-lateral guarantee by the holding company and the main trading subsidiaries. Finance lease obligations are secured on the assets concerned.

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Finance lease obligations	25	51	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Repayable				
Between one and two years	25	11	-	-
Between two and five years	-	40	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	25	51	-	-

17. Provision for liabilities and charges

	Deferred tax £'000	Deferred consideration £'000
Group		
Opening liability at 1 December 2003	11	–
Movement in year	(31)	104
	<hr/>	<hr/>
Closing (asset)/liability at 30 November 2004	(20)	104
	<hr/>	<hr/>
Company		
Opening liability at 1 December 2003	11	–
Movement in year	(12)	104
	<hr/>	<hr/>
Closing (asset)/liability at 30 November 2004	(1)	104
	<hr/>	<hr/>

The deferred tax at 30 November 2004 for both the group and the company is derived from accelerated capital allowances. The deferred taxation assets are disclosed in note 14.

The deferred consideration of £104,000, described in note 25, is disclosed as provision for liabilities and charges on the face of the balance sheet.

18. Share Capital

	2004 £'000	2003 £'000
Authorised		
6,000,000 ordinary shares of 10p each (2003: 6,000,000)	600	600
	<hr/>	<hr/>
Allotted and fully paid		
4,144,551 ordinary shares of 10p each (2003: 4,144,551)	414	414
	<hr/>	<hr/>

Share option scheme

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

Subscription price	Dates when exercisable	Number of shares	
		2004	2003
54p	1 August 2006 to 31 July 2009	40,000	55,000
84.5p	26 April 2007 to 25 April 2010	25,000	–

Options on 15,000 shares lapsed and options over 25,000 shares were granted during the year.

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

19. Reserves

Group	Share premium account £'000	Capital redemption £'000	Profit and loss account £'000
At 1 December 2003	1,525	1	2,350
Currency translation differences	-	-	11
In respect of associated undertaking prior to acquisition	-	-	23
Profit for the financial year	-	-	259
At 30 November 2004	1,525	1	2,643

Cumulative positive goodwill written off against reserves is £239,000 (2003: £239,000).

Company	Share premium account £'000	Capital redemption £'000	Profit and loss account £'000
At 1 December 2003	1,525	1	838
Loss for the financial year	-	-	(116)
At 30 November 2004	1,525	1	722

The company's profit for the financial year, before dividends, was £81,000 (2003: £177,000).

20. Reconciliation of movement in shareholders' funds

Group	2004 £'000	2003 £'000
Total recognised gains	490	310
Dividends	(197)	(190)
Shares issued during the year	-	11
Share premium on shares issued during the year	-	39
Increase/(decrease) in shareholders' funds	293	170
Opening shareholders' funds	4,290	4,120
Closing equity shareholders' funds	4,583	4,290

20. Reconciliation of movement in shareholders' funds (continued)

Company	2004 £'000	2003 £'000
Profit for the financial year	81	177
Dividends	(197)	(190)
Shares issued during the year	-	11
Share premium on shares issued during the year	-	39
(Decrease)/Increase in shareholders' funds	(116)	37
Opening shareholders' funds	2,778	2,741
Closing shareholders' funds	2,662	2,778

21. Reconciliation of operating profit to net cash inflow from operating activities

	2004 £'000	2003 £'000
Operating profit	720	384
Depreciation	240	253
Goodwill amortisation	21	19
Impairment of goodwill	47	-
Currency translation	10	142
Gain on sale of tangible fixed assets	(45)	-
Increase in stocks	(350)	(24)
Decrease/(increase) in debtors	377	(381)
Decrease in creditors	(183)	(66)
Net cash inflow from operating activities	837	327

22. Analysis of net funds/(debt)

	At 1 December 2003 £'000	Cash flow £'000	On acquisition £'000	At 30 November 2004 £'000
Cash at bank and in hand	394	78	8	480
Bank overdraft	(203)	(69)	-	(272)
	191	9	8	208
Bank loan	(598)	598	-	-
Finance leases	(96)	32	-	(64)
	(694)	630	-	(64)
Net funds/(debt)	(503)	639	8	144

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

23. Reconciliation of net cash flow to movement in net funds/(debt)

	2004 £'000	2003 £'000
Increase/(decrease) in cash	17	(68)
Cash flow from change in debt and lease finance	630	(585)
Change in net funds from cash flows	647	(653)
Net (debt)/funds at 1 December	(503)	150
Net funds/(debt) at 30 November	144	(503)

24. Financial commitments

Capital commitments

There were capital expenditure commitments at 30 November 2004 of £56,000 (2003: nil).

Operating lease commitments

The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:

	2004 £'000	2003 £'000
Land and buildings		
– Leases expiring within one year	20	–
– Leases expiring within one to five years	188	194
Motor vehicles, plant and machinery		
– Leases expiring within one year	96	–
– Leases expiring within one to five years	65	97

25. Acquisition

On 3 August 2004, the company increased its stake in Topgrow Technologies Limited from 35% to 60% of the company. This transaction has been accounted for as an acquisition. The following sets out the effect on the consolidated balance sheet:

	Balance sheet of acquired business £'000	Fair value adjustment £'000	Fair value of acquired business £'000
Investment in associated company	118	(46)	72
Stock	98	–	98
Debtors	318	(13)	305
Cash	8	–	8
Creditors	(264)	–	(264)
Net assets acquired	<u>278</u>	<u>(59)</u>	<u>219</u>
Net assets acquired			219
Minority interest			(87)
Goodwill capitalised			282
Consideration			<u>414</u>
Satisfied by			
	Year ended 30 November 2003	3 August 2004	
Cash	206	71	277
Deferred consideration	–	104	104
Costs	27	6	33
	<u>233</u>	<u>181</u>	<u>414</u>

The fair value adjustments comprise provisions against the carrying value of the investment in associated company and trade debtors.

Deferred consideration is payable at 30% of profits above £24,000 in each of the eight years following the acquisition, subject to an overall maximum of £104,000.

The acquired businesses generated turnover of £824,000 and a loss before tax of £90,000 in the twelve months to 31 December 2003. In the 7 months to 31 July 2004, the acquired businesses generated turnover of £541,000 and a profit before tax of £20,000.

26. Contingent liabilities

At 30 November 2004 the company had a commitment under non-cancellable forward foreign exchange contracts totalling £211,000 (2003: £236,000). The company and its fellow shareholders in Topgrow Technologies Limited have jointly guaranteed a letter of credit facility operated by Topgrow Technologies Limited amounting to £317,000 (2003: £336,000).

NOTES TO THE FINANCIAL STATEMENTS

30 November 2004

27. Derivatives and financial instruments

The group's policies in respect of derivatives and other financial instruments are included in the Operating and Financial Review.

With the exception of the analysis of currency exposures, the disclosures below exclude short term debtors and creditors.

Financial assets

The only financial assets held are cash at bank which attracts interest at variable rates. Amounts held were:

	Group	
	2004	2003
	£'000	£'000
Sterling	86	99
Euro	244	265
Swedish krona	85	21
US dollar	20	9
Hong Kong dollar	45	-
	<hr/>	<hr/>
	480	394
	<hr/>	<hr/>

Financial liabilities

Such financial liabilities include £64,000 (2003: £109,000) which attract an average fixed interest rate of 6.8%. In respect of overdraft borrowings that attract variable interest rates, the sterling interest rate is linked to the UK clearing bank base rate and the euro interest rate is linked to the European Central Bank base rates. The amounts borrowed were:

	Group	
	2004	2003
	£'000	£'000
Euro	266	801
Sterling	6	-
	<hr/>	<hr/>
	272	801
	<hr/>	<hr/>

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is not significantly different from their book values.

Borrowing facilities

The group has various borrowing facilities available to it. The company and the main operating subsidiaries are parties to a multilateral guarantee that secures part of the group's overdraft facilities, all of which are expiring in one year or less. The unutilised portion of these facilities at 30 November 2004 amounted to £1,190,000 (2003: £560,000).

27. Derivatives and financial instruments (continued)

Currency risk and exposure

The sterling group balance sheet is affected by movements primarily in the euro, Hong Kong dollar and Swedish krona exchange rates against sterling because of the investment in the net assets of subsidiary companies in Germany, Holland, Hong Kong and Sweden.

The group also has transactional currency exposures. These arise from the purchase of materials in US dollars for resale into Europe in local currencies and from working capital financing provided to the European subsidiaries. Occasional forward purchases of US dollars and forward sales of euros have been made to manage these exposures. The tables below show an analysis of the net monetary assets/liabilities of group companies that are not denominated in their functional currency. Gains and losses arising from these exposures will be recognised in the profit and loss account. The amounts in the tables take into account the effect of forward contracts used to manage these exposures.

Exposure at 30 November 2004

Functional currency of group operation	Net foreign currency monetary assets/(liabilities) in £'000				Total
	Euro	Swedish krona	Dollar	Sterling	
Sterling	1,238	-	(132)	-	1,106
Euro	-	-	8	-	8
Swedish krona	46	-	3	-	49
	<u>1,284</u>	<u>-</u>	<u>(121)</u>	<u>-</u>	<u>1,163</u>

Exposure at 30 November 2003

Functional currency of group operation	Net foreign currency monetary assets/(liabilities) in £'000				Total
	Euro	Swedish krona	Dollar	Sterling	
Sterling	319	-	(177)	-	142
Euro	-	-	(29)	-	(29)
Swedish krona	19	-	7	-	26
	<u>338</u>	<u>-</u>	<u>(199)</u>	<u>-</u>	<u>139</u>



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the company will be held at the Kingsknowes Hotel, Selkirk Road, Galashiels, Scotland TD1 3HY on 26 April 2005 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the accounts of the company together with the directors' and auditors' reports thereon for the year ended 30 November 2004.
2. To declare a final dividend in respect of the year ended 30 November 2004.
3. To re-elect R W Weinreich as a director.
4. To re-appoint RSM Robson Rhodes LLP as auditors and to authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

5. That, in substitution for any existing such authority, the directors be generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 ("Act")) up to a maximum aggregate nominal amount of £144,651.70 such authority (unless previously revoked, varied or extended) to expire at the conclusion of the Annual General Meeting of the company to be held in 2006, but so that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority had not expired.

To consider and, if thought fit, to pass the following resolutions as Special Resolutions:

6. That in substitution for any existing powers, the directors be empowered pursuant to section 95 of the Act and to the authority conferred by Resolution 5 set out in the Notice of Annual General Meeting convened on 26 April 2005 to allot and to make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, provided that such power is limited to:
 - (a) the allotment of equity securities in connection with the issue to holders of ordinary shares of 10p each in the company ("Ordinary Shares") where the equity securities respectively attributable to the interest of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to a maximum aggregate nominal amount of £20,722.80;

such power to expire at the conclusion of the Annual General Meeting of the company to be held in 2006, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any other offer or agreement as if the power conferred thereby had not expired.

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7. That the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:
- (a) the maximum number of ordinary shares hereby authorised to be purchased is 414,455 (representing 10 per cent of the issued share capital of the Company);
 - (b) the minimum price which may be paid for each ordinary share is 10p (nominal value);
 - (c) the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange for the five business days immediately preceding the day on which the ordinary shares are purchased;
 - (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2006, unless such authority is renewed prior to such time; and
 - (e) the Company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partially after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

By order of the board

Jim Shawyer
Secretary

9 March 2005

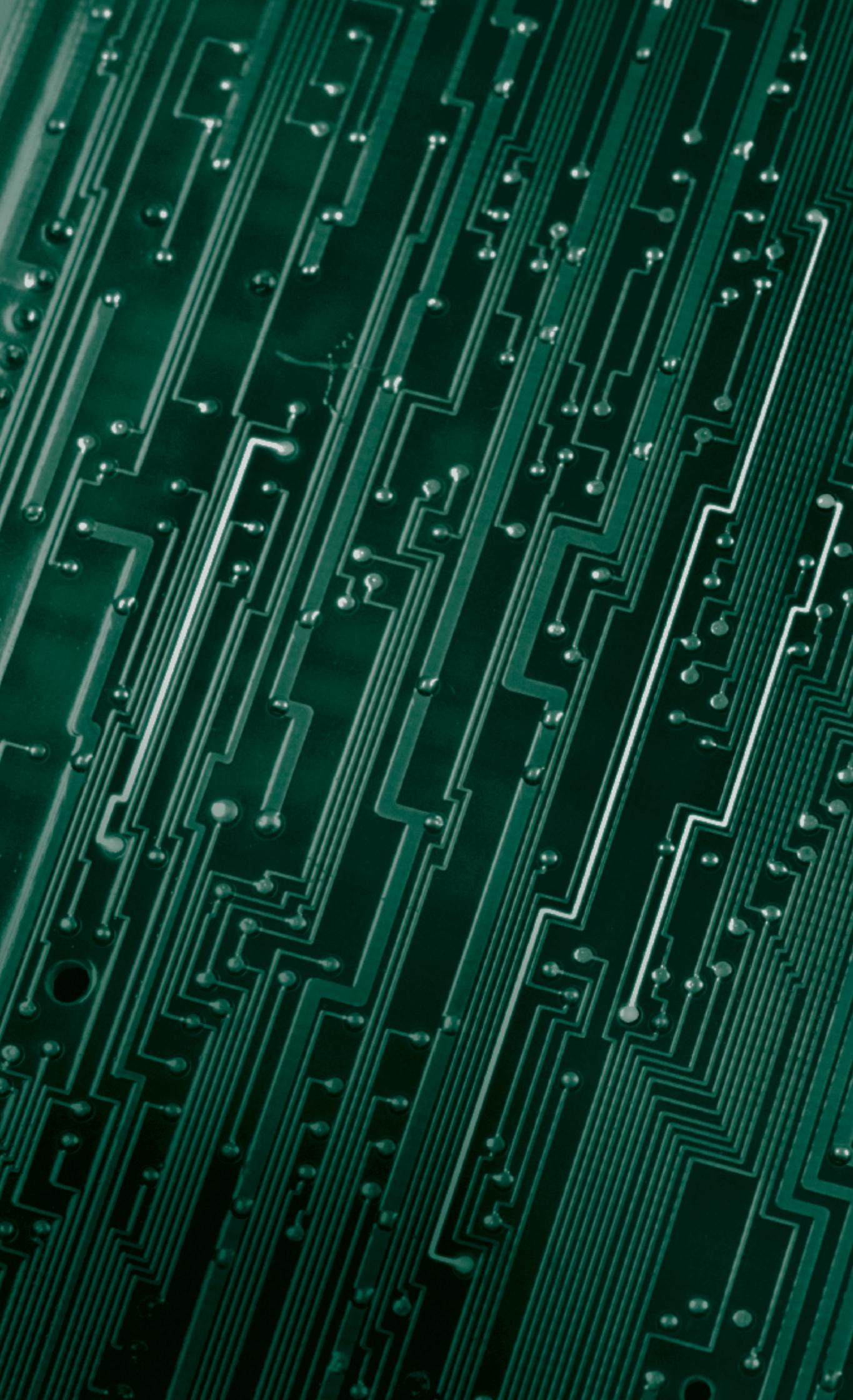
Registered Office:
Northway House
1379 High Road
Whetstone
London N20 9LP

Notes

1. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote in their place. A proxy need not be a member of the company. The instrument appointing a proxy and any authority under which it is executed, or a copy of the authority certified notarially or in some other way approved by the directors, must be lodged at the office of the registrars of the company, Capita Registrars (Proxies), PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
2. The following documents will be available at the registered office of the company during normal business hours from the date of this notice until the conclusion of the Annual General Meeting.
 - (a) A statement of all transactions of each director and of their family interests in the share capital of the company.
 - (b) Copies of contracts of service between the directors and the company.

5 YEAR SUMMARY

	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Group turnover	15,658	14,201	9,005	11,780	13,256
Cost of sales	(11,023)	(10,211)	(6,769)	(8,914)	(9,790)
Gross profit	4,635	3,990	2,236	2,866	3,466
Distribution costs	(483)	(358)	(132)	(165)	(178)
Administrative expenses	(3,498)	(3,424)	(2,251)	(2,367)	(2,313)
Other operating income	66	176	28	32	21
Group operating profit/(loss)	720	384	(119)	366	996
Share of associates operating loss	4	(22)	-	-	-
Profit on disposal of subsidiary	24	26	-	-	-
Net interest	(16)	(60)	(14)	(48)	(131)
Profit/(loss) before taxation	732	328	(133)	318	865
Taxation	(274)	(218)	15	(95)	(275)
Profit/(loss) after tax	458	110	(118)	223	590
Minority interest - equity	(2)	-	24	28	15
Profit/(loss) for the financial year	456	110	(94)	251	605
Dividends (all equity)	(197)	(190)	(182)	(182)	(303)
Transfer to/(from) reserves	259	(80)	(276)	69	302
Earnings per share - basic	11.00p	2.67p	(2.33p)	6.22p	15.00p
Earnings per share - diluted	10.83p	2.63p	(2.33p)	6.22p	15.00p
Dividends per share	4.75p	4.50p	4.50p	4.50p	7.50p
Equity shareholders' funds	4,583	4,290	4,120	4,320	4,285



Holdings Technology

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