

Holden's Technology



Annual Report **2005**

Holdings Technology

**Specialised materials,
equipment and services**



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

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

Year in brief

In a difficult year for the European electronics industry, Holders has focused on restructuring and cutting costs, whilst investing for the future in the Far East.

- ◆ Turnover fell by 6% to £14.7m with operating profit declining by 33% to £0.5m
- ◆ Net operating cash inflow £0.8m
- ◆ Dutch and German operations restructured
- ◆ New Chinese subsidiary being set up
- ◆ Marked improvement in current year expected
- ◆ Final dividend maintained at 2.75p



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CHAIRMAN'S STATEMENT



Topgrow's new facility to serve the Chinese PCB industry, under construction in Dongguan, China, July 2005.

In the year to 30 November 2005, turnover decreased to £14.7m (2004: £15.7m). The group achieved a pre-tax profit of £0.3m (2004: £0.7m). The earnings per share were 8.57p (2004: 11.00p). Your directors are recommending a final dividend of 2.75p (2004: 2.75p) per share, which will be payable on 23 May 2006 to shareholders on the register at close of business on 28 April 2006. The shares will go ex dividend on 26 April 2006. A more detailed analysis of the year is contained within the Operating and Financial Review.

In the Chairman's statement which accompanied the Report and Accounts for the year to 30 November 2004, I cautioned shareholders that the year to 30 November 2005 would be a challenging one for the Group; this proved to be the case. Demand in all of

our main markets was subdued during the year and we experienced a number of non recurring costs. It remains the Group's policy to insure against debtor default wherever possible; despite this approach the Group suffered bad debts of £144,000 in the year to 30th November 2005.

The necessary restructuring of our European operations, which included major management changes within our Dutch operations in order to simplify its structure, gave rise to non-recurring expenditure of £131,000. Settlement of a delayed, disputed employee pension claim arising from the acquisition of the German Cimatic business required £84,000 by way of provision for a payment to the staff member and associated legal costs. The restructuring is now completed and leaves us well placed to serve our European markets

with a significantly lower cost base.

Our activities in China are centred on Topgrow Technologies; this company has a joint venture with Waysky and a minority holding in Sino Pacific which provides sub contract drilling services to Chinese PCB manufacturers. Taken together these operations broke even in the year. This is encouraging given that these activities remain in their build up phase and that Topgrow suffered major quality problems with supplies into China through much of the year.

Inevitably, given the competitive market place and the relative weakening of sterling against the dollar over the year, we experienced pressure on margins but we have, and will continue, to offset this by improving our systems and containing overheads wherever possible.

"... Our focus will be on improving the profitability of the ongoing business in what we expect to be a more settled year."



In addition to the restructuring measures undertaken last year we have realigned subsidiary management teams so as to enable them to focus on their specific markets thus freeing central management time to pursue potential new directions for the Group.

The closure of Screen Circuit BV has enabled us to claim tax credits of £0.1m relating to Screen Circuit's losses in the years 2003 to 2005. We also reclaimed tax on foreign dividends relying on the Manninen and Lenz precedent. As a result of these two tax claims, the overall effect of taxation on the results for 2005 is a credit of £0.1m, compared with a charge of £0.3m in 2004.

Careful management of working capital enabled the group to generate £0.8m of operating cash flow (2004: £0.8m) and the group continues to maintain a strong balance sheet.

During the last year we have investigated a number of opportunities to widen the base of the Group by diversifying into areas of technical distribution outside the PCB industry. We have set ourselves strict criteria for any acquisitions and will only pursue opportunities which we see as being capable of generating growth with low risk. We believe that we have a

number of contributions which we can make to such companies and a distribution network which we can more fully exploit. These efforts will continue in the current year.

Given the changes we have made to the Group we believe that we are well placed to take advantage of improvements to trading volumes as these arise. Our focus will be on improving the profitability of the ongoing business in what we expect to be a more settled year, expanding our Chinese operations and considering selected add on acquisitions where these can be made on attractive terms.

Taken together we believe these measures will enable us to achieve a marked improvement in the current year and improve the stability of earnings in the future.

R W Weinreich

Chairman and Chief Executive

9 March 2006

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. Given the established importance of the PCB industry in the Far East, particularly China, Holders has established a presence in that market which it will seek to expand as it increases the range of products it is able to offer and the customer base expands.

When appropriate, acquisitions will be made to strengthen Holders position in its existing markets or to expand its operations into congruent areas of business.

Product strategy

In its traditional markets, Holders 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 Holders is well placed to benefit, as these products gain wider acceptance in a technical market, which demands innovation.

Economic environment

The world market for printed circuit boards expanded in 2005, however the growth in PCB manufacturing was

concentrated in the far east, particularly in China. European manufacturers struggled to compete with their far eastern rivals and there were several significant bankruptcies in the sector. To name two: DDI Marlow Limited became insolvent in February 2005, when its US parent withdrew support; and Fuba Printed Circuits GmbH, one of Europe's largest PCB manufacturers, filed a petition for insolvency in August 2005.

PCB manufacturing in China has been greatly expanded, but there is a risk that excess capacity may result in pressure on prices.

Holders Technology

UK Operations

UK trading operations are based in Galashiels, Scotland. Results were adversely affected by the bankruptcy of the company's second largest customer, DDI Marlow in February 2005. Investments were made to reorganise the materials processing facility for increased efficiency.

Dutch operations

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

The Screen Circuit operation did not meet expectations and it was decided to concentrate all trading through Holders Technology BV. The restructuring of the staff and rationalising stock holdings resulted in non-recurring charges of £127,000.

Screen Circuit's German subsidiary was transferred to and amalgamated with Holders Technology GmbH.

German operations

Holders Technology 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.

The weak economic environment resulted in a decline in turnover of 15%. Results were also impacted by the need to provide £84,000 for a pension payable to an employee. The pension liability arose from

the 2002 acquisition of assets by Holders Technology GmbH from Cimaterc GmbH. Following the bankruptcy of Cimaterc GmbH, a German court has determined that Cimaterc's pension obligation to one former Cimaterc employee must be met by Holders Technology GmbH. No other Holders Technology employees have any pension rights from their previous employment at Cimaterc.

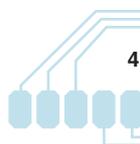
The three German companies, Holders Technology GmbH, HT Cimaterc GmbH and Screen Circuit GmbH have been merged into one company.

Swedish operations

The group's Swedish subsidiary is located in Stockholm and services customers in Sweden and Finland. The business was moved to smaller premises in 2005 and has been restored to financial health. Turnover grew 8% and the company achieved good cash generation.

Far East operations

Topgrow Technologies Limited is a 60%-owned subsidiary, based in Hong Kong. Topgrow has a materials trading business and holds a number of investments in companies that supply the PCB industry in China. In December 2004, Topgrow acquired a 60% interest in Waysky technology Limited, which supplies solder mask. The investment was for nominal consideration, but Topgrow provides administration and has financed expansion of the Waysky business, which was profitable in 2005. Topgrow also has a joint venture in Dongguan and an associate, Sino Pacific Limited, which provides sub-contract drilling services to PCB manufacturers. Sino Pacific has suffered from falling prices and contributed a loss of £25,000 in the year. Topgrow is in the process of forming a new subsidiary in China, which will take over the materials trading business from Hong Kong and will operate from a new factory premises that has been built in Dongguan. It is intended to consolidate Topgrow's various Chinese ventures in the new Dongguan facility and to expand its product range and service offerings in 2006.



Financial Review

Turnover, operating profit and profit before tax

Group turnover in continuing operations declined by 5.9% from £15.7m to £14.7m. The decline was most marked in continental Europe, where the PCB industry was particularly slow.

Operating profit fell from £0.7m in 2004 to £0.5m in 2005. The decline was mostly due to the lower level of business, although there was a decline in gross margin from 29.6% to 29%. Administration expenses decreased by £0.1m from £3.5m to £3.4m, reflecting the benefits of cost cutting actions in continental Europe. Admin expenses included bad debts of £144,000 in 2005, compared with £67,000 in 2004. Exceptional costs of £131,000 were incurred in restructuring the German and Dutch operations and a £84,000 provision was made for a pension liability.

Profit before tax decreased from £0.7m in 2004 to £0.3m in 2005, reflecting the decrease in activity and the exceptional costs incurred in restructuring.

Taxation

Two European Court judgements have enabled Holders to claim significant tax credits in 2005. In the Marks and Spencer case, the UK company was able to obtain relief for the losses of its European subsidiary. The closure of Screen Circuit BV has enabled Holders Technology UK Limited to claim tax credits of £142,000 relating to Screen Circuit's losses in the years 2003 to 2005. Furthermore, Holders Technology plc has reclaimed tax on foreign dividends relying on the Manninen and Lenz precedent. As a result of these two tax claims, the overall effect of taxation on the results for 2005 is a credit of £88,000, compared with a charge of £274,000 in 2004.

Holdes Technology's UK companies moved into the category required to make quarterly on account payments of corporation tax. Consequently, the companies made on account payments for 2005 as well as settling the liability for 2004. Overall, group corporation

tax payments amounted to £264,000 compared with £220,000 in 2004.

Post tax profits

The profit for the financial year after tax and after minority interests was £0.3m compared with £0.5m in 2004. As a result basic earnings per share fell from 11.00p per share in 2004 to 8.57p per share. Diluted earnings per share were 8.38p (2004: 10.83p).

Dividends

An interim dividend of 2p per ordinary share was paid on 20 September 2005. A final dividend of 2.75p is proposed, the same as for 2004. The total dividend for the year will therefore be 4.75p (2004: 4.75p).

The dividend is covered 1.4 times by earnings.

Cash flow, liquidity and financing

Careful management of working capital enabled the group to generate £0.8m of operating cash flow (2004: £0.8m).

Total borrowings, comprising overdrafts and finance leases, as at 30 November 2005, amounted to £0.5m (2004: £0.3m). Borrowings to finance European requirements were denominated in euros.

At 30 November 2005 the group had net liquid funds (debtors and cash minus short term creditors) of £1.4m compared to £1.1m in the preceding year.

Net assets per ordinary share at 30 November 2005 were £1.20, compared with £1.14 in 2004.

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 the 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 9.3% (2004: 6.8%).

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 purchases from foreign suppliers where the products are to be sold in local currencies. Forward currency contracts have also been used to reduce the company's foreign currency exposure when it has provided euro loans to finance its European subsidiaries.

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 US dollars, Hong Kong 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 Sawyer

Group Finance Director

9 March 2006

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	Devonshire House Manor Way Borehamwood Hertfordshire WD6 1QQ
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 £355,000 (2004: £456,000).

Full details are contained in the consolidated profit and loss account on page 16. The directors have recommended a final dividend of 2.75p (2004: 2.75p) per share payable on 23 May 2006 to shareholders on the register at close of business on 28 April 2006. The total dividend for the year, including the interim dividend of 2.0p (2004: 2.0p) per share paid on 20 September 2005, amounts to £197,000 (2004: £197,000), which is equivalent to 4.75p (2004: 4.75p) 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 24 days (2004: 29 days).

Directors

The directors currently holding office are listed on page 6. All of the directors listed on page 6 served throughout the year. The beneficial shareholdings of the directors at 30 November are set out in the Remuneration Report.

Rudi Weinreich, aged 59, 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 Sawyer, aged 52, joined the group in 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 62, 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 6 March 2006 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	290,000	9.89%
Armstrong Investments Limited	275,000	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 1,471,517 ordinary shares being approximately 35.5% of the issued ordinary share capital of the company as at the date of this report which includes 90,000 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 2006

DIRECTORS' REMUNERATION REPORT

The directors present the directors' remuneration report for the financial year ended 30 November 2005.

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	Benefits in kind	Total emoluments	
			2005	2004
	£'000	£'000	£'000	£'000
R W Weinreich (Chairman)	134	2	136	109
M R Batsch	–	–	–	48
J S Sawyer	60	–	60	60
D A Mahony	18	–	18	18
	212	2	214	235

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	
	2005	2004
	£'000	£'000
R W Weinreich (Chairman)	1	84
M R Batsch	–	3
J S Sawyer	15	5
	16	92

Directors' shareholdings

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

	Ordinary shares	
	2005	2004
R W Weinreich	2,051,202	2,051,202
J S Sawyer	15,000	15,000
D A Mahony	26,300	26,300

The shareholdings are all beneficial and have not changed between 30 November 2005 and 9 March 2006.

Directors' interests in share options

	No. of options			At end of year	Exercise price	Market price on date of exercise	Date from which exercisable	Expiry date
	At start of year	Granted during year	Expired during year					
J S Sawyer	25,000	–	–	25,000	54.0p	N/A	01/08/06	31/07/09
J S Sawyer	25,000	–	–	25,000	84.5p	N/A	26/04/07	25/04/10
J S Sawyer	–	25,000	–	25,000	93.5p	N/A	11/08/08	10/08/11

The share price at 30 November 2005 was 87.5p (2004: 113.0p) whilst during the year the high and low prices were 122.5p and 70.5p.

CORPORATE GOVERNANCE

Compliance

The directors recognise the value of the Principles of the Combined Code on corporate governance issued by the Financial Reporting Council in 2003 (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 2005 sought to address the principles underlying the Code.

Board composition and responsibility

During the year the board comprised two executive and one non-executive director. None of the directors are independent.

The appointment of another non-executive director will be considered 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, including corporate strategy, acquisitions and disposals, key appointments and group funding strategy. 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

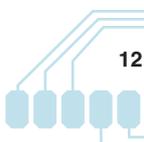
The Group Finance Director and the Non-executive Director act as the audit committee which is responsible for reviewing a range of financial matters, including the interim and final accounts, and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The committee reviews the need for internal audit on an annual basis and, due to the size of the company, the committee believes that the cost of introducing this function would outweigh any perceived benefits. The audit committee 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 remuneration policy and key elements of the remuneration packages of the executive directors are included in the Directors' Remuneration Report on page 10.

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 directors acknowledge their responsibilities for the group's system of internal control and for reviewing its effectiveness.

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.

CORPORATE GOVERNANCE

continued

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

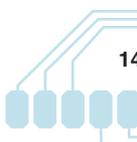
- The group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisals and review procedures, levels of authority and due diligence requirements where businesses are being acquired. Post investment appraisals are performed for major investments.

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 35.

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 and certain information included in the Directors' Remuneration Report 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 whether the financial statements and the audited information included in the Directors' Remuneration Report 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 unaudited information included in the Directors' 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 and certain information included in the Directors' Remuneration Report. 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 and certain information included in the Directors' Remuneration Report 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 2005 and of the group's profit for the year then ended and the financial statements and the audited information included in the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

Cambridge
England

9 March 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 November 2005

	Note	2005 £'000	2004 £'000
Group turnover			
Current year acquisition		292	–
Other continuing operations		14,448	15,658
Group turnover	2	14,740	15,658
Cost of sales		(10,471)	(11,023)
Gross profit		4,269	4,635
Distribution costs		(406)	(483)
Administrative expenses		(3,400)	(3,498)
Other operating income		46	66
Analysis of group operating profit			
Current year acquisition		14	–
Other continuing operations		495	720
Group operating profit		509	720
Share of associates operating (loss)/profit		(25)	4
Total operating profit	4	484	724
Cost of fundamental restructuring	5	(215)	–
Deferred consideration arising on sale of former subsidiary		24	24
Profit on ordinary activities before interest and tax		293	748
Interest receivable		5	15
Interest payable and similar charges	6	(24)	(31)
Profit on ordinary activities before taxation		274	732
Tax on profit on ordinary activities	7	88	(274)
Profit on ordinary activities after taxation		362	458
Minority interests – equity		(7)	(2)
Profit for the financial year		355	456
Dividends (all equity)	8	(197)	(197)
Transfer to reserves	20	158	259
Basic earnings per share	9	8.57p	11.00p
Diluted earnings per share	9	8.38p	10.83p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 November 2005

	2005 £'000	2004 £'000
Profit for the financial year	355	456
In respect of associated undertaking prior to acquisition	–	23
Currency translation differences	(32)	11
Total recognised gains	323	490

CONSOLIDATED BALANCE SHEET

at 30 November 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	10	410	424
Tangible fixed assets	11	509	640
Investment in associated undertaking	13	103	97
		1,022	1,161
Current assets			
Stocks	14	2,624	2,607
Debtors	15	2,970	2,804
Cash at bank and in hand		734	480
		6,328	5,891
Creditors: amounts falling due within one year	16	(2,202)	(2,217)
Net current assets		4,126	3,674
Total assets less current liabilities		5,148	4,835
Creditors: amounts falling due after one year	17	(6)	(25)
Provision for liabilities and charges	18	(186)	(104)
		4,956	4,706
Capital and reserves			
Called up share capital	19	414	414
Share premium account	20	1,525	1,525
Capital redemption reserve	20	1	1
Profit and loss account	20	2,769	2,643
Equity shareholders' funds	21	4,709	4,583
Minority interests – equity		247	123
		4,956	4,706

The financial statements were approved by the Board on 9 March 2006 and signed on its behalf by:

R W Weinreich

Director

COMPANY BALANCE SHEET

at 30 November 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible fixed assets	11	3	4
Investment in subsidiary undertakings	12	2,508	2,203
		2,511	2,207
Current assets			
Debtors	15	637	1,100
Cash at bank and in hand		164	53
		801	1,153
Creditors: amounts falling due within one year	16	(510)	(594)
Net current assets		291	559
Total assets less current liabilities		2,802	2,766
Provision for liabilities and charges	18	(104)	(104)
		2,698	2,662
Capital and reserves			
Called up share capital	19	414	414
Share premium account	20	1,525	1,525
Capital redemption reserve	20	1	1
Profit and loss account	20	758	722
Equity shareholders' funds	21	2,698	2,662

The financial statements were approved by the Board on 9 March 2006 and signed on its behalf by:

R W Weinreich

Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 November 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	22	753	837
Returns on investment and servicing of finance			
Interest received		5	15
Interest paid		(21)	(25)
Finance lease interest		(3)	(6)
Net cash outflow from returns on investment and servicing of finance		(19)	(16)
Taxation paid			
UK Corporation tax		(254)	(63)
Overseas corporation tax		(10)	(157)
		(264)	(220)
Capital expenditure			
Payments to acquire tangible fixed assets		(116)	(253)
Receipts from sales of tangible fixed assets		58	554
		(58)	301
Acquisitions and disposals			
Acquisition of business	26	–	(76)
Net cash acquired with subsidiary undertaking		9	8
Investment in associated undertaking		(31)	(24)
Deferred consideration arising on sale of former subsidiary		24	24
		2	(68)
Equity dividends paid		(197)	(187)
Cash flow before financing		217	647
Financing			
Capital element of finance leases		(42)	(32)
Repayment of bank loan		–	(598)
		(42)	(630)
Increase in cash	24	175	17

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2005

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 net realisable 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.

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. Differences between forward exchange contract rates and the year end spot rate are taken to the profit and loss account. 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

Positive 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. Negative goodwill is the excess of the aggregate of the fair values of that entity's identifiable assets and liabilities over the cost of an acquired entity.

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.

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.

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

Year ended 30 November 2005

2. Segmental analysis

Turnover by geographical market	2005 £'000	2004 £'000
United Kingdom	3,679	4,073
Rest of Europe	10,085	11,290
Rest of the world	976	295
	14,740	15,658

Geographical origins

	Turnover		Total operating profits		Net assets	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Materials and equipment						
United Kingdom	4,099	4,409	254	485	2,550	2,459
Rest of Europe	9,794	10,978	221	230	1,852	1,932
Rest of the world	847	271	34	9	554	315
	14,740	15,658	509	724	4,956	4,706

3. Employees and staff costs

	2005 £'000	2004 £'000
Wages and salaries	1,747	1,692
Social security costs	244	262
Other pension costs	229	133
	2,220	2,087

Average monthly number of permanent employees, including executive directors:

	2005 Number	2004 Number
Administration and sales	34	34
Service and fabrication	27	25
	61	59
Part-time	11	11
	72	70

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

4. Operating profit

	Acquisitions	Other continuing operations	Total continuing operations	Total continuing operations
	2005	2005	2005	2004
	£'000	£'000	£'000	£'000
Turnover	292	14,448	14,740	15,658
Cost of sales	(231)	(10,240)	(10,471)	(11,023)
Gross profit	61	4,208	4,269	4,635
Distribution costs	–	(406)	(406)	(483)
Administrative expenses	(47)	(3,353)	(3,400)	(3,498)
Other operating income	–	46	46	66
Operating profit	14	495	509	720

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

	2005	2004
	£'000	£'000
Depreciation of tangible fixed assets	187	240
Gain on sale of tangible fixed assets	(7)	(45)
Amortisation of goodwill – subsidiary undertakings	30	21
Impairment of goodwill	–	47
Auditors' remuneration – audit services – UK	31	20
Auditors' remuneration – audit services – overseas	25	32
Auditors' remuneration – non audit fees – UK	15	14
Operating leases – land and buildings	206	208
Operating leases – plant and machinery	88	161
Exchange gain	(15)	(27)

The auditors remuneration for UK audit services includes £10,000 (2004: £10,000) relating to the company.

5. Cost of fundamental restructuring

	2005	2004
	£'000	£'000
Restructuring Dutch and German operations	131	–
Pension provision	84	–
	215	–

The restructuring costs arose from the cessation of trade by Screen Circuit BV and from the merger of Holders Technology GmbH, Screen Circuit GmbH and HT Cimatec GmbH to form one fiscal entity in Germany. The pension 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2005

6. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and overdrafts	21	25
Finance leases	3	6
	<u>24</u>	<u>31</u>

7. Taxation

	2005 £'000	2004 £'000
United Kingdom corporation tax		
Current tax on income for the year at 30% (2004: 30%)	39	253
Adjustments in respect of prior years	(157)	9
	<u>(118)</u>	<u>262</u>
Before double taxation relief	(118)	262
Double taxation relief	-	(64)
	<u>(118)</u>	<u>198</u>
Foreign tax		
Current tax on income for the year	22	107
	<u>(96)</u>	<u>305</u>
Deferred taxation	8	(31)
	<u>(88)</u>	<u>274</u>
Current taxation reconciliation		
Profit on ordinary activities before taxation	274	732
	<u>82</u>	<u>220</u>
Theoretical tax at UK corporation tax rate of 30%	82	220
Effects of:		
Accelerated capital allowances	(8)	38
Amounts not deductible for taxation purposes	11	(2)
Adjustments in respect of prior years	(157)	9
Taxation losses	(24)	19
Different overseas tax rates	-	21
	<u>(96)</u>	<u>305</u>
Current taxation	<u>(96)</u>	<u>305</u>

Holders Technology UK Limited has claimed tax credits in 2005 of £142,000 in respect of losses of fellow subsidiary, Screen Circuit BV in 2003 to 2005, following the precedent of the Marks and Spencer case. The closure of Screen Circuit BV will prevent the company obtaining relief for that company's losses in Holland. The company is confident that its claim is valid, but the applicability of the Marks and Spencer precedent has not been widely tested.

Holders Technology plc reclaimed tax of £27,000 on foreign dividends received in 2000 and 2003, relying on the Manninen and Lenz precedent.

8. Dividends

	2005 £'000	2004 £'000
Ordinary shares:		
Interim 2.0p per share (2004: 2.0p)	83	83
Proposed final 2.75p per share (2004: 2.75p)	114	114
	<hr/>	<hr/>
	197	197
	<hr/>	<hr/>

9. Earnings per share

	2005	2004
Basic earnings per share	8.57p	11.00p
Diluted earnings per share	8.38p	10.83p
	<hr/>	<hr/>

The basic earnings per share are based on the profit for the financial year of £355,000 (2004: £456,000) and on ordinary shares 4,144,551 (2004: 4,144,551), the weighted average number of shares in issue during the year. Diluted earnings per share are based on 4,234,551 ordinary shares (2004: 4,209,551), being the weighted average number of ordinary shares after an adjustment of 90,000 shares (2004: 65,000) in relation to share options.

10. Intangible assets

Group	Goodwill £'000
Cost	
At 1 December 2004	506
Currency translation	(2)
Arising on acquisitions during the year (note 26)	18
	<hr/>
At 30 November 2005	522
	<hr/>
Amortisation	
At 1 December 2004	82
Currency translation	(1)
Amortisation for the year	31
	<hr/>
At 30 November 2005	112
	<hr/>
Net book value	
At 30 November 2005	410
	<hr/>
At 30 November 2004	424
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2005

11. Tangible fixed assets

Group	Short leasehold land and buildings £'000	Motor vehicles, plant and machinery and office equipment £'000	Total £'000
Cost			
At 1 December 2004	94	1,725	1,819
Exchange adjustment	–	(37)	(37)
Additions	–	116	116
Disposals	–	(135)	(135)
At 30 November 2005	94	1,669	1,763
Depreciation			
At 1 December 2004	48	1,131	1,179
Exchange adjustment	–	(28)	(28)
Provided in year	8	179	187
Disposals	–	(84)	(84)
At 30 November 2004	56	1,198	1,254
Net book value			
At 30 November 2005	38	471	509
At 30 November 2004	46	594	640

The net book value of tangible fixed assets includes £18,000 (2004: £90,000) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £10,000 (2004: £32,000).

11. Tangible fixed assets *(continued)*

Company	Motor vehicles, plant and machinery and office equipment £'000	Total £'000
Cost		
At 1 December 2004	32	32
Additions	1	1
At 30 November 2005	<u>33</u>	<u>33</u>
Depreciation		
At 1 December 2004	28	28
Provided in year	2	2
At 30 November 2005	<u>30</u>	<u>30</u>
Net book value		
At 30 November 2005	<u>3</u>	<u>3</u>
At 30 November 2004	<u>4</u>	<u>4</u>

12. Investments in group undertakings

	Shares £'000	Loans £'000	Total £'000
Cost			
At 1 December 2004	1,959	244	2,203
Increase in loans to existing subsidiaries	–	483	483
Disposal to another group company	(178)	–	(178)
At 30 November 2005	<u>1,781</u>	<u>727</u>	<u>2,508</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2005

12. Investments in group undertakings (continued)

Name	Country of incorporation and operation	Nature of business	Interest in ordinary shares and voting rights
Holders Technology GmbH	Germany	Specialised materials and equipment	100%
Holders Technology BV	The Netherlands	Specialised materials and equipment	100%
Holders Technology AB	Sweden	Specialised materials and equipment	100%
Holders Technology UK Limited	England and Wales	Specialised materials and equipment	100%
Holders Marketing Co Limited	England and Wales	Dormant	100%
Screen Circuit BV*	The Netherlands	Specialised materials and equipment	100%
Topgrow Technologies Limited	Hong Kong	Specialised materials and equipment	60%
Waysky Technology Limited [#]	Hong Kong	Specialised materials	36%

* Screen Circuit BV is owned indirectly through Holders Technology BV.

[#] Waysky Technology Limited is owned indirectly through Topgrow Technologies Limited. The latter owns 60% of Waysky Technology Limited.

13. Investment in associated undertaking

Group	Interest in associate undertaking £'000
Share of net assets	
Cost	
At 1 December 2004	97
Share of losses	(25)
Increase in loan	31
	103
At 30 November 2005	103

The investment in associate undertaking at 30 November 2005 represents a 40% holding by Topgrow Technologies Limited in the Hong Kong company, Sino Pacific Limited. Sino Pacific Limited provides sub-contract drilling services to the PCB industry.

14. Stocks

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Raw materials and consumables	542	1,047	-	-
Goods for resale	2,082	1,560	-	-
	2,624	2,607	-	-

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

15. Debtors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	2,322	2,469	-	-
Amounts due from group undertakings	-	-	605	691
Dividends receivable from group undertakings	-	-	-	400
Corporation tax recoverable	225	53	27	-
Deferred tax asset	12	20	1	1
Other debtors	176	90	-	2
Prepayments and accrued income	235	172	4	6
	2,970	2,804	637	1,100

The deferred tax at 30 November 2005 for both the group and the company is derived from accelerated capital allowances. The movement on the deferred tax account was as follows:

	Deferred Tax	
	Group £'000	Company £'000
Opening asset at 1 December 2004	20	1
Charge to profit and loss account	(8)	-
Closing asset at 30 November 2005	12	1

16. Creditors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank overdraft	351	272	-	-
Finance lease obligations	16	39	-	-
Borrowings due within one year	367	311	-	-
Trade creditors	890	908	16	1
Amounts due to group undertakings	-	-	295	321
Corporation tax	133	321	3	45
Other taxation and social security	296	137	-	10
Other creditors	103	143	16	37
Accruals	299	283	66	66
Dividends payable	114	114	114	114
	2,202	2,217	510	594

The bank overdraft facilities 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2005

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

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Finance lease obligations	6	25	-	-
Repayable between one and two years	6	25	-	-

18. Provision for liabilities and charges

	Pension liability £'000	Deferred consideration £'000	Total £'000
Group			
At 1 December 2004	-	104	104
Charge to profit and loss account	84	-	84
Currency translation adjustment	(2)	-	(2)
At 30 November 2005	82	104	186
Company			Deferred consideration £'000
At 1 December 2004			104
Movement in year			-
At 30 November 2005			104

Deferred consideration is payable in respect of the acquisition of shares in Topgrow Technologies Limited at 30% of profits above £24,000 in each of the eight years following the acquisition in 2004, subject to an overall maximum of £104,000. It is expected that the maximum sum will be paid within the eight year period.

The pension 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 a fixed pension to that employee from the year 2008. No other Holders Technology employees have any pension rights from their previous employment at Cimatec.

19. Share Capital

	2005 £'000	2004 £'000
Authorised 6,000,000 ordinary shares of 10p each (2004: 6,000,000)	<u>600</u>	<u>600</u>
Allotted and fully paid 4,144,551 ordinary shares of 10p each (2004: 4,144,551)	<u>414</u>	<u>414</u>

Share option scheme

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

Subscription price	Dates when exercisable	Number of shares	
		2005	2004
54.0p	1 August 2006 to 31 July 2009	40,000	40,000
84.5p	26 April 2007 to 25 April 2010	25,000	25,000
93.5p	11 August 2008 to 10 August 2011	25,000	–

Options over 25,000 shares were granted during the year.

20. Reserves

Group	Share premium account £'000	Capital redemption £'000	Profit and loss account £'000
At 1 December 2004	1,525	1	2,643
Currency translation differences	–	–	(32)
Profit for the financial year	–	–	158
At 30 November 2005	<u>1,525</u>	<u>1</u>	<u>2,769</u>

Cumulative positive goodwill written off against reserves is £239,000 (2004: £239,000).

Company	Share premium account £'000	Capital redemption £'000	Profit and loss account £'000
At 1 December 2004	1,525	1	722
Profit for the financial year	–	–	36
At 30 November 2005	<u>1,525</u>	<u>1</u>	<u>758</u>

The company's profit for the financial year, before dividends, was £233,000 (2004: £81,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2005

21. Reconciliation of movement in shareholders' funds

Group	2005	2004
	£'000	£'000
Total recognised gains	323	490
Dividends	(197)	(197)
	<hr/>	<hr/>
Increase in shareholders' funds	126	293
Opening shareholders' funds	4,583	4,290
	<hr/>	<hr/>
Closing equity shareholders' funds	4,709	4,583
	<hr/>	<hr/>
Company	2005	2004
	£'000	£'000
Profit for the financial year	233	81
Dividends	(197)	(197)
	<hr/>	<hr/>
Increase/(decrease) in shareholders' funds	36	(116)
Opening shareholders' funds	2,662	2,778
	<hr/>	<hr/>
Closing equity shareholders' funds	2,698	2,662
	<hr/>	<hr/>

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

	2005	2004
	£'000	£'000
Operating profit	509	720
Depreciation	187	240
Goodwill amortisation	30	21
Cost of fundamental restructuring	(215)	–
Impairment of goodwill	–	47
Currency translation	(4)	10
Gain on sale of tangible fixed assets	(7)	(45)
Increase in stocks	(17)	(350)
Increase in debtors	215	377
Increase/(decrease) in creditors	55	(183)
	<hr/>	<hr/>
Net cash inflow from operating activities	753	837
	<hr/>	<hr/>

23. Analysis of net funds

	At 1 December 2004 £'000	Cash flow £'000	On acquisition £'000	At 30 November 2005 £'000
Cash at bank and in hand	480	245	9	734
Bank overdraft	(272)	(79)	–	(351)
	<hr/>	<hr/>	<hr/>	<hr/>
Finance leases	208 (64)	166 42	9 –	383 (22)
Net funds	<hr/> 144	<hr/> 208	<hr/> 9	<hr/> 361

24. Reconciliation of net cash flow to movement in net funds

	2005 £'000	2004 £'000
Increase/(decrease) in cash	175	17
Cash flow from change in debt and lease finance	42	630
	<hr/>	<hr/>
Change in net funds from cash flows	217	647
Net funds/(debt) at 1 December	144	(503)
Net funds at 30 November	<hr/> 361	<hr/> 144

25. Financial commitments

Capital commitments

There were no capital expenditure commitments at 30 November 2005 (2004: £56,000).

Operating lease commitments

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

	2005 £'000	2004 £'000
Land and buildings		
– Leases expiring within one year	127	20
– Leases expiring within one to five years	201	188
Motor vehicles, plant and machinery		
– Leases expiring within one year	38	96
– Leases expiring within one to five years	31	65
	<hr/>	<hr/>

Other financial commitments

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 £339,000 (2004: £317,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2005

26. Acquisition

On 1 December 2004, Topgrow Technologies Limited acquired a 60% interest in Waysky Technology Limited. 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
Debtors	135	-	135
Cash	9	-	9
Creditors	(110)	-	(110)
Net assets acquired	<u>34</u>	<u>-</u>	<u>34</u>
Net assets acquired			34
Minority interest			(52)
Goodwill capitalised			18
Consideration			<u>-</u>

The acquired businesses generated turnover of £233,000 and a loss before tax of £1,000 in the eleven months to 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	
	2005 £'000	2004 £'000
Sterling	256	86
Euro	377	244
Swedish krona	36	85
US dollar	27	20
Hong Kong dollar	38	45
	<u>734</u>	<u>480</u>

27. Derivatives and financial instruments (continued)

Financial liabilities

Such financial liabilities include £22,000 (2004: £64,000) 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	
	2005 £'000	2004 £'000
Euro	373	266
Sterling	-	6
	<u>373</u>	<u>272</u>

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 2005 amounted to £1,044,000 (2004: 1,190,000).

Foreign currency exchange contracts

At 30 November 2005 the company had no commitment under non-cancellable forward foreign exchange contracts (2004: £211,000).

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 2005

Functional currency of group operation	Net foreign currency monetary assets/(liabilities) in £'000			
	Euro	Dollar	Sterling	Total
Sterling	230	19	-	249
Euro	-	-	-	-
Swedish krona	66	8	-	74
	<u>296</u>	<u>27</u>	<u>-</u>	<u>323</u>

Exposure at 30 November 2004

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the company will be held at Devonshire House, Manor Way, Borehamwood, Hertfordshire WD6 1QQ on 28 April 2006 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 2005.
2. To declare a final dividend in respect of the year ended 30 November 2005.
3. To re-elect D A Mahony 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 £147,151.70 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 2007, 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 28 April 2006 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 2007, 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.

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 2007, 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 2006

Registered Office:
Devonshire House
Manor Way
Borehamwood
Hertfordshire
WD6 1QQ

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.
 - (d) Copies of contracts of service between the directors and the company.

5 YEAR SUMMARY

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Group turnover	14,740	15,658	14,201	9,005	11,780
Cost of sales	(10,471)	(11,023)	(10,211)	(6,769)	(8,914)
Gross profit	4,269	4,635	3,990	2,236	2,866
Distribution costs	(406)	(483)	(358)	(132)	(165)
Administrative expenses	(3,400)	(3,498)	(3,424)	(2,251)	(2,367)
Other operating income	46	66	176	28	32
Group operating profit/(loss)	509	720	384	(119)	366
Cost of fundamental restructuring	(215)	-	-	-	-
Share of associates operating (loss)/profit	(25)	4	(22)	-	-
Deferred consideration on sale of former subsidiary	24	24	26	-	-
Net interest	(19)	(16)	(60)	(14)	(48)
Profit/(loss) before taxation	274	732	328	(133)	318
Taxation	88	(274)	(218)	15	(95)
Profit/(loss) after tax	362	458	110	(118)	223
Minority interest - equity	(7)	(2)	-	24	28
Profit/(loss) for the financial year	355	456	110	(94)	251
Dividends (all equity)	(197)	(197)	(190)	(182)	(182)
Transfer to/(from) reserves	158	259	(80)	(276)	69
Earnings per share - basic	8.57p	11.00p	2.67p	(2.33p)	6.22p
Earnings per share - diluted	8.38p	10.83p	2.63p	(2.33p)	6.22p
Dividends per share	4.75p	4.75p	4.50p	4.50p	4.50p
Equity shareholders' funds	4,709	4,583	4,290	4,120	4,320

FORM OF PROXY

Form of proxy

I/We,

of
being a member/members of Holders Technology plc, hereby appoint the Chairman of the Meeting

(see note 1 below) or
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 28th day of April 2006 and at any adjournment thereof, in the following manner:

RESOLUTION	For	Against
1. To receive and adopt the accounts of the company, together with the directors' and auditors' reports thereon, for the year ended 30 November 2005.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend in respect of the year ended 30 November 2005.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect D A Mahony as a director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint RSM Robson Rhodes LLP as auditors and to authorise the directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. Ordinary resolution – authorise the directors to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>
6. Special resolution – to empower the directors to disapply the statutory pre-emption rights with regard to certain allotments of shares.	<input type="checkbox"/>	<input type="checkbox"/>
7. Special resolution to authorise the company to buy ordinary shares of the company on the open market and to cancel them.	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)

Date2006

Please indicate how the proxy is to vote by inserting 'X' in the appropriate box opposite each resolution. Unless otherwise instructed the proxy will vote or abstain from voting as he or she thinks fit.

Notes:

1. You may appoint a proxy of your own choice by entering his/her name in the space provided and deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company.
2. In the case of a corporation, this form of proxy must be executed under its common seal or under the hand of an officer attorney or other person duly authorised in that behalf.
3. To be valid, this form of proxy must be signed and returned with any power of attorney or other authority under which it is signed so as to reach the address overleaf at least 48 hours before the time appointed for holding the meeting.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of votes of other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. Any alteration to this form of proxy should be initialled.
6. The return of this form will not preclude a member from attending in person and voting at the meeting.



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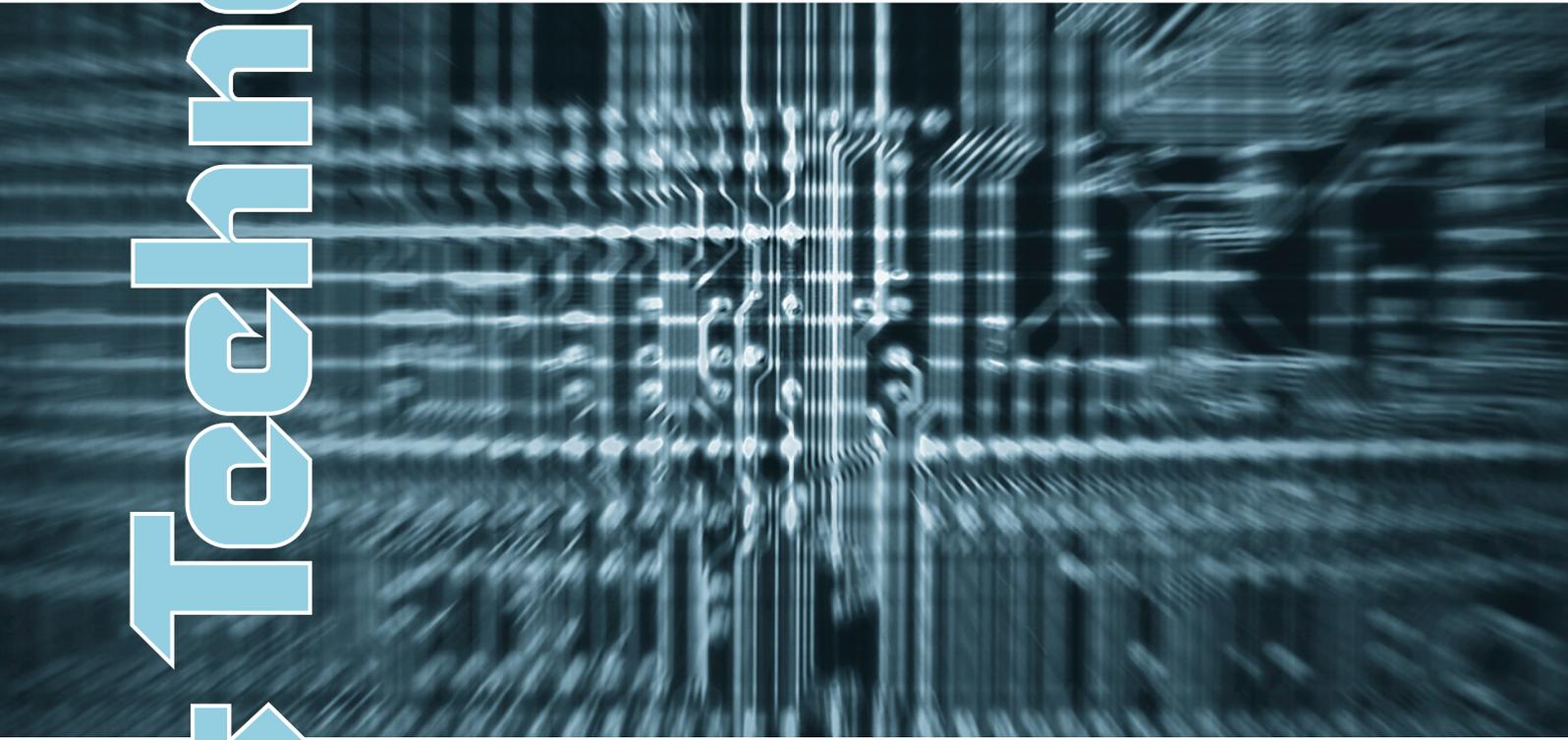
Capita Registrars (PROXIES)
PO BOX 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD

Holdere Technology

Holdere Technology



Holdere Technology plc, Devonshire House, Manor Way, Borehamwood,
Hertfordshire WD6 1QQ