Holders Technology

Annual Report & Accounts **06**

Holders Technology

Holders Technology products are used in a wide range of applications. Holders supplies special laminates and materials to make printed circuit boards for a variety of industries, including the telecommunications, medical, defence and automotive sectors.

TELECOM

PCBs are used in mobile phones, transmitters and antennae and many other applications in the telecommunications industry. Holders Technology supplies special PTFE laminates that have particular advantages in microwave applications.

MEDICAL

Hearing aids, pacemakers, sonographs, defibrillators and electrocardiographs are just some examples of the demanding equipment requiring PCBs fabricated with the specialised materials that Holders Technology can provide.

DEFENCE

The defence industry has many applications requiring PCBs in, for example, military computers, radar and instrumentation. Holders Technology provides specialised laminates, prepregs and soldermask that are used to make these PCBs.

AUTOMOTIVE

The average Formula 1 car has over 300 PCBs. Not all cars have the same demanding requirements for lightness and ruggedness needed in Formula 1, but Holders Technology supplies materials used in the manufacture of the PCBs for all types of vehicles.

YEAR IN BRIEF

Following the restructuring of European operations in 2005, the group was able to take advantage of an upturn in business for the PCB industry in 2006.

- Turnover grew 28% to £18.8m
- Operating profit grew 89% to £0.9m
- Net operating cash inflow of £0.6m
- Chinese subsidiary began trading
- Proposed 9% increase in final dividend to 3.0p

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CHAIRMAN'S STATEMENT

"Well placed to seek more stable and sustained growth."

In the year to 30 November 2006, turnover increased to £18.8m (2005: £14.7m). The group achieved a pre-tax profit of £0.9m (2005: £0.3m). The earnings per share were 13.50p (2005: 8.47p). Your directors are recommending a final dividend of 3.0p (2005: 2.75p) per share, which will be payable on 22 May 2007 to shareholders on the register at close of business on 27 April 2007. The shares will go ex dividend on 25 April 2007. A more detailed analysis of the year is contained within the Business Review.

The year to 30 November 2006 was one of considerable progress for the group. The recovery in profitability which I reported at the time of our interim results continued through the second half of the year with total group turnover increasing by 28% and operating profit growing by 89% as compared to the preceding year. All of our European subsidiaries achieved improved sales and profitability during the year and despite a number of problems with supplies in the period, our Chinese activities made further progress. Our balance sheet as at 30 November 2006 remained robust.

These results reflect the benefits of the restructuring of the management of our European activities which we undertook in order to align our operations more closely to market requirements and the increasing impact of progressively improving IT systems across the group.

We have now been able to devolve greater operating authority to the management teams of our subsidiaries and we have introduced a system of incentives to reward them for the delivery of consistent growth in turnover and profitability whilst conserving working capital.

Strategy continues to be set and performance monitored centrally but the greater operating autonomy that our subsidiaries now have has freed group management to concentrate on extending the product range and increasing our geographical coverage.

We are already starting to see the benefits of this approach. Following the establishment of our Chinese WOFE we have made an encouraging start to identifying Chinese made products which may have significant potential for export. The combination of supplies into and from China will, we believe, lead to our Chinese operations making a positive contribution in the current year.

India is rapidly emerging as a country with a growing electronics industry and we have concluded a joint venture agreement with a small, well established company located in Mysore to serve the Indian market. As with our Chinese operations, this will require time fully to realise its potential.

With the developments in China and the planned venture in India we believe that we have laid the foundations for a strong international presence. The wider geographical presence we are working towards and greater time resources now available at group level has led to a significant rise in opportunities to extend our product range both as regards basic volume and specialist niche products.

It remains the case that the markets which we serve are cyclical in nature but the range extensions which we anticipate, coupled with the greater geographical coverage we have achieved, are significant developments for the group.

We believe we are now well placed to seek more stable and sustained growth for the group.

R W Weinreich
Chairman and Chief Executive

6 March 2007

BUSINESS 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 is expanding as it increases the range of products it is able offer and the customer base expands.

India is also emerging as a base for PCB production and since the year end, Holders has established a joint venture to address this opportunity.

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 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

Over the last few years, much of the high volume production of PCBs for electronic consumer goods has moved from the USA and Europe to the Far East. The European PCB industry contracted in the four years to 2005 and is now mainly focused on the defence, automotive and medical sectors. 2006 saw a modest recovery in Europe, but margins have been squeezed by increases in raw materials prices and continued competition from Far Eastern producers.

Holders Technology
UK Operations

UK trading operations are based in Galashiels, Scotland. There was a modest recovery in the UK's trading results in 2006, with a healthy demand for specialist laminates, which are used in the defence sector.

The company implemented a major upgrade to its IT systems during the year, which will enhance its position as a responsive and efficient supplier in the UK.

Dutch operations

The restructuring of the Dutch operations was completed in early 2006. This saw the closure of the Screen Circuit facility at Nijverdal and the relocation of Holders Technology BV from Alblasserdam to larger premises at Dussen, near Rotterdam. The company specialises in the supply of FR4 and flexible laminates. The restructuring and move to Dussen has energized the Dutch operations and turnover grew 50% to £5.8m.

German operations

Holders Technology GmbH is located at Kirchheimbolanden, near Frankfurt. The company is the leading supplier of backing and entry materials to the PCB industry in Germany.

There was some improvement in the German economy and turnover increased by 14% to £7.0m. The increase in the price of raw materials caused some compression of margins, as it was not possible to pass on the impact of cost increases in certain contracts which are only renegotiated annually.

Swedish operations
The group's Swedish subsidiary is located in Stockholm and supplies a full range of materials to the small PCB industry in Sweden and Finland. Turnover grew 21% to £1.3m and the company continued to achieve good cash generation.

Far East operations
2006 was a year for establishing the structure and facilities which the group needs to address the market in China. In April, the group increased its stake in Topgrow Technologies Limited (Topgrow), the Hong Kong based holding company, from 60% to 70%. Topgrow reduced its shareholding in its chemicals subsidiary, Waysky Technology Limited, from 60% to 51%.

In May, Topgrow established a Wholly Owned Foreign Enterprise in southern China, called Dongguan Hui Zhan Electronic Limited (DHZE). DHZE provides backing materials and drill accessories to the PCB industry in Southern China. Start up costs caused DHZE to record a loss of £107,000 in its first period of operation.

In October, the loss-making associated company, Sino Pacific Limited was closed, with its assets being taken over by the majority shareholder. This enabled Topgrow to release £35,000 from its impairment provision relating to this associate.

The trading performance from Far East operations was similar to last year, with turnover of £0.8m, but with the infrastructure now in place, we expect significant expansion over the next few years.

Financial Review

Turnover, operating profit and profit before tax
Group turnover in continuing operations increased by 27.7% from £14.7m to £18.8m. The growth was particularly evident in continental Europe, where sales of FR4 laminate were very strong.

Operating profit increased from £0.5m in 2005 to £0.9m in 2006. The increase was derived from the higher level of business, however gross margin declined by 2.8 percentage points to 26.2%, due to the greater proportion of low margin commodity products within the sales mix coupled with pressure from an increase in raw material costs. Administration expenses increased by £0.2m from £3.4m to £3.6m. The key ratio of admin expenses to turnover reduced from 23.1% to 19.1%, reflecting the benefit of the restructuring of the Dutch and German operations last year, as well as the growth in turnover.

A final settlement of £39,000 of deferred consideration arising from the sale of Justfone Limited in 2003 was received.

Profit before tax increased from £0.3m in 2005 to £0.9m in 2006, reflecting the improved level of business and the containment of administrative expenses in relation to that level of business.

Taxation
Last year, Holders benefited from two European Court judgements which enabled Holders to claim tax credits of £169,000. Neither of these claims has been settled with HMRC. Whilst Holders is confident in the validity of these claims, a recent decision of the European Court of Justice in the Franked Investment Income Group Litigation case has created uncertainty regarding the reclaim of tax on foreign dividends. In view of this uncertainty, Holders has decided to make a provision of £57,000 in respect of possible UK tax on foreign dividends in this and prior years.

No tax relief is available in respect of the initial losses of £107,000 from the start up of our company in mainland China. This, coupled with the provision for possible UK tax on foreign dividends referred to above, has given rise to a higher than usual group tax rate of 42%.

Post tax profits

The profit for the financial year after tax and after minority interests was £0.6m compared with £0.4m in 2005. As a result basic earnings per share increased from 8.47p per share in 2005 to 13.50p per share. Diluted earnings per share were 12.88p (2005: 8.29p).

Dividends

The Board proposes a final dividend of 3.00p per share to be paid on 22 May 2007 to shareholders on the register on 27 April 2007. Including the 2.00p interim dividend already paid on 19 September 2006 and subject to the approval of shareholders at the AGM, the total dividend for 2006 will be 5.00p (2005: 4.75p), which would be covered 2.6 times by earnings.

Cash flow, liquidity and financing

Careful management of working capital enabled the group to generate £0.6m of operating cash flow (2005: £0.8m). The increase in turnover required an increase in stocks and debtors of £0.4m, which was mitigated by a £0.1m increase in creditors.

Total borrowings, comprising overdrafts and finance leases, as at 30 November 2006, amounted to £0.4m (2005: £0.4m). Borrowings to finance European requirements were denominated in euros.

At 30 November 2006 the group had net liquid funds (debtors and cash minus short term creditors) of £1.3m compared to £1.6m in the preceding year.

Net assets per ordinary share at 30 November 2006 were £1.27, compared with £1.20 in 2005.

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 7.4% (2005: 9.3%).

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.

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

Currency risk and exposure

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

The overseas sales operations are in the European Community and in China. 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 Shawyer
Group Finance Director

6 March 2007

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.holderstechnology.com
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	Neville Registrars Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Nominated Advisor and Broker	Corporate Synergy plc 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 the Business Review.

Results and dividends

The group made a profit after taxation for the financial year attributable to shareholders of £560,000 (2005: £351,000).

Full details are contained in the consolidated profit and loss account on page 16. The directors have recommended a final dividend of 3.00p (2005: 2.75p) per share payable on 22 May 2007 to shareholders on the register at close of business on 27 April 2007. The total dividend for the year, including the interim dividend of 2.0p (2005: 2.0p) per share paid on 19 September 2006, amounts to £208,000 (2004: £197,000), which is equivalent to 5.00p (2005: 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 2006 was 36 days (2005: 24 days).

Key performance indicators

The directors believe that the following key performance indicators are of most significance to assessment of the group's performance and financial position:

- Turnover
  In a relatively mature industry, the level of turnover gives an important view of the strength of the group's product range and coverage. In 2006, the group's turnover grew 28% to £18.8m.
- Profitability
  Profitability is a function of the gross margins achieved and management's success (or otherwise) in containing administrative expenses in relation to turnover. These aspects are described in more detail in the Business Review on page 3.
- Gearing and liquidity
  The group operates in a cyclical industry and the directors have consistently applied a conservative approach to financing the group's activities. The key measures here are *net liquid funds* and *gearing*, which are described in more detail in the Business Review on page 3.

Principal risks and uncertainties

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

- Competition
  Supply to the PCB industry is highly competitive and the group faces competition from a wide range of companies.
- Customers
  The group closely monitors any customers with liquidity problems. Within the major European markets, the group insures its debtors, where possible, and maintains appropriate credit limits where insurance is not available.
- Suppliers
  The group has a number of key suppliers. As in any distributor business, there is a dependency on maintaining supply.

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 Directors' Remuneration Report.

Rudi Weinreich, aged 60, 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 53, 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 63, is the senior non-executive director, appointed in 1988. He is chairman of Opsec Security Group plc and Samedaybooks.co.uk plc.

Substantial shareholdings

At 6 March 2007 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%

Annual General Meeting

The Annual General Meeting of the company will be held at Devonshire House, Manor Way, Borehamwood, Hertfordshire WD6 1QQ at 11.00 a.m. A separate circular containing the Notice of Meeting is being sent to shareholders with this Annual Report.

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

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 reasonable 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.

At the date of making this report each of the company's directors, as set out on page 6, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

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

6 March 2007

DIRECTORS' REMUNERATION REPORT

The directors present the directors' remuneration report for the financial year ended 30 November 2006.

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 6 March 2007 and signed on its behalf by:

R W Weinreich
Chairman

Audited Information

Directors' remuneration

Directors' remuneration for the year was as follows:

	Basic salary fees, bonuses and expenses	Benefits in kind	Total emoluments	
			2006	2005
	£'000	£'000	£'000	£'000
R W Weinreich (Chairman)	147	1	148	136
J S Shawyer	61	–	61	60
D A Mahony	20	–	20	18
	228	1	229	214

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	
	2006	2005
	£'000	£'000
R W Weinreich (Chairman)	–	1
J S Shawyer	15	15
	15	16

Directors' shareholdings

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

	Ordinary shares	
	2006	2005
R W Weinreich	2,051,202	2,051,202
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 2005 and 6 March 2007.

Directors' interests in share options

	At start of year	No. of options granted during year	At end of year	Exercise price	Date from which exercisable	Expiry date
J S Shawyer	25,000	–	25,000	54.0p	01/08/06	31/07/09
J S Shawyer	25,000	–	25,000	80.5p	26/04/07	25/04/10
J S Shawyer	25,000	–	25,000	93.5p	11/08/08	10/08/11
J S Shawyer	–	25,000	25,000	87.2p	15/03/09	14/03/12

The share price at 30 November 2006 was 120.0p (2005: 87.5p) whilst during the year the high and low prices were 123.0p and 74.0p.

No option may be exercised unless there is (as shown by the audited accounts) an increase in the fully diluted earnings per share for the financial year immediately prior to the date of exercise compared with the highest earnings per share figure for the three preceding years unless the board in its absolute discretion decides otherwise.

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 2006 sought to address the principles underlying the Code deemed relevant to the group.

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.

The following table shows the number of scheduled board and board committee meetings held during the year ended 30 November 2006 and details of each directors' attendance.

	Board	Audit	Remuneration
Number held	11	2	1
R Weinreich	9	–	–
J Shawyer	11	2	–
D Mahony	11	2	1

– indicates not a member of that committee in 2005/6

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.

Each of the company's Executive Directors is subject to an annual appraisal of their performance as executives which is conducted by the Non-executive Director.

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.

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 and the period to the date of approval of the annual report and accounts.

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 of Holders Technology plc for the year ended 30 November 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related Accounting Policies and Notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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 auditors' 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, the Directors' Remuneration 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 the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Business Review, the Corporate Governance Statement 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 International Standards on Auditing (UK and Ireland) 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 the part of the Directors' Remuneration Report to be audited. 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 group's and 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 the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, of the state of affairs of the group and the company as at 30 November 2006 and of the group's profit for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Cambridge
England
6 March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 November 2006

	Notes	2006 £'000	Restated 2005 £'000
Group turnover – continuing operations	2	**18,822**	14,740
Cost of sales		**(13,891)**	(10,471)
Gross profit		**4,931**	4,269
Distribution costs		**(446)**	(406)
Administrative expenses		**(3,592)**	(3,404)
Other operating income		**38**	46
Group operating profit		**931**	505
Share of associate's operating (loss)/profit		**(25)**	(25)
Total operating profit	4	**906**	480
Cost of fundamental restructuring	5	**–**	(215)
Deferred consideration arising on sale of former subsidiary		**39**	24
Profit on ordinary activities before interest and tax		**945**	289
Interest receivable		**9**	5
Interest payable and similar charges	6	**(26)**	(24)
Profit on ordinary activities before taxation		**928**	270
Tax on profit on ordinary activities	7	**(390)**	88
Profit on ordinary activities after taxation		**538**	358
Minority interests – equity		**22**	(7)
Profit for the financial year	20	**560**	351
Basic earnings per share	9	**13.50p**	8.47p
Diluted earnings per share	9	**12.88p**	8.29p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 November 2006

	2006 £'000	2005 £'000
Profit for the financial year	**560**	351
Currency translation differences	**(84)**	(32)
Total recognised gains	**476**	319

CONSOLIDATED BALANCE SHEET

at 30 November 2006

	Notes	2006 £'000	Restated 2005 £'000
Fixed assets			
Intangible assets	10	**382**	410
Tangible fixed assets	11	**506**	509
Investment in associated undertaking	13	**119**	103
		1,007	1,022
Current assets			
Stocks	14	**3,153**	2,624
Debtors	15	**2,844**	2,970
Cash at bank and in hand		**822**	734
		6,819	6,328
Creditors: amounts falling due within one year	16	**(2,344)**	(2,088)
Net current assets		**4,475**	4,240
Total assets less current liabilities		**5,482**	5,262
Creditors: amounts falling due after one year	17	**(4)**	(6)
Provision for liabilities and charges	18	**(198)**	(186)
		5,280	5,070
Capital and reserves			
Called up share capital	19	**416**	414
Share premium account	20	**1,531**	1,525
Capital redemption reserve	20	**1**	1
Profit and loss account	20	**3,170**	2,883
Equity shareholders' funds	21	**5,118**	4,823
Minority interests – equity		**162**	247
		5,280	5,070

The financial statements were approved by the Board on 6 March 2007 and signed on its behalf by:

R W Weinreich
Director

COMPANY BALANCE SHEET

at 30 November 2006

	Notes	2006 £'000	Restated 2005 £'000
Fixed assets			
Tangible fixed assets	11	**2**	3
Investment in subsidiary undertakings	12	**2,562**	2,508
		2,564	2,511
Current assets			
Debtors	15	**830**	637
Cash at bank and in hand		**48**	164
		878	801
Creditors: amounts falling due within one year	16	**(445)**	(396)
Net current assets		**433**	405
Total assets less current liabilities		**2,997**	2,916
Provision for liabilities and charges	18	**(104)**	(104)
		2,893	2,812
Capital and reserves			
Called up share capital	19	**416**	414
Share premium account	20	**1,531**	1,525
Capital redemption reserve	20	**1**	1
Profit and loss account	20	**945**	872
Equity shareholders' funds	21	**2,893**	2,812

The financial statements were approved by the Board on 6 March 2007 and signed on its behalf by:

R W Weinreich
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 November 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow from operating activities	22	**583**	753
Returns on investment and servicing of finance			
Interest received		**9**	5
Interest paid		**(25)**	(21)
Finance lease interest		**(1)**	(3)
Net cash outflow from returns on investment and servicing of finance		**(17)**	(19)
Taxation paid			
UK corporation tax		**48**	(254)
Overseas corporation tax		**(144)**	(10)
		(96)	(264)
Capital expenditure			
Payments to acquire tangible fixed assets		**(244)**	(116)
Receipts from sales of tangible fixed assets		**29**	58
		(215)	(58)
Acquisitions and disposals			
Net cash acquired with subsidiary undertaking		**–**	9
Increase in investment in existing subsidiary		**(54)**	–
Investment in associated undertaking		**–**	(31)
Deferred consideration arising on sale of former subsidiary		**39**	24
		(15)	2
Equity dividends paid		**(197)**	(197)
Cash flow before financing		**43**	217
Financing			
Issue of shares		**8**	–
Capital element of finance leases		**(16)**	(42)
		(8)	(42)
Increase in cash	24	**35**	175

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 November 2006

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.

Adoption of new accounting policies

The company has adopted FRS 20 "Share Based Payments", FRS 21 "Events after the Balance Sheet Date" and FRS 25 "Financial Instruments: Disclosure and Presentation" for the first time in these financial statements. The adoption of these standards represents a change in accounting policy and the comparatives have been restated accordingly. Details of the effects of the prior year adjustments on the adoption of FRS 20 and FRS 21 are given in note 20. FRS 20 has been adopted early.

The adoption of FRS 20 has resulted in an increase in employment costs of £8,000 (2005: £4,000). A credit to reserves offsets this amount.

The effect of the adoption of FRS 21 was to recognise the final proposed dividend for the year ended 30 November 2005 of £113,975 in the current year. The final proposed dividend for the current year will be recognised in the following year as it has yet to be approved.

The adoption of the presentational requirements of FRS 25 "Financial Instruments: Disclosure and Presentation" has had no impact in these 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 are credited to the profit and loss account in the year in which they are received.

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 either cost or written down value
Plant and machinery	20% – 33% on either cost or 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, except in Germany, where an average cost basis is used. 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.

1. Accounting policies *(continued)*

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.

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.

Share based payments

The fair value of employee share plans is calculated using a Black Scholes model. In accordance with FRS 20 "Share Based Payments" the resulting cost is charged to the profit and loss account over the vesting period of the plans. The value of the charge is adjusted to reflect the expected and the actual levels of options vesting. FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 December 2005.

2. Segmental analysis

Turnover by geographical market	2006 £'000	2005 £'000
United Kingdom	3,798	3,679
Rest of Europe	13,689	10,085
Rest of the world	1,335	976
	18,822	14,740

Geographical origins

	Turnover		Total operating profits		Net assets	
				Restated		Restated
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Materials and equipment						
United Kingdom	4,515	4,099	222	250	2,726	2,664
Rest of Europe	13,455	9,794	778	221	2,151	1,852
Rest of the world	852	847	(94)	9	403	554
	18,822	14,740	906	480	5,280	5,070

3. Employees and staff costs

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Wages and salaries	1,836	1,747	264	230
Social security costs	330	244	24	29
Other pension costs	82	229	38	17
Share based payments	8	4	8	4
	2,256	2,224	334	280

Average monthly number of permanent employees, including executive directors:

	2006	2005
Group	Number	Number
Administration and sales	43	34
Service and fabrication	65	27
	108	61
Part-time	8	11
	116	72

Detailed information concerning directors' emoluments, shareholdings and share options is shown in the Directors' Remuneration Report on page 11.

4. Operating profit

Operating profit is arrived at after charging/(crediting):	2006 £'000	2005 £'000
Depreciation of tangible fixed assets	208	187
Loss/(gain) on sale of tangible fixed assets	1	(7)
Amortisation of goodwill – subsidiary undertakings	31	30
Fees payable to the company's auditor for the audit of the financial statements	10	10
Fees payable to the company's auditor and its associates for other services:		
– Audit of the financial statements of the company's subsidiaries (associates) pursuant to legislation	65	46
– Other services relating to taxation	15	15
Operating leases – land and buildings	226	206
Operating leases – plant and machinery	28	88
Exchange gain	(12)	(15)

5. Cost of fundamental restructuring

	2006 £'000	2005 £'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.

6. Interest payable and similar charges

	2006 £'000	2005 £'000
Bank loans and overdrafts	22	21
Finance leases	1	3
Other	3	–
	26	24

7. Taxation

	2006 £'000	Restated 2005 £'000
United Kingdom corporation tax		
Current tax on income for the year at 30% (2005: 30%)	180	39
Adjustments in respect of prior years	46	(157)
Before double taxation relief	226	(118)
Double taxation relief	(22)	–
After double taxation relief	204	(118)
Foreign tax		
Current tax on income for the year	209	22
	413	(96)
Deferred taxation	(23)	8
Group taxation (credit)/charge	390	(88)
Current taxation reconciliation		
Profit on ordinary activities before taxation	928	274
Theoretical tax at UK corporation tax rate of 30%	278	82
Effects of:		
Accelerated capital allowances	(12)	(8)
Amounts not deductible for taxation purposes	102	11
Adjustments in respect of prior years	46	(157)
Taxation losses	13	(24)
Different overseas tax rates	(14)	–
Current taxation	413	(96)

In the previous year Holders Technology plc treated foreign dividends received in 2000, 2003 and 2005 as not subject to UK corporation tax, relying on the Manninen and Lenz precedent, and reflected the corresponding reduction in the tax charge for 2005. However, following the decision of the ECJ in the Franked Investment Income Group Litigation case, this treatment is now in doubt and accordingly the tax provision is based on the assumption that these dividends will be taxed in the UK (net of underlying tax). The impact of this change in treatment is to increase the tax charge by £57,000.

8. Dividends

	2006 £'000	2005 £'000
Ordinary shares:		
Interim 2.0p per share (2005: 2.0p)	**83**	83
Final 2.75p per share (2004: 2.75p)	**114**	114
	197	197

The group has changed its accounting treatment of proposed dividends. FRS 21 "Events after the Balance Sheet Date" no longer permits proposed dividends to be included as an expense in the profit and loss account, with the corresponding liability in the balance sheet. Dividend distributions are not recognised in the profit and loss account, they are disclosed as a component of the movement in shareholders' funds. A liability is recorded for a final dividend when the dividend is approved by the Company's shareholders, and for an interim dividend when the dividend is paid. The net impact of this change is Nil as for the preceeding three years the value of dividend paid has been the same.

9. Earnings per share

	2006	2005
Basic earnings per share	**13.50p**	8.47p
Diluted earnings per share	**12.88p**	8.29p

The basic earnings per share are based on the profit for the financial year of £560,000 (2005: £351,000) and on ordinary shares 4,149,236 (2005: 4,144,551), the weighted average number of shares in issue during the year. Diluted earnings per share are based on 4,349,236 ordinary shares (2005: 4,234,551), being the weighted average number of ordinary shares after an adjustment of 200,000 shares (2005: 90,000) in relation to share options.

10. Intangible assets

Group	**Goodwill £'000**
Cost	
At 1 December 2005	522
Currency translation	(3)
Arising on investment in existing subsidiary (note 12)	5
At 30 November 2006	**524**
Amortisation	
At 1 December 2005	112
Currency translation	(1)
Amortisation for the year	31
At 30 November 2006	**142**
Net book value	
At 30 November 2006	**382**
At 30 November 2005	410

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 2005	94	1,669	1,763
Exchange adjustment	–	(8)	(8)
Additions	–	244	244
Disposals	–	(237)	(237)
At 30 November 2006	**94**	**1,668**	**1,762**
Depreciation			
At 1 December 2004	56	1,198	1,254
Exchange adjustment	–	1	1
Provided in year	9	199	208
Disposals	–	(207)	(207)
At 30 November 2005	**65**	**1,191**	**1,256**
Net book value			
At 30 November 2006	**29**	**477**	**506**
At 30 November 2005	38	471	509

The net book value of tangible fixed assets includes £6,000 (2005: £18,000) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £12,000 (2005: £10,000).

Company	Motor vehicles, plant and machinery and office equipment £'000	Total £'000
Cost		
At 1 December 2005	33	33
Additions	1	1
Disposals	(19)	(19)
At 30 November 2006	**15**	**15**
Depreciation		
At 1 December 2005	30	30
Provided in year	1	1
Disposals	(18)	(18)
At 30 November 2006	**13**	**13**
Net book value		
At 30 November 2006	**2**	**2**
At 30 November 2005	3	3

12. Investments in group undertakings

	Shares £'000	Loans £'000	Total £'000
Cost			
At 1 December 2005	1,781	727	2,508
Increase in loans to existing subsidiaries	–	54	54
At 30 November 2006	**1,781**	**781**	**2,562**

In April 2006, the company acquired an additional 10% stake in Topgrow Technologies Limited, bringing its ownership up to 70%, and took over the shareholder's loan of £54,000 relating to that stake. This gave rise to goodwill of £5,000 (note 10) and a reduction in minority interest of £49,000.

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
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%
Topgrow Technologies Limited	Hong Kong	Specialised materials and equipment	70%
Dongguan Hui Zhan Electronic Limited#	China	Specialised materials and equipment	70%
Waysky Technology Limited#	Hong Kong	Specialised materials	36%
China Hill Technology Limited*	Hong Kong	Specialised materials and equipment	24%

Dongguan Hui Zhan Electronic Limited and Waysky Technology Limited are owned indirectly through Topgrow Technologies Limited. The latter owns 100% of Dongguan Hui Zhan Electronic Limited and 51% of Waysky Technology Limited. Topgrow Technologies Limited reduced its stake in Waysky Technology Limited from 60% to 51% during the year.

* China Hill Technology Limited was incorporated in May 2006 and is owned indirectly through Waysky Technology Limited. The latter owns 67% of China Hill Technology Limited.

13. Investment in associated undertaking

Group	Interest in associate £'000	Group loan to associate £'000	Total £'000
At 1 December 2005	36	67	**103**
Currency translation	2	4	**6**
Share of loss	(25)	–	**(25)**
Reduction in impairment provision	–	35	**35**
At 30 November 2006	**13**	**106**	**119**

The investment in associate undertaking at 30 November 2006 represents a 40% holding by Topgrow Technologies Limited in the Hong Kong company, Sino Pacific Limited. In October 2006, Topgrow reached agreement to dispose of its holding in Sino Pacific Limited for a consideration of HKD 1.8 million. Accordingly, the impairment provision related to this investment has been adjusted to value the investment at the contracted proceeds of disposal.

14. Stocks

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Raw materials and consumables	961	542	–	–
Goods for resale	2,192	2,082	–	–
	3,153	2,624	–	–

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

15. Debtors

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	2,604	2,322	–	–
Amounts due from group undertakings	–	–	821	605
Corporation tax recoverable	35	225	–	27
Deferred tax asset	35	12	–	1
Other debtors	124	176	9	–
Prepayments and accrued income	46	235	–	4
	2,844	2,970	830	637

The deferred tax at 30 November 2006 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	Company
	£'000	£'000
Opening asset at 1 December 2005	12	1
Charge to profit and loss account	23	(1)
Closing asset at 30 November 2006	35	-

16. Creditors: amounts falling due within one year

	Group		Company	
		Restated		Restated
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank overdraft	404	351	–	–
Finance lease obligations	2	16	–	–
Borrowings due within one year	406	367	–	–
Trade creditors	887	890	21	16
Amounts due to group undertakings	–	–	296	295
Corporation tax	260	133	50	3
Other taxation and social security	224	296	–	–
Other creditors	59	103	3	16
Accruals	508	299	75	66
	2,344	2,088	445	396

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.

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

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Finance lease obligations	**4**	6	**–**	–
Repayable between one and two years	**4**	6	**–**	–

18. Provision for liabilities and charges

	Pension liability £'000	Deferred consideration £'000	Total £'000
Group			
At 1 December 2005	82	104	186
Charge to profit and loss account	12	–	12
At 30 November 2006	**94**	**104**	**198**

	Deferred consideration £'000
Company	
At 1 December 2005	104
Movement in year	–
At 30 November 2006	**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

	2006 £'000	2005 £'000
Authorised		
6,000,000 ordinary shares of 10p each (2005: 6,000,000)	**600**	600
Allotted and fully paid		
4,159,551 ordinary shares of 10p each (2005: 4,144,551)	**416**	414

20. Reserves

Group	Share premium account £'000	Capital redemption £'000	Profit and loss account £'000
At 1 December 2005 as previously reported	1,525	1	2,769
Add impact of FRS 21	–	–	114
At 1 December 2005 – restated	1,525	1	2,883
Premium on shares issued during the year	6	–	–
Currency translation differences	–	–	(84)
Recognition of share-based payment expense	–	–	8
Profit for the financial year	–	–	560
Dividends	–	–	(197)
At 30 November 2006	**1,531**	**1**	**3,170**

Company	Share premium account £'000	Capital redemption £'000	Profit and loss account £'000
At 1 December 2005 as previously reported	1,525	1	758
Add impact of FRS 21	–	–	114
At 1 December 2005 – restated	1,525	1	872
Premium on shares issued during the year	6	-	–
Profit for the financial year	–	-	262
Recognition of share-based payment expense	-	-	8
Dividends	–	-	(197)
At 30 November 2006	**1,531**	**1**	**945**

The company's profit for the financial year, before dividends, was £262,000 (2005: £229,000).

21. Reconciliation of movement in shareholders' funds

Group	2006 £'000	Restated 2005 £'000
Total recognised gains	**476**	319
Dividends	**(197)**	(197)
Increase in shareholders' funds	**279**	122
Shares issued during the year	**8**	–
Recognition of share-based payment expense	**8**	4
Opening shareholders' funds as previously reported	**4,709**	4,583
Effect of adopting FRS 21	**114**	114
Closing equity shareholders' funds	**5,118**	4,823

21. Reconciliation of movement in shareholders' funds *(continued)*

Company	2006 £'000	2005 £'000
Profit for the financial year	262	229
Dividends	(197)	(197)
Increase in shareholders' funds	65	32
Shares issued during the year	8	–
Recognition of share-based payment expense	8	4
Opening shareholders' funds as previously reported	2,698	2,662
Effect of adopting FRS21	114	114
Closing equity shareholders' funds	2,893	2,812

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

	2006 £'000	Restated 2005 £'000
Operating profit	931	505
Depreciation	208	187
Goodwill amortisation	31	30
Other non cash charges	8	4
Cost of fundamental restructuring	–	(215)
Reduction in impairment provision re associate	(35)	–
Currency translation	(79)	(4)
Gain on sale of tangible fixed assets	1	(7)
Increase in stocks	(529)	(17)
(Increase)/decrease in debtors	(29)	215
Increase/(decrease) in creditors	76	55
Net cash inflow from operating activities	583	753

23. Analysis of net funds

	At 1 December 2005 £'000	Cash flow £'000	At 30 November 2006 £'000
Cash at bank and in hand	734	88	822
Bank overdraft	(351)	(53)	(404)
	383	35	418
Finance leases	(22)	16	(6)
Net funds	361	51	412

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

	2006 £'000	2005 £'000
Increase/(decrease) in cash	**35**	175
Cash flow from change in debt and lease finance	**16**	42
Change in net funds from cash flows	**51**	217
Net funds/(debt) at 1 December	**361**	144
Net funds at 30 November	**412**	361

25. Share based payments

The Company operates a share option scheme under which options are exercisable at a price equal to the average quotation of a share as derived from the AIM appendix of the Daily Official List of the London Stock exchange for the five dealing days immediately preceding the date of grant, subject to relevant performance criteria being satisfied. The normal minimum vesting period is three years.

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

Subscription price	**Dates when exercisable**	**Number of shares 2006**	2005
54.0p	1 August 2006 to 31 July 2009	**25,000**	40,000
80.5p	26 April 2007 to 25 April 2010	**25,000**	25,000
93.5p	11 August 2008 to 10 August 2011	**25,000**	25,000
87.2p	15 March 2009 to 14 March 2012	**25,000**	–
90.5p	11 April 2009 to 10 April 2012	**40,000**	–
96.4p	26 July 2009 to 25 July 2012	**60,000**	–

Options over 15,000 shares were exercised during the year at 54.0p and options over 125,000 shares were granted during the year.

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

Grant date	1 August 2003	26 April 2004	11 August 2005	15 March 2006	11 April 2006	26 July 2006
Share price at date of grant	54.00p	80.50	93.50	87.20	90.50	96.40
Exercise price	54.00p	80.50	93.50	87.20	90.50	96.40
No of employees	2	1	1	1	2	4
Shares under option	40,000	25,000	25,000	25,000	40,000	65,000
Vesting period (years)	3 to 5	3 to 5	3	3	3	3
Expected volatility	40%	40%	50%	30%	30%	30%
Option life (years)	6	6	6	6	6	6
Expected life (years)	4.5	4.5	4.5	4.5	4.5	4.5
Risk free rates	4.75%	4.75%	4.75%	4.2%	4.2%	4.2%
Expected dividends	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Possibility of ceasing employment before vesting	31.3%	31.3%	25.0%	25.0%	25.0%	25.0%
Expectations of meeting performance criteria	95%	95%	95%	95%	95%	95%
Fair value of option	12p	18p	27p	15p	16p	17p

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

The group recognised a total expense of £8,000 (2005: £4,000) related to equity-settled share-based payment transactions during the year.

26. Financial commitments

Capital commitments

There were no capital expenditure commitments at 30 November 2006 (2005: nil).

Operating lease commitments

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

	2006 £'000	2005 £'000
Land and buildings		
– Leases expiring within one year	119	127
– Leases expiring within one to five years	176	201
Motor vehicles, plant and machinery		
– Leases expiring within one year	31	38
– Leases expiring within one to five years	22	31

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 £297,000 (2005: £339,000).

27. Derivatives and financial instruments

The group's policies in respect of derivatives and other financial instruments are included in the Business 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	
	2006 £'000	2005 £'000
Sterling	580	256
Euro	159	377
Swedish krona	4	36
US dollar	8	27
Hong Kong dollar	63	38
Renminbi	8	–
	822	734

Financial liabilities

Such financial liabilities include £6,000 (2005: £22,000) which attract an average fixed interest rate of 6.8%. Overdraft borrowings attract interest rates of between 1.5% and 1.65% above relevant base 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	
	2006 £'000	2005 £'000
Euro	404	373

Fair value of financial assets and liabilities

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

27. Derivatives and financial instruments *(continued)*

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 2006 amounted to £876,000 (2005: 1,044,000).

Foreign currency exchange contracts
At 30 November 2006 the company had no commitments under non-cancellable forward foreign exchange contracts (2005: nil).

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 loses 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 2006

	Net foreign currency monetary assets/(liabilities) in £'000			
Functional currency of group operation	**Euro**	**Dollar**	**Sterling**	**Total**
Sterling	**627**	**(286)**	**–**	**341**
Swedish krona	**20**	**(84)**	**12**	**(52)**
	647	**(370)**	**12**	**289**

Exposure at 30 November 2005

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

FIVE YEAR SUMMARY

	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
Group turnover	**18,822**	14,740	15,658	14,201	9,005
Cost of sales	**(13,891)**	(10,471)	(11,023)	(10,211)	(6,769)
Gross profit	**4,931**	4,269	4,635	3,990	2,236
Distribution costs	**(446)**	(406)	(483)	(358)	(132)
Administrative expenses	**(3,592)**	(3,404)	(3,498)	(3,424)	(2,251)
Other operating income	**38**	46	66	176	28
Group operating profit/(loss)	**931**	505	720	384	(119)
Cost of fundamental restructuring	**–**	(215)	–	–	–
Share of associate's operating (loss)/profit	**(25)**	(25)	4	(22)	–
Deferred consideration on sale of former subsidiary	**39**	24	24	26	–
Net interest	**(17)**	(19)	(16)	(60)	(14)
Profit/(loss) before taxation	**928**	270	732	328	(133)
Taxation	**(390)**	88	(274)	(218)	15
Profit/(loss) after tax	**538**	358	458	110	(118)
Minority interest - equity	**22**	(7)	(2)	–	24
Profit/(loss) for the financial year	**560**	351	456	110	(94)
Earnings per share - basic	**13.50p**	8.47p	11.00p	2.67p	(2.33p)
Earnings per share - diluted	**12.88p**	8.29p	10.83p	2.63p	(2.33p)
Dividends per share in respect of each year	**5.00p**	4.75p	4.75p	4.50p	4.50p
Equity shareholders' funds	**5,118**	4,823	4,583	4,290	4,120

The figures for 2005 have been restated for the effects of FRS20 Share Based Payments. Earlier years have not been restated.

Holders Technology

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