

Holders Technology

Holders Technology plc
Interim Results 2004

CHAIRMAN'S STATEMENT

Results

Turnover for the six month period to 31 May 2004 was £7,845,000 as compared with £6,748,000 for the comparable period in the preceding year. Pre-tax profit increased to £421,000 from a loss of £71,000 last year. This resulted in earnings per share of 6.23p as against a loss per share of 0.93p in 2003. Net assets at 31 May were £4,384,000 (31 May 2003 £4,242,000).

Dividend

A net interim dividend of 2.0p per share (2003: 2.0p) will be paid on 21 September 2004 to shareholders on the Register of Members at the close of business on 27 August 2004. The shares will go ex-dividend on 25 August 2004.

Activities

The turnover growth of 16% in this year's first half reflects, in part, the inclusion of Screen Circuit for a full six months, whereas the preceding year benefited from only four months turnover from this subsidiary. Like-for-like turnover in continuing operations grew by 13%.

A favourable sales mix led to some improvement in gross margins and this, combined with the continuing drive to contain costs, resulted in a much improved pre-tax profit being achieved.

The majority of the programme to restructure our European operations has now been completed and this has enabled us to agree terms to dispose of two surplus properties. The first half's results have benefited from a profit on the sale of the two properties of £42,000. The impact of this on our cash position will be significant, as the proceeds will amount to £551,000, net of expenses, which will be received in the second half.

Positive operating cashflow of £524,000 has led to a reduction in net debt to £260,000 at 31 May 2004 compared with £889,000 at 31 May 2003 and £503,000 at 30 November 2003.

In general, our operations have performed above plan in the first half with a somewhat weaker performance from Screen Circuit being more than offset by the strong performance of UK and German operations.

Although not without risk, we continue to regard China as an area of significant opportunity. We expect to lift our stake in the Hong Kong-based associate, Topgrow Technologies Limited, from 35% to 60% at an estimated initial cost of £130,000 with up to £100,000 of deferred consideration. This will be the subject of a further announcement in due course.

Outlook

Provided that we do not experience more serious supply shortages than those which we encountered in the first half, we expect to maintain the improved sales performance in the second half with the benefit of the lower cost base being maintained.

The interim financial statements were approved by the Board on 20 July 2004 and signed on its behalf by:

Rudolf W. Weinreich
Chairman and Chief Executive

Holders Technology plc
Northway House
1379 High Road
Whetstone
London N20 9LP

20 July 2004

**GROUP PROFIT AND LOSS ACCOUNT
for the half-year ended 31 May 2004**

	Notes	Unaudited half-year ended 31 May 2004	Unaudited half-year ended 31 May 2003	Audited full-year ended 30 Nov 2003
		£'000	£'000	£'000
Turnover				
Continuing operations	1	7,845	6,702	14,155
Discontinued operations		-	46	46
		7,845	6,748	14,201
Operating profit				
Continuing operations		427	44	460
Discontinued operations		-	(76)	(76)
Group operating profit / (loss)		427	(32)	384
Share of associates operating loss		(1)	(16)	(22)
Total operating profit/(loss)		426	(48)	362
Profit on disposal of subsidiary – discontinued operation	2	12	-	26
Profit / (loss) on ordinary activities before interest and tax		438	(48)	388
Net interest payable and similar charges		(17)	(23)	(60)
Profit / (loss) before taxation		421	(71)	328
Taxation	3	(163)	25	(218)
Profit / (loss) after taxation		258	(46)	110
Minority interests – equity		-	8	-
Profit / (loss) for the period		258	(38)	110
Dividends	4	(83)	(86)	(190)
Transfer to / (from) reserves		175	(124)	(80)
Earnings / (loss) per share	5	6.23p	(0.93)p	2.67p
Diluted earnings / (loss) per share	5	6.13p	(0.93)p	2.63p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit / (loss) for the financial year	258	(38)	110
Currency translation differences	(81)	269	200
Total recognised gains and losses	177	231	310

1. The interim results are prepared on the basis of accounting policies set out in the financial statements for the year ended 30 November 2003.
2. The profit on disposal of subsidiary represents deferred consideration from the sale of Justfone Limited in 2003, which is recognised when received.
3. The tax charge for the six months ended 31 May 2004 is calculated based on the tax rates applicable in the country in which each company operates. The effective rate of tax is 38.7% (2003: 35.2%). Taxation includes a charge of £142,000 (2003: credit of £62,000) relating to overseas operations.
4. The dividend payment of 2.0p per share is payable on the total issued share capital of 4,144,551 10p ordinary shares.
5. The earnings per ordinary share (basic and diluted) for the six months ended 31 May 2004 have been calculated using Financial Reporting Standard 14. The calculation of basic earnings per share, for the six months, is based on the profit attributable to equity shareholders of £258,000 (2003: loss of £38,000) and on 4,144,551 ordinary shares (2003: 4,101,014) being the weighted average number of shares in issue during the period. Diluted earnings per share is based on 4,209,551 ordinary shares (2003: 4,101,014), being the weighted average number of ordinary shares after an adjustment of 65,000 shares (2003: nil) in relation to share options.
6. The results for the half year to 31 May 2004 are unaudited. The results for the year ended 30 November 2003 are taken from the full accounts filed with the Registrar of Companies, which contained an unqualified audit report and did not contain statements under s237 (2) or (3).
7. A copy of this interim report is being sent to shareholders and is available for inspection at the Company's registered office, Northway House, 1379 High Road, Whetstone, London N20 9LP.

GROUP BALANCE SHEET AT 31 MAY 2004

	Unaudited half-year ended 31 May 2004	Unaudited half-year ended 31 May 2003	Audited full-year ended 30 Nov 2003
	£'000	£'000	£'000
Fixed Assets			
Intangible assets	197	194	209
Tangible assets	632	1,171	1,136
Investment in associated undertaking	202	204	207
	<u>1,031</u>	<u>1,569</u>	<u>1,552</u>
Current Assets			
Stocks	2,272	2,384	2,159
Debtors	3,862	3,061	2,813
Cash at bank and in hand	428	316	394
	<u>6,562</u>	<u>5,761</u>	<u>5,366</u>
Creditors			
Amounts falling due within one year	<u>(3,159)</u>	<u>(2,974)</u>	<u>(2,566)</u>
Net current assets	<u>3,403</u>	<u>2,787</u>	<u>2,800</u>
Total assets less current liabilities	4,434	4,356	4,352
Creditors: Amounts falling due after one year	(39)	(64)	(51)
Provision for liabilities and charges			
Deferred taxation	<u>(11)</u>	<u>(50)</u>	<u>(11)</u>
	<u>4,384</u>	<u>4,242</u>	<u>4,290</u>
Capital and Reserves			
Called up share capital	414	414	414
Share premium account	1,525	1,525	1,525
Capital redemption reserve	1	1	1
Profit and loss account	<u>2,444</u>	<u>2,375</u>	<u>2,350</u>
Equity shareholder's funds	4,384	4,315	4,290
Minority interests - equity	-	(73)	-
	<u>4,384</u>	<u>4,242</u>	<u>4,290</u>

GROUP CASH FLOW
for the half-year ended 31 May 2004

	Unaudited half-year ended 31 May 2004	Unaudited half-year ended 31 May 2003	Audited full-year ended 30 Nov 2003
	£'000	£'000	£'000
Net cash inflow from operating activities ¹	524	(186)	327
Returns on investment and servicing of finance			
Interest received	7	4	6
Interest paid	(20)	(24)	(59)
Finance lease interest	(4)	(3)	(7)
Net cash flow from returns on investment and servicing of finance	(17)	(23)	(60)
Taxation	(57)	24	17
Capital expenditure			
Payments to acquire tangible fixed assets	(115)	(36)	(168)
Receipts from sales of tangible fixed assets	-	7	49
	(115)	(29)	(119)
Acquisitions and disposals			
Purchase of subsidiary undertaking	-	(125)	(125)
Net overdraft acquired with subsidiary undertaking	-	(186)	(186)
Payment in respect of existing subsidiaries	-	(190)	(206)
Investment in associated undertaking	-	(220)	(234)
Sale of subsidiary undertaking	12	-	120
	12	(721)	(631)
Equity dividends paid	(104)	(104)	(187)
Cash flow before financing	243	(1,039)	(653)
Financing			
Capital element of finance leases	(12)	(5)	(13)
Draw-down of bank loan	-	-	598
Repayment of bank loan	(465)	-	-
	(477)	(5)	585
(Decrease) / increase in cash ²	(234)	(1,044)	(68)

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

	Unaudited half-year ended 31 May 2004	Unaudited half-year ended 31 May 2003	Audited full-year ended 30 Nov 2003
	£'000	£'000	£'000
Operating profit / (loss)	427	(32)	384
Depreciation	90	145	253
Amortisation of goodwill	12	5	19
Currency translation	(57)	199	142
(Profit) / loss on sale of tangible fixed assets	(42)	-	-
Change in stocks	(113)	(243)	(24)
Change in debtors	(475)	(459)	(381)
Change in creditors	682	199	(66)
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Net cash inflow / (outflow) from operating activities	524	(186)	327
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2. Reconciliation of net cash flow to movement in net (debt) / funds

Decrease in cash	(234)	(1,044)	(68)
Cash flow from change in debt and lease finance	477	5	(585)
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	243	(1,039)	(653)
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Opening net (debt) / funds	(503)	150	150
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Closing net (debt) / funds	(260)	(889)	(503)
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