DENSITRON® TECHNOLOGIES plc

ANNUAL REPORT & ACCOUNTS 2007

Contents

HIGHLIGHTS

DENSITRON TECHNOLOGIES plc FOR THE YEAR ENDED 31 DECEMBER 2007

A year of significant progress in the displays division combined with profits made from the disposal of part of the land owned at Blackheath and the disposal of the Gaming Division.

- Part of the land at Blackheath sold for £1.2 million.
- Gaming Division sold for £543,000 plus a future royalty stream.
- Net debt reduced from £4.0 million to £1.6 million.
- Gearing reduced from 64% to 22%.
- Orders booked in the year increased from £14.6m to £16.3m.
- Profit retained for the period £1.1m compared with a loss of £0.5m in 2006.

Financial Highlights

	2007 £ millions	2006 £ millions
Revenue	**14.0**	15.4
Profit/(loss) from operations	**1.1**	(0.1)
Retained profit/(loss)	**1.1**	(0.5)
Earnings/(loss) per share	**1.67p**	(0.82)p
Gearing	**22%**	64%
Order Book	**7.4m**	5.1m

CHAIRMAN'S STATEMENT

DENSITRON TECHNOLOGIES plc FOR THE YEAR ENDED 31 DECEMBER 2007

This will be my last Chairman's statement to you as I intend to step down at the forthcoming Annual General Meeting.

Densitron Technologies plc is now a very different Group to the one I joined three years ago.

When I joined the Board as interim Chairman in May 2005 Densitron was in turmoil. The company's finances were precarious, its operational structure was ineffective and the flow of information from subsidiaries was erratic. Shareholders, understandably, were furious. My priorities were therefore to stabilise the Group's finances, to establish proper divisional reporting, to assess which businesses should be sold and which should be retained and to devise a plan to create value for shareholders.

We agreed new facilities with our bankers, Barclays Bank PLC, and focused on either moving Group companies into profit or selling loss-makers. With proper reporting in place, it soon became apparent that the public information displays division, for which we initially had high hopes, in fact only had a limited future. This business was sold immediately for £1 million. We also realised that the Group did not have the financial strength to see the Gaming division through its start up phase. This business was sold for a profit of £500,000. In addition, Densitron will continue to share in the future business as we have a five a year royalty agreement in place. The royalties payable for the first eleven months of trading are ahead of our expectations.

Our remaining operating division, Displays, is now solidly profitable, having made £1.1 million operating profit before Group overhead and interest in 2007. Sales were lower than in 2006 partly as a result of the weakening of the US dollar against UK sterling and partly as a result of a weak orderbook at the end of 2006, however an increase in margins and a reduction in administrative expenses resulted in a solid profit for the year. Orders booked during 2007 were £16.3 million compared with £14.6 million in 2006 giving an orderbook at the end of 2007 of £7.4 million. These orders will help to underpin the business in 2008.

Having addressed the difficulties with Group's operating activities, the Board has been able to focus on maximising its two key investment assets. During 2007, agreement was reached for the sale of part of the sports ground in Blackheath to Greenwich Borough Council for £1,233,985 and this was concluded on 21 December 2007. The sale of the strip of land enabled the Company to repay some of its borrowings and this will see a reduction in interest payable over the next 6 months of some £78,000. The Company has retained a strip of land of approximately 1.25 acres which the Board is planning to develop for residential housing and has appointed an Agent to manage the planning process. The Land currently attracts a Metropolitan Land Order which prohibits development but the Board is confident that it will be able to obtain re-designation for the land. When there are any significant developments shareholders will be kept informed.

Evervision Electronics Limited (formerly VBest Electronics Corporation), the Group's investment in a display manufacturing company in Taiwan, remains a substantial asset for the Group with good potential upside.

Evervision has factories in both Taiwan and mainland China. 2007 began well for Evervision with significant orders requiring the recruitment of new production personnel in its main factory in China. Due to a combination of poor training and poor supervision the production line experienced a number of quality issues causing the production yield to be very poor. Consequently, the margin achieved in the first half of 2007 was very poor causing Evervision to make a loss. These issues were addressed and the problems improved in the second half of the year. During the second half of the year a decision was made to rationalise the production capabilities of Evervision which resulted in the decision to close one of its Taiwanese factories. This resulted in a significant impairment of plant, property and equipment resulting in a further significant loss in the second half of the year. However, despite the problems referred to above, Evervision continued to generate cash during 2007 and by the end of the year it was carrying approximately £6m of net cash. The Board has recognised a temporary reduction in the value of the investment in the year and considers that the carrying value of Evervision on the Balance sheet at £6.1m is reasonable.

The restructuring of the group would not have been possible without the support and encouragement of our major shareholder Peter Gyllenhammar who stood by us in our hour of need. I am pleased to report that we have now repaid Peter's loan in full. Jan Holmstrom has worked very closely with me since joining the board and I am very pleased that he has agreed to take on the role of Chairman after I step down.

I would like to take this opportunity to thank the directors and staff at Densitron for their continuing commitment to the company and our shareholders for their continuing support.

Outlook and strategy – The strategy for the Displays business continues to be organic growth and opportunistic strategic acquisitions should they arise. In 2007 it was more profitable than in 2006 and continues to grow steadily. We are making good progress in unlocking the value of the land in Blackheath where we believe that a patient approach to re-designation will produce very material returns in relation to Densitron's market capitalisation. Meanwhile, Evervision has weathered a tough 2007, demonstrating its resilience. We confidently expect further progress in 2008.

Ralph Baber
Interim Chairman

24th June 2008

OPERATIONAL REPORT

DENSITRON TECHNOLOGIES plc FOR THE YEAR ENDED 31 DECEMBER 2007

2007 was the first year that Densitron Displays was the sole division of the Group and it was a positive year in a number of areas of the business. It also highlighted certain areas of the business that required further development and actions were taken to ensure that these would enhance the business into the future.

Performance for the year

It has been widely reported that we commenced 2007 with a weak orderbook and this contributed to a fall in sales in the year from £15.4 million in 2006 to £14.0 million in 2007, however, with increased margins and the careful management of administrative expenses the business still generated £1.1 million before group overhead and interest.

The prime focus of the year was to rebuild the orderbook to ensure that 2008 began with the business in a far stronger position. I am pleased to be able to report that orders booked in the year were £16.3 million compared with £14.6 million booked during 2006, this resulted in the orderbook growing from £5.1 million at 31st December 2006 to £7.4 million at 31st December 2007. The book to bill ratio (the ratio of orders booked to sales made) was 1.16 demonstrating the positive steps made in the year.

US business – The US subsidiary, which represents 40% of the revenue for the business, had a good year against its US dollar budget but suffered in comparison to its 2006 results when translated into UK sterling due to the weakness of the US dollar against UK sterling. A number of areas where further growth can be achieved have been identified and are currently being followed up.

European business – The UK business particularly struggled with the weakness of the 2006 orderbook but steps were taken to enhance the salesforce and engineering capabilities and this has resulted in a strengthening orderbook and a positive outlook for 2008. The French and German offices had both suffered during 2006 as a result of major staff changes in 2005. 2007 was a year of building opportunities and taking steps to ensure that 2008 shows strong growth. I am pleased to report that the work done in 2007 is beginning to produce results in 2008. The Finnish subsidiary continued to return a steady growth for the period.

Asian business – The Japanese subsidiary had moderate growth in the year but is now well set up to grow well into the future. The Taiwanese office remains a major asset and continues to provide the businesses link to suppliers in the Far East.

Distribution network – The distribution network, which is managed out of the UK office, has been extensively developed. We enter 2008 with distributors in India, Russia, Turkey, Israel, Poland, Denmark, Sweden, Spain & Portugal and Australia. This complements our direct sales offices and we have recently recruited a key member of staff dedicated to work with our distributors in promoting Densitron's product range.

Supplier relationships – Major partnerships were developed in the year with UL-Tech Electronics an integrated contract manufacturing solution provider and Logi Engineering a precision plastics engineering company both based in Malaysia and Singapore. These two facilities will provide us with major resources to enhance our design and manufacturing solutions and enable us to offer a complete solution to customers including the display, electronics and plastic housing. An example of what these partnerships provide is the successful move of one of our major customers from purely a display solution to a total build solution where we are now providing the display, electronics and plastic housing. These relationships have also enabled the business to win several major new design projects and development contracts for total solution design and manufacture.

Marketing – We have focussed on our marketing effort with the creation of unique web sites for America, the UK and France. The electronic marketing campaigns continue to be successful and we have seen a good increase in lead generation during the year.

Future strategy

During 2007 a three year growth plan was developed in order to grow the business into the future, 2008 will be the first year of that plan and already actions have been taken to assist in achieving the plan:

- At the beginning of 2008 an office was opened in Italy employing an experienced local salesman.

- A distributor has been appointed in Germany to enhance our presence which will provide a further 7 sales people promoting Densitron Displays in this key market. It is the intention to continue to expand the distributor network.

We will continue to develop the current salesforce and supplement them with a targeted recruitment policy.

We intend to further develop our engineering resource at our headquarters in London making it a centre of excellence supporting all European offices. This was expanded in 2007 and we also developed relationships with universities engineering faculties and are sponsoring some engineering and specialist display courses.

The range of products that the business offers will continue to be extended, we have already formed a relationship with a new TFT supplier in order to enhance this important range of solutions. In addition a new Active Matrix OLED solution has also been added to our range of products. This allows us to market this new OLED technology that provides sizes from 2.0 inches to 4.3 inches with larger sizes in the product build plan. The US office continues to develop its facilities in the areas of touch screen and add on solutions.

New marketing initiatives are being developed to ensure that the Densitron brand continues to be widely recognised and respected in the electronics field.

I believe that Densitron Displays is now set up to be able to exploit the growth opportunities that exist and to manage the challenges as they arise. I would like to thank everyone within the Displays Team for all of their hard work during 2007 in taking the business forward and am certain that with the team that is now in place we are ready to achieve the targets for 2008 and beyond.

Grahame Falconer
Managing Director
Display Solutions Division

24th June 2008

DIRECTORS AND ADVISORS

Ralph Baber
Interim Chairman (appointed May 2005)
Ralph has a BSc (Hons) degree, is a qualified Chartered Accountant and is a Member of the Securities Institute. He has served on a number of regulatory panels including the SFA appeals tribunal. Ralph was a manager at Price Waterhouse until he left to join a client, CAL Futures Limited, first as Finance Director and then, from 1987, as Managing Director. The company was a futures and options broker and a hedge fund manager. In 1995 the business was sold to Union plc where Ralph initially became an executive director. In 1997 he was promoted to Chief Executive. In 1998 Union plc bought WorldInvest, which had £1.6 billion of equity funds under management. In 2001 Union plc was acquired by a private group.

Ralph is the Chairman of the Nominations and Remunerations committees and a member of the Audit committee.

Grahame Falconer
Managing Director of Displays (appointed August 2004)
Grahame joined the Board as Sales and Marketing Director in August 2004. Following the move to a divisional structure he became the Managing Director of the Display Solutions Division. He has a BSc (Hons) degree in Computing Science, a Diploma in Management Studies and is a member of the Institute of Sales and Marketing, formerly serving as Global Sales and Marketing Director of StatPro Plc and was previously Strategic and European Sales Director of Netg Plc.

Richard Lane OBE
Non-Executive Director (appointed June 2005)
Richard is a Chartered Accountant, who retired as a Senior Partner from the Bromley Office of BDO Stoy Hayward, Chartered Accountants in December 2003. He specialised, and continues to do so, in advising businesses on the development and implementation of their Growth Strategies. He is a non-executive director of a small number of companies, and is very much involved in a variety of local and national charities and other voluntary sector organisations.

Richard is the Chairman of the Audit committee and a member of the Nomination and Remuneration committees.

Jan Holmstrom
Non-Executive Director (appointed October 2007)
Jan is the nominee of Bronstädet AB and is the Managing Director of Browallia AB a subsidary of Bronstädet AB. He is an insurance professional with a wealth of experience of working in the Far East.

Greg Hayes
Managing Director Densitron Corporation of America (appointed April 2007)
Greg joined the Group in 2003 as Managing Director of Densitron Corporation of America. He has transformed Densitron Corporation of America into a very profitable and successful part of the Displays Division with his considerable engineering and commercial expertise. Greg has an Honours degree in Computing Science, is a Regents scholar, and has an MBA from Santa Clara University.

Tim Pearson
Group Finance Director (appointed April 2007)
Tim has been with the Company since 1992. He has held a number of roles in that time and has been Company Secretary for the last 5 years. Tim is a Chartered Accountant and has a BA (Hons) in Accounting and Finance.

Simon Wharmby
Non-Executive Director (appointed December 2007)
Simon is the nominee of Albany Capital Plc. He is currently a director of Albany Capital Plc, Renderlord Limited and Strand Partners Ltd.

Secretary and Registered Office
Tim Pearson
5th Floor
145 Cannon Street
London EC4N 5BP

Nominated Adviser and Stockbroker
Blue Oar Securities Plc
30 Old Broad Street
London EC2N 1HT

Solicitors
K & L Gates
110 Cannon Street
London EC4N 6AR

Company number
1962726

Auditors
BDO Stoy Hayward LLP
Beehive Ring Road
Gatwick
West Sussex RH6 0PA

Principal Banker
Barclays Bank Plc
80 High Street
Sevenoaks
Kent TN13 1LR

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting this report together with the accounts of Densitron Technologies plc ('the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31st December 2007.

Principal Activities and Results

The Group's principal activities are in the design, development and delivery of display technologies and related electronics on an international basis operating primarily from Europe, the USA, Japan and Taiwan. In Europe the Group operates through subsidiary undertakings based in the UK, Finland, France and Germany, primarily using these Subsidiaries to facilitate business in other parts of Europe. In other parts of the world these activities are carried out mainly through subsidiary undertakings of the Group.

The Group profit after taxation and minority interests amounted to £1,081,000 (2006: loss £529,000).

Review of the Business

The directors are extremely pleased with the results for the year. The profit for the year of £1,094,000 was made up of 3 parts, the displays business, the disposal of the gaming division and the disposal of part of the land owned by the Group at Blackheath in South East London.

Displays business

The displays business saw a fall in turnover of approximately 10% on 2006 which was due to a weak orderbook coming into the year and the weakness of the US dollar against UK sterling. Despite this the division returned an operating profit in line with 2006. More importantly the orderbook at the close of 2007 was £7.4m an increase of £2.3m on 2006.

Gaming disposal

The Gaming division was sold to Sandco 1009 Limited on 31st January 2007. Further details of the disposal are given in note 11 to these accounts.

Land disposal

After a number of years of discussions with the Local Authority the Group sold part of the land it owned at Blackheath to Greenwich Borough Council on 21st December 2007 for £1.2m generating a profit of £848,000. The remaining land of approximately 1.25 acres has been retained and the Board will be trying to gain planning permission although this could take some time as the land will need redesignation by the Local Authority.

Key Performance Indicators

In addition to looking at the results for a particular month against the budget set the Directors review a number of key performance indicators to assess the performance of the Business and assist in decision making. Some of the indicators that are monitored are:

Gross margin – The Board recognises the importance of growing the Group's turnover but believe that this should only be done at acceptable margins. To that end gross margin targets are set and monitored. The margin achieved on continuing operations was 30.7% (2006: 30.0%) against a target of 30.5% (2006: 29.8%).

Book to bill ratio – The book to bill ratio is the ratio of orders taken to sales made. The Board recognises that in order for the business to grow the Group needs to be booking orders at a ratio of orders to sales in excess of 1. The ratio is looked at on a weighted average basis in order to take account of fluctuations from month to month. The weighted average ratio's achieved on the business's continuing operations was 1.16 (2006: 0.95).

Working capital ratios – The Board recognises the need to not have its cash tied up excessively in working capital and to that end sets targets for inventory days, debtor days and creditor days.

Inventory – The actual number of days carried in inventory was 28 days (2006: 19 days) against a target of 20 days (2006: 23 days). The reason for the increase was that a strategic decision to hold certain standard inventory items in order to respond to Customer requirements more quickly.

Debtors – This represents the number of days taken to collect amounts due from customers. In 2007 the average collection was 58 days (2006: 59 days) against a target of 52 days (2006: 51 days). The reason for the target being missed was due to the profile of business being conducted. Customers have different credit terms and the profile of business shows that more business was conducted with Customers on longer credit terms.

Creditors – This represents the length of time to settle the Group's liabilities. The average time taken to settle liabilities in 2007 was 41 days (2006: 39 days) against a target of 39 days (2006: 31 days). The Board is satisfied that payments are being made within an acceptable timeframe.

Return on equity – One of the stated goals of the Board is to ensure shareholder value is optimised. One of the ways it does this is to set targets for return on equity and monitor them on a monthly basis. The target for the year was to show a modest return to shareholders, following the disposal of part of the land the Group owns at Blackheath this target was exceeded (due to losses being made in 2006 the target was missed).

Post Balance Sheet Events

Following the end of the year the company has fully repaid the loan from Bronsstädet AB. Further details of this loan are given in note 30 to the accounts.

REPORT OF THE DIRECTORS (continued)

Financial Risk

The directors recognise that risk is inherent in any business and seeks to manage risk in a controlled manner. The company has a specific exposure to credit risk, interest rate and exchange rate fluctuations. An executive committee has been created which seeks to manage these risks by working closely with customers, suppliers and financiers in order to maintain good working relationships. Further details in the way in which these risks are managed is discussed in note 23.

Dividends

No dividends were paid in the year (2006: £nil) and the Directors do not recommend the payment of a final dividend (2006: £nil).

Research and Development

The Group's activities in this field relate to the development of specific projects and products for commercial purposes.

Directors

The directors who served during the year were:

R Baber – Chairman
R Lane – Non Executive Director
L Fex – Non Executive Director (resigned 14th August 2007)
J Holmstrom – Non Executive Director (appointed 23rd October 2007)
S Wharmby – Non Executive Director (appointed 12th December 2007)
G Falconer – Managing Director of Displays
T Pearson – Group Finance Director (appointed 11th April 2007)
G Hayes – Managing Director Densitron Corporation of America (appointed 11th April 2007)

In accordance with the Articles of Association, Mr R Baber retires by rotation and has decided to stepdown as a Director at the forthcoming Annual General Meeting. Mr J Holmstrom and Mr S Wharmby, having been appointed since the last Annual General Meeting, retire in accordance with the Articles of Association and, being eligible, offer themselves for election.

None of the Directors seeking election has a service contract with the Company or any of its subsidiaries of more than one year's duration or requiring more than one year's notice of termination.

Biographies of all Directors are given in the Directors and Advisers section on page 6.

Employees

The Group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from training and career development programmes in common with all employees. The Group has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

Share Options

Historically the Company's policy has been to grant options to reward special services to the Company or to meet specific requirements. There has been no departure from this policy during the year under review and there were no share options in place at the end of the year.

Substantial Shareholdings

As at 1st April 2008, the following interests in 3% or more of the issued ordinary share capital appear in the register maintained under the provisions of Section 211 of the Companies Act 1985.

	No. of shares	Percentage of issued share capital
Mr Peter Gyllenhammar	20,745,110	29.78%
Albany Capital Plc	11,510,990	16.52%
Venaglass Limited	4,181,308	6.00%
Tickhill Investments	2,587,000	3.71%
Ms C E Ingram	2,200,000	3.16%

Payment of Creditors

The Group does not follow any published code or statement on payment practice. However, it is the Group's policy to settle all amounts due to its creditors on a timely basis, taking into account the credit period given by each creditor. The average number of days credit taken by the Company as at 31st December 2007 was 41 days (2006: 39 days).

Statement of Directors' Responsibilities

Group financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Parent company financial statements

Company law 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Going Concern

The financial statements that appear on pages 11 to 47 have been prepared on a going concern basis as, after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Political and Charitable Donations

No political or charitable donations were made in the year (2006: £nil).

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Each of the Directors confirms that he is aware of no relevant audit information of which the auditors are unaware and that he has taken all steps that he should have taken as a Director to make himself aware of such information and to establish that the auditors are aware of it.

The Report of the Directors was approved by the Board on 24th June 2008 and signed on its behalf by:

Tim Pearson
Group Finance Director
and Company Secretary

AUDITORS' REPORT

Independent Auditor's Report To The Shareholders Of Densitron Technologies plc

We have audited the group and parent company financial statements (the ''financial statements'') of Densitron Technologies plc for the year ended 31st December 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Recognised Income and Expenses, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those 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 Chairman's Statement, the Operational Report and the Directors Report. 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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. It also includes an assessment of the significant estimates and judgments 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 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31st December 2007;
- the financial statements 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.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Gatwick

24th June 2008

Consolidated income statement for the year ended 31st December 2007

Note		2007 £000	2006 £000
	Continuing operations		
9	Revenue	14,043	15,441
	Cost of sales	(9,727)	(10,807)
	Gross profit	4,316	4,634
7	Other operating income	1,024	52
	Distribution costs	(30)	(54)
	Administrative expenses	(4,198)	(4,691)
5	**Profit from operations**	1,112	(59)
8	Financial income	96	53
8	Financial expenses	(390)	(245)
	Profit/(loss) before tax	818	(251)
10	Income tax expenses	(161)	(66)
	Profit for the period from continuing operations	657	(317)
11	**Discontinued operations**		
	Profit/(loss) for the period from discontinued operations	437	(201)
	Profit/(loss) for the period	1,094	(518)
	Attributable to:		
	Equity holders of the parent	1,081	(529)
	Minority interests	13	11
		1,094	(518)
12	**Basic earnings per share**		
	Earnings/(loss) per share from continuing and discontinued operations	1.67p	(0.82)p
	Earnings/(loss) per share on continuing operations	0.99p	(0.51)p
	Diluted earnings per share		
	Earnings/(loss) per share from continuing and discontinued operations	1.63p	(0.82)p
	Earnings/(loss) per share on continuing operations	0.97p	(0.51)p

Consolidated balance sheet at 31st December 2007

Note		2007 £000	2006 £000
	Non current assets		
13	Property, plant and equipment	208	127
14	Goodwill	143	143
16	Financial assets	6,589	7,211
25	Deferred tax assets	44	67
		6,984	7,548
	Current assets		
17	Inventories	641	637
18	Trade and other receivables	2,457	3,120
16	Financial assets	765	1,040
	Income tax recoverable	56	160
	Cash and cash equivalents	1,397	1,292
		5,316	6,249
26	**Non current assets and assets of a disposal group classified as held for sale**	–	559
		5,316	6,808
	Total assets	12,300	14,356
	Current liabilities		
20	Short term borrowings and overdrafts	2,861	3,529
19	Trade and other payables	1,863	2,232
	Current tax payable	72	66
24	Provisions	–	75
		4,796	5,902
26	**Liabilities directly associated with assets of a disposal group classified as held for sale**	–	194
		4,796	6,096
	Non current liabilities		
20	Borrowings	94	1,731
24	Provisions	328	260
25	Deferred tax liabilities	7	–
		429	1,991
	Total liabilities	5,225	8,087
		7,075	6,269
	Equity		
27	Share Capital	3,483	3,233
28	Share premium account	–	21,204
28	Retained earnings	3,838	(17,969)
28	Available for sale reserve	(648)	(140)
28	Special reserve	478	–
28	Translation reserve	(128)	(111)
	Equity attributable to shareholders of Densitron	7,023	6,217
28	Minority interests	52	52
	Total equity	7,075	6,269

The accounts were approved by the Board and authorised for issue on 24th June 2008 and signed on its behalf by:

Ralph Baber
Interim Chairman

Consolidated statement of recognised income and expense for the year ended 31st December 2007

	2007 £000	2006 £000
Foreign currency translation differences for foreign operations	(17)	(112)
Fair value adjustment of financial assets	(508)	(704)
Income and expense directly recognised in equity	(525)	(816)
Profit/(loss) for the period	1,094	(518)
Total recognised income and expense for the period	569	(1,334)
Attributable to:		
Equity holders of the Company	556	(1,344)
Minority interest	13	10
Total recognised income and expense for the period	569	(1,334)

Consolidated cash flow statement for the year ended 31st December 2007

Note		2007 £000	2006 £000
	Cash flows from operating activities		
	Profit/(loss) before taxation	818	(251)
	Loss for the period of discontinued operations	(46)	(870)
	Adjustments for:		
	Share based payment expense	–	165
	Depreciation	43	79
	Profit on disposal of fixed assets	(848)	–
	Loss on write off of investment	12	–
	Net finance expense	294	192
	Effect of exchange rate fluctuations	(279)	46
		(6)	(639)
	Change in inventories	89	193
	Change in trade and other receivables	672	(154)
	Change in trade and other payables	(187)	(374)
	Change in provisions	(7)	–
		561	(974)
	Income tax paid	(17)	(146)
	Net cash from/(used in) operating activities	544	(1,120)
	Cash flows from investing activities		
	Interest received	66	53
	Proceeds from sale of property, plant and equipment	1,016	2
11	Disposal of discontinued operation	933	291
	Acquisition of property, plant and equipment	(55)	(19)
	Net cash generated from investing activities	1,960	327
	Cash flows from financing activities		
	Proceeds from issue of share capital	250	–
	Inception of new loans	–	1,500
	Repayment of borrowings	(1,587)	(470)
	Interest paid	(380)	(286)
	Payment of finance lease liabilities	(21)	(25)
	Change in invoice discounting creditor	(196)	(225)
	Change in letters of credit	95	(161)
	Dividend paid to minorities	(13)	(11)
	Net cash (used in)/generated from financing activities	(1,852)	322
32	**Net increase/(decrease) in cash and cash equivalents**	652	(471)
	Cash and cash equivalents at 1st January	192	663
	Effect of exchange rate fluctuations on cash held	28	–
32	**Cash and cash equivalents at 31st December**	872	192

Notes to the consolidated financial statements for the year ended 31st December 2007

1. General

Densitron Technologies plc is a public limited company ("the Company") incorporated in the United Kingdom under the Companies Act 1985 (registration number 1962726).

The Company is domiciled in the United Kingdom and its registered address is 5th Floor, 145 Cannon Street, London EC4N 5BP. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM"). The Group's principal activities are the design, development and delivery of display and display related technologies.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (Adopted IFRSs) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under Adopted IFRSs. This is the first time the Group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of the transition from UK accounting standards to IFRSs have affected the Group's reported financial position, financial performance and cash flows are given in note 4.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated in the report.

(c) Functional and presentational currency

These consolidated financial statements are presented in UK Sterling, which is the Company's functional currency. All financial information presented in UK Sterling has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The main areas where estimates and assumptions have the most significant bearing on the carrying value of assets and liabilities are explained below:

Impairment of goodwill – In line with IAS 36 the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process the recoverable amount of goodwill is determined using value in use calculations, which requires estimates for future cash flows and as such is subject to estimates and assumptions. Further details are contained in note 14 to the consolidated financial statements.

Depreciation of property, plant and equipment – Depreciation is provided in the consolidated financial statements so as to write down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual value of the assets requires the use of estimates and judgement. Details of the estimated useful lives are as shown in the policy for depreciation.

Inventory provisions – The Group reviews its inventory on a regular basis and, where appropriate, makes provision for slow moving and obsolete stock based on the age of the inventory and the expected future sales activity. The expected future activity is based on the knowledge of orders already received from customers.

Financial assets – Investments are valued at fair value. The carrying value of the investments is reviewed annually based on fair value calculations. These calculations require estimates and assumptions to be made regarding future cash flows and discount rates to be applied. Further details are contained in note 16 to the consolidated financial statements.

(e) First time adoption

In preparing these financial statements, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time adoption of International Financial Reporting Standards':

- Business combinations effected before 1st January 2006 have not been restated.
- The carrying amount of capitalised goodwill at 31st December 2005 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1st January 2006.
- Goodwill written-off directly to reserves on business combinations effected before 1st January 1998 has not retrospectively been capitalised and will not be transferred to the income statement on the disposal of the subsidiary to which it relates.
- Only those exchange differences arising on the retranslation of foreign operations since 1st January 2006 have been recognised as a separate component of equity.

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

2. Basis of preparation (continued)

Certain comparative amounts have been reclassified to conform with the current year's presentation (See note 4). In addition, the comparative income statement has been re–presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see note 4).

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements.

3. Significant accounting policies

The principal accounting policies adopted are set out below.

Basis of Consolidation
Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial information presents the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. Subsidiaries are included in the consolidation from the date that control commences until the date that control ceases.

Where the Company has the power to significantly influence the operating and financial policies of another business it is treated as an associate and its results are accounted for on an equity basis. Where this power does not exist the Company will recognise the investment at either fair value or cost within non current assets.

Business combinations
The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Business combinations that took place prior to 1 January 2006 have not been restated.

Revenue recognition
Revenue consists of sales of displays and display related products to the Group's customers. Revenue is recognised when goods are physically transferred to customers or services have been provided in accordance with the terms and conditions of the order that has been placed. The value is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration, net of returns and value-added taxes.

Other operating income
Other operating income includes rents receivable, royalties receivable, commissions receivable, exchange gains made in the normal course of business and gains made on disposal of property, plant and equipment.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises. Goodwill is tested for impairment at least annually and more frequently if events or changes indicate that the carrying value may be impaired and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed. Goodwill arising on acquisitions before 1st January 2006 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Property, plant and equipment
Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following bases:

— Freehold buildings	2%
— Leasehold improvements	over the period of lease
— Plant and machinery	15%
— Fixtures and fittings	10%
— Motor vehicles	20%
— Computer equipment	15–25%

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement as other income in the year that the asset is derecognised. All tangible fixed assets are reviewed for impairment in accordance with IAS 36, Impairment of Assets, when there are indications that the carrying value may not be recoverable.

Financial instruments

(a) Available for sale assets – Assets classed as available for sale are valued at their fair values. Valuations take place annually (or more often if deemed necessary). The Group owns 24.8% of the share capital of Evervision Electronics Limited ("Evervision") a company incorporated in Taiwan. The Directors consider that the group does not have significant influence over Evervision and consequently treat the investment as a financial asset at its fair value. The carrying value of the investment is reviewed on an annual basis and any movement in its fair value is recognised through the statement of recognised income and expense. Where the asset is considered to be permanently impaired the impairment is recognised through the income statement.

(b) Other financial assets – deferred consideration relating to asset disposals of the Company is included within financial assets at amortised cost. Royalties receivable based on future turnover of the businesses disposed of are recognised in the period in which they are earned.

(c) Trade and other receivables – Trade and other receivables are initially recognised at fair value and thereafter at amortised cost less provision for impairment.

(d) Cash and cash equivalents – Cash and cash equivalents in the balance sheet comprise cash at bank and in hand. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as components of cash and cash equivalents for the purposes of the cash flow statement.

(e) Trade and other payables – Trade and other payables are initially recognised at their fair values and subsequently carried at amortised cost using the effective interest method.

(f) Loans and borrowings – Loans and borrowings are recognised at their fair values net of any transaction costs directly attributable to the loan. These liabilities are subsequently measured at amortised cost using the effective interest rate method ensuring that any interest expense is recognised at a constant rate on the balance of the liability carried in the balance sheet. Interest expense will include transaction costs and any premium payable on redemption.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes carriage and duty costs. Net realisable value is based on estimated selling price.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through sales rather than continuing use. This condition is regarded as met if the asset is available for immediate disposal in its present condition and that a sale is highly probable. On classification as non-current assets held for sale disposal groups are measured at the lower of cost and fair value less costs to sell; non-current assets are not depreciated.

Foreign currencies

Foreign operations

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transaction took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at the opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

At the 1st January 2007 Densitron Technologies plc used an exemption available under IFRS 1, 'First time adoption of International Financial Reporting Standards', which resulted in cumulative exchange differences for all foreign operations being deemed to be zero at the date on transition to IFRS. Any gain or loss on the subsequent disposal would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

Foreign currency transactions

Transactions entered into by group entities in a currency other than the functional currency of the country in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

3. Significant accounting policies (continued)

Leased Assets
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. Assets held as finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments during the lease term at the inception of the lease. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest in the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement. Lease incentives, primarily up-front cash payments or rent–free periods, are capitalised and spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

The land and buildings element of property leases are considered separately for the purposes of lease classification.

Pensions
The Group contributes to the personal pension plans of certain staff. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

Income Taxes
Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are recognised for all temporary differences, except where the deferred income tax liability from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Where operations are discontinued in the current year, the results of those operations in the prior period are similarly presented as discontinued.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of the dilutive potential ordinary shares, which comprise exercisable warrants.

New Standards and interpretations

The group has adopted IFRS7 Financial Instruments: Disclosures. This replaces the disclosure requirements of IAS 32 Financial Instruments Disclosure and Presentation. IFRS 7 introduces new requirements aimed at improving disclosure of qualitative and quantative information about the exposure and risks arising from financial instruments.

The group has also adopted a complementary amendment to IAS 1: Presentation of Financial Statements – Capital Disclosures which requires disclosures about the level and the management of capital.

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that were not applied. These are to be applied to financial statements with periods commencing on the following dates:

Standards and interpretations	Effective date
IAS 1 (Revised 2007)*: Presentation of financial statements – IAS 1 requires a change in the title of the financial statements and introduces a statement of comprehensive income. This will result in some changes in disclosure and some additional disclosures but will not affect reported net assets or net profit.	01/01/2009
Amendments to IAS 23*: Borrowing Costs (Revised) – this requires the capitalisation of interest on qualifying assets. It is not expected that this standard will have a material impact on the net assets or net profit.	01/01/2009
Amendments IAS 1 and IAS 32: Financial Instruments: Presentation (Puttable instruments and obligations arising on liquidation) – this standard is designed to enhance the understanding of financial instruments and their impact on the financial statements of the Group. This is not expected to have an affect on the net assets or net profit.	01/01/2009
IFRS 3 (Revised 2008)*: Business combinations and complementary amendments to IAS 27*: Consolidated and Separate Financial Statements – this standard changes the way in which business combinations are accounted for. The standard is prospective so will not have an impact on the net profit or net assets.	01/07/2009
Amendments to IFRS 2*: Sharebased Payments (Vesting conditions and cancellations) – The amendments seek to clarify vesting conditions and cancellations – this standard will not affect the net profit or net assets.	01/01/2009
IFRS 8: Operating segments – This standard requires segmental information to be reported along similar lines to the way in which the company is managed financially by the management. This standard may require some changes to the existing disclosures but will not have an affect on net assets or net profit.	01/01/2009
IFRIC 11: IFRS 2 – Group and Treasury Transactions – this interpretation deals with payments made using an entities or another entity of the Group's shares. The Group does not have any such transactions so this will not be relevant to the Group operations.	01/03/2007
IFRIC 12*: Service Concession Arrangements – this interpretation clarifies how certain aspects of existing IASB literature are to be applied to service concession arrangements. This is not relevant to the Group's operations.	01/01/2008
IFRIC 13*: Customer Loyalty Programmes – this interpretation relates to companies that grant loyalty award credits. It does not have an impact on the Group's operations.	01/07/2008
IFRIC 14*: IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction – this interpretation relates to defined benefit pensions. The Group does not have defined benefit pensions so the interpretation will not have an impact on the Group.	01/01/2008

* These standards and interpretations are not endorsed by the EU at present.

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

4. First time adoption of International Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles are given on the following pages:

Reconciliation of the Balance Sheet as at 1st January 2006 from UK GAAP to IFRS

	UK GAAP as at 1st January 2006 £000	IFRS 3 Non recognition of goodwill Amortisation (a) £000	IAS 36 Impairment of goodwill (b) £000	IAS 39 Available for sale asset (c) £000	IFRS as at 1st January 2006 £000
Non current assets					
Property, plant and equipment	388				388
Goodwill	184		(16)		168
Financial assets	7,357			564	7,921
Deferred tax assets	100				100
	8,029		(16)	564	8,577
Current assets					
Inventories	1,311				1,311
Trade and other receivables	4,120				4,120
Income tax recoverable	30				30
Cash and cash equivalents	2,382				2,382
	7,843				7,843
Total assets	15,872		(16)	564	16,420
Current liabilities					
Short term borrowings and overdrafts	4,639				4,639
Trade and other payables	3,342				3,342
Current tax payable	56				56
Provisions	75				75
	8,112				8,112
Non current liabilities					
Long term borrowings	598				598
Long term financial liabilities	11				11
Long term provisions	250				250
Deferred tax liabilities	–				–
	859				859
Total liabilities	8,971				8,971
	6,901		(16)	564	7,449
Equity					
Share Capital	3,233				3,233
Share premium account	21,204				21,204
Retained earnings	(17,589)		(16)	564	(17,041)
Equity attributable to shareholders of Densitron	6,848		(16)	564	7,396
Minority interests	53				53
Total equity	6,901		(16)	564	7,449

Reconciliation of the income statement for the year ended 31st December 2006 from UK GAAP to IFRS

	UK GAAP year ended 31st December 2006 £000	IFRS 3 Non recognition of goodwill Amortisation (a) £000	IAS 36 Impairment of goodwill (b) £000	IFRS 5 Discontinued activities (d) £000	IFRS 2 Warrants (g) £000	IFRS year ended 31st December 2006 Audited £000
Revenue	20,314			(4,873)		15,441
Cost of sales	(14,153)			3,346		(10,807)
Gross profit	6,161			(1,527)		4,634
Distribution costs	(58)			4		(54)
Administrative expenses	(6,968)	24	(25)	2,443	(165)	(4,691)
Other operating income	102			(50)		52
Loss from operations	(763)	24	(25)	870	(165)	(59)
Profit on the sale of subsidiaries	748			(748)		–
Financial income	53					53
Financial expense	(324)			79		(245)
Loss before tax	(286)	24	(25)	201	(165)	(251)
Income tax expense	(66)					(66)
Loss after tax	(352)	24	(25)	201	(165)	(317)
Discontinued operations						
Loss for the period from discontinued operations	–			(201)		(201)
Loss for the period	(352)	24	(25)	–	(165)	(518)

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

4. First time adoption of International Reporting Standards (IFRS) (continued)

Reconciliation of the Balance Sheet as at 31st December 2006 from UK GAAP to IFRS

	UK GAAP as at 31st December 2006 £000	IFRS 3 Non recognition of goodwill Amortisation (a) £000	IAS 36 Impairment of goodwill (b) £000	IAS21 Cumulative translation differences (f) £000	IFRS 5 Non current assets classified as held for sale (e) £000	IFRS 5 Non current assets classified as held for sale (e) £000	IAS 39 Available for sale asset (c) £000	IFRS as at 31st December 2006 £000
Non current assets								
Property, plant and equipment	364				(1)	(236)		127
Goodwill	160	24	(41)					143
Financial assets	7,351						(140)	7,211
Deferred tax assets	67							67
	7,942	24	(41)		(1)	(236)	(140)	7,548
Current assets								
Inventories	931				(294)			637
Trade and other receivables	3,148				(28)			3,120
Financial assets	1,040							1,040
Income tax recoverable	160							160
Cash and cash equivalents	1,292							1,292
	6,571				(322)			6,249
Non current assets classified as held for sale	–				323	236		559
	6,571				1	236		6,808
Total assets	14,513	24	(41)		–	–	(140)	14,356
Current liabilities								
Short term borrowings and overdrafts	3,529							3,529
Trade and other payables	2,426				(194)			2,232
Current tax payable	66							66
Provisions	75							75
	6,096				(194)			5,902
Liabilities directly associated with non current assets classified as held for sale					194			194
	6,096				–			6,096
Non current liabilities								
Borrowings	1,731							1,731
Provisions	260							260
	1,991							1,991
Total liabilities	8,087							8,087
	6,426	24	(41)		–	–	(140)	6,269
Equity								
Share Capital	3,233							3,233
Share premium account	21,204							21,204
Retained earnings	(18,063)	24	(41)	111				(17,969)
Available for sale reserve							(140)	(140)
Translation reserve				(111)				(111)
Equity attributable to shareholders of Densitron	6,374	24	(41)	–			(140)	6,217
Minority interests	52							52
Total equity	6,426	24	(41)	–			(140)	6,269

(a) Goodwill amortisation

Under UK GAAP, goodwill is amortised over its expected useful life, whereas under IFRS goodwill is considered to have an indefinite life and is not amortised, but is tested for impairment annually. This adjustment reverses the amortisation charged in the year to 31st December 2006.

(b) Impairment of goodwill

Impairment provisions have been made in both the years ended 31st December 2005 and 31st December 2006. Adjustments have been made to reflect the impairment of goodwill.

(c) Financial assets

The investment in Evervision electronics Limited (formerly VBest Electronics Co. Limited) has been accounted for as a fixed asset investment at its cost less impairment under UK GAAP. The Group owns 24.48% of the equity of Evervision and under adopted IFRS is required to consider its ability to exercise influence on the presumption that it has significant influence which would make Evervision an associate. The Group does not have significant influence over the financial or operating policies of Evervision and has consequently accounted for its holding as a financial asset available for sale at fair value under this policy.

Deferred consideration due on sales of investments was treated under UK GAAP and debtors due in more than one year. Under adopted IFRS the substance of these transactions result in these amounts being treated as loans within financial assets and accounted for using the effective interest method.

(d) Discontinued Activities

Under adopted IFRS the results of discontinued activities can be shown as an item after profit/(loss) for the period on continuing operations.

(e) Non Current Assets Held for Sale

Under IFRS 5 assets whose carrying amount will be recovered principally through a sale transaction rather than continuing use are classified as non current assets held for sale. The Sportsground that the Company owns in Blackheath is one such asset. At the 31st December 2006 the Company was in advanced negotiation with the Local Authority regarding the disposal of this asset.

In addition the sale of the Gaming business took place on 31st January 2007. At 31st December 2006 negotiations of the sale were in progress and principal terms had been agreed. As such those assets subject to the sale have been classified as non current assets held for sale.

(f) Cumulative translation differences

Under IAS 21 cumulative translation differences for foreign operations should be disclosed within a translation reserve as a separate part of equity. These differences are those arising only since the transition date.

(g) Warrants

Under IFRS 2 the Company is required to recognise an expense for the provision of services in exchange for the issuance of shares or rights to shares. The issuance of fully vested shares, or rights to shares, is presumed to relate to past services, requiring the full amount of the grant-date fair value to be expensed immediately. A similar adjustment would have been required by FRS 20; the adjustment would therefore have resulted in a prior year adjustment, were the company reporting under UK GAAP.

5. Profit from operations:

	2007 £000	2006 £000
This has been arrived at after charging/(crediting):		
Staff costs (see note 6)	2,708	3,075
Depreciation of property, plant and equipment	43	78
Goodwill impairment charge	–	25
Foreign exchange losses	–	2
Share based payment expense	–	165
Design and Development costs	14	23
Operating lease expenses:		
– Plant and machinery	25	66
– Property	192	187
Profit/loss on disposal of property, plant and equipment	848	–
Fees payable to the Company's Auditor for audit of the company's accounts	42	55
The audit of the company's subsidiaries	54	35
Provision of taxation services	15	13

6. Employee information

	2007 £000	2006 £000
The average number of employees (including Directors) during the year was as follows:		
Selling and marketing	21	20
Design and development	5	7
Administration	37	41
	63	68

	2007 £000	2006 £000
Staff costs for the above employees during the year amounted to:		
Wages and salaries	2,312	2,630
Social security costs	285	327
Pension costs	111	118
	2,708	3,075

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

6. Employee information (continued)

Key management/directors remuneration
Key management comprise personnel having authority and responsibility for planning, directing and controlling the activities of the Group. They comprise the Board of Directors.

	2007 £000	2006 £000
Salaries and fees	367	337
Defined contribution pension payments	17	20
	384	357
The emolument of the highest paid director	133	154
The number of directors receiving defined contribution pension payments are	3	2

7. Other income

	2007 £000	2006 £000
Net gain on sale of property, plant and equipment	848	–
Exchange gains	81	–
Commissions receivable	3	52
Royalties receivable	85	–
Rent receivable	7	–
	1,024	52

8. Financial income and expense

	2007 £000	2006 £000
Financial income		
Bank deposit interest	31	5
Interest on deferred consideration	65	48
	96	53
Financial expenses		
Bank borrowings	168	130
Hire purchase and finance leases	2	2
Invoice discounting charge	28	20
Other loan interest payable	192	93
	390	245

9. Business and Geographical segments

The Group manages its business by reporting by business segment and by geographical location of the business segment. The business segments that the Group has operated in are displays, gaming boards and public information displays. Following the disposal of the gaming board and public information displays divisions the group manages its remaining displays business on a geographical basis.

Inter-segment transfer pricing is based on the level of work carried out and the risk encountered by each party in order to make a third party sale.

	Business segments					
	Continuing Displays division 2007 £000	Discontinued Gaming division 2007 £000	Discontinued Public information displays division 2007 £000	Eliminations 2007 £000	Head office 2007 £000	Total 2007 £000
Revenue						
External	16,695	244	–	(244)	–	16,695
Intercompany	(2,652)	(182)	–	182	–	(2,652)
Total	14,043	62	–	(62)	–	14,043
Profit/(loss) before tax						
Continuing operations	522	–	–	–	296	818
Discontinued operations	–	437	–	–	–	437
Total	522	437	–	–	296	1,255
Balance sheet						
Assets	2,588	–	–	–	9,712	12,300
Liabilities	(3,137)	–	–	–	(2,088)	(5,225)
Net assets	(549)	–	–	–	7,624	7,075
Other						
Goodwill impairment	–	–	–	–	–	–
Capital expenditure						
– Property, plant and equipment	64	–	–	–	–	64
Depreciation	8	–	–	–	35	43
	2006 £000	2006 £000	2006 £000	2006 £000	2006 £000	2006 £000
Revenue						
External	18,099	2,121	3,223	(5,344)	–	18,099
Intercompany	(2,658)	(471)	–	471	–	(2,658)
Total	15,441	1,650	3,223	(4,873)	–	15,441
Profit/(loss) before tax						
Continuing operations	829	–	–	–	(1,080)	(251)
Discontinued operations	–	(871)	379	291	–	(201)
Total	829	(871)	379	291	(1,080)	(452)
Balance sheet						
Assets	5,228	323	–	–	8,805	14,356
Liabilities	(4,727)	(194)	–	–	(3,166)	(8,087)
Net assets	501	129		–	5,639	6,269
Other						
Goodwill impairment	10	15	–	–	–	25
Capital expenditure						
– Property, plant and equipment	43	1	5	–	30	79
Depreciation	23	1	15	–	39	78
Share based payments	–	–	–	–	165	165

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

9. Business and Geographical segments (continued)

The Group's secondary reporting format for reporting segmental information is by geographical location.

	External revenue by location of customers		Total assets by location of asset		Capital expenditure by location of assets	
	2007	2006	2007	2006	2007	2006
	£000	£000	£000	£000	£000	£000
Total operations						
UK	2,813	6,230	248	(1,192)	3	36
Europe	3,469	5,537	517	512	4	4
USA	5,625	6,060	1,098	1,094	57	39
Asia	1,970	2,059	5,212	5,855	–	–
Rest of the world	166	428	–	–	–	–
	14,043	20,314	7,075	6,269	64	79
Continuing operations						
UK	2,813	3,210	248	(748)	3	30
Europe	3,469	4,505	517	512	4	4
USA	5,625	5,532	1,098	1,447	57	39
Asia	1,970	1,787	5,212	5,855	–	–
Rest of the world	166	407	–	–	–	–
	14,043	15,441	7,075	7,066	64	73
Discontinued operations						
UK	–	3,021	–	(444)	–	6
Europe	–	1,031	–	–	–	–
USA	–	528	–	(353)	–	–
Asia	–	272	–	–	–	–
Rest of the world	–	21	–	–	–	–
	–	4,873	–	(797)	–	6

10. Tax expense

	2007	2006
	£000	£000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	53	34
Unrecoverable withholding tax	117	–
Double taxation relief	–	–
Adjustments for (over)/under provision in prior periods	(30)	11
	140	45
Deferred tax expense		
Origination and reversal of temporary differences	21	21
Total tax charge	161	66

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2007	2006
	£000	£000
Profit before tax	818	(251)
Expected tax charge based on the standard rate of corporation tax in the UK of 30% (2006: 30%)	245	(75)
Losses carried forward	86	133
Disallowed expenses	2	88
Non taxable income	13	(26)
Depreciation in excess of capital allowances	12	15
Utilisation of tax losses brought forward	(317)	(68)
Adjustments for overseas rate	3	(1)
Unrecoverable withholding written off	117	–
	161	66

11. Discontinued operations

On 31st January 2007 the company sold its Gaming division to Sandco 1009 Limited for the following consideration:

1. Net operating assets of approximately £43,000 were purchased on a pound for pound basis.
2. Goodwill of £500,000 (plus interest) payable in 24 equal monthly instalments commencing 13 months after completion.
3. Royalties based on Gross Sales Revenue for five years (the first 3 years not being payable until the end of the 3rd year after completion) at rates of:
   - 3% up to a maximum of £4m Gross Sales Revenue;
   - 5% on Gross Sales Revenue in excess of £4m and up to a maximum of £7m;
   - 1% on Gross Sales Revenue in excess of £7m and up to a maximum of £10m; and
   - 0.5% on Gross Sales Revenue above £10m.

The royalties will be recognised in the accounting period in which they are earned.

On 31st December 2006 the Group sold its Public Information Displays division to Trueform Engineering Limited for £1,000,000. £500,000 was paid in January 2007 with a further £200,000 on agreement of completion accounts. The remaining £300,000 is due to be paid on the 1st and 2nd anniversaries of the disposal.

On 22nd March 2005 Densitron Asia Limited sold its 45% holding in Hitech Electronics Corporation to Beijer Electronics AB for an initial payment of £4.1 million. A further payment of £291,000 was received during 2006, equivalent to 22.5% of the profit on ordinary activities before taxation recorded by Hitech for the year ended 31st December 2005.

In 2004 the Group sold its subsidiary Densitron Control Systems Limited. As part of the sale the Group transferred the losses attributable to the subsidiary totalling approximately £700,000. As part of the sale the Group is entitled to the tax saved as a result of the setting off of the losses transferred. The income to the Group is dependent on the future profitability of the business and the level of future revenue cannot be determined. At 31st December 2007 no such revenue had been received.

	2007 £000	2006 £000
Consideration received:		
Cash	26	291
Short term debt	229	700
Amounts due in more than one year	271	300
	526	1,291
Net assets disposed of:		
Property, plant and equipment	1	19
Inventory	317	85
Trade and other receivables	13	879
Trade and other payables	(288)	(440)
	43	543
Profit on disposal	483	748

In 2007 the profit on disposal relates to the sale of the Gaming division. In 2006 £291,000 relates to the sale of Hitech Electronics Corporation and £457,000 to the sale of the Public Information Displays division.

Results of discontinued operations

	2007 £000	2006 £000
Revenue	244	4,873
Expenses other than finance costs	(286)	(5,743)
Finance costs	(4)	(79)
	(46)	(949)
Gain/(loss) from selling discontinued operations	483	748
Profit/(loss) for the year before tax	437	(201)
Profit/(loss) for the year after tax	437	(201)
Basic earnings/(loss) per share (pence)	0.67p	(0.31)p
Diluted earnings/(loss) per share (pence)	0.66p	(0.31)p

The disposal of the Gaming Division was a disposal of a significant interest and did not attract a tax liability.

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

11. Discontinued operations (continued)

The cash flow statement includes the following amounts relating to discontinued operations

	2007 £000	2006 £000
Operating activities	(42)	(870)
Financing activities	(4)	(79)
Net cash used in discontinued operations	(46)	(949)

12. Earnings per share

The calculation of basic earnings per share at 31st December 2007 was based on the profit attributable to ordinary shareholders of £1,081,000 (2006: Loss £529,000) and a weighted average number of ordinary shares outstanding of 64,819,791 (2006: 64,669,106).

Profit attributable to ordinary shareholders

	2007 £000	2006 £000
Continuing operations	644	(328)
Discontinued operations	437	(201)
Profit/(Loss) attributable to ordinary shareholders	1,081	(529)

Weighted average number of ordinary shares

	2007 £000	2006 £000
Issued ordinary shares at 1st January	64,669,106	64,669,106
Effect of shares issued on 21st December 2007	150,685	–
Weighted average number of ordinary shares at 31st December 2007	64,819,791	64,669,106
Dilutive effect of warrants	1,375,734	1,428,571
Diluted weighted average number of ordinary shares at 31st December 2007	66,195,525	66,097,677

In calculating the diluted loss per share in 2006 account has not been taken of the warrants, as they are not considered to be dilutive.

13. Property, plant and equipment

	Freehold land and buildings £000	Leasehold improve-ments £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost							
Balance at 1st January 2006	326	38	85	226	28	447	1,150
Additions	–	1	9	32	–	37	79
Disposals	–	(15)	(24)	(90)	(5)	(131)	(265)
Disposal of subsidiary undertaking	–	–	(7)	(2)	–	(66)	(75)
Re-classified to non-current assets held for sale	(326)	–	–	–	–	(3)	(329)
Effect of movement in foreign exchange rate	–	(1)	(6)	(7)	(3)	(25)	(42)
Balance at 31st December 2006	–	23	57	159	20	259	518
Balance at 1st January 2007	–	23	57	159	20	259	518
Additions	–	–	1	7	–	56	64
Disposals	–	(16)	(3)	–	–	(20)	(39)
Re-classified from non-current assets held for sale	102	–	–	–	–	–	102
Effect of movement in foreign exchange rate	–	–	(1)	3	(1)	(2)	(1)
Balance at 31st December 2007	102	7	54	169	19	293	644
Accumulated depreciation							
Balance at 1st January 2006	74	23	76	175	26	388	762
Depreciation charge for the year	16	2	5	23	–	32	78
Reclassified to non current assets held for sale	(90)	–	–	–	–	(2)	(92)
Disposals	–	(15)	(24)	(90)	(3)	(129)	(261)
Disposal of subsidiary undertaking	–		(3)	(1)	–	(53)	(57)
Effects of movement in foreign exchange rate	–	–	(6)	(6)	(3)	(24)	(39)
Balance at 31st December 2006	–	10	48	101	20	212	391
Balance at 1st January 2007	–	10	48	101	20	212	391
Depreciation charge for the year	–	3	3	23	–	14	43
Reclassified from non current assets held for sale	34	–	–	–	–	–	34
Disposals	–	(7)	(3)	–	–	(20)	(30)
Effects of movement in foreign exchange rate	–	(1)	(1)	3	(1)	(2)	(2)
Balance at 31st December 2007	34	5	47	127	19	204	436
Net book value							
At 1st January 2006	252	15	9	51	2	59	388
At 31st December 2006	-	13	9	58	-	47	127
At 31st December 2007	68	2	7	42	-	89	208

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets under finance leases (see note 20)

	2007 £000	2006 £000
Office equipment	25	40

Freehold land relates to 1.25 acres of land owned at Blackheath in South East London. The net book value of this land is £68,000. The fair value of the land would be considerably greater if planning permission was to be granted. No such permission has been granted and the land is currently subject to a Metropolitan Land Order which prevents any development. The Directors consider the land under its current restricted conditions could be sold for around £500,000, any lifting of the restrictions would greatly enhance this value.

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued))

14. Goodwill

	2007 £000	2006 £000
Balance at 1 January 2007	143	168
Impairment	–	(25)
Balance at 31 December 2007	143	143

Impairment reviews are carried out in March each year, for the purposes of the preparation of the accounts based on information at the previous December. The impairment review carried out in March 2008 indicated that no impairment provision was necessary at 31st December 2007. At 31st December 2006 goodwill on two cash generating units was deemed to be irrecoverable and as such was fully impaired. The level of impairment recognised in the year is shown below:

	2007 £000	2006 £000
Italy	–	10
Computers	–	15
Total impairment	–	25

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows

	2007 £000	2006 £000
France	11	11
Germany	99	99
Finland	5	5
Asia	28	28
	143	143

The recoverable amounts of all of the above cash generating units have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the year to 31st December 2008.

- Cash flows were based on the internal budgets for 2008 with reference to the 3 year forecast to 2010. Cash flows for a further 2 years were extrapolated using a constant growth rate. The rate of growth used within the cash generating units ranged from 2.5% to 7.5% depending on the unit. No growth was forecast beyond this period.
- Each of the trading companies operates in its own geographical location and the nature of the business conducted can vary from location to location. Where business is of a standard nature assumptions have been made regarding the growth potential of these products. Where business is of a project nature there is far greater visibility of future business to be conducted in the future. Both of these types of business have been taken into account in putting the budgets together
- The estimated weighted average cost of capital of the group is 8%. In order to reflect the differing risks of each of the cash generating units a discount rate of between 8% and 15% has been used.
- A sensitivity analysis was carried out on the cash flows for each of the cost generating units. The expected growth rates were reduced by 25%, the forecast cash flows were reduced by 25% and the discount rate used was increased by 25%, in each case the value in use exceeded the carrying value.
- The method used for calculating the value in use in 2007 was the same that had been used in 2008. Similar growth rates were used for each of the cash generating units and the same assumptions and sensitivity analysis was carried out. In each case the value in use exceeded the carrying value.

Following the sensitivity analysis that was carried out the following areas were identified as those areas that were particularly sensitive:

- Germany – the goodwill in Germany is particularly sensitive to the budgeted cash flow for 2008. Should the budgeted cash flow for 2008 be underachieved by 25% (but all other assumptions remain the same) an impairment of £46,000 (2006: £59,000) would be required.
- Asia – the goodwill in Asia is particularly sensitive to the budgeted cash flow for 2007, 2008 and 2009. Should the cash flows be underachieved by 25% (but all other assumptions remain the same) an impairment of £8,000 (2006: £10,000) would be required.

15. Principal subsidiary undertakings

The principal subsidiary undertakings which operated during the year are listed below. They all operate in the country of their incorporation, which is Great Britain unless otherwise stated. They are all wholly owned unless there is a figure in brackets, which indicates the percentage of Ordinary Shares and voting rights held by the Group.

Company name	Nature of business
Densitron Europe Limited	Sale of electronic products in the UK and Europe Parent company of European subsidiary undertakings
Densitron Corporation of Japan (incorporated in Japan)	Sale of electronic products in Japan Export of electronic products from Japan
Densitron Corporation (Incorporated in USA)	Sale of electronic products in North and South America
Densitron France (incorporated in France) *	Sale of electronic products in France
Densitron Nordic Oy (80%) (incorporated in Finland) *	Sale of electronic products in Finland, Sweden and Eastern Europe
Densitron Deutschland GmbH (incorporated in Germany) *	Sale of electronic products in Germany and Austria
Densitron Asia Limited (incorporated in Taiwan)	Parent company of Taiwanese Investments and procurement of electronic products in Taiwan and China

* Subsidiary of Densitron Europe Limited

16. Financial assets

	2007 £000	2006 £000
Amounts due on more than one year		
Financial assets designated as available for sale	6,185	6,777
Deferred consideration on discontinued operations	404	434
	6,589	7,211
Amounts due within one year		
Deferred consideration on discontinued operations	765	1,040

The financial asset designated as available for sale relates to an investment in Evervision Electronics Limited (Evervision), formerly known as VBest Electronics Co. Ltd. Evervision is a company incorporated in Taiwan. The carrying value of the investment is at fair value. Any movements in the fair value of the asset are recognised through the Statement of Recognised Income and Expense.

The Group owns 24.48% of the ordinary share capital of Evervision and under adopted IFRS is required to consider its ability to exercise influence on the presumption that it has significant influence which would make Evervision an associate. The Directors have spent a considerable amount of time discussing the investment in Evervision and in particular whether they are able to exert significant influence over it. The conclusion that they have drawn is that the Group does not have significant influence over Evervision. A summary of the reasons for this are shown below:

- Initially the investment was intended to be a relationship whereby Densitron would be Evervision's exclusive distribution channel for sales of colour displays in Europe and the US (it was this production line that the initial investment was intended to be used for). Effectively this would have given the group significant influence over the direction of the business. Evervision has struggled to achieve the level of quality required by its products in the US and Europe and has concentrated primarily on high volume low margin type business. This is contrary to the general group business strategy and as a result the exclusive sales arrangement was mutually terminated. From a business perspective Evervision is now treated as any other supplier.
- Densitron is one of a number of shareholders in Evervision. The majority of shareholders are Taiwanese and have strong links to the largest shareholder. The effect of this is that Densitron is an effective minority shareholder.
- Over the period of the investment relationships between the two companies has been strained. This has resulted in Board meetings taking place with little notice making it impossible for Densitron's representative to attend. This situation has improved and the current Board of Densitron is working hard to build a relationship between the two companies.
- Business information can be difficult to obtain and is often out of date before it is received.
- Strategic decisions are generally taken outside of Board Meetings by the Chairman (and largest shareholder of Evervision) leaving Board Meetings to be merely communication of business activities.

The Directors have concluded that the group does not have significant influence over the financial or operating policies of Evervision and has consequently accounted for its holding as a financial asset available for sale carried at fair value.

The Directors carry out a fair value calculation on the investment in Evervision on an Annual basis (or more often if deemed necessary). The fair value is based on the Group's share of the net assets of Evervision enhanced by a premium based on the market value of similar listed Taiwanese manufacturers divided by their net asset value, the premium has then been discounted by 25% to reflect that Evervision is not listed. At 31st December 2007 and 31st December 2006 the discounted premium amounted to 15%.

16. Financial assets (continued)

At 31st December 2007 the fair value of Evervision has been calculated to be £6,185,000 (2006: £6,693,000) which has resulted in an impairment in the year of £508,000 (2006: £704,000). The impairment for both years has been recognised through the statement of recognised income and expense since the change in value is considered to be neither significant nor prolonged. An available for sale reserve has been created for the impairments of available for sale assets.

The Directors have carried out a sensitivity analysis on the valuation of Evervision concluding that the area of sensitivity is in the value of the premium used. A reduction of 10% in the premium used would result in an additional impairment of £80,000 (2006: £86,000). Conversely an increase in the premium of 10% would result in a reduction in the impairment of a similar value.

Under schedule 5 of the Companies Act 1985 the Company is required to make the following disclosures in respect of Evervision Electronics Limited:

	2007 £000	2006 £000
(Loss)/profit for the year	(1,702)	157
Aggregate amount of capital and reserves	21,714	23,498

The results for Evervision shown above are based on the 2006 audited results and the 2007 draft audited results.

Deferred consideration on discontinued operations represents the amount of consideration due to be paid as a result of disposals of businesses during the year and in previous years. The amounts represent the amounts that are due to be paid in future periods, the directors have considered whether any impairment is required on these amounts based on available information and previous payment history and consider that no impairment to the amounts receivable is required.

17. Inventories

	2007 £000	2006 £000
Finished goods	641	637
	641	637

18. Trade and other receivables

	2007 £000	2006 £000
Trade receivables	1,906	2,360
Prepayments and accrued income	153	177
Other receivables	398	583
	2,457	3,120

The Group considers that the fair values of its trade and other receivables is not materially different from their carrying values.

The Group's exposure to credit and currency risks relating to trade and other receivables are disclosed in note 23.

19. Trade and other payables – current

	2007 £000	2006 £000
Trade payables	891	1,296
Other tax and social security	331	219
Other payables	75	324
Accruals	566	393
	1,863	2,232

The Group considers that the fair value of its trade and other payables is not materially different from their carrying values.

The Group's exposure to currency and liquidity risks related to trade and other payables are disclosed in note 23.

20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk see note 23.

	2007 £000	2006 £000
Non current liabilities		
Secured bank loans	89	207
Other secured loans	–	1,500
Finance lease liabilities	5	24
	94	1,731
Current liabilities		
Secured bank overdrafts	525	1,100
Current portion of secured bank loans	808	1,149
Letters of credit	793	698
Advances received from invoice discounters	367	563
Other unsecured loans	350	–
Current portion of finance lease liabilities	18	19
	2,861	3,529

21. Financial assets and liabilities

Maturity of financial assets

	2007 £000	2006 £000
In less than one year	765	1,040
In more than one year but not more than two years	298	340
In more than two years but not more than three years	106	94
	1,169	1,474

Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk are repayable as follow:

	2007 £000	2006 £000
In less than one year	2,861	3,529
In more than one year but not more than two years	50	1,576
In more than two years but not more than three years	44	62
In more than three years but not more than four years	–	56
In more than four years but not more than five years	–	14
In more than five years	–	23
	2,955	5,260

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

22. Financial instruments – Risk management

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash and liquid resources and various items such as trade payables and receivables that arise directly from its operations. The Group is exposed through its operations to the following risks:

- Credit risk
- Foreign currency risk
- Liquidity risk
- Cash flow interest rate risk
- Fair value interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks and consequently the objectives, policies and processes are unchanged from the previous period.

The Board has overall responsibility for the determination of the group's risk management policies. The objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and effectiveness. Further details of these policies are set out below:

Credit risk

The Group is exposed to credit risk primarily on its trade receivables, which are spread over a range of Customers and Countries, a factor that helps to dilute the concentration of the risk.

It is Group policy, implemented locally, to assess the credit risk of each new customer before entering into binding contracts. Each Customer account is then reviewed on an ongoing basis (at least once a year) based on available information and payment history. In the UK credit insurance has also been implemented to further mitigate any risk.

The maximum exposure to credit risk is represented by the carrying value in the balance sheet as shown in note 18. The amount of the total exposure shown in note 18 is stated net of provisions for doubtful debts.

The credit risk on the deferred consideration receivable as a result of the disposal of the Group's trading divisions is limited to the value shown in note 16.

The credit risk on liquid funds is limited as the funds are held at banks with high credit ratings assigned by international credit rating agencies.

Foreign currency risk

Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The generally policy for the Group is to sell to customers in the same currency that goods are purchased in reducing the transactional risk. Where transactions are not matched excess currency amounts generated from trading are used to and the use of forward currency contracts are considered (during the year no forward currency contracts were used).

Foreign exchange translation risk arises on translation of the balance sheets of Group operations whose functional currency is different to that of the Group as a whole. The predominant area where this risk applies is US dollars. This risk is mitigated by hedging the balance of the balance sheet of those operations by borrowing in that currency in the UK.

Liquidity risk

It is the general policy of the Group that liquidity risk is managed locally. In some instances local facilities are tied in with Head Office and managed alongside those of the Head Office. The Group maintains banking facilities in the primary locations in which it operates in order to manage any cash requirement. In the UK invoice discounting is used on sales to Customers meaning that the UK business can receive immediate payment on its sales. Additionally the use of Letter of Credits to make purchases from the Far East enables the UK to extend payment terms for purchases.

The Group has approximately a three month visibility in its trading and runs a rolling 3 month cash flow forecast. If any part of the Group identifies a shortfall in its future cash position the Group has sufficient facilities that it can direct funds to the location where they are required. If this situation is forecast to continue into the future remedial action is taken.

Cash flow interest rate risk

External Group borrowings are approved centrally and operating companies are not permitted to borrow long term from external sources locally. The Board accepts that this neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments. It considers, however, that ensuring approval of borrowings it made by the Board the risk of borrowing at excessive interest rates is reduced. The Board considers that the rates being paid are in line with the most competitive rates it is possible for the Group to achieve.

Fair value interest rate risk

The Group has some borrowings at fixed rate which exposes it to fair value interest risk. The Group reviews these loans on an ongoing basis and where loans are in excess of market rate the Group will try and either replace the loans with borrowings at or closer to the market rate or settle the loans out of available funds.

23. Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Cash and receivables	
	2007	2006
	£000	£000
Current financial assets		
Trade and other receivables	2,457	3,120
Financial assets	765	1,040
Cash and cash equivalents	1,397	1,292
	4,619	5,452

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying value	
	2007	2006
	£000	£000
Europe	1,193	1,352
USA	530	678
Asia	183	330
	1,906	2,360

The Group policy is to make a provision of 50% against those debts that are more than 90 days overdue. Any debts still outstanding after 120 days are fully provided against. During the year the value of provisions made in respect of bad and doubtful debts was less than £20,000 which represented less than 0.14% of turnover.

The Group is exposed to credit risk on the deferred consideration receivable on the business disposals that have been made. While the Group considers that these amounts will be received there is an exposure.

Liquidity risk

	Financial liabilities as held for trading	
	2007	2006
	£000	£000
Current financial liabilities		
Trade and other payables	1,863	2,232
Loans and borrowings	2,861	3,529
	4,724	5,761
Non current financial liabilities		
Loans and borrowings	94	1,731

The Board considers that the book value of its financial assets and liabilities approximate to their book values.

The following are maturities of financial liabilities, including estimated contracted interest payments

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-3 years years £000	3 or more years £000
2007							
Secured bank loans	897	902	787	24	46	45	–
Unsecured loans	350	403	403				
Bank overdrafts	525	525	525				
Letters of credit	793	804	804				
Advances received from Invoice Discounters	367	367	367				
Finance lease liabilities	23	26	11	11	4		
Trade and other payables	1,863	1,863	1,863				
	4,818	4,890	4,760	35	50	45	–

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

23. Financial instruments (continued)

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-3 years years £000	3 or more years £000
2006							
Secured bank loans	1,356	1,361	1,136	31	60	60	74
Secured loans	1,500	1,801	75	98	1,628		
Bank overdrafts	1,100	1,100	1,100				
Letters of credit	698	708	708				
Advances received from Invoice Discounters	563	563	563				
Finance lease liabilities	43	48	11	11	22	4	
Trade and other payables	2,232	2,232	2,232				
	7,492	7,813	5,825	140	1,710	64	74

Interest rate risk

The Group finances its business through a mixture of bank overdrafts, bank and other loans, letter of credit and invoice discounting facilities. During the year the Group utilised these facilities at both floating and fixed rates of interest. The table below shows the Group's financial instruments that are exposed to interest rate risk at 31st December 2007.

	Currency	2007 Effective interest rate	2007 Carrying amount £000	2006 Effective interest rate	2006 Carrying amount £000
Floating rate with maturity within one year					
Secured bank loan – UK	UKS	–	–	6.50%	316
Commercial mortgage – UK	UKS	8.75%		8.00%	92
Secured bank loan – Taiwan	NT$	3.75%	763	4.13%	776
Bank overdraft facility – UK	UKS	7.05%	488	6.30%	978
Bank overdraft facility – France	Euro	7.05%	37	6.30%	122
Invoice discounting facility – UK	UKS	7.00%	188	6.25%	170
Invoice discounting facility – UK	USD	7.00%	202	6.25%	393
Invoice discount facility – UK	Euro	7.00%	(23)	6.25%	–
Letter of credit facility – UK	USD	5.75%	793	6.40%	698
			2,448		3,545
Floating rate with maturity after more than one year					
Finance leases	UKS	8.50%	23	7.75%	43

In the UK Barclays Bank PLC holds a debenture over the assets of the UK companies in order to secure overdraft, letter of credit, guarantee and invoice discounting facilities.

In Taiwan the loan is secured by a cross guarantee from Barclays Bank PLC in the UK.

In Japan the bank loan is secured by a personal bond given by one of the Japanese directors guaranteed by Densitron Technologies plc.

Foreign currency risk

The Group's main foreign currency risk is the short term risk associated with accounts receivable and payable denominated in currencies that are not subsidiaries functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try and ensure that the purchases associated with the sale will be in the same currency. The following table shows the net liabilities exposed to exchange rate risk that the Group has at 31st December 2007.

	2007 £000	2006 £000
UK Sterling	1,358	129
US dollars	1,139	542
Japanese Yen	160	189
Taiwanese Dollars	45	335
Euro	45	117
	2,747	1,312

The effect of a strengthening/weakening of 10% of currencies against sterling at the Balance Sheet date on the foreign currency balances carried at that date would have resulted in an estimated net decrease/increase in pre-tax profit for the year and an decrease/increase in net assets of approximately £305k and £250k respectively (2006: £106k and £129k respectively).

Capital under management

The Group considers its capital to comprise its ordinary share capital, share premium account, translation reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to maximise returns for its equity shareholders. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain sufficient funding to enable the Group to meet its working capital and strategic investment need. In making decisions to adjust its capital structure to achieve these aims the Group considers not only its short term position but also its long term operational and strategic objectives.

The Group's gearing ratio at 31st December 2007 is shown below:

	2007 £000	2006 £000
Cash and cash equivalents	(1,397)	(1,292)
Bank overdrafts	525	1,100
Bank loans	897	1,356
Other loans	350	1,500
Letter of credits	793	698
Invoice discounting advance	367	563
Finance lease liabilities	23	43
	1,558	3,968
Share Capital	3,483	3,233
Share premium account	–	21,204
Retained earnings	3,838	(17,969)
Available for sale reserve	(648)	(140)
Special reserve	478	–
Translation reserve	(128)	(111)
	7,023	6,217
Gearing ratio	0.22	0.64

24. Provisions

	Post retirement benefits £000	Property dilapidations £000	Other £000	Total £000
At 1st January 2006 and 31st December 2006	250	75	10	335
Released to profit and loss account	–	(64)	–	(64)
Additional provision	–	–	57	57
At 31st December 2007	250	11	67	328

The provisions that the Company has are:

- Post retirement benefits – the provision for post retirement benefits relates to payments to former employees of the company.
- Property dilapidations – the provision for lease dilapidations relates to provisions made in respect of the requirement that the Company has to return the premises that it occupies to the condition that they were in when they were first occupied. During the year the Company agreed the amount of dilapidations that it was due to pay on the building that it vacated in 2005.
- Other – the Company has made certain other provisions in respect of future obligations.

	2007 £000	2006 £000
Current liabilities	–	75
Non Current liabilities	328	260
	328	335

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

25. Deferred taxation

Deferred tax is provided to the extent that it is extent that it is likely to reverse in the foreseeable future

	2007		2006	
	Asset £000	Liability £000	Asset £000	Liability £000
At 1st January 2007	67	–	100	–
Exchange adjustment	(9)	–	(12)	–
Income statement	(14)	(7)	(21)	–
Income statement	44	(7)	67	–

Details of the deferred tax asset and amounts charged to the consolidated income statement are as follows:

	Asset/ (Liability) 2007 £000	Charged to income 2007 £000	Asset/ (Liability) 2006 £000	Charged to income 2006 £000
Short term temporary differences on:				
Assets	44	21	67	21
Liabilities	(7)	7	–	–

No provision has been made for deferred tax on unremitted profits of certain overseas companies since there are no immediate plans for these profits to be remitted.

The Group has not provided deferred tax on losses or capital allowances where the timescale for recovery is uncertain

	2007 £000	2006 £000
Unused tax losses	4,194	9,451
Capital allowances	180	830
	4,374	10,281

26. Assets and liabilities as held for sale

At 31st December 2006 the Group was in advanced negotiations regarding the sale of its gaming board business and was consequently classified as held for sale. The sale took place on 31st January 2007 (see note 11).

At 31st December 2006 the Group was in advanced negotiations with Greenwich Borough Council regarding the sale of a sportsground the Group owned in Blackheath, consequently this piece of land was recognised as an asset held for sale. The negotiations were concluded in December 2007 whereby 4.25 acres of land were sold to the Council.

	2007 £000	2006 £000
Property, plant and equipment	–	237
Inventories	–	294
Trade and other receivables	–	28
	–	559
Trade and other payables	–	(194)

27. Called up share capital

	2007 Number	2006 Number
Authorised: Ordinary shares of 5p each		
At 1st January 2007	90,000,000	90,000,000
Increase approved on 7th August 2007	50,000,000	–
At 31st December 2007	140,000,000	90,000,000
Issued: Ordinary shares of 5p each		
At 1st January 2007	64,669,106	64,669,106
Warrants exercised	5,000,000	–
At 31st December 2007	69,669,106	64,669,106

On 21 December 2007 Bronsstädet AB (formerly Förvaltnings AB Bronsstädet) exercised warrants to subscribe to 5 million ordinary shares at 5p each. More information on this is given in note 30 Related Party Transactions.

The warrants exercised in the year were issued on 20th June 2006 with an exercise period of 2 years expiring on 20th June 2008 at a strike price of 5p per share.

At 31st December 2006 warrants totalling 5,000,000 shares were in issue. These were exercised on 21st December 2007 and settled in full on that date. At 31st December 2007 no warrants were in issue.

The issued warrants were valued using the Black Scholes method of valuation using the following information:

- Strike price – 5p per share.
- Share price 7.5p per share.
- Share price volatility – 40%.
- Risk free interest rate – 5%.

Using the above information the warrants were valued at 3.3p per share, £165,000. This was expensed through operating expenses in 2006.

The share price on the date of exercise was 6.875p

28. Reserves

Reconciliation of movement in capital and reserves

	Share Capital £000	Share premium £000	Translation Reserve £000	Special Reserve £000	Available for sale Reserve £000	Retained earnings £000	Total £000	Minority Interest £000	Total equity £000
Balance at 1st January 2006	3,233	21,204	–	–	564	(17,605)	7,396	53	7,449
Total recognised income and expense	–	–	(111)	–	(704)	(529)	(1,344)	10	(1,334)
Issue of warrants	–	–	–	–	–	165	165	–	165
Distribution to minority	–	–	–	–	–	–		(11)	(11)
Balance at 31st December 2006	3,233	21,204	(111)	–	(140)	(17,969)	6,217	52	6,269
Balance at 1st January 2007	3,233	21,204	(111)	–	(140)	(17,969)	6,217	52	6,269
Total recognised income and expense	–	–	(17)	–	(508)	1,081	556	13	569
Issue of ordinary shares	250	–	–	–	–	–	250	–	250
Cancellation of share premium account	–	(21,204)	–	868	–	20,336	–	–	–
Distribution to minority	–	–	–	–	–	–	–	(13)	(13)
Transfer from special reserve	–	–	–	(390)	–	390	–	–	–
Balance at 31st December 2007	3,483	–	(128)	478	(648)	3,838	7,023	52	7,075

The following describes the nature and purpose of each reserve within owners' equity.

Share Capital
Amount subscribed for share capital at nominal value.

Share premium account
The share premium account comprises the premium paid by shareholders for shares purchased in the Company.

On 12th September 2007 the Company obtained authorisation from the High Court to cancel its Share Premium Account in accordance with section 138 of the Companies Act 1985.

Translation reserve
The translation reserve comprises all currency differences arising from the translation of the financial statements of foreign operations.

Special reserve
Following the cancellation of it's share premium account the Company is required to set aside that amount of the share premium account totalling the value of creditors in existence at that time until those creditors are repaid.

Available for sale reserve
The Group carries out an impairment review of its financial assets on an annual basis or more often if considered necessary. Where an impairment is required but is not considered to be a permanent impairment it is recognised in the statement of recognised income and expense and carried in an available for sale reserve.

Retained earnings
Cumulative net gains and losses recognised in the consolidated income statement.

Minority interests
The minority interests relate to a minority shareholding in the Group's subsidiary in Finland.

Notes to the consolidated financial statements for the year ended 31st December 2007 (continued)

29. Leases

Finance leases

The Group leases certain items of office equipment (net carrying value £25,000). These assets are classified as finance leases as the rental period amounts to the estimated economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows

	Minimum lease payment 2007 £000	Interest 2007 £000	Present value 2007 £000
Not later than one year	21	2	19
Later than one year and not later than five years	5	1	4
	26	3	23

	Minimum lease payment 2006 £000	Interest 2006 £000	Present value 2006 £000
Not later than one year	21	2	19
Later than one year and not later than five years	26	2	24
	47	4	43

Operating leases

The Group leases various offices, warehouses and equipment under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

	2007 £000	2006 £000
Future minimum rentals payable under non-cancellable operating leases expiring:		
Within one year	50	–
Between one and five years	94	138
	144	138

30. Related party transactions

(a) Transactions with Evervision Electronics Limited (Formerly VBest Electronics Co. Limited)

In the ordinary course of business the Group has entered into transactions with Evervision Electronics Limited, a company in which the Group owns 24.48% of the ordinary share capital. See also note 16 concerning the relationship.

The transactions and resulting balances for the year ended 31st December 2007 are summarised as follows:

	2007 £000	2006 £000
Sales	–	1
Purchases	867	1,158
Amounts owed by Evervision Electronics Limited	–	26
Amounts owed to Evervision Electronics Limited	149	114

(b) Loan from Bronsstädet AB

On 20th June 2006 the Group entered into an agreement with the Company's largest shareholder, Peter Gyllenhammar and Bronsstädet AB (formerly Förtvaltnings AB Bronsstädet) for the provision of a loan of £1.5 million to provide additional working capital. The loan attracted an interest rate of 10% in the first year rising to 13% per annum on the first anniversary of the loan along with a 2% redemption fee. In addition Bronsstädet AB was granted warrants to subscribe to 5 million new ordinary shares at 5p each expiring on 20 June 2008.

The loan was for a two year term secured by a first charge on the investment that the Company has in Evervision Electronics Limited (formerly VBest Electronics Co. Limited) and a second charge on all other assets of the Company.

On 21st December 2007 the Company repaid £1,150,000 of the loan and Bronsstädet AB exercised the warrants to subscribe for 5 million new ordinary shares. In addition Bronsstädet AB released the charge that it had over the investment that the Company has in Evervision Electronics Limited.

At 31st December 2007 the balance of the loan outstanding was £350,000 (2006: £1,500,000).

(c) Transactions with Union Investment Management

During the year the Company has been charged consultancy fees totalling £27,341 by Union Investment Management Limited (a Company in which R Baber is also a Director) in respect of advice given regarding the disposal of assets during the year and in the previous year. R Baber is a Director of Union Investment Management Limited.

31. Post balance sheet events

Following the end of the year the Company has fully repaid the loan from Bronsstädet AB.

32. Notes supporting the cash flow statement

Cash and cash equivalents for the purposes of the cash flow statement comprises:

	2007 £000	2006 £000
Cash at bank and in hand	1,397	1,292
Bank overdrafts	(524)	(1,101)
	873	191

The cash and cash equivalents shown above were held in the following currencies at the 31st December 2007

	2007 £000	2006 £000
UK Sterling	(874)	(1,045)
US Dollars	1,037	701
Euro	236	160
Japanese Yen	438	301
NT Dollars	36	74
	873	191

Surplus funds are held in deposit accounts at local banks attracting floating interest rates.

Company balance sheet at 31st December 2007

Note		2007 £000	2006 Restated £000
	Fixed assets		
35	Tangible assets	95	293
36	Investments	7,873	7,957
		7,968	8,250
	Current assets		
37	Debtors – due after more than one year	271	–
37	Debtors – due within one year	1,462	544
	Total debtors	1,733	544
	Cash at bank and in hand	11	11
		1,744	555
38	**Creditors: amounts falling due within one year**	(1,822)	(2,739)
	Net current assets/(liabilities)	(78)	(2,184)
	Total assets less current liabilities	7,890	6,066
39	**Creditors: amounts falling due after more than one year**	(5)	(102)
40	**Provisions for liabilities**	(261)	(325)
	Net assets	7,624	5,639
	Capital and reserves		
41	Called up share capital	3,483	3,233
42	Share premium account	–	21,204
42	Revaluation reserve	117	117
42	Special reserve	458	–
42	Profit and loss account	3,566	(18,915)
	Total equity shareholders' funds	7,624	5,639

The accounts were approved by the Board and authorised for issue on 24th June 2008 and signed on its behalf by:

Ralph Baber
Interim Chairman

Notes to the company accounts at 31st December 2007

33. Principal Accounting Policies

Basis of Accounting
The financial statements of the parent company, Densitron Technologies plc have been prepared in accordance with applicable accounting standards.

Transactions with wholly owned subsidiaries
The Company has taken advantage of the exemption under FRS 8 and has not disclosed transactions with subsidiaries wholly owned by the Group.

Foreign Currencies
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Tangible Fixed Assets
[a] Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

[b] Depreciation is calculated to write off the cost of all tangible fixed assets by equal instalments over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to the profit and loss account. No depreciation is provided on freehold land. The other assets are depreciated at the following rates per annum:

Freehold buildings	2%
Plant and machinery	15%
Fixtures and fittings	10%
Computers and software	15-25%

[c] Tangible fixed assets acquired under hire purchase agreements or held under finance leases which give rights equivalent to ownership are capitalised and depreciated in accordance with the Group's depreciation policy. Leasing and hire purchase payments comprise interest and capital elements. Interest is charged to revenue and the capital element of future leases and hire purchase payments is included in creditors.

[d] Rental payments under operating leases are expensed on a straight line basis over the period of the lease.

Investments
Investments in subsidiaries are held at a directors' valuation.

Current Taxation
Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred Taxation
Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in the obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting or tax purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

[a] revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and

[b] gains on the sale on non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where gains and losses are to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses.

Pensions
The Company does not operate its own pension scheme. Payments are made to defined contribution retirement benefit schemes and are charged as an expense as they fall due.

Notes to the company accounts at 31st December 2007 (continued)

34. Profit of the parent company

As permitted under Section 230 of the Companies Act 1985, the Income Statement of the Company is not presented as part of these financial statements.

The profit dealt with in the Company accounts was £1,735,000 (2006: Loss £1,663,000) which includes a profit on disposal of fixed assets of £848,000 (2006: £nil)

35. Tangible fixed assets

	Freehold land and buildings £000	Short Leasehold land and buildings £000	Fixtures and fittings £000	Computers and software £000	Total £000
At cost					
At 1st January 2007	326	16	58	26	426
Disposals	(224)	(16)	-	(10)	(250)
At 31st December 2007	102	–	58	16	176
Depreciation					
At 1st January 2007	90	5	18	20	133
Charge for the year	16	1	15	3	35
Eliminated on disposals	(71)	(6)	–	(10)	(87)
At 31st December 2007	35	–	33	13	81
Net book value					
At 31st December 2007	67	–	25	3	95
At 31st December 2006	236	11	40	6	293

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets under finance leases (see note 39)

	2007 £000	2006 £000
Office equipment	25	40

Freehold land relates to 1.25 acres of land owned at Blackheath in South East London. The net book value of this land is £67,000. The fair value of the land would be considerably greater if planning permission was to be granted. No such permission has been granted and the land is currently subject to a Metropolitan Land Order which prevents any development. The Directors consider the land under its current restricted conditions could be sold for around £500,000. Any lifting of the restrictions would greatly enhance this value.

36. Fixed asset investments

	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Shares at cost or valuation of subsidiary			
At 1st January 2007	10,696	84	10,780
Additions	500		500
Disposals	(500)		(500)
Investments written off	–	(84)	(84)
At 31st December 2007	10,696	–	10,696
Provisions			
At 1st January 2007 and 31st December 2007	2,823	–	2,823
Net book value			
At 31st December 2007	**7,873**	–	**7,873**
At 31st December 2006	7,873	84	7,957

The principal subsidiaries are set out in Note 15. The investments in subsidiary undertakings were revalued in May 1986 by the Directors based on net asset values. If the investments had not been revalued the relevant fixed asset category would have been included in the accounts at the following amounts:

	Subsidiary Undertakings £000
Cost	10,087
Provisions	2,215
At 31st December 2007	7,872
At 31st December 2006	7,873

37. Debtors

	2007 £000	2006 £000
Due after more than one year		
Other debtors	271	–
	271	–
Due within one year		
Trade debtors	62	–
Amounts owed by subsidiaries	1,015	329
Other debtors	236	2
Tax recoverable	–	117
Prepayments and accrued income	149	96
	1,462	544

38. Creditors: Amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdrafts	727	1,308
Obligations under hire purchase contracts and finance leases	19	19
Trade creditors	48	125
Amounts owed to subsidiary undertakings	523	960
Amounts owed to associated undertakings	–	71
Other taxation and social security	232	96
Other creditors	8	10
Accruals and deferred income	265	150
	1,822	2,739

39. Creditors: Amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdrafts	–	78
Obligations under hire purchase contracts and finance leases	5	24
	5	102
Bank loans are payable		
Between one and two years	–	14
Between two and 5 years	–	41
Over 5 years	–	23
	–	78
Obligations under hire purchase are payable		
Between one and two years	5	19
Between two and 5 years	–	5
	5	24

The bank loans and overdrafts are secured by debentures with cross guarantees containing fixed and floating charges over certain assets of the company. Obligations under hire purchase and finance leases are secured by fixed charges over the assets concerned. The loan partly falling due after more than five years is repayable by fixed monthly instalments and bears interest at 3.25% over the bank's base rate.

Notes to the company accounts at 31st December 2007 (continued)

40. Provisions for liabilities

	Post retirement benefits £000	Lease dilapidations £000	Total £000
As at 1 January 2007	250	75	325
Charged in the year	–	(64)	(64)
As at 31 December 2007	250	11	261

The provision for lease dilapidations relates to provisions made in respect of the requirement that the Company has to return the premises that it occupies to the condition that they were in when they were first occupied. During the year the Company agreed the amount of dilapidations that it was due to pay on the building that it vacated in 2005.

The provision for post retirement benefits relates to payments to former employees of the company. The Board considers that these payments are not due and are taking legal advice on this matter. Since the outcome of this advice is uncertain the Board considers it appropriate to retain the provision.

41. Called up share capital

	2007 Number	2006 Number
Authorised: Ordinary shares of 5p each		
At 1st January 2007	90,000,000	90,000,000
Increase approved on 7th August 2007	50,000,000	–
At 31st December 2007	140,000,000	90,000,000
Issued: Ordinary shares of 5p each		
At 1st January 2007	64,669,106	64,669,106
Warrants exercised	5,000,000	–
At 31st December 2007	69,669,106	64,669,106

On 21 December 2007 Bronsstädet AB (formerly Förvaltnings AB Bronsstädet) exercised warrants to subscribe to 5 million ordinary shares at 5p each. More information on this is given in note 30 Related Party Transactions.

42. Reconciliation of movement in shareholders funds

	Share Capital £000	Share premium £000	Revaluation reserve £000	Special reserve £000	Retained earnings £000
Balance at 1st January 2006	3,233	21,204	117	–	(17,417)
Total recognised income and expense	–	–	–	–	(1,663)
Issue of share warrants	–	–	–	–	165
Balance at 31st December 2006	3,233	21,204	117	–	(18,915)
Balance at 1st January 2007	3,233	21,204	117	–	(18,915)
Total recognised income and expense	–	–	–	–	1,735
Issue of ordinary shares	250	–	–	–	–
Cancellation of share premium account	–	(21,204)	–	848	20,356
Transfer from special reserve				(390)	390
Balance at 31st December 2007	3,483	–	117	458	3,566

Following the cancellation of its share premium account the Company is required to set aside that amount of the share premium account totalling the value of creditors in existence at that time until those creditors are repaid.

43. Employee information

	2007 £000	2006 £000
The average number of employees (including Directors) during the year was as follows:		
Administration	6	12

	2007 £000	2006 £000
Staff costs for the above employees during the year amounted to:		
Wages and salaries	264	479
Social security costs	24	49
Pension costs	8	18
	296	546

Directors emoluments

	2007 £000	2006 £000
Salaries and fees	153	211
Defined contribution pension payments	3	10
	156	221
The emolument of the highest paid director	92	154
The number of directors receiving defined contribution pension payments are	1	1

44. Leases

	2007 £000	2006 £000
Annual operating lease commitment		
Land and buildings expiring between two and five years	74	74

45. Contingent liabilities and guarantees

At 31st December 2007 the Company had guaranteed:

- the bank facilities of its UK subsidiary undertakings. The overdraft amounted to £727,000 at 31st December 2007 (2006: £978,000). These facilities are secured by a fixed and floating charge with cross guarantee over the assets of the Group;
- bank facilities of its French subsidiary undertaking up to £175,000 (2006: £270,000). At 31st December 2007 the utilisation of these bank facilities was £36,000 (2006: £122,000);
- the bank facilities granted by Mega Bank to Densitron Asia Limited up to £1,000,000 (2006: £1,000,000). At 31st December 2007 the utilisation of these bank facilities was £763,000 (2006: £776,000);
- finance leasing facilities granted by various financing companies to UK subsidiary undertakings. At 31st December 2007 the utilisation of these facilities was £23,000 (2006: £43,000); and
- deferred vat liabilities in favour of HM Revenue and Customs up to £10,000 (2006: £10,000).

OFFICE LOCATIONS

USA, Canada and Australia
Densitron Corporation
10400-4 Pioneer Blvd
Santa Fe Springs, CA 90670
USA
T +1 562 941 5000 x 252
F +1 562 941 5757
DCAWebSales@densitron.com

Asia

Japan
Densitron Corporation
K2 Building 6F
3-4-4 Omori-Kita
Ota-ku, Tokyo
143-0016

T +81 3 3767-9701
F +81 3 3767-9709
E sales@densitron.co.jp

Taiwan
Densitron Asia Ltd
5F, No.77, Sec1
Sintai 5th Road
Sinjhih City
Taipei County 221
Taiwan

T +886 2 2698 1266
F +886 2 2698 2236
E sales@densitron.com.tw

Europe

United Kingdom
Densitron Europe Ltd
5th Floor,
145 Cannon Street,
London EC4N 5BP
T +44 (0) 207 648 4200
F +44 (0) 207 648 4201
E sales@densitron.co.uk

France
Densitron France SA
24 rue de L'atlantique
44115 Basse-Goulaine

T +33 251 710 158
F +33 251 713 452
E france.sales@densitron.fr

Finland
Densitron Nordic Oy
Niittyläntie 5
FIN-00620-Helsinki

Tel: +358 9 270 93010
Fax: +358 9 754 4300
Email: sales@densitron.fi

Germany
Densitron Deutschland GmbH
Münchner Straße 1
85609 Aschheim

T +49- (0) 89-90019299
F +49- (0) 89-90129850
E info@densitron.de

Location of Distributors

Australia
Denmark
Sweden
Russia
Israel
Spain/Portugal
Poland
Turkey
India
Exclusive agent in Italy

DENSITRON TECHNOLOGIES plc
5th Floor, 145 Cannon Street,
London EC4N 5BP

T +44 (0) 207 648 4200
F +44 (0) 207 648 4201
E sales@densitron.co.uk

www.densitron.com