

**Densitron Technologies plc**  
**Unaudited Interim Report**  
**For the Six months ended 30th June 2007**

Highlights

- Orders booked in the first half of 2007 increased by 4% on the first half of 2006 and by 28% on the second half of 2006.
- Increase in orderbook of £1.6m since 31<sup>st</sup> December 2006.
- Appointment of new Distributors in Sweden and Spain.
- Relationships forged with new Suppliers.
- Completion of the disposal of the Gaming Division.

Financial Highlights on continuing operations

	6 months to 30 <sup>th</sup> June 2007 Continuing Unaudited £m	6 months to 30 <sup>th</sup> June 2006 Continuing Unaudited £m
Revenue	7.0	7.9
Operating profit	0.1	0.2
(Loss)/profit before taxation	(0.0)	0.1
(Loss) per share	(0.07)p	(0.00)p
Orderbook	£6.7m	£6.4m

## Chairman's Statement

The first half of 2007 has seen the Group complete its disposal of its loss making divisions and enabled focus to be concentrated on its Display Solutions business. The results for the first half of 2007 are in line with the Group's budgets and show a profit for the period of £381,000 compared with a loss of £396,000 for the same period in 2006 and a profit of £43,000 for the second half of 2006.

### Densitron Displays Solutions

Sales for the period have decreased by 12% compared with the same period of 2006 and by 7% on the second half of 2006. This is in line with the Group's budgets and is the result of poor order intake during the second half of 2006 and the weakness of the US dollar against the pound. Orders booked in the first half of 2007 amounted to £8.7m an increase of 4% on the same period in 2006 and an increase of 28% on the second half of 2006. The orderbook at the 30 June 2007 has increased by £1.6m since 31<sup>st</sup> December 2006.

The outlook for the Division remains positive and during the 6 months to 30<sup>th</sup> June 2007 work has continued to increase both the spread of product offerings and the geographical reach of the Division. To that end new distributors have been appointed in Sweden and Spain and relationships have been forged with new suppliers including a plastics factory in Malaysia that give the Division access to complete products. This has enabled a strong pipeline of potential future business to be built.

The focus of the Division remains adding value to customers' projects by bringing both product know how and project management skills to achieve good margins. This ethos continues to attract new talent to the Division.

### VBest Electronics Co. Limited

The Group owns 24.48% of the share capital of VBest Electronics Co. Limited (VBest), a Taiwanese manufacturer of Liquid Crystal Displays and Liquid Crystal Modules. With factories in China VBest is well placed to capitalize on the demand for these products. The Group's policy under adopted IFRSs is to treat this investment as a financial asset at cost due to the fact that the Group does not have significant influence over the financial or operating policies of the company (due to a minority presence on the VBest Board) and there being no active market for the shares.

At the end of 2006 and the beginning of 2007 VBest saw a large increase in its orderbook for deliveries during 2007 which resulted in a requirement to recruit around 300 additional production personnel in its Kunshan factory in China. The introduction of these additional operatives has resulted in a deterioration in production yields due to inadequate training and supervision which has resulted in the Company making a loss in the first half of 2007. Corrective measures have now been implemented and the VBest Board is confident that the second half of 2007 will show an improvement. At the July Board Meeting the VBest Board approved changing the Company's name to Evervision Limited.

While the Group is unable to exert significant influence over the financial and operating policies of VBest, it remains an important investment to the Group. In order to manage the investment Densitron maintains two seats on the VBest Board and are represented by two senior members of staff, Grahame Falconer and Vincent Linn, with at least one attending each VBest Board Meeting. In addition regular visits are made by senior members of staff to both VBest Headquarters in Taipei and the main LCD and LCM factory in China with findings being reported back to the Densitron Board.

### Blackheath Land

The Company continues to own 5.5 acres of land at Blackheath in the London Borough of Greenwich. Over the past few years the Company has been in negotiations with the Local Authority over a potential land swap. Negotiations with the Local Authority are ongoing and have now been taken up by more senior personnel within the Authority. The emphasis of the negotiations has changed and is now in the form of a straightforward purchase of part of the land. One offer has been received and negotiations are continuing.

**Outlook**

The markets in which the Group operates remain competitive but the Directors are confident that with the Team that we have in place and the trading strategy that has been adopted will enable the Group to grow its Displays business organically. The Directors continue to explore ways of maximizing Shareholder value for the Land at Blackheath and the investment in VBest and will advise Shareholders when there are further developments.

Ralph Baber  
Interim Chairman  
26<sup>th</sup> September 2007

**Unaudited Consolidated Income statement  
For the six months ended 30th June 2007**

	6 months to 30th June 2007 £000	6 months to 30th June 2006 £000	Year to 31st December 2006 £000
<b>Continuing operations</b>			
Sales revenue	6,996	7,948	15,441
Cost of sales	<u>(4,767)</u>	<u>(5,589)</u>	<u>(10,807)</u>
<b>Gross profit</b>	2,229	2,359	4,634
Other operating income	124	31	52
Distribution costs	(15)	(34)	(54)
Administrative expenses	<u>(2,209)</u>	<u>(2,186)</u>	<u>(4,526)</u>
<b>Profit from operations</b>	129	170	106
Financial income	<u>2</u>	<u>28</u>	<u>53</u>
Financial expenses	(149)	(99)	(245)
Net finance costs	<u>(147)</u>	<u>(71)</u>	<u>(192)</u>
<b>(Loss)/profit before tax</b>	(18)	99	(86)
Income tax expense	<u>(15)</u>	<u>(95)</u>	<u>(66)</u>
<b>(Loss)/profit for the period from continuing operations</b>	(33)	4	(152)
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations	414	(400)	(201)
<b>Profit/(loss) for the period</b>	<u>381</u>	<u>(396)</u>	<u>(353)</u>
Attributable to:			
Equity holders of the parent	366	(401)	(364)
Minority interests	<u>15</u>	<u>5</u>	<u>11</u>
	<u>381</u>	<u>(396)</u>	<u>(353)</u>
<b>Basic and diluted earnings per share</b>			
Profit/(loss) per share from continuing and discontinued operations	<u>0.57p</u>	<u>(0.62)p</u>	<u>(0.56)p</u>
(Loss) per share on continuing operations	<u>(0.07)p</u>	<u>(0.00)p</u>	<u>(0.25)p</u>

**Unaudited Statement of recognised income and expense  
For the six months to 30th June 2007**

	6 months to 30th June 2007 £000	6 months to 30th June 2006 £000	Year to 31st December 2006 £000
Foreign exchange adjustments	(12)	(44)	(111)
Profit/(loss) for the financial period	<u>381</u>	<u>(396)</u>	<u>(353)</u>
<b>Total recognised income and expense for the period</b>	<u>369</u>	<u>(440)</u>	<u>(464)</u>
Attributable to:			
Equity holders of the parent	354	(445)	(475)
Minority interests	<u>15</u>	<u>5</u>	<u>11</u>
	<u>369</u>	<u>(440)</u>	<u>(464)</u>

**Unaudited Consolidated Balance Sheet  
As at 30th June 2007**

	30th June 2007 £000	30th June 2006 £000	31st December 2006 £000
<b>Non current assets</b>			
Property, plant and equipment	134	410	127
Goodwill	143	168	143
Financial assets	7,711	7,235	7,501
Deferred tax assets	44	74	67
	<u>8,032</u>	<u>7,887</u>	<u>7,838</u>
<b>Current assets</b>			
Inventories	614	1,329	637
Trade and other receivables	3,641	3,905	4,010
Income tax recoverable	122	34	160
Cash and cash equivalents	1,447	1,729	1,292
	<u>5,824</u>	<u>6,997</u>	<u>6,099</u>
<b>Non current assets classified as held for sale</b>	<u>218</u>	<u>0</u>	<u>559</u>
<b>Total assets</b>	<u>14,074</u>	<u>14,884</u>	<u>14,496</u>
<b>Current liabilities</b>			
Short term borrowings and overdrafts	4,144	2,160	2,812
Trade and other payables	2,632	4,007	2,949
Current tax payable	38	58	66
Provisions	11	75	75
	<u>6,825</u>	<u>6,300</u>	<u>5,902</u>
<b>Non current liabilities</b>			
Long term borrowings	197	1,853	1,707
Long term financial liabilities	14	33	24
Long term provisions	260	252	260
Deferred tax liabilities	17	-	-
	<u>488</u>	<u>2,138</u>	<u>1,991</u>
<b>Liabilities directly associated with non current assets classified as held for sale</b>	<u>-</u>	<u>-</u>	<u>194</u>
<b>Total liabilities</b>	<u>7,313</u>	<u>8,438</u>	<u>8,087</u>
	<u>6,761</u>	<u>6,446</u>	<u>6,409</u>
<b>Equity</b>			
Share Capital	3,233	3,233	3,233
Share premium account	21,204	21,204	21,204
Retained earnings	(17,603)	(18,005)	(17,969)
Translation reserve	(123)	(44)	(111)
<b>Equity attributable to shareholders of Densitron</b>	<u>6,711</u>	<u>6,388</u>	<u>6,357</u>
Minority interests	50	58	52
<b>Total equity</b>	<u>6,761</u>	<u>6,446</u>	<u>6,409</u>

**Unaudited Consolidated Cash flow Statement  
For the 6 months ended 30th June 2007**

	Six months to 30th June 2007 £000	Six months to 30th June 2006 £000	Year to 31st December 2006 £000
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation	(18)	99	(86)
<b>Adjustments for:</b>			
Depreciation	29	37	79
Results from discontinued activities	(66)	(400)	(949)
Interest receivable	(2)	(28)	(53)
Interest payable	149	99	245
Interest payable relating to discontinued activity	-	35	79
(Increase)/decrease in inventories	(14)	(56)	193
(Increase)/decrease in trade and other receivables	(205)	225	(154)
(Decrease)/Increase in trade and other payables	(130)	7	(374)
(Decrease) in provisions	(64)	-	-
Exchange adjustments	33	9	46
<b>Cash (absorbed by)/generated from operations</b>	<u>(288)</u>	<u>27</u>	<u>(974)</u>
Interest paid	(149)	(134)	(286)
Tax recovered/(paid)	37	(74)	(146)
	<u>(112)</u>	<u>(208)</u>	<u>(432)</u>
<b>Net cash absorbed by operating activities</b>	<b>(400)</b>	<b>(181)</b>	<b>(1,406)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of investments	843	47	291
Purchases of plant, property and equipment	(18)	(69)	(19)
Sales of plant, property and equipment	-	-	2
Interest received	2	25	53
	<u>827</u>	<u>3</u>	<u>327</u>
<b>Cash flows from financing activities</b>			
Inception of new loans	-	1,494	1,500
Repayment of borrowings	(221)	(237)	(470)
Inception of finance leases	-	57	-
Payment of finance leases	(11)	(14)	(25)
Increase/(decrease) in trade finance creditor	15	(264)	(225)
Decrease in letters of credit	(66)	(174)	(161)
Dividends paid to minorities	(17)	-	(11)
<b>Net (cash used in)/generated by financing activities</b>	<u>(300)</u>	<u>862</u>	<u>608</u>
Net increase/(decrease) in cash and cash equivalents	127	684	(471)
<b>Cash and cash equivalents at beginning of the Period</b>	<b>(641)</b>	<b>(170)</b>	<b>(170)</b>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>(514)</b></u>	<u><b>514</b></u>	<u><b>(641)</b></u>

## **Notes to the Unaudited Interim Report For the six months ended 30th June 2007**

### **1. General information**

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 5<sup>th</sup> 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**

Densitron Technologies Plc (“the Group”) has previously prepared its financial statements under UK Generally Accepted Accounting Principles (“UK GAAP”). Following a revision in the AIM Rules, the Group is required to prepare its 2007 consolidated financial statements in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (“Adopted IFRSs”).

Accordingly, this Interim Report has been prepared using accounting policies consistent with those which management expect to apply in the Group’s first Adopted IFRS Annual Report for the year ending 31st December 2007.

IFRSs currently in issue are subject to ongoing review and endorsement by the European Commission, or possible amendment by the IASB, and are therefore subject to possible change. Further standards or interpretations may also be issued that could be applicable for the full year consolidated financial statements. These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document.

This Interim Report, for the six-months ended 30th June 2007, does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory consolidated financial statements for the Group for the year ended 31 December 2006, prepared in accordance with UK GAAP, on which the auditors gave an unqualified opinion, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not include a statement under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

The financial information in the Interim Report is presented in Sterling and all values are rounded to the nearest thousand pounds (£’000) except when otherwise indicated.

The financial effects of the transition from UK GAAP to Adopted IFRSs are shown in the appendices to the Interim Report, which includes reconciliations of profit for the comparative period and of equity for the comparative balance sheet dates and the date of transition to Adopted IFRSs (1st January 2006).

The results contained within this report have not been subject to audit. Since the results for the year ended 31<sup>st</sup> December 2006 have been amended to take account of the change from UK GAAP to Adopted IFRSs the statements contained within this report have been shown as being Unaudited. A full audit of the transition to Adopted IFRSs will be carried out on the results for the year to 31<sup>st</sup> December 2007 and reported on by the Companies Auditors in the 2007 Annual Report. The results for the six months ended 30th June 2007 have also been amended to take account of the change from UK GAAP to Adopted IFRSs.

### **3. Accounting policies**

#### **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.

## 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 and recognised when the significant risks and rewards of ownership have been transferred to the buyer.

## 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 1<sup>st</sup> 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%
– Long and short leasehold land and buildings	over the period of lease
– Plant and machinery	15%
– Fixtures and fittings	10%
– Motor vehicles	20%
– Computers and software	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 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 assets

In accordance with IAS39 the Company is required to measure financial assets at their fair values. The exception to this is investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and these are therefore measured at cost.

Deferred consideration relating to asset disposals of the Company is included within financial assets where the consideration is not due for more than one year.

## 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 less any further costs expected to be incurred to disposal.

## Trade and other receivables

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

## **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.

## **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. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less estimated costs to sell.

Assets and liabilities relating to operations where negotiations for disposal are in an advanced position are included as discontinued operations within non current assets held for sale.

## **Foreign currencies**

### *Foreign operations*

The income and expenses of overseas subsidiaries are translated at the average rate of exchange ruling during the year. The balance sheet of the overseas subsidiary undertaking is translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, if any, are included within equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

### *Foreign currency transactions*

Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement for the period.

## **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.

## **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.

## **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.

### Use of assumptions and estimates

The Group makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant effect on the amounts recognised in the interim report are those related to establishing depreciation and amortisation periods for the Group, and the estimates in relation to future cash flows and discount rates utilised in impairment testing.

### 4. Taxation

Taxation for the 6 months ended 30<sup>th</sup> June 2007 has been calculated by applying the estimated tax rate for the current financial year ending 31<sup>st</sup> December 2007.

### 5. Dividend

No dividend is to be paid.

### 6. Earnings per share

	<b>Six months to 30th June 2007 Unaudited £000</b>	Six months to 30th June 2006 Unaudited £000	Year to 31st December 2006 Audited £000
These have been calculated on profits/(losses) of:			
- On continuing and discontinued operations	<b>366</b>	(401)	(364)
- On continuing operations	<b>(48)</b>	(1)	(163)
The weighted average number of shares used was:			
Basic and diluted	<b>64,669,106</b>	64,669,106	64,669,106

## 7. Segmental analysis

	Six months to 30th June 2007 Unaudited £000	Six months to 30th June 2006 Unaudited £000	Year to 31st December 2006 Audited £000
<b>Revenue by location of reporting entity</b>			
Europe	3,378	4,115	7,795
USA	2,965	3,109	6,205
Asia	653	725	1,441
	<b>6,996</b>	<b>7,949</b>	<b>15,441</b>
<b>Gross profit by location of reporting entity</b>			
Europe	1,167	1,113	2,437
USA	802	940	1,798
Asia	260	306	399
	<b>2,229</b>	<b>2,359</b>	<b>4,634</b>

## 8. Copies of Interim report

The Interim report is available to view and download from the Company's website at [www.densitron.com](http://www.densitron.com). If shareholders would like a hardcopy of the interim report they should contact the Company Secretary, Tim Pearson, on 0207 648 4200.

**Appendix to the unaudited interim report  
Reconciliation of the Balance Sheet  
as at 1<sup>st</sup> January 2006 from UK GAAP to IFRS**

	UK GAAP as at 1st January 2006	IFRS 3 Non recognition of goodwill Amortisation (a)	IAS 36 Impairment of goodwill (b)	IAS 39 Financial Assets (b)	IFRS as at 1st January 2006
	£000	£000	£000	£000	£000
<b>Non current assets</b>					
Property, plant and equipment	388				388
Goodwill	184		(16)		168
Financial assets	6,917			440	7,357
Deferred tax assets	100				100
Trade and other receivables	440			(440)	-
	<u>8,029</u>		<u>(16)</u>	<u>-</u>	<u>8,013</u>
<b>Current assets</b>					
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
	<u>7,843</u>				<u>7,843</u>
<b>Total assets</b>	<b>15,872</b>		<b>(16)</b>	<b>-</b>	<b>15,856</b>
<b>Current liabilities</b>					
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
	<u>8,112</u>				<u>8,112</u>
<b>Non current liabilities</b>					
Long term borrowings	598				598
Long term financial liabilities	11				11
Long term provisions	250				250
Deferred tax liabilities	-				-
	<u>859</u>				<u>859</u>
<b>Total liabilities</b>	<b>8,971</b>				<b>8,971</b>
	<u>6,901</u>		<u>(16)</u>	<u>-</u>	<u>6,885</u>
<b>Equity</b>					
Share Capital	3,233				3,233
Share premium account	21,204				21,204
Retained earnings	(17,589)		(16)		(17,605)
<b>Equity attributable to shareholders of Densitron</b>	<b>6,848</b>		<b>(16)</b>	<b>-</b>	<b>6,832</b>
Minority interests	53				53
<b>Total equity</b>	<b>6,901</b>		<b>(16)</b>	<b>-</b>	<b>6,885</b>

**Appendix to the unaudited interim report**  
**Reconciliation of the income statement**  
**for the year ended 31<sup>st</sup> December 2006 from UK GAAP to IFRS**

	UK GAAP year ended 31 <sup>st</sup> December 2006 £000	IFRS 3 Non recognition of goodwill Amortisation (a) £000	IAS 36 Impairment of goodwill (b) £000	IFRS 5 Business Combinations (c) £000	IFRS year ended 31st December 2006 Audited £000
<b>Revenue</b>	20,314			(4,873)	15,441
Cost of sales	(14,153)			3,346	(10,807)
<b>Gross profit</b>	6,161			(1,527)	4,634
Distribution costs	(58)			4	(54)
Administrative expenses	(6,968)	24	(25)	2,443	(4,526)
Other operating income	102			(50)	52
<b>(Loss)/profit from operations</b>	(763)	24	(25)	870	106
Profit on the sale of subsidiaries	748			(748)	-
Financial income	53				53
Financial expense	(324)			79	(245)
<b>Profit before tax</b>	(286)	24	(25)	201	(86)
Income tax expense	(66)				(66)
<b>Loss after tax</b>	(352)	24	(25)	201	(152)
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	-			(201)	(201)
<b>(Loss) for the period</b>	(352)	24	(25)	-	(353)

**Appendix to the unaudited interim report  
Reconciliation of the Balance Sheet  
as at 31<sup>st</sup> 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	IAS 39 Financial Assets (b) £000	IAS21 Cumulative translation differences (e) £000	IFRS 5 Discontinued operations (c) £000	IFRS 5 Non current assets classified as held for sale (d) £000	IFRS as at 31st December 2006 £000
<b>Non current assets</b>								
Property, plant and equipment	364					(1)	(236)	127
Goodwill	160	24	(41)					143
Financial assets	6,917			584				7,501
Deferred tax assets	67							67
Trade and other receivables	584			(584)				-
	<u>8,092</u>	<u>24</u>	<u>(41)</u>	<u>-</u>		<u>(1)</u>	<u>(236)</u>	<u>7,838</u>
<b>Current assets</b>								
Inventories	931					(294)		637
Trade and other receivables	4,038					(28)		4,010
Income tax recoverable	160							160
Cash and cash equivalents	1,292							1,292
	<u>6,421</u>					<u>(322)</u>		<u>6,099</u>
Non current assets classified as held for sale	-					323	236	559
<b>Total assets</b>	<u>14,513</u>	<u>24</u>	<u>(41)</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>14,496</u>
<b>Current liabilities</b>								
Short term borrowings and overdrafts	2,812							2,812
Trade and other payables	3,143					(194)		2,949
Current tax payable	66							66
Provisions	75							75
	<u>6,096</u>					<u>(194)</u>		<u>5,902</u>
<b>Non current liabilities</b>								
Long term borrowings	1,707							1,707
Long term financial liabilities	24							24
Long term provisions	260							260
	<u>1,991</u>							<u>1,991</u>
Liabilities directly associated with non current assets classified as held for sale						194		194
<b>Total liabilities</b>	<u>8,087</u>					<u>-</u>	<u>-</u>	<u>8,087</u>
	<u>6,426</u>	<u>24</u>	<u>(41)</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>6,409</u>
<b>Equity</b>								
Share Capital	3,233							3,233
Share premium account	21,204							21,204
Retained earnings	(18,063)	24	(41)		111			(17,969)
Translation reserve					(111)			(111)
<b>Equity attributable to shareholders of Densitron</b>	<u>6,374</u>	<u>24</u>	<u>(41)</u>	<u>-</u>	<u>-</u>			<u>6,357</u>
Minority interests	52							52
<b>Total equity</b>	<u>6,426</u>	<u>24</u>	<u>(41)</u>	<u>-</u>	<u>-</u>			<u>6,409</u>

**Appendix to the unaudited interim report  
Reconciliation of the income statement  
for the 6 months ended 30<sup>th</sup> June 2006 from UK GAAP to IFRS**

	UK GAAP 6 months ended 30 <sup>th</sup> June 2006 £000	IFRS 3 Non recognition of goodwill Amortisation (a) £000	IAS 36 Impairment of goodwill (b) £000	IFRS 5 Discontinued operations (c) £000	IFRS 6 months ended 30 <sup>th</sup> June 2006 £000
<b>Revenue</b>	10,601			(2,653)	7,948
Cost of sales	(7,331)			1,742	(5,589)
<b>Gross profit</b>	3,270			(911)	2,359
Distribution costs	(34)				(34)
Administrative expenses	(3,487)	12		1,289	(2,186)
Other operating income	44			(13)	31
<b>(Loss)/profit from operations</b>	(207)	12		365	170
Financial income	28				28
Financial expense	(134)			35	(99)
<b>(Loss)/profit before tax</b>	(313)	12		400	99
Income tax expense	(95)				(95)
<b>Loss after tax</b>	(408)	12		400	4
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	-			(400)	(400)
<b>(Loss) for the period</b>	(408)	12		-	(396)

**Appendix to the unaudited interim report  
Reconciliation of the Balance Sheet  
as at 30<sup>th</sup> June 2006 from UK GAAP to IFRS**

	UK GAAP as at 30 <sup>th</sup> June 2006 £000	IFRS 3 Non recognition of goodwill Amortisation (a) £000	IAS 36 Impairment of goodwill (b) £000	IAS 39 Financial Assets (b) £000	IAS21 Cumulative translation differences (e) £000	IFRS as at 30 <sup>th</sup> June 2006 £000
<b>Non current assets</b>						
Property, plant and equipment	410					410
Goodwill	172	12	(16)			168
Financial assets	6,917			318		7,235
Deferred tax assets	74					74
Trade and other receivables	318			(318)		-
	<u>7,891</u>	<u>12</u>	<u>(16)</u>	<u>-</u>		<u>7,887</u>
<b>Current assets</b>						
Inventories	1,329					1,329
Trade and other receivables	3,905					3,905
Income tax recoverable	34					34
Cash and cash equivalents	1,729					1,729
	<u>6,997</u>					<u>6,997</u>
<b>Total assets</b>	<u>14,888</u>	<u>12</u>	<u>(16)</u>	<u>-</u>		<u>14,884</u>
<b>Current liabilities</b>						
Short term borrowings and overdrafts	2,160					2,160
Trade and other payables	4,007					4,007
Current tax payable	58					58
Provisions	75					75
	<u>6,300</u>					<u>6,300</u>
<b>Non current liabilities</b>						
Long term borrowings	1,853					1,853
Long term financial liabilities	33					33
Long term provisions	252					252
	<u>2,138</u>					<u>2,138</u>
<b>Total liabilities</b>	<u>8,438</u>					<u>8,438</u>
	<u>6,450</u>	<u>12</u>	<u>(16)</u>	<u>-</u>		<u>6,446</u>
<b>Equity</b>						
Share Capital	3,233					3,233
Share premium account	21,204					21,204
Retained earnings	(18,045)	12	(16)		44	(18,005)
Translation reserve					(44)	(44)
<b>Equity attributable to shareholders of Densitron</b>	<u>6,392</u>	<u>12</u>	<u>(16)</u>	<u>-</u>	<u>-</u>	<u>6,388</u>
Minority interests	58					58
<b>Total equity</b>	<u>6,450</u>	<u>12</u>	<u>(16)</u>	<u>-</u>	<u>-</u>	<u>6,446</u>

## Notes to the unaudited IFRS Adjustments

### 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. Impairment provisions have been made in both the years ended 31st December 2005 and 31<sup>st</sup> December 2006. Adjustments have been made to reverse the goodwill charged under UK GAAP and impairment of goodwill.

### b) Financial assets

The investment in VBest has been accounted for as a fixed asset investment at its cost less impairment under UK GAAP. The Directors consider that the fair value of this asset is the equivalent of cost less impairment. The Group owns 24.48% of the equity of VBest and under adopted IFRS is required to consider its ability to exercise influence on the presumption that it has significant influence which would make VBest an associate. The Group does not have significant influence over the financial or operating policies of VBest and has consequently accounted for its holding as a financial asset at fair value through the profit and loss account 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.

### c) Discontinued Activities

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

### d) 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 31<sup>st</sup> 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 31<sup>st</sup> January 2007. At 31<sup>st</sup> 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.

### e) 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.