

Destination

Displays and the
electronics that drive them

DENSITRON TECHNOLOGIES PLC

Annual Report and Accounts 2003
for the year ended 31st December 2003



OUR PROPOSITION

Densitron is focused on the design, development, and delivery of innovative display technologies and related products and services. Densitron collaborates closely with its customers in providing design and manufacturing services for display components, sub-assemblies and complete products. We pride ourselves on the aesthetic design of our displays and computers, and on being able to deliver innovative display solutions that are often thinner, lower power, better looking, more rugged, more reliable, brighter and more intelligent than commercially available elsewhere.

OUR PRODUCT GROUPS



DISPLAYS

Densitron's displays are used in many of the world's leading products. The applications are diverse and include mobile handsets, point of sale terminals, marine instrumentation, handheld devices, medical devices, consumer electronics, automotive and measuring devices.

Densitron primarily focuses on monochrome and colour Liquid Crystal Displays (LCDs) supplemented by optical enhancement films and other display related technologies for optimising the observer's visual experience and enhancing the shelf appeal of products using our displays. Supported by design support centres in America, Asia, and Europe, Densitron strives to help our customers differentiate their products from their competitors by using the most innovative display technologies available.



PUBLIC INFORMATION DISPLAYS

Densitron, through its Ferrograph® brand of public information display signs, is a leading supplier of electronic message boards, computer-programmable display systems, and large video displays for call-centre, advertising, and transportation applications.

Densitron focuses on supporting customers with superior products and services that provide cost-effective, reliable, and often unique, visual communication solutions. Densitron has the capabilities to design, manufacture, install and service complete integrated systems that display real-time data, graphics, animation and video. Services provided include project management, on-site installation support and product maintenance.



COMPUTERS

Densitron is a leader in flat panel display technologies and embedded PC products. We design, manufacture and sell industrial computers, single board computers and user interface solutions by combining our display technologies with our embedded computing technologies.

Densitron's continuing aim is to provide our customers with the very best products and services worldwide. It is the combination of Densitron's high level of engineering ability and worldwide network of design, manufacturing and procurement operations that differentiates Densitron from other suppliers. This combination allows Densitron to offer well-engineered, cost-effective and timely solutions to meet our customers' unique needs.

CONTENTS

1	2003 highlights	17	Consolidated cash flow statement
2	Chairman's statement	19	Accounting policies
4	Chief Executive's strategy report	21	Notes to the accounts
6	Directors and advisers	37	Five year financial summary
7	Directors' report	38	Notice of Annual General Meeting
		39	Form of proxy
10	Corporate governance		
12	Directors' remuneration report		
14	Independent auditors' report		
15	Consolidated profit and loss account		
15	Consolidated statement of total recognised gains and losses		
16	Consolidated and parent company balance sheets		

2003 HIGHLIGHTS

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Implementation of the strategic review is beginning to show positive benefits in a more focused sales effort and significant cost savings.

- > New order intake in 2003 was £26.1m (2002: £30.6m) and the Group's order book stood at £16.5m at 31st December 2003 (2002: £18.4m).
- > Revenues increased in the year by £2.5m.
- > Densitron Internet Technologies Limited and Densitron Australia Pty Limited sold in the year.
- > Densitron Control Systems Limited sold in 2004.
- > Increase in gross margins to 38.7% (2002: 38.0%).
- > 20.4% reduction in administrative expenses to £11.2m (2002: £14.0m).
- > Successful Rights Issue generating cash of £2.9m.
- > Cash generated from operating activities of £1.0m (2002: £0.2m).

FINANCIAL HIGHLIGHTS

	2003 £millions	2002 £millions
Revenue	28.0	25.5
Operating loss	(0.1)	(4.4)
Loss before taxation	(6.4)	(4.4)
Loss per share	(24.09)p	(17.05)p
Gearing	20.1%	26.5%
Order book	16.5	18.4

CHAIRMAN'S STATEMENT



Significant progress has been made in simplifying the Group structure.

The new trading year has started with some encouragement.

In the 2002 annual report, we promised challenges and opportunities and we have indeed seen them in that order. During a sluggish year for technology companies we continued to apply our strategy of simplification, consolidation and focus with vigour. During the first half of the year, we conducted a strategic review that broadly endorsed the direction determined the previous year, yet highlighted our working capital constraints.

One result of the review was confirmation of our decision to explore every avenue of non-value added cost. As a small plc we determined that transferring to the Alternative Investment Market would not only be more relevant, but would save costs as we continue to reorganise the business. This move to AIM was duly completed in July.

The Group disposed of two loss-making subsidiaries, Densitron Internet Technologies Limited and Densitron Australia Pty Limited for nominal considerations. Densitron Control Systems Limited, a non core business, was sold after the year end. Significant progress has been made in simplifying the Group structure. In Taiwan, three subsidiaries have been merged, reducing both office and personnel costs and a further 11 superfluous subsidiaries have either been dissolved or become dormant. The simplification of operating structure has enabled us to reduce staff at our Biggin Hill Head Office from 71 in June 2002 to 54 in December 2002 and to 35 as at December 2003.

In September, Deloitte & Touche LLP were appointed as auditors of the Group. We are developing a good relationship with them and have welcomed the rigour of their approach in addressing key financial issues.

FINANCIAL PERFORMANCE

Although the first six months trading was in line with our budget, the planned growth in sales in the second half was not achieved and fell considerably short of our expectations. This was due to a number of factors. Specifically, due to market softness, major displays customers were less willing to convert orders into delivery schedules and, therefore, sales.

Continuing product process and quality problems from some suppliers adversely affected not only the winning of new orders, but also orders already won. This impact was felt more in Europe and contributed to the streamlining of our European sales force in order to be more effective. Towards the end of the year, we suffered some difficulties within the sales function at Ferrograph with resulting reduction in orders. This function has now been re-organised and is fully staffed.

Sales for the year were £28.0 million (2002: £25.5 million). Turnover increased by 21% in Europe and 12% in Asia, but decreased by 4% in North America compared with 2002. The Group made an operating loss of £0.1 million (2002: £4.4 million) and a loss on ordinary activities before finance charges of £5.8 million (2002: £3.8 million). The loss on ordinary activities before finance charges included a charge of £6.0

million (2002: £nil) for the impairment of goodwill relating to VBest Electronics Co., Ltd as previously announced.

Net debt reduced by £2.2 million in 2003 (2002: £2.3 million increase); gearing stood at 20% as at 31st December 2003 (2002: 27%).

The Loss per share for 2003 was 24.09 pence (2002: 17.05 pence). The Directors will not be recommending a final dividend for 2003 (2002: no dividend).

New order intake in 2003 was £26.1 million (2002: £30.6 million) and the Group's order book stood at £16.5 million at 31st December 2003 (2002: £18.4 million).

RIGHTS ISSUE

In light of the disappointing performance in the second half and delays in the sale of non-core assets, we conducted an in depth review of our working capital requirements. The outcome of this review was the identification of the need to raise additional equity funding. A rights issue was successfully concluded in December 2003 and provided a net £2.9 million that is being used for new product introduction, cost reduction and to provide further working capital. Shareholders took up 72.4% of rights with 27.6% going to the underwriters whose support has been invaluable.

HITECH ELECTRONICS CORPORATION

Hitech, in which we have 45% ownership, has continued to perform well showing growth in both its LCD module and Operator Interface/Human Machine Interface businesses. Expansion in

Q3 2ND HALF	12,157	Q3 2ND HALF	13,326
Q2 2ND HALF	16,759	Q2 2ND HALF	13,463
Q3 1ST HALF	15,639	Q3 1ST HALF	14,669
Q2 1ST HALF	13,841	Q2 1ST HALF	12,026
Orders by half year (£000)		Sales by half year (£000)	

manufacturing in China is a key contributor to the ongoing growth at Hitech. To sustain growth Hitech has investment plans to expand its engineering resource to increase new product introductions and respond more effectively to market demands. Hitech remains core to our product strategy in the future.

VBEST ELECTRONICS CO., LTD

VBest, in which we have 25% ownership, continues to supply monochrome Twisted Nematic (TN) Liquid Crystal Displays (LCDs) from its plant in Dong Guan, China. This is running at full capacity. However the yield and quality of colour and monochrome Super Twisted Nematic Displays (STN) from the new Kun Shan, China facility has taken longer than anticipated. Although progress is being made VBest took the strategic decision to acquire a manufacturing plant and related expertise in Tai-chong, Taiwan from Epson Industrial Limited in early 2004. This not only considerably increased capacity of TN and STN, but also brought a certain guaranteed order level and product specific staff expertise. This acquisition also encompassed technology transfer agreements for colour STN that should speed up the introduction of this product range. VBest intend to go for an Initial Public Offering in May 2004. Discussions are ongoing in Taiwan regarding float price and exact timing. Whilst there is no certainty to the outcome of these discussions we are optimistic that the float price will be higher than the impaired value of this asset on our balance sheet. We will provide more information on this at the appropriate time.

GENERAL

Densitron Technologies plc has, for some years, owned a long-term lease on some land at Blackheath in the London Borough of Greenwich. As there has been speculation regarding this asset, I set out some background information. The land comprises 5.7 acres of sports fields and a pavilion. A 999-year lease for the land was acquired in 1990. The lease contained a number of restrictions and the land is subject to a Metropolitan Open Land order.

In late 2002, we became aware of a plan by the London Borough of Greenwich to redevelop a large area of South Greenwich under a consultative document, The Kidbrooke Vision. The land is seen as non-core to the Group's activities and the company has entered into negotiations for the disposal of this land and is endeavouring to maximise the return for shareholders through a possible land swap arrangement with the London Borough of Greenwich. There can be no certainty as to the outcome of these negotiations and we caution shareholders that due to the Metropolitan Open Land Order, there is little likelihood that planning consent will be granted for residential development in the foreseeable future. Late in 2003, the Company acquired the Freehold of the land for a nominal sum.

Due to increased business commitments, James Morton resigned from the post of non-executive Director in January 2004. Whilst his counsel will be missed the Board has moved swiftly to bring in an experienced replacement and I am pleased to report that Colin Bonsey was appointed as a non-executive Director on 4th March 2004.

TRADING UPDATE

The new trading year has started with some encouragement. Current operating conditions have seen an improvement compared with second half of 2003 and the actions taken in 2003 have started to show through in results.

The market is showing some signs of increasing activity and with our organisational restructuring and market focused strategy, we are endeavouring to capitalise on this. It is our intention to invest in the development of new products for our chosen markets and despite limited funds in 2003, we have developed the DPX 114 computer board for the embedded computing market, which has been enthusiastically received. As a result of new funding from the Rights Issue, we have committed to further new board level products and development in our Ferrograph range of public information displays.

With all of the issues the Group has faced and dealt with over the past 18 months, I am now confident that the Board and management will be able to devote their energies more to operational issues and delivering results that we can be proud of. The strain of recent times on all Densitron employees should not be underestimated and I would like to recognise their continuing efforts and support in difficult circumstances. Similarly, we have large and small shareholders who can see the Company's potential and the Board appreciates their continuing understanding.

Phil Lawler

*Chairman
14th April 2004*

CHIEF EXECUTIVE'S STRATEGY REPORT



The Group is now much leaner and able to concentrate more on its three core product areas.

INTRODUCTION

In 2003, Densitron focused its efforts on decreasing costs and streamlining the corporate structure, with attention on development of new products and new customers. The Group is now much leaner and able to concentrate more on its three core product areas: Displays, Public Information Displays and Computers.

STRATEGY OVERVIEW

The Company's strategy falls into two categories:

- Focusing on core businesses related to display technologies (primarily Liquid Crystal Displays (LCDs) and public information displays) and the electronics that drive them (computers, controllers and display driver electronics).
- Continued new product development and introductions to generate growth in gaming, embedded computing, and information display markets.

CORE BUSINESSES

Displays

This is Densitron's largest product division accounting for just over half of revenues. Densitron's displays are used across many industry sectors. The products we manufacture for customers are of differing sizes and have varying levels of integration. The typical design/sales life cycle of a custom-designed product includes needs analysis, conceptualisation, technical design, prototyping, pilot manufacturing, and volume manufacturing.

Our target customers are Original Equipment Manufacturers (OEMs) in the telecommunications, medical, computing,

instrumentation, office equipment, home appliance, white goods and consumer electronics industries.

Densitron collaborates closely with its customers in providing design and manufacturing services for display components, sub-assemblies and even complete products. Increasingly, Densitron is selling up the value chain by offering more complex designs with higher levels of integration that go beyond just LCD glass panels and LCD modules.

Public Information Displays

Densitron, through its Ferrograph® brand of public information signs, is a leading supplier of cost-effective, reliable, and often unique, visual communication solutions such as electronic message boards, computer-programmable display systems, and large video displays for call-centre, advertising, and transportation applications.

The Ferrograph® brand is recognized as a technical leader with the capabilities to design, manufacture, install and service complete integrated systems that display real-time data, graphics, animation and video.

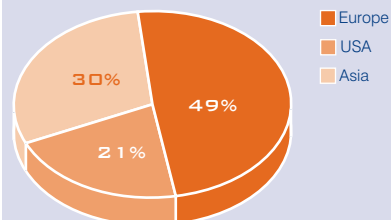
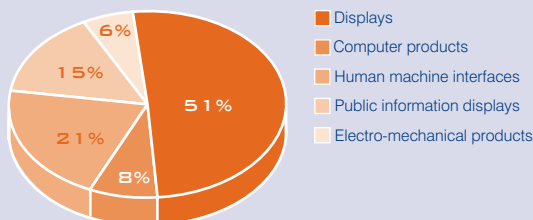
The bus industry is by far the biggest sector in terms of turnover. To sustain this success, Densitron has successfully developed the first of a new range of bus stop 'Flag' displays which is planned to include both LCD and LED versions in both single and double sided configurations with the possibility of a solar powered version for more isolated or rural bus stops. Other product development plans include integrating some of Densitron's embedded computing technologies into a new

series of advanced bus stop displays to more successfully address the Real Time Passenger Information (RTPI) market while providing a smaller, lower weight and more aesthetically pleasing product with the options of either LCD or LED technology in both single and double sided versions.

The Group expects the RTPI displays market to grow. Of the numerous bus stops in the UK, the Company estimates less than 2% currently have RTPI Displays installed. It is difficult to estimate how many of the remaining bus stops would be suitable for installation of RTPI displays, but most local transportation authorities have already installed RTPI radio infrastructure and have demonstrated their willingness to invest in RTPI displays to increase customer satisfaction and increase utilisation of the bus transportation system.

In other transportation sectors we have successfully won orders with new innovative designs including a number of 'Section 12' approved Plasma Displays in the London Underground and the complete design, manufacture and installation of LCD, Plasma and 100-inch Rear Projection Displays at the new Manchester 'Ground Terminal Interchange'. We will continue to leverage these successes to further penetrate the transportation sector.

In the Media sector, a new contract for advertising signs in Calgary Airport, Canada, has led to the design of a unique Combination Display (Plasma and LED) for installation in May 2004. This display unit is tied into the airports flight arrivals system and can display

Geographical Sales**Class of business Sales**

language and culturally specific advertising targeted at individual flights arriving from around the world as well as arriving flight numbers and other baggage reclaim information.

Computer Products

Densitron continues to focus on the gaming industry with its range of ConnectBus® boards, now used by major game manufacturers in the USA, Europe, Australia, South Africa and Japan. Our ConnectBus® products improve field-serviceability and reduce downtime for revenue generating machines such as video slot machines.

Significant investments were made in 2003 to fund development of three new embedded computing platforms (the DPX114, DPX115 and DPX255).

The DPX114 and DPX 115 form the core of a new ConnectBus®-II platform of products for the Gaming industry. The new platform includes the CPU board, IO board, backplane, and software support package. We believe this platform approach is unique and represents greater value to customers by reducing cost and improving time to market. The DPX115 is positioned as a high performance, highly integrated PC-Compatible single board computer for graphics intensive video gaming applications. The DPX114 is positioned as a mid-level PC-Compatible board that can be used in both video slot applications as well as mechanical reel based games. A key feature of the DPX114 is its smaller physical size and ability to operate without fan assisted cooling. Operating System (OS) support for these products includes embedded

Windows XP, QNX and embedded Linux. The third board in development is the DPX255. The DPX255 has very low power consumption and is targeted at battery operated mobile data device applications including medical, data collection, industrial controls and marine instrumentation.

Requiring as little as 1.5W, the DPX-255 is ideal for battery powered, mobile products and when combined with Densitron's pre-configured display options, provides a fast, low-risk route to market, for customers seeking a ready to go platform to run Microsoft's Windows CE operating system.

With the popularity of Windows CE.NET and the technical advantages of the Intel X-Scale CPU, initial customer interest in the DPX-255 has been encouraging. We see this product as an ideal vehicle through which to promote our capabilities by leveraging the powerful combination of both our LCD and computer board expertise.

Sales Strategy

The Group's sales strategy is to service both our regional and global customers through three regional sales organisations covering, America, Asia, and Europe. Our regional sales teams around the world are now linked through a new customer relationship management (CRM) sales tool that provides a single, collaborative system to manage our sales process.

Since the sales cycle for Densitron's products is relatively long and due to the technical complexity of the solutions

it sells, Densitron primarily markets its products and services through a direct sales channel, but also uses a number of independent sales representatives, distributors, and agents where appropriate.

PRODUCT REALISATION STRATEGY

Densitron's product realisation strategy is targeted at delivering the best value solutions to our customers. Products are sourced from the most appropriate resource using dedicated in house manufacturing in the UK and Taiwan, through our associate company VBest, or through independent sub contractors. Regardless of sourcing, Densitron manages quality conformance and assurance to ISO9001-2000 and retains intellectual property where appropriate.

CONCLUSION

Densitron's mission is to deliver value to our customers and shareholders through the design, development and delivery of display technologies and related electronics.

Our strategy is designed to unlock our potential as a Group and to focus it on what we do best: **"displays and the electronics that drive them."**

David McQuiggan

Chief Executive Officer
14th April 2004

DIRECTORS AND ADVISERS**Phil Lawler***Non-Executive Chairman*

Phil was appointed non-executive Chairman in March 2003. Phil has over 21 years experience in the IT industry, the last 18 of which were at Hewlett-Packard, a leading global provider of products, technologies, solutions and services to consumers and business. He held a number of senior national and international roles there culminating as Chairman and Managing Director of UK and Ireland. Phil is the non-executive Chairman of Partners in IT Ltd, a company specialising in IT Service Management and is a member of the advisory board of an independent Venture Capital fund. Phil is a member of the Audit Committee and Remuneration and Nomination Committee.

David McQuiggan*Chief Executive Officer*

David joined Densitron in 1989 as a Design and Development engineer after obtaining a BSc in electrical engineering. He has held a number of roles within Densitron including Regional Sales Manager, Chief Executive of Densitron America and Group Marketing Director. David completed an MBA at Yale in 1998.

Rob Smith*Finance Director*

Rob joined Densitron in April 2002 and was appointed Finance Director in May 2002. Previously a Director of Trelleborg Automotive UK Ltd. and having held senior finance positions in semiconductor manufacturers International Rectifier Corp. and Centronic Inc. Rob has an MSc in Management Accounting and is a member of the Chartered Institute of Management Accountants.

Nick Jarman*Technical Director*

Nick joined Densitron in 1984 and has been instrumental in the design of many of the company's innovative products. Nick has a BEng in Electronics Engineering and has worked in a variety of positions, including European Sales Manager and MD of Densitron Computers. He worked for five years in Japan, where he started the computer board and industrial PC businesses.

Steve Wells*Non-Executive Director*

Steve was appointed as a non-executive Director of Densitron in 2000. He is General Manager of BT Health and he has previously held senior roles at Hewlett Packard, Computer Associates and other companies in the IT industry. Steve is Chairman of Densitron's Remuneration and Nomination Committee and is a member of the Audit Committee.

Colin Bonsey*Non-Executive Director*

Colin was appointed as a non-executive Director of Densitron in March 2004. He is a member of the Institute of Chartered Accountants England and Wales and formerly served as Finance Director and Company Secretary of Bullough plc and was previously a Board member responsible for planning with Siebe plc (now Invensys). Colin is Chairman of Densitron's Audit Committee and a member of the Remuneration and Nominations Committee.

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Company number

1962726

DIRECTORS' REPORT

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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 2003.

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 in the UK, Finland, France and Germany and in other European countries mainly through Agents. In other parts of the world these activities are carried out mainly through subsidiary undertakings of the Group.

The Group loss after taxation and minority interests amounted to £7,804,000 (2002: £5,485,000).

REVIEW OF THE BUSINESS

A review of the business of the Group, together with comments on future developments is given in the Chairman's Statement on pages 2 and 3, the Chief Executive's Strategy Report on pages 4 and 5 and the financial highlights on page 1 which, together with the statement on Corporate Governance on pages 10 and 11, form integral parts of this report.

DIVIDENDS

No dividends were paid in the year (2002: £nil) and the Directors do not recommend the payment of a final dividend (2002: £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 at the date of this report are listed on page 6.

During the year there were a number of changes to the Board of Directors. Mr T C Gray and Mr G W Leahy resigned on 8th January 2003. Mr P Lawler, as non-executive Chairman, and Mr R J P Morton, as non-executive Director, were appointed on 26th March 2003. Mr R J P Morton resigned on 22nd January 2004. Mr C Bonsey, as non-executive Director, was appointed on 4th March 2004.

In accordance with the Articles of Association, Mr N C L Jarman and Mr S P Wells retire by rotation and, being eligible, offer themselves for re-election. Mr C Bonsey, having been appointed since the last Annual General Meeting, retires in accordance with the Articles of Association and, being eligible, offers himself 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.

DIRECTORS' INTERESTS

The interests of those Directors serving at the year end, all of which are beneficial, in the share capital of the Company, as shown in the register of Directors' interests kept by the Company under Section 325 of the Companies Act 1985, were as follows:

	On 31st December 2003	On 1st January 2003 (or later date of appointment)
	Ordinary shares of 5p each	Ordinary shares of 5p each
N C L Jarman	466,188	95,251
D K McQuiggan	108,000	–
R S Smith	100,000	25,000
S P Wells	536	268
P Lawler (appointed 26th March 2003)	–	–
R J P Morton (appointed 26th March 2003, resigned 22nd January 2004)	400,000	200,000

The Company has not been notified of any other changes in the Directors' interests between 31st December 2003 and 14th April 2004. C Bonsey has held no interest in the Company from his date of appointment on 4th March 2004.

DIRECTORS' REPORT CONTINUED

Note:

The beneficial holdings include, where applicable, the holdings of immediate family. None of the Directors held options over any of the ordinary shares of the Company. None of the Directors had a material interest in any significant contracts undertaken by the Group during the year. None of the Directors had any beneficial interest in the shares of any subsidiary companies.

According to the register maintained under Section 325 of the Companies Act 1985, and save as set out above, none of the Directors or their immediate families had at 31st December 2003 or 1st January 2003, nor has acquired or disposed of since that date, any interest in any shares in the Company or any of its subsidiaries, any interest in any debentures of the Company or any of its subsidiaries or any right to subscribe for shares in or debentures of the Company or any of its subsidiaries. No such rights to subscribe were granted or exercised during the year ended 31st December 2003 or 1st January 2003.

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. The Board is currently reviewing this policy with a view to providing an effective incentive scheme to management and other employees.

SUBSTANTIAL SHAREHOLDINGS

As at 1st April 2004, 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	11,295,110	17.47%
Trafalgar Asset Management	8,557,071	13.23%
Venaglass Limited	4,181,308	6.47%
Mr Clifford Hardcastle	3,191,410	4.93%
Mr Shigemi Degawa	2,197,604	3.40%
Barclays Share Nominees	2,156,817	3.34%

CHARITABLE DONATIONS

No charitable donations were made during the year (2002: £26,000).

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 2003 was 90 days (2002: 48 days).

AUDITORS

Deloitte & Touche LLP were appointed as auditors following the vacancy arising from the non-reappointment of the previous auditors at the Annual General Meeting held on 2nd June 2003.

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

ANNUAL GENERAL MEETING BUSINESS

At the Annual General Meeting held on the 2nd June 2003 shareholders passed a Special Resolution to authorise the Company to make market purchases on the London Stock Exchange of the Company's ordinary shares.

The reason for seeking this resolution was stated as...

"Your Board has been considering methods by which shareholder value can be enhanced and any repurchase and cancellation by the Company of its own ordinary shares, at a cost below that of the net asset value, should increase the net asset value of the remaining ordinary shares for shareholders. Article 8 of the Company's Articles of Association gives the Company the right to purchase its own shares, but before the Directors may exercise this right shareholder approval must be given to a special resolution defining the number of shares which may be bought and the price which may be paid for them. In the normal course of events, should a suitable opportunity arise, there would be the inevitable delay due to the statutory time required for the calling and holding of an Extraordinary General Meeting to obtain the requisite approval, and the opportunity may be lost.

To avoid this delay, and in keeping with the policy adopted by many other companies, the Directors propose to introduce the necessary special resolution on an annual basis as a part of the business of the Annual General Meeting so that the Directors may be able to react promptly to any suitable opportunity which may arise in the future."

The authority granted under the resolution passed at the 2nd June 2003 expires at the 2004 Annual General Meeting. The Board considers that this ability continues to be advantageous and consequently advise renewal of this by way of a special resolution to be proposed at the Annual General Meeting and the resolution is included as resolution 6 in the Notice of Meeting. The Board considers this to be in the best interests of the Company and of the shareholders as a whole and individually. Accordingly, the Board unanimously recommends that you vote in favour of the resolution. Each Director holding shares in the Company intends to vote in favour of the resolution in respect of his own beneficial holding of ordinary shares, amounting in aggregate to 674,724 ordinary shares.

Resolution 6 authorises the Company to make market purchases on the London Stock Exchange of the Company's ordinary shares. The Directors have no current plans to exercise such authority and would in any event only do so where they believe such a purchase would result in an increase in earnings per share and is in the best interests of shareholders generally.

The Directors are seeking authority to purchase up to 6,466,910 issued ordinary shares, representing 10% of the issued share capital of the Company, at a maximum price per share, exclusive of expenses, of 5% above the average of the middle market quotations for an ordinary share as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase. The minimum price per ordinary share, exclusive of expenses, will be 5p, which is the nominal value of the ordinary shares. The authority, if granted, will be subject to renewal at the next annual general meeting of the Company.

The Report of the Directors was approved by the Board on 14th April 2004 and signed on its behalf by:

Tim Pearson
Company Secretary

CORPORATE GOVERNANCE

Now that the Company has changed from a full listing of its shares on the London Stock Exchange to their being traded on the Alternative Investment Market (AIM), there is no longer a formal requirement to comply with 'The Combined Code: Principles of Good Governance and the Code of Best Practice' ('the Hampel Combined Code'). However the Board recognises the importance of a sound system of internal controls and of continuing to conduct the Group's affairs according to good corporate governance principles. It is therefore its intention to comply as closely as possible with the spirit of the Hampel Combined Code and of the Turnbull guidelines set out in 'Guidance for Directors on the Combined Code'.

An explanation of how the Group (excluding its associates) has applied the principles appears below.

THE BOARD OF DIRECTORS

The current Board comprises three Executive Directors and three non-executive Directors and reflects a blend of different financial and commercial experience and cultures. The roles of chairman and chief executive are split to establish a clear division of responsibility between the two. The Board has not nominated a senior independent Director as it considers that the non-executive Directors as a group are of sufficient calibre and number to bring strength of independence to the Board.

The Board has a schedule of matters specifically reserved to it for decision, including strategy and financial policy, appointment and removal of members of the Board, review and approval of recommendations of the Remuneration and Nomination Committee and Audit Committee. In advance of each meeting the Board is supplied with comprehensive briefing papers on items under consideration. All Directors have access to the advice and services of the Company Secretary, whose removal may only be with the approval of the Board, and there is a procedure in place for Directors, if necessary, to take independent professional advice.

All non-executive Directors are considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the recommendations of the Combined Code, each Director is required to be elected by shareholders at the first opportunity and then to be subject to retirement by rotation at intervals of no more than three years. At each annual general meeting one third of the Directors who are subject to retirement by rotation shall retire from office and may then submit themselves for re-election. There is no restriction on the number of terms a non-executive Director may serve.

BOARD COMMITTEES

Specific responsibilities have been delegated to the Board Committees. The principal committees are:

REMUNERATION AND NOMINATION COMMITTEE

SP Wells (Chairman)
 P Lawler (Appointed 26th March 2003)
 RJP Morton (Appointed 26th March 2003, resigned 22nd January 2004)
 TC Gray (Chairman, resigned 8th January 2003)
 GW Leahy (Resigned 8th January 2003)
 C Bonsey (Appointed 4th March 2004)

Nomination

The Committee assesses and recommends to the Board candidates for appointment as Executive and non-executive Directors. The Committee also makes recommendations to the Board on its composition and balance. The Committee meets as required.

Remuneration

The Committee has responsibility for determining Company policy on executive Directors' remuneration and determining specific remuneration packages and compensation packages on employment or early termination of office for each of the executive Directors of the Company.

The Committee appoints a Chairman from amongst its members and meetings are held as appropriate.

AUDIT COMMITTEE

RJP Morton (Chairman appointed 26th March 2003, resigned 24th January 2004)
 C Bonsey (Chairman appointed 4th March 2004)
 P Lawler (Appointed 26th March 2003)
 SP Wells (Chairman from 24th January 2004 to 4th March 2004)
 GW Leahy (Chairman, resigned 8th January 2003)
 TC Gray (Resigned 8th January 2003)

The Audit Committee's responsibilities are:

- ♦ to examine the process of financial reporting within the Group;
- ♦ to review the Group's accounting and financial policies and compliance;
- ♦ to review the Group's internal control and evaluate the risks facing the Group;
- ♦ to select and nominate external auditors and agree their fees; and
- ♦ to review the scope and result of the audit with external auditors and obtain external legal or other independent professional advice where necessary.

The Audit Committee appoints a Chairman from amongst its members and meetings are held as and when appropriate. External auditors are normally invited to attend meetings and, at the request of the Audit Committee, the Finance Director and other financial management will attend.

INTERNAL CONTROL

The Directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Whilst acknowledging the overall responsibility for the system of internal control the Directors are aware that the system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The key elements of the system are as follows:

- ♦ All major decisions are taken by the Board as a whole and it specifically reserves to itself the corporate objectives and Group strategy, all approval of budgets and major appointments;
- ♦ A defined organisational structure with the appropriate delegation of authorities to operational management, written policies and procedures manuals;
- ♦ A planning and budgeting process requiring Board approval;
- ♦ Management information systems to monitor financial performance on a monthly basis;
- ♦ Regular board meetings of each trading subsidiary to monitor results and determine strategy implementation; and
- ♦ Regular independent reviews of Group companies.

The Directors continually review the effectiveness of the system of internal control in operation both through regular Board review and as part of the Company's ongoing management process. Improvements will continue to be made to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the Directors' attention.

The Directors have reviewed the need for an internal audit function and consider this would be of benefit to the Group and are taking steps to implement this function in the current financial year.

There is a comprehensive global insurance programme using the external insurance market.

Directors' Remuneration Report

The Directors' Remuneration Report is included on pages 12 and 13.

Relations with Shareholders

The Directors place a high importance on maintaining good relationships with both institutional and private investors and ensuring that shareholders are kept informed of significant Group developments. Although the focus of dialogue is with institutional shareholders, the Directors exercise care to ensure that any price sensitive information is released to all shareholders at the same time.

Shareholders attending the Annual General Meeting are invited to ask questions during the meeting and will be advised of the proxy votes lodged in respect of each resolution. The meeting will be provided with a brief statement on current trading. The Chairmen of both the Remuneration and Nomination Committee and Audit Committee will attend the Annual General Meeting.

Financial Reporting

In preparing the accounts, the Directors have had due regard to their responsibility to present a balanced and understandable assessment of the Group's position and prospects.

Company law in the United Kingdom requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the year, and of the profit or loss of the Group for that period. In preparing these Accounts, the Directors are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent; and
- ♦ state whether applicable United Kingdom accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

The Annual Report is available on the Company's web site. The maintenance and integrity of Densitron Technologies plc's web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented to the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

Going Concern

The Directors, having made enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and that therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

Now that the Company has changed from a full listing on the London Stock Exchange to trading on the Alternative Investment Market (AIM), there is no longer a requirement to comply with section A of the best-practice provisions annexed to the listing rules of the UK listing authority. However, it is the Board's intention to comply as closely as possible with the spirit of the provisions and of the standards set for fully-listed companies, in so far as they relate to the particular circumstances of the Company.

COMPOSITION AND ROLE OF THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee from 1st January 2003 consisted of Directors as follows:

SP Wells (Chairman)
 P Lawler (Appointed 26th March 2003)
 RJP Morton (Appointed 26th March 2003, resigned 22nd January 2004)
 TC Gray (Chairman, resigned 8th January 2003)
 GW Leahy (Resigned 8th January 2003)
 C Bonsey (Appointed 4th March 2004)

The Committee advises the Board on overall remuneration policy. The Committee also determines, on behalf of the Board the remuneration packages of the executive directors. The remuneration of the non-executive directors is determined by the Board after consultation with the Committee and after market research.

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The Company has not historically maintained a formal documented policy on Executive Remuneration. The established Group custom and practice is set out here as a matter of record and is subject to review by the Remuneration and Nomination Committee.

The main components of remuneration are:

Basic Salary

The salary for each executive director is based on individual performance and on information from independent sources on the salary level for similar jobs in groups of comparable companies. Salary levels in Group companies and in the wider employment market are also taken into account.

Annual Performance Bonus

Challenging goals are set and these must be achieved before the maximum bonus becomes payable. Bonus levels historically have been based on goals set on an individual basis on personal objectives, targets linked to subsidiary company performance and targets linked to the Group's performance.

The maximum bonus opportunity for each Director in 2003 was:

Director	Maximum Bonus Opportunity	Basis
N C L Jarmany	£20,000	Specific performance criteria
D K McQuiggan	£50,000	Specific performance criteria
R S Smith	£30,000	Specific performance criteria

The Remuneration and Nomination Committee is currently reviewing the levels and bases for annual performance bonuses.

Executive Share Option Scheme

The Company has in place a share option scheme (the Densitron Technologies plc Approved Executive Share Option Scheme 2002). 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.

Long Term Incentives

There are currently no long term incentive schemes operated by the Group.

Pension Arrangements

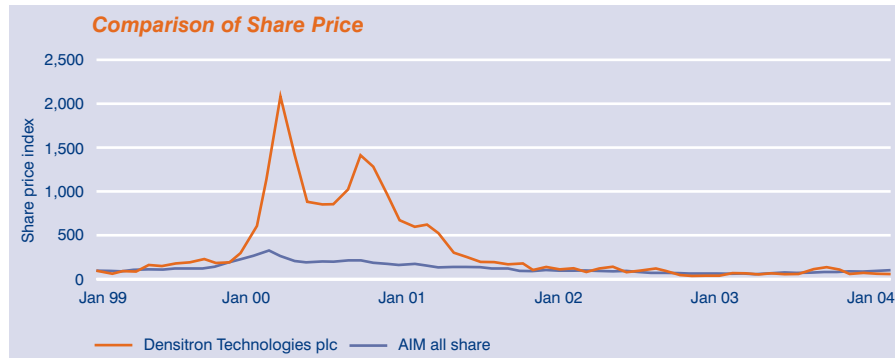
The UK based executive Directors, R S Smith and N C L Jarmany, receive Company contributions to their personal pension schemes of up to 10% of pensionable salary on a matching basis. D K McQuiggan, is a member of the Densitron Corporation 401k plan in the US to which the Company makes a contribution of 5% of pensionable salary up to a total of US\$10,500 per year.

DIRECTORS' REMUNERATION REPORT CONTINUED

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Performance Graph

For shareholders' information, the Company's total shareholder return performance, assuming dividends are reinvested, for the five years to 31st December 2003 is shown on the graph below compared with the return performance of the AIM All Share Index. The Company is a constituent of this index and believes it to be the most appropriate benchmark.



Directors' contracts

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of six months notice.

Mr Jarmany, who is proposed for re-election at the next Annual General Meeting, has letters of agreement which provides for a notice period of six months. Mr Wells, who is also proposed for re-election and Mr Bonsey, who is proposed for election, being non-executive Directors, do not have service contracts.

Non-executive Directors

All non-executive Directors have specific letters of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive Directors of similar companies.

Non-executives cannot participate in the Company's share option scheme.

DIRECTORS' REMUNERATION AND COMPENSATION

Details of Directors' emoluments and pension entitlements are given in note 4 to the accounts.

APPROVAL

This report was approved by the Board on 14th April 2004 and signed on its behalf by:

Tim Pearson
Company Secretary

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF DENSITRON TECHNOLOGIES PLC**

We have audited the accounts of Densitron Technologies plc for the year ended 31st December 2003 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the accounting policies and the related notes 1 to 29. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the corporate governance report, the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

*Chartered Accountants and Registered Auditors
Crawley*

14th April 2004

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the accounts since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of accounts differs from legislation in other jurisdictions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2003

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Note		2003 £'000	2002 Restated (see note 1) £'000
2a	TURNOVER	27,995	25,489
	Cost of sales	(17,153)	(15,791)
	GROSS PROFIT	10,842	9,698
	Distribution costs	(87)	(131)
	Administrative expenses	(11,176)	(14,040)
	Other operating income	298	123
2a,d	OPERATING LOSS	(123)	(4,350)
2a	Share of associates' operating profit	272	541
2a	Impairment of goodwill relating to associate	(5,982)	-
		(5,710)	541
	LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(5,833)	(3,809)
6	Interest receivable and similar income	22	22
7	Interest payable and similar charges	(617)	(582)
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(6,428)	(4,369)
8	Tax on loss on ordinary activities	(575)	(374)
	LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(7,003)	(4,743)
23	Minority interests – equity	(801)	(742)
21	LOSS FOR THE FINANCIAL YEAR, RETAINED	(7,804)	(5,485)
9	Basic and diluted loss per share	(24.09)p	(17.05)p

All results arise from continuing activities.

Cost of sales and administrative expenses include amounts of £775,000 and £2,120,000 respectively for the year to 31st December 2002 relating to exceptional items. Further details are provided in note 5.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31st December 2003

	2003 £'000	2002 Restated (see note 1) £'000
Group loss for the financial year	(7,990)	(5,844)
Associated undertakings' profit for the financial year	186	359
Foreign exchange adjustments	(778)	(959)
Dilution of shareholding in associated undertaking	-	(260)
Total recognised gains and losses for the year	(8,582)	(6,704)
Note on prior period adjustment		
Total recognised gains and losses for the period as above	(8,582)	
Prior period adjustment (see note 1)	(1,287)	
Total gains and losses recognised since the last annual report	(9,869)	

CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS
AS AT 31ST DECEMBER 2003

Note		The Group		The Company	
		2003 £'000	2002 Restated (see note 1) £'000	2003 £'000	2002 Restated (see note 1) £'000
	FIXED ASSETS				
10	Intangible assets	385	391	-	-
11	Tangible assets	2,007	2,749	514	714
12	Investments	6,678	13,412	9,089	10,083
		9,070	16,552	9,603	10,797
	CURRENT ASSETS				
13	Stocks	3,081	3,937	-	-
14	Debtors – due in more than one year	495	592	-	1,843
14	Debtors – due within one year	5,407	4,329	10,102	12,787
		5,902	4,921	10,102	14,630
	Cash at bank and in hand	2,956	4,628	11	25
		11,939	13,486	10,113	14,655
15	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(9,259)	(11,691)	(2,053)	(3,688)
	NET CURRENT ASSETS	2,680	1,795	8,060	10,967
	TOTAL ASSETS LESS CURRENT LIABILITIES	11,750	18,347	17,663	21,764
16	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(1,422)	(2,023)	(1,596)	(2,227)
19	PROVISIONS FOR LIABILITIES AND CHARGES	(763)	(600)	(365)	(290)
		9,565	15,724	15,702	19,247
	CAPITAL AND RESERVES				
20	Called up share capital	3,233	1,609	3,233	1,609
21	Share premium account	21,204	19,937	21,204	19,937
21	Revaluation reserve	132	144	117	117
21	Profit and loss account	(17,872)	(9,302)	(8,852)	(2,416)
22	TOTAL EQUITY SHAREHOLDERS' FUNDS	6,697	12,388	15,702	19,247
23	MINORITY INTERESTS – Equity	2,868	3,336	-	-
		9,565	15,724	15,702	19,247

The accounts were approved by the Board on 14th April 2004 and signed on its behalf by:

Phil Lawler
Chairman

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2003

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Note		2003 £'000	2002 Restated (see note 1) £'000
1	NET CASH INFLOW FROM OPERATING ACTIVITIES	1,005	220
	DIVIDENDS RECEIVED FROM ASSOCIATED UNDERTAKINGS	346	–
	RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
	Interest received	19	21
	Interest paid	(597)	(546)
	Interest element of finance lease payments	(20)	(34)
	Dividends paid to minority interests	(949)	(744)
		(1,547)	(1,303)
	TAXATION PAID		
	UK tax (paid)/received	(3)	5
	Overseas tax paid	(304)	(297)
		(307)	(292)
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Payments to acquire tangible fixed assets	(58)	(323)
	Receipts from the sale of tangible fixed assets	229	144
		171	(179)
	ACQUISITIONS AND DISPOSALS		
	Purchase of shares in subsidiary undertakings	(93)	–
	Purchase of shares in associated undertaking	–	(125)
		(93)	(125)
	EQUITY DIVIDENDS PAID	–	(148)
	FINANCING		
	Share issues: rights issue	2,930	–
	Share issues: expenses	(86)	–
	Capital element of finance lease payments	(244)	(288)
	(Decrease)/increase in advances from factors	(58)	43
	Decrease in bills of exchange	(306)	(541)
	Repayments of bank loans	(490)	(156)
	New bank loans	–	2,000
	NET CASH INFLOW FROM FINANCING	1,746	1,058
3	INCREASE/(DECREASE) IN CASH	1,321	(769)

CONSOLIDATED CASH FLOW STATEMENT

CONTINUED

NOTES

1 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002 Restated (see note 1)
	£'000	£'000
Operating loss	(123)	(4,350)
Depreciation and impairment of tangible fixed assets	486	496
Amortisation and impairment of intangible assets	37	448
Loss/(profit) on sale of fixed assets	24	(14)
Loss on disposal and impairment of investments	–	737
Decrease in stocks	634	833
(Increase)/decrease in debtors	(884)	323
Increase in creditors	690	1,360
Increase in provisions for liabilities and charges	163	368
Currency adjustments	(22)	19
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,005	220

Included in the net cash inflow from operating activities is a cash outflow of £nil (2002: £371,000) relating to exceptional items.

2 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003	2002 Restated (see note 1)
	£'000	£'000
Increase/(decrease) in cash	1,321	(769)
Cash outflow/(inflow) from decrease/(increase) in debt and lease finance	1,098	(1,058)
Decrease/(increase) in net debt from cash flows	2,419	(1,827)
Inception of finance leases	(42)	(209)
Foreign exchange movements	(131)	(233)
Decrease/(increase) in net debt	2,246	(2,269)
Net debt at 1st January	(4,169)	(1,900)
NET DEBT AT 31ST DECEMBER	(1,923)	(4,169)

3 ANALYSIS OF NET DEBT

	1st January 2003 Restated (see note 1)	Cash flow	Inception of finance leases	Foreign exchange movements	31st December 2003
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	4,628	(1,377)	–	(295)	2,956
Bank overdraft	(5,159)	2,698	–	153	(2,308)
NET (OVERDRAFT)/CASH	(531)	1,321	–	(142)	648
Loans	(2,186)	490	–	3	(1,693)
Finance leases	(274)	244	(42)	–	(72)
Advances from factors	(62)	58	–	–	(4)
Bills of exchange	(1,116)	306	–	8	(802)
BORROWINGS	(3,638)	1,098	(42)	11	(2,571)
NET DEBT	(4,169)	2,419	(42)	(131)	(1,923)

ACCOUNTING POLICIES

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ACCOUNTING CONVENTION

The accounts are prepared in accordance with

- a) the historical cost convention as modified by the revaluation of certain assets;
- b) applicable United Kingdom accounting standards; and
- c) on a consistent basis with the previous year except as explained in note 1.

BASIS OF CONSOLIDATION

- a) The Group accounts consolidate the accounts of the Company and its subsidiary undertakings, made up to 31st December each year. The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal. Where the Company has a participating interest and either exercises a dominant influence or the undertakings are managed on a unified basis, the undertaking is accounted for as a subsidiary undertaking.
- b) Goodwill, representing the difference between the cost and the fair value of the net assets acquired, is capitalised and generally amortised evenly over its useful economic life of between five and 20 years. In addition to systematic amortisation, the book value is written down to recoverable amounts when any impairment is identified. The directors consider that goodwill on the investment in VBest Electronics Co., Ltd. has an indefinite useful economic life. In accordance with FRS 10 it is not amortised but is subject to annual tests for impairment. This represents a departure, for the purpose of giving a true and fair view, from the requirements of Companies Act 1985 Schedule 4:21, which requires goodwill to be amortised.

The total goodwill carried in the balance sheet unamortised is £nil (2002: £5,982,000) net of an impairment charge of £5,982,000 (2002: £nil). In the opinion of the directors it is not possible to determine a finite useful economic life for this goodwill due to VBest Electronics Co., Ltd.'s technological capabilities and the market sector in which it operates.

Since it is not possible to identify any finite useful economic life, it is not possible to quantify any amortisation which would have been charged. However, because of the full impairment charge in 2003, no amortisation charges are required.

- c) In the Group accounts investments in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associated undertakings' profits less losses while the group's share of the net assets of the associated undertakings is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associated undertakings is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associated undertakings.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

COMMERCIAL DEVELOPMENT EXPENDITURE

Expenditure on design and general development is written off in the year in which it is incurred (see note 1).

TANGIBLE FIXED ASSETS

- a) Fixed assets are stated at cost with the exception of certain assets within the Group which are included at professional valuers' valuation. The transitional provisions of FRS 15 have been adopted and accordingly the property revaluations have not been updated. The dates of the last revaluation have been disclosed in the fixed asset note.
- b) Depreciation is calculated to write off the cost or valuation 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 unless it was the reversal of a past revaluation surplus in which case it is taken to the Statement of Recognised Gains and Losses. No depreciation is provided on freehold land. The other assets are depreciated at the following rates per annum:

Freehold buildings	2%
Long and short leasehold land and buildings	Over Period of Lease
Plant and machinery	15%
Fixtures and fittings	10%
Motor vehicles	20%
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 charged against revenue for the period to which they relate.

ACCOUNTING POLICIES
CONTINUED**INVESTMENTS**

In the Company's accounts, fixed asset investments are shown at cost less provision for any impairment with the exception of certain investments which are included at Directors' valuation.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and, where appropriate comprises direct labour and attributable production overheads.

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;
- 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;
- c) extra tax payable on the unremitted earnings of the overseas subsidiaries and associates where there is no commitment to remit these earnings; and
- d) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

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 law or accounting standards require gains and losses 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.

TURNOVER

Turnover comprises sales to third parties and associated companies during the year, excluding sales taxes, in respect of goods supplied and services rendered.

PENSIONS

The Group has differing arrangements throughout the world. The majority of the contributions are made in the UK where contributions are made to individual employees' personal pension plans. The schemes in other countries are of the defined contribution and defined benefit type where the assets are normally held separately from those of the Group in independently administered funds. For defined contribution schemes the charge to profit and loss account represents contributions payable. For defined benefit schemes the expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, are charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes operated within the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

In addition, post retirement benefits have been granted by the Company to certain ex-employees. The liability for these obligations is included in the balance sheet in accordance with SSAP 24.

NOTES TO THE ACCOUNTS

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1 PRIOR PERIOD ADJUSTMENTS

The Group has changed its accounting policy for design and development expenditure to better align itself with current industry standard practice. Previously commercial development expenditure for specific products was capitalised, and written off over the shorter of the estimated period of sale of that product and five years. The policy is now to write off all such expenditure as incurred. Comparatives have been amended accordingly. This has resulted in reductions in intangible fixed assets as at 31st December 2002 and administrative expenses for the year ended 31st December 2002 of £1,171,000 and £951,000 respectively. The impact of this change in policy in the current year has been a reduction in administrative expenses of £409,000.

As described in Note 24 Hitech Electronics Corporation operates a defined benefit pension scheme. In order to account for the scheme correctly, under SSAP24 and provide the required disclosures under FRS17, there has been a restatement of prior year amounts. Cash at bank and in hand, provisions for liabilities and charges and minority interests, at 31st December 2002 have been increased/(decreased) by £52,000, £310,000 and (£142,000) respectively and administrative expenses and minority interests for the year ended 31st December 2002 have been increased by £26,000 and decreased by £14,000 respectively.

Certain profit and loss account comparatives have been restated as a result of the reclassification of exceptional costs of £2,895,000 (previously £3,533,000 before the impact of the change in accounting policy discussed above). These costs were previously reported as a separate profit and loss account line item and have been reclassified to cost of sales and administrative expenses as described on the face of the profit and loss account.

Certain comparatives within the cash flow statement have been amended in order to include advances from factors and bills of exchange within net debt. This has resulted in an increase in net debt at 31st December 2002 of £1,178,000 (2001: £1,708,000). Certain comparatives within note 1 to the consolidated cash flow statement have been amended. Previously the impact of exceptional items was shown as a separate line item of £3,049,000 within the note. Amounts have been reclassified to show the impact of the exceptional items within the relevant standard headings.

Certain balance sheet comparatives for the Company have been restated to correctly disclose the liability the Company has in respect of future pension payments. The effect of the restatement has been to increase Creditors: amounts falling due within one year and decrease Creditors: amounts falling due after more than one year by £290,000 respectively.

2 SEGMENTAL ANALYSIS AND OPERATING LOSS

	UK/Europe		USA		Japan/Asia		Group	
	2003	2002 restated (see note 1)	2003	2002 restated (see note 1)	2003	2002 restated (see note 1)	2003	2002 restated (see note 1)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(a) Geographical segments by location of Company								
Turnover	13,740	11,372	5,895	6,120	8,360	7,997	27,995	25,489
(Loss)/profit on ordinary activities before taxation								
Operating (loss)/profit	(1,704)	(4,912)	122	(127)	1,459	689	(123)	(4,350)
Share of operating (loss)/ profit of associated undertakings	-	(28)	-	-	272	569	272	541
Impairment of goodwill relating to associated undertakings	-	-	-	-	(5,982)	-	(5,982)	-
Net interest (payable)/receivable	(267)	(439)	30	(28)	(361)	(92)	(598)	(559)
Share of interest receivable/ (payable) of associated undertakings	-	-	-	-	3	(1)	3	(1)
	(1,971)	(5,379)	152	(155)	(4,609)	1,165	(6,428)	(4,369)
Net (liabilities)/assets								
Segment net (liabilities)/assets	(5,208)	(5,597)	850	881	7,245	7,028	2,887	2,312
Share of net assets of associated undertakings	84	78	-	-	6,594	13,334	6,678	13,412
	(5,124)	(5,519)	850	881	13,839	20,362	9,565	15,724

NOTES TO THE ACCOUNTS
CONTINUED

2 SEGMENTAL ANALYSIS AND OPERATING LOSS continued

	2003		2002	
	Turnover £'000	Gross profit £'000	Turnover £'000	Gross profit Restated (see note 1) £'000
(b) Analysis of turnover and gross profit by class of business				
Display related products	14,148	5,968	13,601	6,030
Computer products and trading	2,232	1,068	3,185	441
Human machine interfaces	5,794	2,176	5,250	1,907
Public information displays	4,163	1,030	1,514	637
Electro-mechanical products	1,658	600	1,939	683
	27,995	10,842	25,489	9,698

In the Directors' opinion it would be prejudicial to the Group's business to disclose profit/(loss) before taxation and net assets by class of business.

	2003 £000	2002 £'000
(c) Analysis of turnover by residence of customer		
United Kingdom	6,410	4,933
United States of America	5,743	5,734
Japan	1,283	1,226
Continental Europe	7,575	7,024
Asia	6,354	5,878
Rest of the world	630	694
	27,995	25,489

	2003	2002
(d) Operating Loss is stated after charging		
Design and development expenditure expensed (restated – see note 1)	635	631
Goodwill amortisation	37	96
Goodwill impairment charge	–	352
Depreciation	486	496
Auditors' remuneration – Audit	127	127
– Non-audit	134	151
Operating lease rental – Land and buildings	459	492
– Plant and equipment	61	25

3 STAFF COSTS

	2003 Number	2002 Number
The average monthly number of people employed by the Group (including Directors):		
Production	60	48
Selling and marketing	46	50
Design and development	32	30
Administration	85	95
	223	223

	2003 £000	2002 Restated (see note 1) £'000
Costs in respect of Group employees (including Directors):		
Wages and salaries	5,721	6,155
Social security costs	425	406
Pension costs	330	315
	6,476	6,876

4 DIRECTORS' EMOLUMENTS

The analysis of Directors' remuneration is as follows

	2003				2002			
	Salary/Fees £'000	Benefits in Kind £'000	Total £'000	Pension Contributions £'000	Salary/Fees £'000	Benefits in Kind £'000	Total £'000	Pension Contributions £'000
C Hardcastle	62	–	62	–	141	26	167	–
T C Gray (non-executive)	–	–	–	–	34	–	34	–
G W Leahy (non-executive)	–	–	–	–	34	–	34	–
P Lawler (non-executive)	25	–	25	–	–	–	–	–
N C L Jarman	101	–	101	9	101	2	103	9
D K McQuiggan	124	17	141	9	120	6	126	6
R J P Morton (non-executive)	13	–	13	–	–	–	–	–
S P Wells (non-executive)	15	–	15	–	25	–	25	–
R S Stuart	–	–	–	–	124	13	137	27
R S Smith	88	5	93	4	57	2	59	3
	428	22	450	22	636	49	685	45

In addition to the above in 2002 compensation for loss of office for R S Stuart amounted to £257,000.

The number of Directors who had pension contributions in the year is as follows:

	2003 No.	2002 No.
Defined contribution schemes	3	4

5 EXCEPTIONAL ITEMS

	2003 £'000	2002 restated (see note 1) £'000
Included within cost of sales		
Write down of stock	–	775
Included within administrative expenses		
Write off of goodwill	–	352
Write off and provisions against investments	–	111
Write down of investments	–	635
Restructuring costs	–	732
Provision for post retirement benefits	–	290
	–	2,120
	–	2,895

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Bank deposit interest	19	22
Share of associates' interest receivable	3	–
	22	22

NOTES TO THE ACCOUNTS
CONTINUED

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank loans and overdrafts	567	517
Hire purchase and finance leases	20	34
Factors' discounting charges	28	30
Other interest payable	2	–
	617	581
Share of associates' interest payable	–	1
	617	582

8 TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
(a) Analysis of charge in the year		
United Kingdom		
Corporation tax at 30% (2002: 30%)	14	–
Adjustment in respect of prior years	3	(5)
Less double taxation relief	(14)	–
	3	(5)
Foreign tax		
Current taxation	415	304
Adjustments in respect of prior years	2	(112)
	420	187
Deferred tax charge (note 19)	66	6
	486	193
Share of associated undertakings' taxation	89	181
Charge for the year	575	374
	2003	2002
	£'000	restated (see note 1) £'000

(b) Factors affecting tax charge

The tax provided for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Loss on ordinary activities before tax	(6,428)	(4,369)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(1,928)	(1,311)
Effects of:		
Losses carried forward	681	1,592
Disallowed expenses	118	553
Depreciation in excess of capital allowances	39	97
Losses brought forward	(40)	(43)
Adjustment for overseas rate	(78)	(51)
Adjustments to prior years	25	(117)
Tax due on unappropriated profits	32	40
Investment tax credit	(135)	(115)
Tax provided on associate income	(89)	(181)
Write off of goodwill	1,795	–
Effect of prior period adjustment	–	(277)
	420	187

9 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated on the Group loss attributable to the ordinary shareholders on ordinary activities after taxation and minority interests, of £7,804,000 (2002: £5,485,000) and the average number of ordinary shares in issue during the year being 32,391,139 (2002: 32,170,038).

There are no share options in existence so the diluted loss per share is the same as the basic loss per share for both years.

10 INTANGIBLE FIXED ASSETS

The Group	Goodwill £'000
Cost	
At 1st January 2003	738
Additions	31
At 31st December 2003	769
Amortisation	
At 1st January 2003	347
Charge for the year	37
At 31st December 2003	384
Net book value	
At 31st December 2003	385
At 31st December 2002	391

11 TANGIBLE FIXED ASSETS

	Freehold land & buildings £'000	Long Leasehold land & buildings £'000	Short Leasehold land & buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computers and software £'000	Total £'000
(a) The Group								
At cost or valuation								
At 1st January 2003	1,262	326	62	97	773	499	1,187	4,206
Foreign exchange adjustments	(98)	–	(1)	(4)	(8)	(9)	(36)	(156)
Additions	–	–	5	7	21	21	46	100
Disposals	–	–	(22)	(11)	(285)	(389)	(151)	(858)
Reclassification	326	(326)	–	–	–	–	–	–
At 31st December 2003	1,490	–	44	89	501	122	1,046	3,292
Depreciation								
At 1st January 2003	58	25	31	75	383	172	713	1,457
Foreign exchange adjustments	(6)	–	(1)	(4)	(6)	(5)	(31)	(53)
Charge for the year	8	16	2	10	215	69	166	486
Eliminated on disposals	–	–	(22)	(11)	(275)	(161)	(136)	(605)
Reclassification	41	(41)	–	–	–	–	–	–
At 31st December 2003	101	–	10	70	317	75	712	1,285
Net book value								
At 31st December 2003	1,389	–	34	19	184	47	334	2,007
At 31st December 2002	1,204	301	31	22	390	327	474	2,749

Included in freehold land and buildings is land of £809,000 (2002: £877,000) that is not depreciated.

Net book value at 31st December 2003 includes the following assets under finance leases and hire purchase contracts:

	2003 £'000	2002 £'000
Motor vehicles	–	224

The depreciation charge for the year on the above assets was £53,000 (2002: £56,000).

NOTES TO THE ACCOUNTS
CONTINUED

11 TANGIBLE FIXED ASSETS continued

Included in freehold land and buildings are assets stated at an open market value made by professional valuers in October 1990. If these assets had not been revalued, the relevant asset category would have been included in the balance sheet at the following amounts:

	Freehold land & buildings Cost £'000
Cost	1,164
Depreciation	70
Net book value	
At 31st December 2003	1,094
At 31st December 2002	884

	Freehold land & buildings £'000	Long leasehold land & buildings £'000	Short leasehold land & buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computers and software £'000	Total £'000
(b) The Company							
At cost or valuation							
At 1st January 2003	–	326	28	387	162	119	1,022
Additions	–	–	–	1	–	3	4
Transfers from Group undertakings	–	–	–	1	52	241	294
Disposals	–	–	(6)	(247)	(185)	(63)	(501)
Reclassification	326	(326)	–	–	–	–	–
At 31st December 2003	326	–	22	142	29	300	819
Depreciation							
At 1st January 2003	–	25	13	135	51	84	308
Charge for the year	–	16	2	172	14	13	217
On transfers from Group undertakings	–	–	–	1	28	137	166
Disposals	–	–	(6)	(247)	(71)	(62)	(386)
Reclassification	41	(41)	–	–	–	–	–
At 31st December 2003	41	–	9	61	22	172	305
Net book value							
At 31st December 2003	285	–	13	81	7	128	514
At 31st December 2002	–	301	15	252	111	35	714

12 INVESTMENTS HELD AS FIXED ASSETS

	Associated undertakings £'000
(a) The Group	
Interests in associated undertakings	
At 1st January 2003	13,412
Foreign exchange adjustments	(592)
Provision for impairment of goodwill	(5,982)
Dividend received	(346)
Share of retained profits for the year	186
At 31st December 2003	6,678

Included in interests in associated undertakings at 1st January 2003 is goodwill of £5,982,000.

During the year a provision for impairment of £5,982,000 was made against this goodwill associated with the investment in VBest Electronics Co., Ltd.

12 INVESTMENTS HELD AS FIXED ASSETS continued

The Group's share of the results and net assets of VBest Electronics Co., Ltd. at 31st December 2003 are as follows:

	2003 £'000	2002 £'000
Turnover	6,608	4,855
Profit before tax	305	568
Taxation	(89)	(181)
Profit after tax	216	387
Fixed assets	4,029	4,533
Current assets	6,328	6,285
Liabilities due within one year	(3,153)	(3,799)
Liabilities due after more than one year	(609)	(667)
Net assets	6,595	6,352

	Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
(b) The Company			
Shares at cost or valuation			
At 1st January 2003	11,204	84	11,288
Foreign exchange adjustment	14	–	14
At 31st December 2003	11,218	84	11,302
Provisions			
At 1st January 2003	1,205	–	1,205
Provisions in the year	1,008	–	1,008
At 31st December 2003	2,213	–	2,213
Net book value			
At 31st December 2003	9,005	84	9,089
At 31st December 2002	9,999	84	10,083

The principal subsidiary and associated undertakings are set out in Note 29. The investments in subsidiary undertakings were revalued in May 1986 by the Directors based on net asset values.

13 STOCKS

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Raw materials and consumables	1,308	2,109	–	–
Work in progress	149	72	–	–
Finished goods and goods for resale	1,624	1,756	–	–
	3,081	3,937	–	–

NOTES TO THE ACCOUNTS
CONTINUED

14 DEBTORS

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Due after more than one year				
Amounts owed by subsidiary undertakings	–	–	–	1,843
Other debtors	495	592	–	–
	495	592	–	1,843
Due within one year				
Trade debtors	4,105	3,791	7	5
Amounts owed by subsidiary undertakings	–	–	9,701	12,709
Amounts owed by associated undertakings	89	2	–	–
Other debtors	918	336	325	2
Tax recoverable	28	35	3	3
Prepayments and accrued income	267	165	66	68
	5,407	4,329	10,102	12,787

Trade Debtors includes £242,000 (2002: £393,000) in respect of uninsured factored debts for which cash of £4,000 (2002: £62,000) had already been received and is included as advances from factors under amounts falling due within one year.

Other debtors due after one year includes deferred tax of £233,000 (2002: £330,000) a breakdown of which is shown in note 19.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts (secured – see note 16)	2,729	5,605	486	2,284
Obligations under hire purchase and finance leases	33	112	34	47
Trade creditors	1,969	2,122	377	201
Bills of exchange payable	802	1,116	–	–
Advances from factors	4	62	–	–
Amounts owed to subsidiary undertakings	–	–	467	555
Amounts owed to associated undertakings	739	490	71	71
Tax payable	196	131	–	–
Other taxation and social security	105	120	63	66
Other creditors	1,193	361	385	65
Accruals and deferred income	1,489	1,572	170	399
	9,259	11,691	2,053	3,688

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans (secured)	1,272	1,740	1,254	1,655
Other creditors	111	121	–	–
Obligations under hire purchase and finance leases (net of future finance charges)	39	162	39	95
	1,422	2,023	1,293	1,750
Loans from subsidiary undertakings	–	–	303	477
	1,422	2,023	1,596	2,227
Bank loans are payable				
Between one and two years	453	529	435	464
Between two and five years	778	1,189	778	1,169
Over five years	41	22	41	22
	1,272	1,740	1,254	1,655
Obligations under hire purchase and finance leases are payable:				
Between one and two years	30	101	30	48
Between two and five years	9	61	9	47
	39	162	39	95

The bank loans and overdrafts are secured by debentures with cross guarantees containing fixed and floating charges over certain assets of the borrowing companies and also guarantees from certain overseas subsidiary undertakings. 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.

17 FINANCIAL ASSETS AND LIABILITIES

The Group's financial instruments comprise borrowings, some cash and various items such as bills of exchange, trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to raise finance for operations. The Group does not enter into speculative derivatives transactions nor does it trade speculatively in financial instruments as a matter of policy. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

It is the Group's policy to finance operations through a combination of retained profits, trade finance and bank borrowings. The utilisation of the trade finance facilities are linked to the level of trading, the bank borrowings comprise a mix of fixed and variable rate medium and short term loans, additionally the Group utilises the flexibility of overdraft facilities.

The Group maintains a close relationship with its lenders and works with them to achieve the most competitive rates of interest available.

Overseas operations are financed in their respective local currencies. The Group as a policy does not speculate on foreign currencies, rather hedging against specific trading exposures.

The position at 31st December 2003 is in line with the Group's policies and procedures.

NOTES TO THE ACCOUNTS

CONTINUED

17 FINANCIAL ASSETS AND LIABILITIES continued

Financial assets: excluding debtors within one year

The financial assets requiring disclosure are the balances held at bank. These balances attract interest at rates that depend on local rates in the countries and currencies in which they are held. Amounts held were:

	2003 £'000	2002 Restated (see note 1) £'000
Sterling	15	30
US Dollars	594	1,387
Japanese Yen	199	171
Taiwanese Dollars	1,847	2,922
Euro	301	118
	2,956	4,628

Financial liabilities: excluding non-debt current liabilities

	Floating rate £'000	Fixed rate £'000	Total £'000
At 31st December 2003			
Sterling	1,203	1,651	2,854
US Dollars	535	–	535
Japanese Yen	361	–	361
Taiwanese Dollars	835	–	835
Euro	294	–	294
	3,228	1,651	4,879
At 31st December 2002			
Sterling	4,701	274	4,975
US Dollars	1,833	–	1,833
Japanese Yen	548	–	548
Taiwanese Dollars	1,071	24	1,095
Euro	92	–	92
	2	252	254
	8,247	550	8,797

The floating rate borrowings are linked to bank rates in the country of origin. The fixed rate financial liabilities have a weighted average interest rate of 7.4% (2002: 8.35%) and are fixed for a weighted average period of 44 months (2002: 7 months).

The maturity profile is shown in notes 15 and 16.

The Groups' only undrawn committed borrowing facility for which all conditions present are met are bank overdrafts and loans expiring in one year or less. The undrawn amount at 31 December 2003 was approximately £3.8 million (2002: £1.3 million).

The fair values of the financial assets and liabilities are not considered to be materially different from their respective book values.

18 CURRENCY RISK AND EXPOSURE

The sterling group balance sheet can be affected by movements in worldwide exchange rates since the net assets of the subsidiaries are denominated in their relative local currencies. The Group does not hedge the balance sheet positions, rather concentrating on hedging against trading exposures. Trading exposures arise throughout the world and are hedged locally.

Exposure at 31st December 2003

	Net foreign currency monetary assets/(liabilities) in £'000					Total
	UK Sterling	US Dollars	Japanese Yen	Taiwanese Dollars	Other	
Functional currency of Group operation						
UK Sterling	–	(1,748)	(241)	4,979	(302)	2,688
US Dollars	–	–	(11)	–	–	(11)
Japanese Yen	(4)	113	–	–	–	109
Taiwanese Dollars	–	1,028	(2)	–	(45)	981
Other	(11)	(424)	(8)	–	–	(443)
	(15)	(1,031)	(262)	4,979	(347)	3,324

18 CURRENCY RISK AND EXPOSURE continued**Exposure at 31st December 2002**

	Net foreign currency monetary assets/(liabilities) in £'000					Total
	UK Sterling	US Dollars	Japanese Yen	Taiwanese Dollars	Other	
Functional currency of Group operation						
UK Sterling	–	(1,602)	(635)	6,750	(17)	4,496
US Dollars	(35)	–	–	–	–	(35)
Japanese Yen	(10)	(116)	–	–	–	(126)
Taiwanese Dollars	–	794	4	–	(6)	792
Other	(14)	(96)	(1)	–	–	(111)
	(59)	(1,020)	(632)	6,750	(23)	5,016

19 PROVISIONS FOR LIABILITIES AND CHARGES

	The Group		The Company	
	2003	2002	2003	2002
	£'000	(Restated see Note 1) £'000	£'000	£'000
Provisions for liabilities and charges comprises:				
Defined benefit pensions	398	310	–	–
Post retirement benefits	275	290	275	290
Onerous lease	90	–	90	–
	763	600	365	290

	Defined benefit pension	Post retirement benefits	Onerous lease	Total
	£'000	£'000	£'000	£'000
The Group and The Company				
At 1st January 2003	310	290	–	600
Charged to profit and loss account	88	–	90	178
Utilised in the year	–	(15)	–	(15)
At 31st December 2003	398	275	90	763

	The Group		The Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Deferred taxation asset:				
Balance at 1st January 2003	(330)	(336)	–	–
Foreign exchange adjustment	31	–	–	–
Charged to profit and loss account	66	6	–	–
Balance at 31st December 2003	(233)	(330)	–	–

Deferred taxation asset comprises:

Capital allowances	(77)	(4)	–	–
Tax losses carried forward	(71)	(209)	–	–
Other timing differences	(85)	(117)	–	–
	(233)	(330)	–	–

A deferred tax asset has been provided on losses totalling £237,000 (2002: £697,000). The basis of this provision is the expectation of profits to be made in the ensuing year based on current forecasts and the non-recurring costs charged in these accounts.

The Group has not provided deferred tax on losses of approximately £9,672,000 (2002: £8,276,000) and capital allowances that have not been claimed of £709,000 (2002: £475,000) where the timescale for recoverability is uncertain.

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

The deferred tax balance for 2003 and 2002 has been included in other debtors due after more than one year in note 14.

NOTES TO THE ACCOUNTS
CONTINUED

20 CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
90,000,000 (2002: 40,000,000) Ordinary shares of 5p each	4,500	2,000
Called up, allotted and fully paid:		
64,669,106 Ordinary shares of 5p each (2002: 32,170,038)	3,233	1,609

The Company issued 164,615 shares to employees at 15.5p per share on 12th March 2003 in lieu of a bonus for the year ended 31st December 2002.

The Company raised £3,233,000 (£2,884,000 after expenses) by way of a 1 for 1 Rights Issue on 31st December 2003 issuing 32,334,553 shares.

The proceeds will be used for new product development, to enable the Company to make cost reductions and to reduce gearing and fund working capital requirements.

21 RESERVES

	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000
(a) The Group			
At 1st January 2003	19,937	144	(9,302)
Foreign exchange adjustments	–	(12)	(766)
Net premium on share issue	1,267	–	–
Retained loss for the year	–	–	(7,804)
At 31st December 2003	21,204	132	(17,872)

The Group profit and loss account includes in respect of associated undertakings:

	£'000
Accumulated profits at 1st January 2003	811
Share of net profit for the year	186
Accumulated profits at 31st December 2003	997

	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000
(b) The Company			
At 1st January 2003	19,937	117	(2,416)
Net premium on share issue	1,267	–	–
Retained loss for the year	–	–	(6,436)
At 31st December 2003	21,204	117	(8,852)

The Company has not presented its own profit and loss account in accordance with Section 230 of the Companies Act 1985. The Company's loss after tax was £6,436,000 (2002: £5,883,000).

22 RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY SHAREHOLDERS' FUNDS

	The Group 2003 £'000	2002 Restated (see note 1) £'000
Total recognised losses	(8,582)	(6,704)
Shares issued	2,891	–
Net reduction in equity shareholders' funds	(5,691)	(6,704)
Opening equity shareholders' funds		
– as previously reported	13,675	21,318
– prior period adjustment	(1,287)	(2,226)
– as restated	12,388	19,092
Closing equity shareholders' funds	6,697	12,388

23 MINORITY INTERESTS

	2003 £'000	2002 (Restated see Note 1) £'000
At 1st January 2003	3,336	3,643
(Acquisitions)/disposals of minority shareholdings	(62)	38
Foreign exchange differences	(258)	(343)
Share of profits	801	742
	3,817	4,080
Distribution to minority	(949)	(744)
At 31st December 2003	2,868	3,336

24 PENSION COMMITMENTS

Hitech Electronics Corporation operates a defined benefit pension scheme.

A full actuarial valuation was carried out at 31st December 2003 by a qualified independent actuary using the projected unit method. The major assumptions used by the actuary were:

Rate of increase in salaries	5%
Discount rate	3.25%
Investment return	3.25%

The contribution rates for 2003 were 7% of pensionable earnings (Staff) and 8% (Managers) and the agreed contribution rate for the foreseeable future is 7% of pensionable earnings (Staff) and 8% (Managers). The pension cost for the year was £122,000 (2002: £119,000).

At 31st December 2003 the market value of the scheme's assets was £647,000 and the actuarial valuation of the scheme's assets was sufficient to cover 65% of the benefits that had accrued to scheme members.

The disclosures required by FRS 17 are set out below. The scheme's assets are valued at market value and the scheme's liabilities are estimated by an actuary using the projected unit method. The financial assumptions used to calculate the scheme's liabilities by the actuary under FRS 17 are:

	2003 %	2002 %	2001 %
Rate of increase in salaries	5	5	5
Discount rate	3.25	3.25	3.25
Investment return	3.25	3.25	3.25

The assets in the scheme and the expected rate of return were:

	Long term expected rate of return 2003 %	Value 2003 £'000	Long term expected rate of return 2002 %	Value 2002 £'000	Long term expected rate of return 2001 %	Value 2001 £'000
Cash	3.25	647	3.25	570	3.25	493

The following amounts were measured in accordance with the requirements of FRS 17:

	2003 £'000	2002 £'000	2001 £'000
Total market value of assets	647	570	493
Present value of scheme liabilities	(997)	(961)	(931)
Deficit in the scheme	(350)	(391)	(438)
Related deferred tax asset	88	98	110
Net pension liability	(262)	(293)	(328)

NOTES TO THE ACCOUNTS
CONTINUED

24 PENSION COMMITMENTS continued

If the above amounts had been recognised in the accounts, the Group's net assets and profit and loss reserve would be as follows (net of minority interest):

	2003 £'000	2002 £'000
Net assets excluding pension liability	6,876	12,528
FRS 17 pension liability	(118)	(132)
Net assets including FRS 17 pension liability	6,758	12,396
Profit and loss reserve excluding pension liability	(17,693)	(9,162)
FRS 17 pension liability	(118)	(132)
Profit and loss reserve including FRS 17 pension liability	(17,811)	(9,294)

	2003 £'000	2002 £'000
Analysis of amounts that would be charged to operating loss		
Current service cost	88	93
Past service cost	-	-
Total operating charge	88	93

	2003 £'000	2002 £'000
Analysis of the amount that would be credited to other finance income		
Expected return on pension scheme's assets	8	12
Interest on pension scheme's liabilities	(31)	(30)
Net return	(23)	(18)

	2003 £'000	2002 £'000
Analysis of amount that would be recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme's assets	-	-
Experience gains and losses arising on the scheme's liabilities	-	-
Changes in assumptions underlying the present value of the scheme's liabilities	-	-
Minority interest	-	-
Actuarial gain recognised in the STRGL	-	-

	2003 £'000	2002 £'000
Movement in deficit during the year		
Deficit in scheme at the beginning of the year	(391)	(438)
Movement in the year:		
Current service cost	(88)	(93)
Contributions	122	119
Past service costs	-	-
Other finance income	(23)	(18)
Actuarial gain	-	-
Exchange gains and losses	30	39
Deficit in scheme at the end of the year	(350)	(391)

	2003 £'000	2002 £'000
History of experience gains and losses		
Difference between the expected and actual return on the scheme's assets	-	-
Percentage of scheme's assets	0%	0%
Experience gains and losses on scheme's liabilities	-	-
Percentage of the present value of the scheme's liabilities	0%	0%
Total actuarial gain that would be recognised in the STRGL	-	-
Percentage of the present value of the scheme's liabilities	0%	0%

25 CAPITAL COMMITMENTS

The Group has entered into forward purchase contracts to purchase US Dollars and Japanese Yen at various prices and on various dates through to 31st December 2003. None were outstanding at 31st December 2003 (2002: £31,000).

The Group and the Company have capital expenditure commitments contracted for, but not provided in the accounts as follows:

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Patents	–	55	–	55

26 COMMITMENTS UNDER OPERATING LEASES

At 31st December 2003 there were annual commitments under non-cancellable operating leases in respect of land and buildings as set out below:

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Expiring				
In one year or less	42	104	–	–
Between one and five years	310	152	202	126
In more than five years	167	–	–	–
	519	256	202	126

27 CONTINGENT LIABILITIES

At 31st December 2003 the Company had guaranteed:

- ♦ the bank facilities of its UK subsidiary undertakings. The overdraft amounted to £1,090,000 at 31st December 2003 (2002: £948,000). These facilities are secured by a fixed and floating charge with cross guarantees over the assets of the Group,
- ♦ the bank facilities of its US subsidiary undertaking up to £558,000 (2002: £619,000). At 31st December 2003 these facilities were in credit (2002: utilisation of bank facilities £311,000),
- ♦ bank facilities of its French subsidiary undertaking up to £268,000 (2002: £248,000). At 31st December 2003 the utilisation of these bank facilities was £223,000 (2002: £93,000),
- ♦ the bank facilities granted by Merita Bank Ltd to Densitron Nordic Oy up to £59,000 (2002: £55,000). At 31st December 2003 the bank facilities were in credit (2002: in credit),
- ♦ the bank facilities granted by ICBC to Densitron Asia Ltd up to £1,000,000 (2002: £1,000,000). At 31st December 2003 the utilisation of these bank facilities was £817,000 (2002: £603,000),
- ♦ finance leasing facilities granted by various financing companies to UK subsidiary undertakings. At 31st December 2003 the utilisation of these facilities was £72,000 (2002: £274,000),
- ♦ deferred VAT liabilities in favour of H M Customs and Excise up to £300,000 (2002: £300,000).

28 RELATED PARTY TRANSACTIONS

In the ordinary course of business the Group has entered into transactions with VBest Electronics Co., Ltd.

The transactions and resulting balances for the year ended 31st December 2003 are summarised as follows:

	2003 £'000	2002 £'000
Sales	118	54
Purchases	1,664	1,149
Dividends receivable	346	–
Amounts owed by VBest Electronics Co., Ltd	89	2
Amounts owed to VBest Electronics Co., Ltd	667	419

NOTES TO THE ACCOUNTS

CONTINUED

29 SUBSIDIARY UNDERTAKINGS AND ASSOCIATED UNDERTAKINGS

The principal subsidiary undertakings and principal associated 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. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

(a) Subsidiary Undertakings

Company name	Nature of business
Densitron Europe Limited	Sale of electronic products in the UK and Europe Holding company of UK subsidiary undertakings
Densitron Corporation of Japan (incorporated in Japan)	Export of electronic products from Japan
Densitron Corporation (incorporated in U.S.A.)	Import of electronic components and marketing throughout USA
** Densitron Computers Limited	Assembly and marketing of computer peripheral equipment and system design
* Densitron France SA (90%) (incorporated in France)	Sale of electronic products in France
*** Hitech Electronics Corporation (45% – see note above) (incorporated in Taiwan)	Manufacture of display products and Human Machine Interface products
* Densitron Nordic Oy (80%) (incorporated in Finland)	Sales of electronic products in Finland and Eastern Europe
* Densitron Ferrograph Limited	Manufacture and sale of public information displays
* Densitron Control Systems Limited (90%)	Promotion of trading between the UK and Europe
* Densitron Deutschland (90%) (incorporated in Germany)	Sale of electronics products in Germany
Densitron Asia Limited (formerly Densitron Taiwan Holdings Limited) (incorporated in Taiwan)	Holding Company

* Subsidiary of Densitron Europe Limited

** Subsidiary of Densitron Computer Solutions Limited

*** Subsidiary of Densitron Asia Limited (formerly Densitron Taiwan Holdings Limited)

(b) Associated Undertakings

Company name	Nature of business
VBest Electronics Co., Ltd. (25%) (incorporated in Taiwan) (Issued share capital NT\$1,200,200,000)	Manufacturer of LCD display products

FIVE YEAR FINANCIAL SUMMARY

WWW.DENSITRON.COM

	1999 £'000	2000 £'000	31st December 2001 £'000	2002 £'000	2003 £'000
PROFIT AND LOSS					
Turnover	26,806	30,424	28,433	25,489	27,995
Turnover by Densitron Microwave	(5,300)	–	–	–	–
Continuing Group turnover	21,506	30,424	28,433	25,489	27,995
Profit/(loss) on ordinary activities before tax	4,332	1,465	551	(4,369)	(6,428)
Profit/(loss) for the financial year attributable to ordinary shareholders	1,839	201	(767)	(5,485)	(7,804)
BALANCE SHEET					
Intangible fixed assets	1,604	2,711	2,961	391	385
Tangible fixed assets	2,858	3,076	3,296	2,749	2,007
Investments	265	1,590	14,024	13,412	6,678
	4,727	7,377	20,281	16,552	9,070
Net current assets	3,320	1,397	5,406	1,795	2,680
Long term liabilities and provisions	(910)	(964)	(598)	(2,623)	(2,185)
Minority interests	(2,856)	(3,637)	(3,771)	(3,336)	(2,868)
	4,281	4,173	21,318	12,388	6,697
Represented by:					
Share capital	907	919	1,609	1,609	3,233
Reserves	3,374	3,254	19,709	10,779	3,464
Equity Shareholders' funds	4,281	4,173	21,318	12,388	6,697
STATISTICS					
Earnings/(loss) per share (note 1)	10.14p	1.09p	(2.50)p	(17.05)p	(24.09)p
Diluted earnings/(loss) per share	10.11p	1.09p	(2.50)p	(17.05)p	(24.09)p
Dividends per share	3.40p	2.00p	0.50p	0.00p	0.00p
Net assets per share (note 2)	23.6p	22.7p	66.3p	38.5p	10.4p
Gearing (note 3)	17.09%	71.00%	0.77%	26.51%	20.10%

NOTES:

- Earnings per share has been calculated using the average number of Ordinary Shares in issue during the year.
- Net assets per share have been calculated using the number of Ordinary Shares in issue at the Balance Sheet date.
- Gearing has been calculated by dividing the net debt by the net worth (shareholders' funds and minority interests) of the Group.
- 2002 has been restated to reflect the changes shown in note 1 to these accounts.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at Densitron Ferrograph Limited, New York Way, New York Industrial Park, Newcastle upon Tyne NE27 0QP on 26th May 2004 at 12pm for the following purposes:

1. To receive the Directors' Report, the Auditors' Report and the Accounts for the year ended 31st December 2003.
2. To re-elect Mr N C L Jarmany as a Director, who retires in accordance with the provisions of Article 72 of the Company's Articles of Association.
3. To re-elect Mr S D Wells as a Director, who retires in accordance with the provisions of Article 72 of the Company's Articles of Association.
4. To elect Mr C Bonsey as a Director, who retires in accordance with the provisions of Article 69 of the Company's Articles of Association.
5. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.

6. SPECIAL RESOLUTION

THAT, pursuant to Article 8 of the Articles of Association of the Company, the Company be and is hereby authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) on the London Stock Exchange of Ordinary Shares of 5 pence each in the capital of the Company ('Ordinary Shares')

provided that

- (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 6,466,910 (being 10% of the issued share capital of the Company);
- (ii) the minimum price which may be paid for an Ordinary Share shall be 5 pence (exclusive of expenses);
- (iii) the maximum price which may be paid for an Ordinary Share shall not be more than 5% above the average of the market value of the share for the five business days before the purchase date on which the Ordinary Share is contracted to be purchased; and
- (iv) unless renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2005 save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

BY ORDER OF THE BOARD

Tim Pearson
Company Secretary
14th April 2004

Unit 4
Airport Trading Estate
Biggin Hill
Westerham
Kent TN16 3BW

NOTES

1. A person must be registered as the holder of Ordinary Shares by no later than 6pm on 24th May 2004 in order for such person to be entitled to attend and vote at the meeting in respect of those shares.
2. Any holder of Ordinary Shares is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company.
3. The instrument appointing a proxy should be lodged at the office of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time of the meeting.

For the Annual General Meeting to be held at 12pm on 26th May 2004 at Densitron Ferrograph Limited, New York Way, New York Industrial Park, Newcastle upon Tyne NE27 0QP.

I/Weof
being (a) member(s) of the above-named company, HEREBY APPOINT
 the Chairman of the Meeting OR

ofas my/our proxy to vote for me/us on our behalf at the Annual General Meeting of the Company to be held on 26th May 2004 and at any adjournment thereof, on the resolutions referred to or set out in the Notice of the Meeting as indicated below, and on any other business which may properly come before the meeting.

RESOLUTIONS

	For	Against
1. To receive the Directors' Report, the Auditors' Report and the Accounts for the year ended 31st December 2003.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr N C L Jarman as a Director, who retires in accordance with the provisions of Article 72 of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr S P Wells as a Director, who retires in accordance with the provisions of Article 72 of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr C Bonsey as a Director, who retires in accordance with the provisions of Article 69 of the Company's Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to make market purchases on the London Stock Exchange of Ordinary Shares of 5 pence each in the Capital of the Company (Special Resolution).	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)

Dated this day of 2004

NOTES

- Please indicate with a ✓ in the appropriate spaces 'FOR' or 'AGAINST' otherwise the proxy will vote or abstain from voting at his discretion. A direction to vote for the resolution authorises the proxy to vote in favour of the resolution with or without modification.
- To be valid this form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must be lodged at the offices of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time of the meeting.
- Any alteration made to the form of proxy should be initialled.
- In the case of a corporation, this proxy must be executed under the corporate seal, or under the hand of a duly authorised officer or attorney.
- In the case of joint holders, the signature of any one of them will suffice, but the names of joint holders must be stated. The vote of the senior joint holder if tendered will be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names appear on the register.
- If it is desired to appoint any person other than the Chairman of the Meeting to act as proxy, delete the reference to the Chairman of the Meeting and insert the name of the desired proxy in the space provided. A proxy need not be a member of the Company.

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BUSINESS REPLY SERVICE
Licence No. MB122



Capita Registrars (Proxies)
PO Box 25
Beckenham
KENT
BR3 4BR

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