

DENSITRON TECHNOLOGIES PLC
INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH JUNE 2006

OPERATIONAL HIGHLIGHTS

The strategy of dividing the Group into three divisions has enabled all parts of the business to make progress and improve trading in the first half of 2006.

- Turnover on continuing business increased by 15% on first half of 2005 and 2% on second half of 2005.
- Significant increase in order book from 1 January 2006 from £9.1m to £10.4m at 30th June 2006.
- Operating loss on continuing activities reduced by 76% against the same period of 2005 from £0.9m to £0.2m.
- Administrative expenses on continuing operations reduced by 8% against the same period of 2005 from £3.8m to £3.5m.

Financial highlights on continuing operations

	6 months to 30th June 2006 Continuing Unaudited £m	6 months to 30th June 2005 Continuing Unaudited £m
Revenue	10.6	9.2
Operating loss	(0.2)	(0.9)
Loss before taxation	(0.3)	(1.0)
Loss per share	(0.64)p	(1.60)p
Order book	10.4	9.8

Chairman's Statement

The first half of 2006 has shown a considerable improvement on the same period in 2005 on continuing business with progress being made in all divisions. The Group made an operating loss of £207,000 in the first half of 2006 compared with a loss of £857,000 in the first half of 2005.

New orders booked were £11.9m compared with £11.5m in the first half of 2005 and £9.7m in the second half of 2005. The order book has increased by £1.3m in the first half of 2006 and stood at £10.4m at 30th June 2006.

Densitron Display Solutions

Sales in the period on continuing operations have increased by 19% compared to the same period in 2005, but have fallen by 7% compared to the second half of 2005.

Densitron Display Solutions continues to perform well both in terms of orders booked and shipments made. The focus of the division remains the same, targeting business with good margins where the expertise of the Division's engineers can add value. The changes made to the sales teams in France and Germany during 2005 are showing an improvement on the orders and sales of 2005 and the US continues to perform well.

Densitron Gaming

Sales in the period under review have improved by 48% compared with the same period in 2005 and 9% compared to the second half of 2005.

Our Gaming division has launched three new products this year. These are being reviewed by our customers. The initial feed back has been positive with some major operators in the gaming market having conducted factory visits. The lead time to orders is frustratingly long as our boards have to be designed into new games, however, once this has been achieved we anticipate the demand to be strong.

A record number of development kits have been shipped to customers in the first half and they have been extremely well received. The strengthening of the sales team that has taken place in 2006 is now beginning to yield results, although, shipments to the important Russian market continue to be behind where they were originally expected to be but they are beginning to show signs of improvement. The delay in the legislative process in Russia has delayed both sales against orders already received and new orders being placed. The Directors remain confident that once the legislation is in place Densitron Gaming will be in a position to capitalise on it.

Densitron Ferrograph

Sales in the period have decreased by 7% compared to the same period in 2005 but have increased by 67% compared to the second half of 2005. The Bus Sector business remains cyclical but as the level of business in the Rail Sector increases it is anticipated that the large swings in business conducted in the first and second halves of a year will reduce.

During 2005 the majority of the business conducted by Densitron Ferrograph was in the Bus Sector where the Division remains a market leader. The decision was taken to try and penetrate the Rail Sector and to that end an experienced sales executive was recruited. By the end of 2005 a small order had been won to provide concourse passenger information signs for Gatwick Railway Station, these displays have now been successfully installed and a further order has been received to provide signs for Birmingham New Street Station. A number of further opportunities exist in the Rail Sector and these will continue to be pursued in the second half of 2006.

VBest Electronics Co Ltd

VBest Electronics Co Ltd is the Group's investment in Taiwan. I reported in the Annual Report that 2005 had been a year of consolidation for VBest. The actions described in the Annual Report that were taken by the VBest management during 2005 are showing some encouraging signs during the first half of 2006.

Blackheath Land

There is no new information to report regarding the land held at Blackheath. Negotiations remain ongoing with the Local Authority and others over the proposed land swap. The Directors are continuing with the Company's legal action against the Trustees of the Old Addeyans Football Club regarding their claim of adverse possession over the land and remain confident that the Company's case is sound.

Outlook

The market place remains competitive and this is to be expected, the Directors are confident that the trading strategies of each of the divisions is sound and places them in a position to take advantage of opportunities as they present themselves.

The Board remains convinced that the market capitalisation of the Group does not reflect the value of the underlying assets of the business and is continuing to take steps to improve returns from its operating activities in order to recognise these asset values. The Directors will continue with the strategy of disposing of non-core assets providing the realisable value is at an acceptable level.

Ralph Baber

Interim Chairman

31 August 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30th June 2006

	6 months to 30th June 2006 Total Unaudited £000	6 months to 30th June 2005 Continuing Unaudited £000	6 months to 30th June 2005 Discontinued Unaudited £000	6 months to 30th June 2005 Total Unaudited £000	Year to 31st December 2005 Total Audited £000
TURNOVER	10,601	9,195	1,221	10,416	20,827
Cost of sales	<u>(7,331)</u>	<u>(6,229)</u>	<u>(538)</u>	<u>(6,767)</u>	<u>(14,110)</u>
GROSS PROFIT	3,270	2,966	683	3,649	6,717
Distribution costs	(34)	(56)	-	(56)	(72)
Administrative expenses	(3,487)	(3,776)	(534)	(4,310)	(7,809)
Other operating income	44	9	10	19	329
OPERATING (LOSS)/PROFIT	<u>(207)</u>	<u>(857)</u>	<u>159</u>	<u>(698)</u>	<u>(835)</u>
Share of associates' operating profit	-	44	-	44	44
Profit on sale of subsidiary	-	1,608	-	1,608	1,623
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	<u>(207)</u>	<u>795</u>	<u>159</u>	<u>954</u>	<u>832</u>
Interest receivable and similar income	28	26	-	26	47
Interest payable and similar charges	<u>(134)</u>	<u>(189)</u>	<u>(1)</u>	<u>(190)</u>	<u>(374)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(313)</u>	<u>632</u>	<u>158</u>	<u>790</u>	<u>505</u>
Tax on (loss)/profit on ordinary activities	<u>(95)</u>	<u>(28)</u>	<u>(39)</u>	<u>(67)</u>	<u>(141)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(408)</u>	<u>604</u>	<u>119</u>	<u>723</u>	<u>364</u>
Minority interests	<u>(5)</u>	<u>(29)</u>	<u>(87)</u>	<u>(116)</u>	<u>(125)</u>
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD	<u>(413)</u>	<u>575</u>	<u>32</u>	<u>607</u>	<u>239</u>
Basic and diluted (loss)/earnings per share	<u>(0.64)p</u>	<u>0.89p</u>	<u>0.05p</u>	<u>0.94p</u>	<u>0.37p</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES
For the six months to 30th June 2006

	6 months to 30th June 2006 Total Unaudited £000	6 months to 30th June 2005 Total Unaudited £000	Year to 31st December 2005 Total Audited £000
(Loss)/profit for the period	(413)	569	201
Associated undertakings' profit for the financial period	-	38	38
Foreign exchange adjustments	<u>(43)</u>	<u>230</u>	<u>212</u>
	<u>(456)</u>	<u>837</u>	<u>451</u>

SUMMARISED CONSOLIDATED BALANCE SHEET
As at 30th June 2006

	30th June 2006 Unaudited £000	30th June 2005 Unaudited £000	31st December 2005 Audited £000
FIXED ASSETS			
Intangible assets	172	197	184
Tangible assets	410	486	388
Investments	6,917	6,917	6,917
	7,499	7,600	7,489
CURRENT ASSETS			
Stocks	1,329	1,505	1,311
Debtors – due in more than one year	392	567	540
Debtors – due in less than one year	3,939	3,489	4,150
	4,331	4,056	4,690
Cash at bank and in hand	1,729	2,158	2,382
	7,389	7,719	8,383
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(6,225)	(7,050)	(8,037)
NET CURRENT ASSETS	1,164	669	346
TOTAL ASSETS LESS CURRENT LIABILITIES	8,663	8,269	7,835
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(1,888)	(623)	(609)
PROVISIONS FOR LIABILITIES AND CHARGES	(325)	(432)	(325)
NET ASSETS	6,450	7,214	6,901
CAPITAL AND RESERVES (EQUITY SHAREHOLDERS' FUNDS)	6,392	7,171	6,848
MINORITY INTERESTS	58	43	53
	6,450	7,214	6,901

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30th June 2006

	Notes	Six months to 30th June 2006 Unaudited £000	Six months to 30th June 2005 Unaudited £000	Year to 31st December 2005 Audited £000
Net cash inflow/(outflow) from operating activities	a	95	(1,312)	(1,748)
Returns on investment and servicing of finance		(109)	(221)	(345)
Tax paid		(74)	(334)	(369)
Capital expenditure and financial investment		(69)	(74)	(86)
Acquisitions and disposals		47	3,987	3,983
Financing	b	862	(443)	542
Increase in cash	b,c	752	1,603	1,977

NOTES TO THE CONSOLIDATED CASH FLOW
For the six months ended 30th June 2006

a. Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	Six months to 30th June 2006 Unaudited £000	Six months to 30th June 2005 Unaudited £000	Year to 31st December 2005 Audited £000
Operating loss	(207)	(698)	(835)
Depreciation and impairment of tangible fixed assets	37	79	172
Amortisation and impairment of intangible fixed assets	12	12	25
(Increase)/decrease in stock	(56)	115	332
Decrease/(increase) in debtors	225	281	(288)
Increase/(decrease) in creditors	7	(829)	(668)
Increase/(decrease) in provisions for liabilities and charges	-	18	(207)
Currency adjustment	77	(290)	(279)
	95	(1,312)	(1,748)

b. Reconciliation of net cash flow to movement in net debt

	Six months to 30th June 2006 Unaudited £000	Six months to 30th June 2005 Unaudited £000	Year to 31st December 2005 Audited £000
Change in cash	752	1,603	1,977
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(862)	443	(542)
Change in net debt from cash flows	(110)	2,046	1,435
Disposal of subsidiary	-	(765)	(648)
Exchange movements	(66)	(18)	44
Change in net debt	(176)	1,263	831
Opening net debt	(2,855)	(3,569)	(3,686)
Closing net debt	(3,031)	(2,306)	(2,855)

c. Analysis of net debt

	1st January £000	Cash Flow £000	Exchange movements £000	30th June 2006 £000
Cash at bank and in hand	2,382	(616)	(37)	1,729
Bank overdraft	(2,552)	1,368	(31)	(1,215)
NET CASH	(170)	752	(68)	514
Loans	(1,019)	(1,254)	8	(2,265)
Finance leases	(9)	(43)	-	(52)
Advances from invoice discounting	(788)	264	-	(524)
Letters of credit	(869)	171	(6)	(704)
BORROWINGS	(2,685)	(862)	2	(3,545)
NET DEBT	(2,855)	(110)	(66)	(3,031)

NOTES TO THE INTERIM STATEMENT
For the six months ended 30th June 2006

1. Basis of preparation

This interim report was approved by the Board on 31st August 2006. The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been prepared using accounting policies that are consistent with those adopted in the statutory accounts for the year ended 31st December 2005.

The results for the year ended 31st December 2005 are taken from the full accounts on which the Group's Auditors made an unqualified report which did not contain statements under s.237 (2) or (3) of the Companies Act 1985, and which have been delivered to the Registrar of Companies.

2. Taxation

The charge to taxation is an estimate based on the anticipated effective rate of tax for the year ended 31st December 2006.

3. Earnings per share

These have been calculated on (losses)/profits of:
 The weighted average number of shares used was:
 Basic and diluted

Six months to 30th June 2006 Unaudited £000	Six months to 30th June 2005 Unaudited £000	Year to 31st December 2005 Audited £000
(413)	607	239
64,669,106	64,669,106	64,669,106

4. Segmental analysis

Turnover by class of business

Display solutions	7,949	6,819	15,325
Gaming	899	608	1,436
Public information displays	1,753	1,893	2,943
Human machine interfaces	-	1,096	1,123
	10,601	10,416	20,827

Gross profit by class of business

Display solutions	2,359	2,372	4,885
Gaming	228	142	289
Public information displays	683	764	1,163
Human machine interfaces	-	371	380
	3,270	3,649	6,717

5. Copies of Interim report

The Interim report is available to view and download from the Companies website at www.densitron.com. If shareholders would like a hardcopy of the interim report they should contact the Company Secretary, Tim Pearson, on 0207 648 4200.