ANNUAL REPORT AND FINANCIAL STATEMENTS 2006

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e2v technologies

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- Revenue up 11.7% to £112.3m (2005: £100.5m)
- Closing order book up by 23.0% from £74.4m to £91.5m
- Reported profit before tax has more than doubled from £5.6m to £11.9m
- Adjusted* profit before tax up 39.4% to £13.6m (2005: £9.7m)
- Net cash from operating activities was £23.2m (2005: £10.2m)
- Net debt down from £21.8m to £17.8m
- Final dividend of 4.25p per share (2005: 3.9p)
- Total dividends in respect of the year of 6.25p (2005: 4.53p)
- *Successful integration of e2v scientific instruments (formerly Gresham Scientific Instruments)*

Year end results

For the year ended 31 March 2006

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Revenue	**112.3**	100.5
Profit before tax and net finance costs	**13.8**	10.5
Adjusted* profit before tax and net finance costs	**15.4**	12.6
Profit attributable to equity holders of the parent	**8.1**	3.4
Total shareholders' equity	**43.7**	38.2
Net borrowings	**(17.8)**	(21.8)
Earnings per share – basic	**14.81p**	6.93p
Adjusted* earnings per share – basic	**16.89p**	13.72p

*Before amortisation of acquired intangibles, initial public offering costs, voluntary severance costs, share-based payment charges, abnormal interest charges, and the tax impact of these items.

George Kennedy
Chairman

Chairman's statement

OVERVIEW

I am delighted to report that, in our first full financial year as a publicly listed company, we have continued to grow and demonstrate positive progress in key areas across our business. Sales at £112.3m (2005: £100.5m) represent a double-digit improvement, with year on year growth of 11.7%.

Both our sensors and electronic tubes product groups have demonstrated growth, with the electronic tubes area strongest. This has been driven primarily by the accelerated completion of a specific contract to supply electronic subsystems to the UK Ministry of Defence, which contributed £6.7m to revenue.

Profit for the year after tax and net finance costs amounted to £8.1m (2005: £3.4m). Adjusted* profit after tax and net finance costs increased by 38% to £9.3m (2005: £6.7m). The Board consider that this adjusted* profit after tax and net finance costs more accurately reflects the comparable performance of the underlying business.

This year also saw the completion of our first acquisition since flotation. e2v scientific instruments (formerly Gresham Scientific Instruments) was acquired in July 2005. It has been quickly and successfully integrated into the e2v Group and continues to meet our expectations in terms of growth and performance.

Strong cash generation has led to a significant decrease in net debt despite the acquisition noted above being debt financed. The net debt position at the end of the year was £17.8m (2005: £21.8m). We closed the year with a strong order book of £91.5m (2005: £74.4m) of which £66.3m (2005: £54.1m) is scheduled for delivery within 12 months of the balance sheet date.

DIVIDEND

Following the interim dividend of 2.0 pence per share, the Board is proposing a final dividend of 4.25 pence. This is an increase over the total dividends paid in respect of the 2005 year of 4.53 pence. The increase reflects the fact that this is the first full year that the Group has been listed, and is a real increase of 8% on a like-for-like basis.

THE BOARD

There have been no changes to the board in the last 12 months. We therefore maintain our balance between corporate and industry experience, with a Board consisting of myself, three Non-Executive Directors and two Executive Directors. Brief CVs are included within this report on pages 18 and 19.

OUTLOOK

The strong forward order book, combined with an ongoing focus on operating efficiencies, gives us confidence that the Group will continue to deliver organic growth during 2007. The outlook is positive and with our first acquisition now successfully integrated and a strong balance sheet, we continue to target further complementary acquisitions.

OUR PEOPLE

Our people are integral to the success of the Group. It is through their skills, commitment and hard work that we are able to deliver such a strong performance and, for this, I thank them on behalf of the Board and our shareholders.

George Kennedy
Chairman

*Before amortisation of acquired intangibles, initial public offering costs, voluntary severance costs, share based payment charges, abnormal interest charges and the tax impact of these items.

Both sensors and electronic tubes groups have demonstrated growth, with the electronic tubes area strongest

Keith Attwood
Chief Executive Officer

Chief Executive's report

INTRODUCTION

e2v designs and manufactures a broad range of highly specialised components and subsystems. Products are categorised under two groupings, sensors and electronic tubes, and are supplied to niches within three market sectors as follows:

- Medical and Science
- Aerospace and Defence
- Commercial and Industrial

The specialised nature of our products is fundamental to the performance of the systems in which they are utilised. We are proud of our ability to tailor products to meet the ever-more demanding needs of our customers and we have established an excellent reputation for our product performance and reliability.

I am pleased to report that the sales growth in the business has continued the trend reported at the half year, with very strong demand in the electronic tube business. This was primarily due to the accelerated completion of a £6.7m contract for electronic subsystems to the UK Ministry of Defence. Strong second half growth in the sensors group was driven largely through the acquisition of e2v scientific instruments and by sales for our Queen's Award winning L3Vision™ imaging technology.

Encouragingly, approximately 13% of sales in the year arose from products introduced during the year, reflecting our ability to deliver the right technical solutions at the right time.

Our business strategy remains constant and is built upon four key principles:

- To focus our resources on high growth/high margin product opportunities in current and adjacent niche market sectors.
- To extend our scope of supply, where appropriate, thereby maximising revenues from established market positions as well as developing new market positions.
- To acquire complementary businesses and technologies to accelerate growth.
- To continue our internal focus on productivity improvements.

e2v attaches great importance to its long-term customer relationships and these are at the heart of our business. Our top ten customers accounted for 31% of sales in 2006 and our trading relationships with these customers extend from 5 to over 20 years. The Group has a broad international reach, exporting 72% of sales in 2006 from the UK and this is complemented regionally by sales and support operations in the USA, France and Germany as well as a business development office in China.

e2v attaches great importance to its long-term customer relationships and these are at the heart of our business

RESULTS OVERVIEW

Overall, sales grew by 11.7% to £112.3m in the year at reported exchange rates. At constant exchange rates the growth would have been 10.3%. Sales in the sensors group grew by 4.3% in the year, reflecting the strong second half trading anticipated at the half year. The electronic tube group saw excellent growth at 18.4%.

Gross profit increased by £3.1m to £37.8m (2005: £34.7m) and represented 33.6% of revenue (2005: 34.5%). Whilst productivity improvements increased margins by 2.6%, this was more than offset by the adverse impact of exchange rates, product mix and increased material and energy costs.

Profit before tax and net finance costs increased by 31.1%. Excluding itemised administrative expenses as detailed in the Group income statement, the increase on an adjusted* basis is an impressive 22.1% reflecting both sales growth and the benefits of our continued attention to internal efficiencies.

Reported basic earnings per share amounted to 14.81 pence (2005: 6.93 pence).

Adjusted* basic earnings per share were up at 16.89 pence (2005: 13.72 pence) per share.

The Group order book at 31 March 2006 was a record £91.5m (2005: £74.4m).

The sensors product group order book was £43.4m (2005: £34.6m) reflecting increases within the Aerospace and Defence sector. The electronic tube product group order book amounted to £48.1m (2005: £39.8m) reflecting the placement of multi-year orders for radiotherapy equipment within the Medical and Science sector.

Net borrowings at 31 March 2006 were £17.8m (2005: £21.8m), showing a significant reduction, despite the all-cash acquisition of e2v scientific instruments for £5.2m in the first half. Net cash flow from operating activities was a healthy £23.2m (2005: £10.2m). The difference compared to last year is primarily due to excellent cash collection in the last quarter, mainly driven by the accelerated completion of a large UK Ministry of Defence electronic subsystem contract. Net cash inflow before financing activities was £9.3m (2005: £1.8m).

BUSINESS OVERVIEW

SENSORS

Following the decrease in sales reported in the first half year, second half sales in this product group showed significant improvement, closing the year with growth of 4.3% to £50.2m (2005: £48.1m). This growth is derived from the Medical and Science sector, which performed very strongly.

Medical and Science

Sales in this sector continued the strong performance seen in the first half of the year, growing by a significant 34% to £20.7m (2005: £15.5m).

This excellent sales growth results from increased demand for our imaging products, particularly for intra oral x-ray dental sensors, L3Vision™ sensors for life science applications, and from additional sales of £2.3m through e2v scientific instruments. This acquisition also contributed £0.6m of profit before tax and amortisation.

Aerospace and Defence

Due mainly to contract phasing in the Aerospace and Defence sector, sales reduced by 8.6% to £15.3m (2005: £16.8m). The decrease was partially offset by growth in the L3Vision™ camera and sensor business. Strong order intake in this sector has resulted in a closing order book of £26.7m (2005: £14.7m) which is encouraging for the new financial year.

The Group confirmed its position as a key supplier to the Eurofighter Typhoon programme with orders for solid-state sensors worth £2.5m, and a contract to supply sensors for the second tranche of the Eurofighter Typhoon Missile Approach Warning System worth £1.5m.

e2v's charged coupled imaging device (CCD) technology continues to make significant contributions to space science. During the year various CCDs from e2v have been successfully launched into space, with both NASA's New Horizons mission to Pluto and ESA's fact-finding mission to Venus utilising our startracker CCDs. The first images from e2v sensors were also returned from the Mars Reconnaissance Orbiter in March 2006 and ESA's Mars Express programme in April 2006, showing unparalleled resolution and confirming our position as a leader in this field.

Commercial and Industrial

Sales in this sector decreased by 11.0% to £14.1m (2005: £15.9m).

This was broadly in line with expectations due to a decrease in our fire fighting business, which benefited last year from the final phase of a large UK Government procurement project. Following the success of our Argus® 3 camera, which was used to great effect by fire fighters at the Buncefield oil depot blast earlier this year, we anticipate good progress in the fire fighting business in the new financial year following the successful launch of our new

*Before amortisation of acquired intangibles, initial public offering costs, voluntary severance costs, share based payment charges, abnormal interest charges and the tax impact of these items.

Left alarm sensor, *right voltage control* oscillator and gunn diodes.

Argus® 4 camera in April 2006, at the Fire Department Instructors Conference (FDIC), the largest fire trade show in the USA.

The shortfall noted above was partly offset by an increase in the marine radar business for radar components and sales of gas sensors. Our automotive business was flat, reflecting a slower than anticipated take-up of adaptive cruise control technology by consumers.

ELECTRONIC TUBES

Sales in the electronic tube product group were £62.1m (2005: £52.4m) representing a healthy 18.4% increase at reported rates of exchange.

This increase is consistent with the position reported in our interim results and was largely driven by a contract for the UK Ministry of Defence, an increase in our supply of modulators into radar upgrade projects and a strong performance in radiotherapy for radio frequency (RF) subsystems.

Medical and Science

Sales in this sector showed growth of 3.2% to £18.8m (2005: £18.2m).

This was due to growth in the radiotherapy cancer treatment market borne out of our strategy to increase the scope of products supplied to now include compact modulators. This market also contributed to the strong order book through the placement of multi-year orders. This more than offset a decline in the supply of RF subsystems for another different medical therapy application (endometrial ablation).

During the second half, we won our first contract for RF power couplers, utilised in accelerators for advanced industrial research. Although relatively small, this project helps to establish our credentials in the 'Big Science' market for RF subsystems.

Aerospace and Defence

Sales in this sector showed exceptionally strong growth of 76.8% to £19.0m (2005: £10.8m).

This was largely due to the rapid completion of the specific £6.7m contract to supply vital defence electronic subsystems to the UK Ministry of Defence.

Also of note was an increase in our compact modulator business for radar systems.

Sales to China declined due to export licenses not being awarded for products previously supplied under granted licences.

In July 2005, we won a £4.5m order to supply Travelling Wave Tubes for the Defensive Aids Sub System (DASS), which are designed to enhance aircraft survival through advanced self-defence sensors and countermeasures.

Commercial and Industrial

Sales in this sector showed growth of 3.5% to £24.3m (2005: £23.5m).

This was largely due to an increase in sales of marine magnetrons in line with the general growth in the commercial fleet worldwide and for inductive output tubes, used in US digital television transmitters, as a result of a firming up of the programme to convert from analogue to digital services.

INTERNATIONAL DEVELOPMENT

In the year ended 31 March 2006, 72% (2005: 75%) of sales were derived from exports to over 50 different countries. We saw significant growth in UK sales of 25.5%, largely related to the UK Ministry of Defence contract mentioned earlier. Sales to the US at £37.5m (2005: £35.8m) represent a year on year growth of 4.7% at reported exchange rates. This remains our largest single geographic market.

Sales to Europe grew by 14.8%, primarily across the sensors product group.

Sales to the rest of the world were £10.4m (2005: £11.0m). Sales to Asia Pacific have increased, in particular to Japan, where e2v scientific instruments continues to perform strongly.

We continue to focus on improving customer access to our distributors and developing the skills within our distributor base, either through targeted training or by appointing specialist distributors, in order to better serve those customers. This year we have established two new gas-sensing distributors in China to take advantage of the region's advances in industrial safety requirements. A training road show was held in India this year focusing on imaging and electronic tube technologies. e2v provide regular newsletters updating our partners on worldwide business developments. All of our distributors keep up-to-date on current e2v Group affairs, including exhibition graphics, contact information and product presentations, via a tailored 'extranet'. As the costs of manufacturing in the UK continue to increase, additional emphasis has been placed on seeking suppliers who can offer competitive pricing. This initiative will be accelerated through the new financial year, as part of our continued drive to mitigate increasing input costs.

Case study:
e2v scientific instruments sets a new standard in x-ray detection

e2v scientific instruments has launched SiriusSD, a product range which will set a new standard in high performance x-ray detection. SiriusSD is an electrically cooled solid-state silicon drift detector with a new electronic design. It is directly compatible with existing systems, making it easy to integrate with and so upgrade energy dispersive X-ray materials analysis equipment.

The SiriusSD range includes designs for integration with scanning electron microscopes (SEM) and X-ray fluorescence (XRF) systems. Using such techniques, SiriusSD enables detailed elemental analysis of materials at a microscopic level.

The new, peltier-cooled, silicon drift detectors complement e2v's existing detector product portfolio under the Sirius brand name. The new electronic design results in stability of peak position and resolution over a broad range of input count rates, ensuring accurate analytical results.

SiriusSD offers exceptional resolution and count-rate performance. The detectors are easy to integrate into existing electronics systems (typically designed for LN-cooled detectors), because they produce an industry-standard signal output.

Peter Smith, Sales Director at e2v scientific instruments, comments: "e2v scientific instruments has for many years been acknowledged as a specialist manufacturer of the highest quality liquid nitrogen cooled x-ray spectrometers. Now, with the launch of the SiriusSD, we can look forward to being the only independent supplier able to offer a full range of both LN and non-LN cooled detectors to all sectors of the x-ray analysis market. This underlines our commitment to embracing and developing new detector technologies for the future."

e2v scientific instruments is the only independent EDX detector company that offers true worldwide support, with repair and upgrade facilities based in both Europe and the USA.

Despite the impact of increasing input costs, particularly in energy and materials, the outlook is for continued progress, underpinned by our substantial order book

CAPITAL INVESTMENT AND RESEARCH AND DEVELOPMENT

Expenditure on capital equipment can broadly be categorised as £2.5m (2005: £0.6m) on infrastructure, clean rooms and building maintenance, £3.4m (2005: £4.7m) on manufacturing plant expansion, replacement or maintenance, £1.5m (2005: £1.5m) on IT, including the ongoing SAP system implementation and £0.4m (2005: £0.8m) on other items.

The main areas of investment have been in the fabrication, post processing equipment and facilities, for our CCD capability, supporting our growing high performance imaging business. Other notable capital projects include our IT systems, where investment has been made in the network infrastructure and the rollout of our SAP implementation, which continues through 2006.

The Group's Research and Development spend into product maintenance/support and new products was broadly divided into £2.1m (2005: £2.0m) for electronic tubes and £3.3m (2005: £3.3m) for sensors.

Major programmes have included Argus® 4 fire fighting cameras, L3Vision™ CCDs; for which the Company received a Queen's Award for innovation in April 2006, transitioning CCD production to 6" wafers, magnetron development, Stellarcool™ satellite amplifiers and defence electronic subsystems with some longer term investment in Biosensor technology.

Over the coming year our imaging business will focus on broadening the technology base from CCDs to include CMOS technology, which offers the potential for increased on chip functionality, radiation hardness and higher speed performance over CCDs. However, conventional CMOS based image sensors are currently not able to achieve the highest performance levels in some circumstances, so there will be a role for both technologies going forward in this expanding market. In this context, we also continue to support the e2v Centre for Electronic Imaging at Brunel University.

Our RF systems programme is focused on increasing our scope of supply into science applications by incorporating electronic tube technology into full RF systems. Although the fundamental technology is relatively mature, there are increasing and significant new and emerging applications for high power RF in the markets in which e2v serves. To capitalise on this new opportunity, we have strengthened our links with Nottingham and Strathclyde Universities.

At 31 March 2006, 82 (2005: 69) patent families had been granted and a further 56 were pending. In the year, there were over 15 new British patent applications filed. Our patent management processes are based on the principles of protection of our intellectual property, where appropriate, to maintain and develop our market position.

OUTLOOK

There are a number of emerging organic top line opportunities for us to pursue, and the outlook is generally positive across all market sectors.

In addition, we have a significant operational review in progress focused on lean/agile best practice and we have introduced new skills and personnel into the business to deliver tangible improvement in this regard. Further, we are undertaking a thorough facilities review during the course of the next 12 months, to identify how best to realise value from any under-utilised assets in the form of land and buildings. Today, we occupy 30 acres in Chelmsford and Lincoln.

Following the successful integration of our first acquisition, we continue to pursue a number of bolt-on and more significant targets in both Europe and North America. We have a full pipeline of complementary businesses to consider.

Finally, despite the impact of increasing input costs, particularly in energy and materials, the outlook is for continued progress, underpinned by our substantial order book.

K D Attwood
5 July 2006

Mike Hannant
Finance Director

Financial review

INTRODUCTION

In our first full year as a listed company, we delivered continued growth in both sales, which grew by 11.7%, and profit before tax and net finance costs, which grew by 31.1%. 2.3% of our sales growth is attributable to the acquisition of e2v scientific instruments and 1.4% can be attributed to a stronger US$ exchange rate compared to 2005. After adjusting for amortisation of acquired intangibles, voluntary severance payments, share-based payment charges and, in 2005, Initial Public Offering costs, our profit before tax and net finance costs showed an increase of 22.1% to £15.4m and represented 13.7% of sales, compared with 12.5% in 2005.

CURRENCY

The Group's primary exposure to foreign currency continues to be the US$ which accounts for 36% (2005: 41%) of the Group's sales revenue. Sales revenue denominated in the Euro has remained at a consistent 17% of the total and our cost base continues to be primarily Sterling, although progress has been made during the year to source certain component supplies in currencies which will offer a natural hedge to our revenue streams.

In the year ended 31 March exchange rates applied were:

	Average		Year End	
	2006	2005	**2006**	2005
US dollar	**1.78**	1.85	**1.74**	1.89
Euro	**1.46**	1.47	**1.43**	1.46

If the 2005 exchange rates had been applied in the current year, sales would have been £1.4m lower (1.4%). The impact on operating profits continues to be mitigated by the use of forward currency contracts where the average rate for US$ contracts maturing in the year was $1.80:£1 compared to $1.74:£1 in 2005. The impact of this less favourable rate of exchange accounts for a £1.2m decrease in Sterling generated on translation.

OPERATING PERFORMANCE

The underlying growth and operating performance of the business remains encouraging. e2v scientific instruments contributed to the sensors product performance in the Medical and Science sector. Growth in this area accounted for 5.2% of the reported increase in sales. Growth in sales of electronic tubes to the Aerospace and Defence sector was primarily driven by a specific UK Ministry of Defence contract. The strongest growth area from a geographical view was the UK where sales revenues increased by 25.5%, primarily due to the aforementioned contract.

The underlying growth and operating performance of the business remains encouraging

Gross profit increased by £3.0m to £37.8m and represented 33.6% of sales (2005: 34.5%). The 0.9% decrease in margins was due to adverse impacts of exchange rates compared to 2005, the increased proportion of lower margin electronic tube sales and increases in material and utility prices only being partly offset by increased productivity in the manufacturing operations.

The Group continues to monitor its overhead costs and the drive to seek efficiencies has resulted in a stable cost base. The total selling, distribution and general administrative expenses (excluding itemised expenses) for the year amounted to £17.4m (2005: £16.9m) representing 15.5% (2005: 16.8%) of sales revenue.

This year's results are impacted by the acquisition of e2v scientific instruments and a full year of costs associated with being a listed company, the following items having the biggest impact:

- The increase in amortisation charges seen in the Group income statement for the current year reflects the amortisation of intangibles arising on the acquisition of e2v scientific instruments. A further increase will be reported in 2007 reflecting a full year's amortisation charge.
- As reported at the half year, the Group announced a voluntary severance scheme at the beginning of the financial year. Whilst this has resulted in short term costs, the benefits of a reduced cost base are contributing to the full years profit improvements.
- Share-based payment charges increased from £142K to £450K this year. This increase reflects both a full year's charge for schemes launched in the year ended 31 March 2005 and charges in respect of schemes launched in the current year. A further increase is expected in 2007 which will reflect a full year's charge in respect of all schemes.

INTEREST CHARGES

Interest charges this year reflect the benefit of the banking facilities arranged in July 2004 and are made up as follows:

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Pre-IPO loan interest	-	1,647
Abnormal charges in respect of capitalised expenses	-	2,050
Term loan	**1,373**	1,032
Acquisition facility	**297**	66
Working capital facility	**153**	114
Amortisation of capitalised expenses	**92**	*186*
Other interest	**29**	-

Left Marine Magnetron, right various spark gaps.

TAXATION
The effective tax rate on profits for the year ended 31 March 2006 (excluding adjustments to the tax charge in respect of prior years) amounts to 29.1% compared with 30.8% in the previous year. The tax charge in the year ended 31 March 2005 was impacted by one off costs relating to the IPO and the current year has benefited from an increased deduction in respect of expenditure on research and development and a reduced impact of higher overseas tax rates.

EARNINGS AND EARNINGS PER SHARE
Adjusted* earnings of £9.3m increased by 38% over the prior year and equated to earnings per share of 16.89p (2005: 13.72p). The undiluted weighted average number of shares in issue during the year increased by 12%. This arises primarily from the fact that shares issued as a result of the IPO have been in issue for a full year.

CASH FLOW AND NET DEBT
The net cash inflow from operating activities of £23.2m was £13.0m higher than that achieved in the year ended 31 March 2005. Ongoing focus on credit control has resulted in improved debt collection and we continue to pay suppliers in accordance with agreed credit terms. Advance payments from customers increased and accounted for £0.5m of the reported inflow.

The Group continues to invest in capital expenditure to enable further development of the business. Investment in the SAP IT system continues in order to deliver further efficiencies and improved data on which to base decisions. Total expenditure on tangible assets and software amounted to £7.8m in the year (2005: £7.6m), of which £1.5m (2005: £1.5m) was on IT equipment.

Net debt at 31 March 2006 amounted to £17.8m (2005: £21.8m) and amounted to 40.6% (2005: 57.0%) of equity shareholders' funds.

BORROWING FACILITIES
The Group's borrowing facilities consist of a term loan of £25m, working capital facility of £5m and an acquisition facility of £30m. £5m of the term loan has now been repaid and a further £5m is due for repayment during the year ended 31 March 2007. £5.1m of the acquisition facility was utilised in the year to fund the acquisition of e2v scientific instruments. This facility is available to the Group in full until 31 March 2007 when the maximum available reduces to £27.5m and then progressively reduces until 30 June 2009.

M F Hannant
Financial Director
5 July 2006

*Before amortisation of acquired intangibles, initial public offering costs, voluntary severance costs, share based payment charges, abnormal interest charges and the tax impact of these items.

Board of Directors

Mike Hannant

George Kennedy CBE

Chairman

Age 65

George has spent most of his career at the Smiths Group, which he joined in 1973, where he was an Executive Director holding various positions culminating in the Chairmanship of the Medical Systems Division. In addition to his position as Chairman of the Company, he is also currently deputy Chairman of Vemalis plc, and holds other Non-Executive positions.

He has experience working with government organisations and is currently Chairman of the Healthcare Division of the Iraqi Reconstruction Group. George has demonstrated a track record of leading high-tech businesses working in a global market place. In 1997, he was awarded a CBE for services to the healthcare industry and exports.

Keith Attwood

Chief Executive Officer

Age 45

Keith has extensive industrial experience, gained in telecommunications, avionics and, more recently, electronic components. He has been with the Group since 1998 and, prior to assuming his current role, held various senior positions, including Operations Director (GEC-Marconi Avionics Ltd) and Project Director (GPT Ltd). He has also previously had significant international business development responsibilities.

Keith has a track record of successful change management and business growth. He led the MBO of e2v from Marconi plc in July 2002 and floated the Company on the London Stock Exchange in July 2004. He has been a member of the CBI East of England Regional Council for the past five years and will become Chairman in December 2006.

Mike Hannant

Finance Director and Company Secretary

Age 49

Mike is a Chartered Accountant with over twenty years commercial experience, primarily in the electronics sector, fifteen of which have been with the Group. He qualified as a Chartered Accountant in 1982 and held various senior financial positions with a subsidiary of the Philips Electronics Group and Project Office Furniture plc (now called Workspace Office Solutions Limited), prior to his joining the Group in January 1991.

He was Assistant Finance Director prior to appointment to his current role in 1998 and has successfully seen the business through an MBO and, in July 2004, the flotation of the business on the London Stock Exchange.

Keith Attwood **Anthony Reading** **George Kennedy (CBE)** **Ian Godden** **Jonathan Brooks**

Anthony Reading MBE
Senior Independent Non-Executive Director
Age 62

Tony was appointed in 2004. He was a Director of Tomkins plc and Chairman of Tomkins Corporation for 11 years, until the end of 2003. Prior to joining Tomkins in 1990 he served as Group Managing Director of Pepe Group plc from 1989 to 1990.

In his earlier career, Tony was a Group Executive with Thomas Tilling Plc and Group Chief Executive of the manufacturing and engineering division of BTR plc. He is a Non-Executive Director of Spectris plc, the Laird Group plc and George Wimpey plc.

Jonathan Brooks
Independent Non-Executive Director
Age 50

Jonathan has a broad range of financial, commercial and international experience. He currently holds a number of Directorships with technology-based companies. He is currently interim Finance Director of Glotel plc, a UK listed staffing company, is a Non-Executive Director of Xyratex Limited, a NASDAQ listed provider of enterprise class data storage subsystems and network technology, is Chairman of Picochip Inc., a private equity company developing wireless processors, and is a Director of Frontier Silicon Holdings Limited, a venture-backed company that supplies semiconductor technology for use in digital radio and mobile television applications.

Between 1995 and 2002, he was Chief Financial Officer and a Director of ARM Holdings plc, where he was a key member of the team that developed ARM Holdings to be a leader in its sector.

Ian Godden
Independent Non-Executive Director
Age 52

Ian, after gaining managerial and technical experience in the worldwide oil industry, focused on strategy consultancy in the United States and Europe. During the 90's he was UK Managing Partner and European Board Member of Booz Allen and Hamilton, and UK Managing Partner of Roland Berger Strategy Consultants. He started up a successful consultancy serving industrial and technology companies which he subsequently sold in the late 1990s.

Ian is currently President and CEO of Glenmore Energy (USA), a Senior Adviser to The Parthenon Group and a Non-Executive Director of Havelock Europa plc and Concordas Ltd. He has been a Non-Executive Director of e2v since 2003.

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2006. The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company financial statements have been prepared in accordance with UK generally accepted accounting practice (UK GAAP).

PRINCIPAL ACTIVITY

The Group's principal activity is a leading developer and manufacturer of sensor and electronic tube components and subsystems. It supplies its products to niche sectors within the Medical and Science, Aerospace and Defence and the Commercial and Industrial markets. The Group has operations in the UK, USA, Germany and France, as well as an established network of agents and distributors covering the Americas, Europe, Middle East, Africa, Far East and Australia.

REVIEW OF BUSINESS

A review of the year's operations and the outlook for the coming year is contained in the Chairman's statement on page 2, the Chief Executive's report on pages 6 to 13 and in the Financial review on pages 14 to 17.

PRINCIPLE RISKS AND UNCERTAINTIES

As noted in the Corporate Governance Report, the Board has adopted processes to identify, evaluate and manage the significant risks faced by the Group. The more significant risks and uncertainties faced by the Group are set out below.

Foreign currency exchange risk

The Group has operations in both North America and Europe and is therefore subject to currency translation risks. The Group is also exposed to currency fluctuations, predominantly between Sterling and either the US dollar or the Euro due to its operations conducting business in those currencies. The Group seeks to minimise its exposure to these risks through the use of forward foreign exchange contracts.

Competition

Whilst the market for the Group's products is well established and we continue to invest in research and development activities to deliver continued advancement in technology, products will continually be at risk of being superseded as a result of improvements in alternative technologies which provide the same or comparable functionality. In addition, the increasing costs of manufacturing in the UK, in particular the ongoing increases in utility costs, continue to threaten profitability.

Markets and customers

The Group can be subject to significant variations and costs attributable to individual product lines and markets as a result of the timing and quantum of orders, the impact of new product lines and the applicable legislative and regulatory framework.

RESULTS AND DIVIDENDS

Profit before taxation amounted to £11.9m (2005: £5.6m). The profit attributable to ordinary shareholders amounted to £8.1m (2005: £3.4m). Dividends paid during the year amounted to £3.2m (2005: £0.3m).

The Directors recommend the payment of a final dividend of 4.25p net per ordinary share (2005: 3.9p). Subject to shareholder approval, the final dividend will be paid on 15 September 2006 to shareholders registered at close of business on 25 August 2006.

Left safety and arming unit, right air cooled triode.

ACQUISITION AND NEW SUBSIDIARY

On 27 July 2005, e2v technologies plc completed the acquisition of e2v scientific instruments (formerly Gresham Scientific Instruments Limited) for a consideration of £5.2m paid in cash.

On 1 November 2005, e2v biosensors Limited was incorporated. This new subsidiary has been set up to carry out research and development activities in advanced analytical sensor technology in the Medical and Science market.

RESEARCH AND DEVELOPMENT

The Group continues to commit significant resources to existing product enhancement as well as the introduction of new products for established and emerging markets. Resource is also committed to research by way of supporting university programmes for post-graduate, knowledge transfer partnerships and research collaborations, such as the centre for electronic imaging at Brunel University. Customers fund directly a substantial proportion of expenditure on product enhancement and new product development, but the amount funded by the Group amounted to £5.4m (2005: £5.3m).

SHARE CAPITAL

Details of the Company's authorised and issued share capital are given in Note 23 to the financial statements. A further 21,782 shares have been issued between 31 March 2006 and the date of this report as a result of the early exercise of share options by employees.

DIRECTORS

Profiles of all Directors at the date of this report appear on pages 18 and 19. The beneficial and non-beneficial interests, including family interests, in the share capital of the Company, for Directors in office at the end of the year are detailed on page 34.

DIRECTOR'S INDEMNITY INSURANCE

The Company has indemnified the Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year.

CREDITOR PAYMENT POLICY

The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard or code of conduct which deals specifically with the payment of suppliers. The Group's average creditor payment period at 31 March 2006 was 59 days (2005: 69 days).

The Company had trade creditors amounting to £38,000 at the end of the year (2005: £24,000)

The Group continues to commit significant resources to existing product enhancement as well as the introduction of new products for established and emerging markets

CHARITABLE AND POLITICAL DONATIONS
Details of charitable donations are given on page 30 of the Corporate Social Responsibility section of the annual report. No donations where made to any political parties.

INTEREST IN VOTING SHARES
At 30 June 2006 the Company had been notified of the following interests of 3% or more in the Company's ordinary shares.

	Percentage of ordinary share capital	Number of ordinary shares of 5p each
AXA Framlington Group Limited	12.88	7,207,263
Aberforth Partners	9.66	5,404,324
Insight Investment Management	6.13	3,429,802
Threadneedle Asset Management	4.10	2,291,000
Henderson Global Investors	4.08	2,284,402
Invesco Perpetual Asset Management	3.98	2,228,222
F&C Management Limited	3.75	2,098,677
Legal and General Investment Management	3.73	2,084,648
UBS Global Asset Management	3.37	1,885,442

AUDITORS
In the case of each of the persons who are Directors of the Company at the date this report was approved:

- So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- Each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.
- A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board

Mike Hannant
Finance Director
5 July 2006

Corporate Governance report

e2v technologies plc recognises the importance of, and is committed to, high standards of corporate governance and as such the Board acknowledges its contribution to achieving management accountability, improving risk management and ultimately creating shareholder value. This statement explains how the Company has applied the main and supporting principles of corporate governance and describes the Company's compliance with the provisions set out in Section 1 of the Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 and appended to the Listing Rules.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE COMBINED CODE

The Company has complied with the provisions set out in Section 1 of the Combined Code throughout the year except for the following matter. The Remuneration Committee, as per code provision B2.1, should only consist of independent Non-Executive Directors. During the year, the Chairman, who is not a Non-Executive Director, was a member of the Committee. The Company believes that it is appropriate for the Chairman to sit on the Committee given the size of the Board.

THE BOARD OF DIRECTORS

The Board currently comprises the Chairman, Chief Executive, the Finance Director and three Non-Executive Directors. All of the Non-Executive Directors are considered by the Board to be independent. The Non-Executive Directors have direct access to the Company Secretary and are able to obtain independent advice on any group issue, at the Group's expense. Their biographies on pages 18 and 19 demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group.

The Articles of Association require that directors retire in the third calendar year following the year in which they were elected. Any director appointed by the Board is required to submit themselves for re-election at the next Annual General Meeting after appointment. George Kennedy and Anthony Reading will retire by rotation at the Annual General Meeting.

Role of the Board members

The Non-Executives' primary responsibilities are:

- Ensure principles of Corporate Governance are applied.
- Approve the strategy for the business.
- Ensure the strategy is being implemented.
- Provide independent advice on the implementation of the strategy and other day to day matters where their experience is relevant.

The Executive's primary responsibilities, together with members of the senior management team are:

- Formulate the strategy of the business and obtain Board approval.
- Implement the approved strategy subject to agreed levels of authority.

The Boards responsibilities are discharged by way of monthly Board reviews (except August and December), other Board meetings, as required to approve matters beyond the authority limits of the CEO, attendance of meetings of the Committees of the Board as well as attendance of Quarterly Reviews when members of executive management, who are not Board members, attend. Matters beyond the authority limits of the CEO range from the approval of customer quotes, over the approved financial limit set by the Board, activities relating to mergers and acquisitions as well as approval of the annual budget.

PRINCIPAL BOARD COMMITTEES
The Board has established the following committees whose individual terms of reference have been reviewed during the year.

Audit Committee
The Committee is chaired by Jonathan Brooks and has met three times during the year. Other members of the Committee are Anthony Reading and Ian Godden, and the Chairman exercises his right to attend. The CEO and Finance Director attend all Audit Committee meetings and the audit partner attends at least two of the meetings. At meetings reviewing the interim and full year results the Non-Executive Directors exercise their right for discussions with the audit partner where no Executive Directors, including the Company Secretary, are present. The terms of reference of the audit committee include:

- To keep under review the effectiveness of the financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks.
- Review the arrangements for what is commonly known as "whistle blowing".
- Consider the requirements for establishing an Internal Audit function.
- Make recommendations to the Board in relation to the appointment and re-appointment of the external auditors as well as oversee the selection process of any new audit appointment.
- Keeping under review the relationship with external auditors including assessments of independence and objectivity as well as fee levels and terms of engagement.
- Reviewing the findings of any audit with the external auditors.
- Reviewing the consistency of accounting policies on a year to year basis and across the Group.

The Board continues to review the key risks to the business through the formal Risk Management Committee, chaired by the Finance Director.

Remuneration Committee
The Committee is chaired by Anthony Reading and has met three times during the year. Other members of the Committee are Jonathan Brooks and George Kennedy. The CEO and senior personnel manager within the Group attend all meetings. The Finance Director attends when requested. The terms of reference of the committee include:

- Agreeing with the Board the framework or broad policy for the remuneration of the Executive Directors and other members of executive management, as well as review the appropriateness and relevance of the policy.
- Determine targets for any performance related pay schemes and approve total annual payments under the schemes.
- Review all share incentive plans, the related performance targets and all awards made under the schemes.
- Determining the individual remuneration packages of each executive manager within the agreed policy as well as contractual arrangements, including pension provisions.
- Determining the procedure for vetting, authorising and re-imbursement of claims for expenses for all directors.
- Establishing selection criteria, terms of reference and selection and employment of remuneration consultants.

Full details of Directors' remuneration and policies applied by the Board are set out in the Remuneration report.

Nomination Committee
The Committee is chaired by George Kennedy. The other members of the Committee are the CEO, Keith Attwood and Anthony Reading. The Committee has met once during the year. The terms of reference of the Committee include:

- Regular review of the structure, size and composition of the Board.
- The formal selection and nominations for Board approval of any new Board appointments.
- Provision of recommendations to the Board regarding succession, re-appointment and membership of the Audit and Remuneration Committees.

INDUCTION AND TRAINING

New directors receive induction on their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its committees and the latest financial information about the Group. Ongoing training is provided as necessary. Directors may consult with the Company Secretary at any time on matters related to their role on the Board. All directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or the Company Secretary.

PERFORMANCE EVALUATION OF THE BOARD

The Chairman and Company Secretary undertook a performance evaluation of the Board which required an assessment, by each individual director, of the performance of the Board and its Committees. The results of this assessment were reviewed by the Board and there were no areas of concern. The Senior Independent Non-Executive Director also led a performance review of the Chairman, which required an assessment, by each Non-Executive Director, of the performance of the Chairman. This assessment was reviewed by the Board without the Chairman present, and there were no areas of concern.

COMMUNICATION WITH SHAREHOLDERS

The Chairman is available to Institutional Investors but the principal contact points are the CEO and Finance Director. Presentations are given to individual institutions, or on a group basis if preferred, following the announcement of Interims and Full Year results. Site tours and ad-hoc meetings are also arranged where requested. The Senior Independent Director, Anthony Reading, is also available for any shareholders to address concerns they may have.

Apart from the Annual General Meeting, the principal contact point for private investors is the Company's web site. The interim results were distributed to all shareholders on 16 December 2005.

CONTROL ENVIRONMENT AND INTERNAL CONTROLS

At the monthly Board reviews the Non-Executives review the reports presented to them by the CEO and Finance Director, which include a review of the financial results. This review compares current year to previous year and the annual operating plan as well as a current year forecast and order book levels.

Throughout the Group there are clear lines of an authority covering the full range of financial commitments. A schedule of delegated authority for the Board to the CEO is agreed annually and items requiring Board approval are either agreed at monthly Board meetings, or at intervening meetings specifically arranged for the purpose.

At the current time the Board are of the opinion that a formal internal audit function is not considered necessary due to the structure and size of the Group, widespread executive involvement in the day to day business and the levels of variance analysis undertaken by the executive management and reported to the Board. A formal "whistleblowing" policy is operated and is included in the Group's employee handbook.

BOARD MEETINGS AND ATTENDANCE

In addition to the Committee meetings noted above, there were ten main Board meetings during the year. There has been full attendance at all meetings, except for one date where Ian Godden was unable to attend a main Board meeting and an Audit Committee meeting. The Board also convened ad-hoc meetings during the year to deal with specific business requirements.

GOING CONCERN

The Group's forward order cover and ongoing demand for its products, together with the geographic and market spreads of the Group are such that the Board have a reasonable expectation that the Group has adequate financial resources for the foreseeable future and, based on this view, a going concern basis has been adopted in preparing the accounts.

Corporate and social responsibility

The board and employees of e2v are aware of their responsibilities in seeking to maximise the positive impact of their presence within the local communities in which they operate. In order to achieve this goal e2v technologies is committed to developing its Corporate and Social Responsibility policies based on the principles of sound management and integrity.

There are policies covering key subjects established throughout the Group, which are signed by the Chief Executive and posted prominently across the sites.

The following section provides a summary of our current position with regard to the key areas of our policy:

HEALTH AND SAFETY

The Group's Health and Safety policy requires that:

- Responsibility for health and safety performance is clearly assigned and understood.
- Health and safety measures are effectively communicated to all employees, adequate training is provided and monitoring processes are put in place to maximise the health and safety at work of all its employees, contractors and visitors.
- Appropriate safety equipment and protective clothing are available at all times.
- All employees are encouraged to contribute to the development of health and safety procedures as well as being involved in the risk assessment process.
- Health and safety performance is regularly monitored to ensure continued effectiveness of the Group's policy.
- Regular safety audits and inspections are carried out on all sites with any non-conformances being reported at the health and safety committee meeting.

Our goal is to continually improve the health and safety performance across all our sites with compliance with law and codes of practice regarded as the minimum standard. The Board reviews top-level statistics on health and safety at every Board meeting.

During the year there were two accidents which were reported to the health and safety Executive under *RIDDOR*.

Works Safety Committees, made up from departmental safety representatives and management, review potential risks and issues and are responsible for on-going safety training.

ENVIRONMENTAL MANAGEMENT SYSTEM

The Group's environmental policy states that:

- The Company is committed to the continuous improvement of our systems and processes to minimise any adverse impact on the environment
- We will maintain operational and management systems that facilitate compliance with Environmental legislation.
- Through training and communications, all persons working on behalf of the Company, will be encouraged to take personal responsibility to minimise their adverse impact on the environment.
- We are committed to seeking practical ways to reduce emissions to land, air and water through the responsible management of our business processes.
- Environmentally sound design practices will be encouraged at all stages of product life cycle, to include reduced material waste, recycling, reduced energy consumption and end-of-life/disposal criterion.
- Energy usage will be managed for efficiency and minimal waste through appropriate investment in processes, controls and continuous improvement plans including maintaining the Energy Efficiency Accreditation as detailed in the Company energy policy.
- The Company will strive to secure a green procurement chain through working with and developing our suppliers to ensure they comply with the relevant environmental legislation.

e2v technologies continues to focus on minimising its impact on the environment. The Group's main aims are the reduction of energy use, reduced waste generation and improved waste management, with compliance with legislation regarded as a minimum standard. e2v technologies commitment is backed by its well-established Environmental Management System, which has been certified to ISO 14001 since 1997. The principal manufacturing site at Chelmsford was one of the first in Essex to gain this certification and this is the framework on which all subsequent environmental activities are based.

To ensure we have the correct level of skills coming into our business we have ongoing apprentice training programmes and at any one time have approximately 30 apprentices on the three-year program

Energy
The Group's energy policy states that:

- The Company is committed to the continuous improvement of our systems and processes to ensure maximum efficiency of our energy usage.
- We are committed to assisting the Government to reach its targets of reducing UK Carbon Dioxide emissions as stated in the Kyoto Agreement.
- We will ensure that adequate resources will be provided for the completion of the energy management programme and our milestone targets set out in our underlying agreement with the Secretary of State.

- Energy efficiency will be considered when selecting capital equipment.
- We will set up appropriate monitoring and reporting systems.
- We are committed to reviewing and auditing our energy management systems against stated aims, targets and industry best practice and reporting our energy performance, both good and bad, as a means to improve accountability and to drive the continual improvement of our operations and business effectiveness. This will be achieved by meeting the requirements of the Energy Efficiency Accreditation.

The main manufacturing activities, based in Chelmsford, UK are certified to the Energy Efficiency Accreditation Scheme. The Company is continually reducing its energy usage in line with Climate Change Levy (CCL) targets and has been working closely with the Carbon Trust to identify opportunities for further improvement in our energy consumption. A 5% reduction was achieved in 2006, with further opportunities for reductions identified for 2007.

Compliance with latest environmental legislation

As a minimum, e2v strives to be compliant with all current environmental legislation. During 2006, e2v focused on the Company's compliance to new legislation. As a result, the Chelmsford and Lincoln sites now conform to the Hazardous Waste Regulations and all manufacturing sites are in the process of obtaining Restriction of Hazardous Substances compliance for all relevant products. e2v are also currently finalising our conformance to the Solvents Emissions Directive and will meet the Waste Electrical and Electronic Equipment Directive when it is introduced in the UK.

Waste management

e2v's manufacturing activities continue to target reductions in both its controlled factory waste to landfill and its hazardous waste from production processes. It treats waste process streams in its onsite treatment plants at Lincoln and Chelmsford, where 21 million gallons were treated in 2006, cleansing water to the necessary level of purity prior to being discharged into the public utility system, and utilises external waste treatment contractors at the e2v scientific instruments High Wycombe site.

The recovery of waste throughout our operations for reuse has been a key objective, and e2v continues to invest in waste treatment and management facilities. In 2006 the Company recycled over 32 tonnes of cardboard and over 20 tonnes of office paper along with glass, plastics and various process fluids such as oils, organic solvents and scrap metal, which are segregated and recovered across all sites.

COMMUNITY RELATIONS

e2v technologies is currently the largest private employer in Chelmsford, UK and recognises the social responsibilities this entails. Over 80% of e2v's Chelmsford staff live in Chelmsford and the surrounding area and 59% of e2v staff have worked for the Company for more than 10 years, with many acting as school governors in the very schools which provide a valuable source of future employees. This represents a great investment by the community in the Company today and for the future. For its part e2v strives to support its staff in making their communities better places to live.

SETNET AMBASSADORS PROGRAMME

The Science, Engineering, Technology and Mathematics Network (SETNET) is a UK-wide charity that promotes science, engineering, technology and mathematics awareness, especially among young people. e2v technologies has 14 Science and Engineering "ambassadors" who facilitate at Company relevant events, organised by SETNET, at local schools and colleges to help ensure that there is a flow of motivated, capable people into science, technology, engineering and maths-related careers.

e2v is currently engaged with over 30 schools and colleges in the UK providing ongoing learning support and generally promoting science, technology and manufacturing.

In addition, the manufacturing facilities in Lincoln and High Wycombe and the offices in France, Germany and the US recognise the important roles they play within their own communities, through for example a US presence on the global charities committee and their local charity fundraising activities.

In the year the UK organisation provided £17,000 to the Company's charities committee to donate to worthwhile causes in the community: with 4 core charities maintained as the focus of their support activities. In addition to the charity committee activities, Company employees are encouraged to take part in charity fundraising of their own and this has resulted in employees raising funds for many charities including the Pakistan Earthquake Appeal, the Tsunami Appeal, Cancer Research UK, and Diabetes UK.

e2v technologies continues to focus on minimising its impact on the environment

EMPLOYEES

The Company is aware of the importance of communication with its employees. During the year, the policy of providing employees with information about the Group has been continued through the Group newsletter "time2talk" in which employees are encouraged to contribute news. In addition, monthly team briefs are held to allow the free flow of information and an employee forum is available on the Group's intranet. The Group believes it complies with the Information and Consultation directive of the European Union that became effective in the UK on 1 April 2005.

A share save scheme was launched for all Group employees in September 2004 and a subsequent share save scheme was launched in August 2005. An employee share option scheme was launched in the year ended 31 March 2005 and 240,000 options were granted on 12 January 2005. A further 265,000 options were granted under the scheme on 1 August 2005.

The Group endeavours to provide equality of opportunity in recruiting, training, promoting and career development to all, irrespective of sex, race, religion or colour. The Group gives full consideration to applications for employment from disabled persons where they can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees, wherever appropriate.

The Group recognises that its competitiveness in the market is dependent on employing the right people and skills in its business. To do this it strives to create a stimulating and challenging environment for all employees to thrive and excel in. Key elements of our employment policy are:

- Create a working environment where all employees are able to improve their skills and knowledge.
- Maintain a stimulating, healthy and safe working environment.
- Give employees the necessary support to make informed decisions about their lifestyle and financial security.
- Create an open working environment where employees feel comfortable in expressing their views and highlighting wrong-doing.
- Promote an environment of equal opportunities that does not tolerate discrimination, harassment or victimisation of any type.
- Offer competitive and fair remuneration packages which are tailored to deliver both the short and long-term objectives of the business
- Give regular open and honest feedback to all employees regarding their performance, career options and training needs via a yearly Personal Progression Plan.
- Encourage all employees to embrace the four key values of the business:
  - › Integrity
  - › Innovation
  - › Connectivity
  - › Raising the Bar

In the coming year we will be executing actions required to effectively deal with the output from a comprehensive employee survey which was conducted in 2006 to help us shape our employment strategies.

Bridging the skills gap

To ensure we have the correct level of skills coming into our business we have ongoing apprentice training programmes and at any one time have approximately 30 apprentices on the three-year program. We also have a yearly graduate intake and training program.

CUSTOMER AND SUPPLIER RELATIONS

e2v technologies works to build long-term relationships with its customers and suppliers. Our goal is to view these relationships as a partnership. This approach enables e2v to involve customers and suppliers in decisions regarding new product developments, and conversely, enables e2v to discuss customer needs to tailor technology solutions to the market place. Within these relationships e2v promotes sound corporate governance to ensure that its policies are, wherever possible, flowed throughout the entire supply chain.

Customer satisfaction

e2v conduct regular customer satisfaction surveys to determine the levels of satisfaction and identify areas for improvement. The 2006 survey demonstrated that, compared with the last survey in 2003, e2v has improved in all the key performance areas, making the most improvement in the areas of: product returns, product quality and offering good value for money, but the least improvement in keeping promises, offering professional technical back-up and handling complaints.

Directors' Remuneration report

INFORMATION NOT SUBJECT TO AUDIT

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for recommending to the Board the framework or broad policy for the remuneration of the Chairman, Chief Executive, the Executive Directors, the Company Secretary and such other members of the executive management as it is requested to consider. The remuneration of the Non-Executive Directors is a matter reserved for the Executive Directors.

The members of the Committee are appointed by the Board. Anthony Reading currently chairs the Committee, which meets at least twice a year, and its other members are George Kennedy and Jonathan Brooks. With the exception of the Chairman, all members of the Committee are independent directors. The Chief Executive is given notice of all meetings and has the right to attend them, and is consulted on the remuneration of other executives. The Committee has no formally appointed advisers on remuneration policy, however during the year it has sought advice from New Bridge Street Consultants LLP, a leading firm of remuneration consultants.

REMUNERATION POLICY

The overall policy is to ensure that Executive Directors are fairly and competitively remunerated and incentivised in a manner consistent with the Company's strategic objectives. The current remuneration packages combine fixed basic salary, benefits and pension contributions together with a performance related annual bonus, LTIP and share option awards. The Committee believes that the overall packages offered to Executive Directors should provide the right balance of fixed and performance related pay and be appropriate for the size and scale of the organisation as well as competitive, relative to other companies within its sector.

Currently, based on benchmark information provided by independent remuneration consultants, the Committee believes that the remuneration of the Executive Directors is below the average for its industry, taking into account the size and complexity of the business.

The individual components of the remuneration packages offered are:

Basic salary and/or fees

Basic salary for each Executive Director is determined taking account of the individual's performance and responsibilities and comparable market rates. Basic salary is reviewed annually and is the only element of remuneration that is pensionable.

Fees for the Chairman and Non-Executive Directors are determined taking account of individual's responsibilities, time required to devote to the role and comparable market rates.

Benefits

Benefits comprise the provision of a company car or car allowance and health insurance. Non-Executive Directors do not receive any benefits.

Annual bonus

An annual bonus is payable to Executive Directors subject to the attainment of specific targets which are based on Group performance. Non-Executive Directors are not entitled to a bonus. Bonuses do not form part of the individual's statutory employment rights. The Committee reserves the right to amend the targets during the year if it feels that changes, in such factors as the marketplace or the Group's strategy, have resulted in the existing targets no longer providing the appropriate incentive to the individual. The targets are based on underlying operating profit and, for the year, bonuses could be earned for performance of over 100% of targets. For the year ended March 2006, the maximum entitlement payable is 50% of basic salary for achievement of 126% of targets. For the year ended 31 March 2005 a maximum entitlement of 25% of basic salary for achievement of 116% of targets was payable.

PENSIONS

The Company operates a defined contribution, Inland Revenue approved pension scheme. The Company makes contributions of 12% of basic salary to the relevant pension scheme. Directors, in common with other employees, are entitled to enhance this through salary sacrifice arrangements and additional voluntary contributions subject to Inland Revenue limits. Non-Executive Directors' fees are non-pensionable.

SHARE INCENTIVES

The Group's policy is to align the interests of Executive Directors with those of shareholders. To achieve this the Remuneration Committee have established the following schemes:

- Long term incentive plan (LTIP)
- Executive share option plan (ExSOP)
- Share incentive plan (SIP)
- Share save scheme (SAYE)

LONG TERM INCENTIVE PLAN

Such awards will vest on the third anniversary of the date of award to the extent that the performance targets have been met. For awards made in 2004/05 and 2005/06, the targets will relate to the Company's Total Shareholder Return (TSR) relative to the TSR of a specified list of peer group companies. 25% of an award will vest for median performance and an award will only vest in full if the Company's TSR performance would place it in the top 20% compared to the peer group.

The Remuneration Committee has made the following awards to Executive Directors.

3 September 2004	K D Attwood	91,000 shares exercisable from 3 October 2007
	M F Hannant	71,000 shares exercisable from 3 October 2007
20 July 2005	K D Attwood	64,750 shares exercisable from 20 July 2008
	M F Hannant	55,500 shares exercisable from 20 July 2008

EXECUTIVE SHARE OPTION PLAN (ExSOP)

No awards have been made to Executive Directors under this plan in the year ended 31 March 2006 (2005: NIL). Awards made to employees under this plan are shown in the following table:

	First date for exercise	Last date for exercise	Exercise Price	Total	Tier 1	Tier 2	Tier 3
14/01/2005	01/02/2008	31/12/2008	196.5p	240,000	45,000	120,000	75,000
01/08/2005	03/08/2008	30/06/2009	215.5p	265,000	-	-	265,000
TOTAL				**505,000**	**45,000**	**120,000**	**340,000**

EXECUTIVE SHARE OPTION PLAN (ExSOP) –CONTINUED

The awards were made in three tiers subject to the performance criteria below.

For a period of three years, commencing with the financial year in which the option is granted, the increase in earnings per share (EPS) must be more than the increase in the Retail Price Index (RPI) as follows:

	Tier 1	Tier 2	Tier 3
EPS exceeds RPI by 15%	20%	40%	100%
EPS exceeds RPI by 20%	50%	100%	
EPS exceeds RPI by 25%	100%		

The EPS is normalised EPS, calculated on a consistent basis over the three year period, and excludes amortisation of acquired intangibles, restructuring costs and other items determined to be of a non-recurring nature. The percentages in the above table are the percentages of the option that will vest should the performance criteria be achieved.

Share Incentive Plan (SIP)

The Group has established a SIP which has been designed to qualify for approval by the Inland Revenue. The plan contains three elements:

- Free shares, which are ordinary shares which may be allocated to an employee by the Company.
- Partnership shares, which are ordinary shares which an employee may purchase out of their pre-tax earnings.
- Matching shares, which are ordinary shares which may be allocated to an employee following the purchase of partnership shares.

No awards have been made to Executive Directors under this plan as at 31 March 2006.

Share Save Scheme (SAYE)

The Group operates an Inland Revenue approved Sharesave Scheme for all UK employees and Executive Directors can apply to join the scheme if they are UK employees.

Pre-IPO options

In addition to the above schemes, share options were granted to certain Executive Directors prior to the IPO. M F Hannant exercised options over 51,129 shares during the year at an exercise price of £Nil when the market price was £2.26 per share. There are no remaining options under this scheme.

Service contracts

In line with best practice it is the policy of the Committee to offer Executive Directors service agreements with notice periods not exceeding twelve months. Current appointments are subject to rolling service agreements that can be terminated by twelve months' notice as detailed below. Termination payments, based on basic salary and benefits only, are limited to contractual notice periods. G Kennedy, A Reading and J Brooks do not have service contracts but have letters of appointment with the Group. No notice is required to terminate the appointment. The services of Ian Godden are provided under a consultancy agreement with Godden Associates Ltd under the same terms as the letters of appointment for the Chairman and Non-Executive Directors.

A summary of the Directors' service contracts and letters of appointment is listed below:

	Contract date	Notice period
K D Attwood	21 July 2004	12 months
M F Hannant	21 July 2004	12 months
G Kennedy	25 June 2004	Nil
A Reading	25 June 2004	Nil
J Brooks	18 August 2004	Nil

	Consultancy agreement date	Notice period
I Godden	23 January 2005	Nil

Shareholding guidelines

Shareholding guidelines have been introduced in 2005 for Executive Directors, under which they will be expected to retain shares equal in value to at least twice their respective basic salaries.

Employee Benefit Trust (EBT)

The Company established the EBT in 2004 as a discretionary employee benefit trust, in which all employees of the Group are potentially beneficiaries. The Trustee is Abacus Corporate Trustee Limited, a professional offshore trustee. The main purpose of the EBT is to operate with the LTIP and share option schemes following recommendations from the Remuneration Committee or Board. Shareholder approval has been given to allow the Trustee to hold no more than 5 per cent of the issued ordinary share capital of the Company, and as at 31 March 2006 the percentage was 1.6% (2005: 1.7%).

Directors' interests

The beneficial interests of the Directors in the Ordinary share capital of the Company as at 31 March 2006 are set out in the table below, together with the beneficial interests at the end of the previous financial year. There were no changes in the period from 31 March 2006 to the date of this report.

	31/03/2006 Ordinary 5p shares	31/03/2005 Ordinary 5p shares
K D Attwood	1,565,128	2,065,128
M F Hannant	504,942	958,813
G Kennedy	32,256	32,256
A Reading	19,352	19,352
I Godden	32,265	64,515
J Brooks	Nil	Nil

Performance Graph

The graph below shows the percentage change in the TSR (with dividends re-invested) for the period since flotation to 31 March 2006 of a holding of the Group's shares against the corresponding change in a hypothetical holding of shares in the FTSE electronics and electronic equipment sector. This sector was chosen as it represents the equity market index in which the Company is a constituent member.

e2v technologies TSR performance since flotation versus the FTSE Electronics & Electronic Equipment Sector

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

The remuneration of Directors who served during the year was as follows:

	Salary and/or fees £	Bonus £	Car allowance/ benefits in kind £	2006 Total £	2005 Total £	Pension contributions 2006 £	2005 £
K D Attwood	207,500	-	11,491	218,991	229,983	21,883	20,405
M F Hannant	126,750	-	9,691	136,441	141,643	13,370	12,178
G Kennedy	85,000	-	-	85,000	65,610	-	-
A Reading	30,000	-	-	30,000	22,962	-	-
I Godden	30,000	-	-	30,000	30,000	-	-
J Brooks	30,000	-	-	30,000	17,500	-	-
M Hassall	-	-	-	-	43,333	-	-
I Slaughter	-	-	-	-	38,333	-	-
J Davison	-	-	-	-	-	-	-
Total	**509,250**	**-**	**21,182**	**530,432**	**589,364**	**35,253**	**32,583**

There were no bonuses paid to Directors during the year. However, bonuses of £44,940 and £27,606 for K D Attwood and M F Hannant respectively have been accrued at 31 March 2006 in respect of the current year. Consequently, total Directors emoluments, inclusive of these bonuses amount to £602,978 of which £263,931 relates to K D Attwood and £164,047 relates to M F Hannant. M Hassall, I Slaughter and J Davison resigned from the Board prior to the IPO in July 2004. J Davison was the representative on the Board of a major investor (3i plc) and did not receive any direct remuneration for his services. None of these Directors held shares in the Company at 31 March 2004 or at the date of their resignation.

Directors' share options

	Date Granted	Options held 1.4.05	Granted	Exercise Price (p)	Exercised	Options held 31.3.06	Date Exercisable
K D Attwood							
LTIPs	03.09.2004	91,000	-	Nil	Nil	91,000	03.10.2007
LTIPs	03.08.2005	-	64,750	Nil	Nil	64,750	20.07.2008
M F Hannant							
Pre IPO Plan	25.06.2004	51,129	-	Nil	*51,129	Nil	All exercised
LTIPs	03.09.2004	71,000	-	Nil	Nil	71,000	03.10.2007
LTIPs	03.08.2005	-	55,550	Nil	Nil	55,550	20.07.2008

The LTIPs do not have a date by which the options lapse, if not exercised. The market value of the LTIPs granted on 3 August 2005 was £2.16 *per share (3 September 2004: £1.74 per share).* The performance criteria for the LTIPs are detailed above. The market price of the ordinary shares at 31 March 2006 was £2.56 (2005: £2.26) and the range during the year was £1.80 to £2.59.

*At the date of exercise, the Company's share price was £2.26 per share, resulting in a gain of £115,552.

Approval

This report was approved by the Remuneration Committee and has been approved subsequently *by the Board of Directors*

By Order of the Board

A J Reading
Chairman of the Remuneration Committee

Directors' Responsibilities

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting *Standards as adopted by the European Union.*

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS *Regulation. They are also responsible for* safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual report for the year ended 31 March 2006 is published in hard-copy printed form and made available on the Group's website. The Directors are responsible for the maintenance and integrity of the annual report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Independent auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF E2V TECHNOLOGIES PLC

We have audited the Group financial statements of e2v technologies plc for the year ended 31 March 2006 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Balance Sheet, the Group Cash Flow Statement, and the related notes 1 to 30. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of e2v technologies plc for the year ended 31 March 2006 and on the information in the Directors' Remuneration report that is described as having been audited.

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

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and that the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Financial review that is cross referred from the Review of Business section of the Directors' report.

We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, the Chief Executive's report, the Financial review and the Corporate Governance report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the Group financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge
5 July 2006

Financial statements

Group income statement

for the year ended 31 March 2006

	Notes	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Revenue	3	**112,276**	100,547
Cost of sales		**(74,521)**	(65,831)
Gross profit		**37,755**	34,716
Research and development costs	5	**(4,928)**	(5,195)
Selling and distribution costs		**(9,463)**	(9,357)
Amortisation of intangible assets arising on acquisitions		**(369)**	(10)
Initial public offering costs			(1,901)
Voluntary severance payments		**(819)**	(61)
Share-based payment charges		**(450)**	(142)
Other administrative costs		**(7,961)**	(7,550)
Administrative expenses		**(9,599)**	(9,664)
Profit from continuing operations before tax and finance costs	5	**13,765**	10,500
Finance costs	8	**(1,944)**	(5,095)
Finance revenue	8	**95**	154
Profit before tax		**11,916**	5,559
Income tax expense	9	**(3,768)**	(2,167)
Profit for the year attributable to equity holders of the parent		**8,148**	3,392
Earnings per share – basic	10	**14.81p**	6.93p
Earnings per share – diluted	10	**14.74p**	6.92p
Adjusted earnings per share – basic	10	**16.89p**	13.72p
Adjusted earnings per share – diluted	10	**16.82p**	13.69p

Group statement of recognised income and expense

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Losses on cash flow hedges taken directly to equity	**(715)**	-
Exchange differences on retranslation of foreign operations	**322**	(144)
Tax on items taken directly to or transferred from equity	**220**	121
Net expense recognised directly in equity	**(173)**	(23)
Profit for the year	**8,148**	3,392
Total recognised income and expense for the year	**7,975**	3,369
Effects of changes in accounting policy		
Net gain on cash flow hedges on first time adoption of IAS 39	**306**	-

Group balance sheet
as at 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**21,320**	19,486
Intangible assets	13	**22,372**	16,862
Deferred income tax asset	9	**2,006**	970
		45,698	37,318
Current assets			
Inventories	16	**20,839**	19,053
Trade and other receivables	17	**25,561**	26,358
Other financial assets	18	**11**	-
Cash	19	**8,087**	4,069
		54,498	49,480
TOTAL ASSETS		**100,196**	86,798
LIABILITIES			
Current liabilities			
Trade and other payables	20	**(22,138)**	(17,418)
Other financial liabilities	21	**(6,607)**	(6,158)
Income tax payable		**(1,505)**	(502)
Provisions	22	**(2,691)**	(2,557)
		(32,941)	(26,635)
Net current assets		**21,557**	22,845
Non-current liabilities			
Other financial liabilities	21	**(19,905)**	(19,693)
Provisions	22	**(1,070)**	(1,207)
Deferred income tax liabilities	9	**(2,543)**	(1,021)
		(23,518)	(21,921)
NET ASSETS		**43,737**	38,242

Continued...

Group balance sheet (continued)

as at 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
SHAREHOLDERS' EQUITY			
Ordinary share capital	23	2,796	2,796
Share premium	24	27,309	27,301
Capital redemption reserve	24	274	274
Investment in own shares held by employee benefit trust	24	(9)	(10)
Hedge reserve	24	(134)	-
Foreign currency translation	24	221	(101)
Retained earnings	24	[illegible]	7,982
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		43,787	38,242

Approved by the Board of Directors on 5 July 2006

K Attwood
Chief Executive officer

M Hannant
Finance Director

Group cash flow statement

for the year ended 31 March 2006

	Notes	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Cash flows from operating activities			
Profit from continuing operations before tax and net finance costs		13,765	10,500
Adjustments to reconcile to net cash inflows from operating activities:			
Depreciation of property, plant and equipment		4,863	4,736
Amortisation of intangible assets		2,371	1,777
Share-based payment charges		450	142
(Increase)/decrease in inventories		(1,125)	2,604
Decrease/(increase) in trade and other receivables		1,957	(1,100)
Increase/(decrease) in trade and other payables		4,204	(5,811)
Decrease in provisions		(16)	(1,059)
Cash generated from operations		26,469	11,789
Income taxes paid		(3,266)	(1,560)
Net cash flows from operating activities		23,203	10,229
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		55	22
Interest received		95	154
Purchase of property, plant and equipment		(6,525)	(6,113)
Purchase of software		(1,278)	(1,455)
Expenditure on product development		(1,308)	(1,000)
Acquisition of subsidiary, net of cash acquired	15	(4,974)	-
Net cash flows used in investing activities		(13,935)	(8,392)
Cash flows from financing activities			
Interest paid		(1,852)	(4,271)
Proceeds from issue of shares		8	27,707
Dividends paid to equity shareholders of the parent		(3,246)	(347)
Redemption of ordinary share capital		-	(12)
Payment of finance lease liabilities		(42)	-
Proceeds from borrowings		5,100	27,500
Transaction costs of new bank loans raised		-	(460)
Repayment of borrowings		(5,250)	(52,207)
Net cash flows used in financing activities		(5,282)	(2,090)
Net increase/(decrease) in cash and cash equivalents		3,986	(253)
Net foreign exchange difference		32	(153)
Cash and cash equivalents at 1 April	19	4,069	4,475
Cash and cash equivalents at 31 March	19	8,087	4,069

Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with IFRS

The Group's financial statements for the year ended 31 March 2006 were authorised for issue in accordance with a resolution of the Directors on 5 July 2006 and the Balance Sheet was signed on the Board's behalf by Keith Attwood and Mike Hannant. e2v technologies plc is a public limited company incorporated in England & Wales whose shares are publicly traded on the London Stock Exchange. The principal activities of the Group are described in the Directors' report on page 20.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as they apply to the financial statements of the Group for the year ended 31 March 2006 applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Group are set out below.

2. Summary of significant accounting policies

Basis of preparation
This is the first year in which the Group has prepared its financial statements under IFRSs and the comparatives have been restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRSs. The Group issued a press release in November 2005 incorporating its preliminary IFRS financial statements for the year ended 31 March 2005 and the reconciliations from the previously published UK GAAP financial statements are summarised in note 30.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except where the policy relates to the implementation of IAS 32 and IAS 39 which were adopted prospectively from 1 April 2005.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

Basis of consolidation
The consolidated financial statements comprise the financial statements of e2v technologies plc and its subsidiaries as at 31 March each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Any unrealised losses arising from intra-group transactions are eliminated to the extent that they are recoverable.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which e2v technologies plc has control.

Acquisitions, including e2v scientific instruments limited, are included in the consolidated financial statements using the purchase method of accounting that measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of e2v scientific instruments limited for the eight-month period from the date of its acquisition on 28 July 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Foreign currency translation
The functional and presentation currency of e2v technologies plc is Sterling (£).

Transactions in currencies other than Sterling are recorded at the rate of exchange ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities measured at historical cost are translated at the rate of exchange ruling at the date of the transaction. All differences are taken to the Group income statement.

On consolidation, the assets and liabilities of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Income and expense items are translated at the average rate for the year. The exchange difference arising on the retranslation of opening net assets is taken directly to the Group's foreign currency translation reserve, as well as the difference between the average and closing rate effect on the income statement for the year. Such translation differences are recognised as income or expense in the period in which the operation is disposed of. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign subsidiary shall be recognised in the income statement.

Property, plant and equipment
Freehold buildings, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less accumulated depreciation and any impairment in value.

Freehold land is not depreciated and is held at historical cost.

Depreciation is provided so as to write off the cost of assets on a straight lines basis over the estimated useful life, as follows:

Freehold buildings	25 to 50 years
Plant and machinery	3 to 10 years
Office equipment, fixtures and fittings	3 to 10 years

Assets in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation on these assets commences when the asset is brought into use.

The carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the cost of sales line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Borrowing costs
Borrowing costs, including the amortisation of costs incurred in connection with the arrangement of borrowings, are recognised as an expense in the period in which they are incurred.

Notes to the financial statements

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or business assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

For the purpose of impairment testing, as at the acquisition date, any goodwill acquired is allocated to the applicable cash-generating unit. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are capitalised at cost and, from a business acquisition, are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the following line items:

Patents, trade-marks and technology	'administrative expenses'
Development costs	'research and development'
Customer relationships and agreements	'administrative expenses'
Software	'cost of sales' and 'administrative expenses'

Intangible assets, excluding development costs and software, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Computer software purchased (or internally generated) for use that is integral to the hardware (because without that software the equipment cannot operate) is treated as part of the hardware and capitalised as property, plant and equipment. Other software programs are treated as intangible assets.

Amortisation is provided so as to write off the cost of intangible assets on a straight lines basis over the estimated useful life, as follows:

Patents, trade-marks and technology	5 to 10 years
Development costs	3 to 5 years
Customer relationships and agreements	4 to 10 years
Software	2 to 7 years

Research and development costs
Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. For new products, this is deemed to occur when the productisation review has been completed. At this stage the technical feasibility and commercial viability of the product has been proven. Such expenditure is capitalised and amortised on a straight-line basis over the period of expected future sales from the related project. All expenditure on existing product development is capitalised unless there are specific indicators that it does not meet the criteria.

Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable. Where no internally-generated asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Inventories
Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows for both the current year and previous year:

Raw materials	Purchase cost on a first-in, first-out basis;
Work in progress and finished goods	Cost of direct materials and labour and a proportion of manufacturing overheads based on a normal operating capacity.

Net realisable value is estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provision is made for obsolete, slow moving or defective items where appropriate. Any net increase in provision for the period as a whole is recognised as an expense in the period. Any net reversal of provision for the period as a whole is recognised as a reduction.

Trade and other receivables
Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost with any transaction costs amortised to the income statement over the period of the borrowings. Borrowings are classified as current liabilities unless, at the balance sheet date, the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the financial statements

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Pensions and other post-employment benefits
The Group operates defined contribution pension schemes which require contributions to be made to a separately administered fund. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Share-based payment transactions
Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of e2v technologies plc ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 10).

The Group has an employee share incentive plan and an employee benefit trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee benefit trust are treated as treasury shares and presented in the balance sheet as a deduction from equity (see note 26).

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges in the Income Statement and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from long-term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined either by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or by reference to the completion of a physical proportion of the contract work, dependent upon the nature of the underlying contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the period in which they are first foreseen.

Interest

Revenue is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Income tax

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

Deferred income tax is recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the financial statements

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax assets or unused tax losses, can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Derivative financial instruments

Year ended 31 March 2006
The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value except for derivatives designated as hedges, changes in fair value are recognised in the income statement. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges that hedge highly probable forecast transactions, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

The gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged forecast transaction affects profit and loss, for example when the forecast sale actually occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is transferred to net profit or loss for the year. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Derivative financial instruments

Year ended 31 March 2005

The Group used forward foreign currency contracts to reduce exposure to foreign exchange rates. The Group also used interest rate swaps to adjust interest rate exposures.

The Group considers its derivative instruments qualify for hedge accounting when the following criteria were met.

Forward foreign currency contracts

The criteria for forward foreign currency contracts were:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group's operations.

The rates under such contracts were used to record the hedged item. As a result, gains and losses were offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument was used to hedge a committed future transaction, were not recognised until the transaction occurs.

Interest rate swaps

The Group's criteria for interest rate swaps were:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Interest differentials were recognised by accruing the net interest payable. Interest rate swaps were not revalued to fair value or shown on the Group balance sheet at the year-end. If they were terminated early, the gain or loss was spread over the remaining maturity of the original instrument.

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption.

Treasury shares

e2v technologies plc shares held by the employee benefit trust are classified in shareholders' equity as treasury shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Notes to the financial statements

New standards and interpretations not applied
The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards		Effective date
IFRS1	Amendment relating to IFRS 6	1 January 2006
IFRS 4	Insurance Contracts (Amendment to IAS 39 and IFRS 4 - Financial Guarantee Contracts)	1 January 2006
IFRS 6	Exploration for and Evaluation of Mineral Assets	1 January 2006
IFRS 6	Amendment relating to IFRS 6	1 January 2006
IFRS 7	*Financial Instruments: Disclosures*	1 January 2007
IAS 1	Amendment - Presentation of Financial Instruments: Capital Disclosures	1 January 2007
IAS 19	Amendment - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
IAS 39	*Fair Value Option*	1 January 2006
IAS 39	Amendments to IAS 39 - Transition and Initial Recognition of Financial Assets and Financial Liabilities (Day 1 profits)	1 January 2006
IAS 39	Cash Flow Hedge Accounting	1 January 2006
IAS 39	Amendment to IAS 39 and IFRS 4 - Financial Guarantee Contracts	1 January 2006

International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 4	Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 December 2005
IFRIC 7	Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

3. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 March 2006	Year ended 31 March 2005
Sale of goods	**112,276**	100,547
Revenue	**112,276**	100,547
Finance revenue	**95**	154
Total revenue	**112,371**	100,701

4. Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. The sensors segment products include charged coupled imaging devices (CCDs), cameras, solid-state microwave components, thermal imaging cameras, gas sensors and x-ray detectors. The electronic tubes segment products include magnetrons, thyratrons, klystrons, inductive output tubes (IOTs), modulators, travelling wave tubes (TWTs) and satcom amplifiers. The Group's geographical segments are determined by the location of the Group's assets and operations.

Business segments

The following tables present revenue and profit information and certain asset and liability and other information regarding the Group's business segments for the years ended 31 March 2006 and 2005.

Year ended 31 March 2006	Sensors £000	Electronic tubes £000	Total operations £000
Revenue			
Medical and Science	20,707	18,768	39,475
Aerospace and Defence	15,316	19,042	34,358
Commercial and Industrial	14,135	24,308	38,443
Total segment revenue	50,158	62,118	112,276
Result			
Segment result	14,765	11,891	26,656
Exchange differences			(631)
Voluntary severance payments			(819)
Share-based payment charges			(450)
Other unallocated expenses			(10,991)
Total unallocated expenses			**(12,891)**
Profit from continuing operations before tax and net finance costs			13,765
Net finance costs			(1,849)
Profit before income tax			11,916
Income tax expense			(3,768)
Profit for the year			**8,148**

	Sensors *£000*	Electronic tubes *£000*	Central unallocated items *£000*	Total operations *£000*
Assets and liabilities				
Assets	24,371	21,535	54,290	100,196
Liabilities	(2,623)	(2,252)	(51,584)	(56,459)
Net assets	**21,748**	**19,283**	**2,706**	**43,737**
Other segment information				
Capital expenditure:				
Property, plant and equipment	3,474	1,275	1,776	6,525
Software	-	-	1,278	1,278
Expenditure on product development	816	492	-	1,308
Depreciation	2,051	1,431	1,381	4,863
Amortisation	508	729	1,134	2,371
Warranty provision	716	1,975	-	2,691

Notes to the financial statements

4. Segment information (continued)

Year ended 31 March 2005	Sensors £000	Electronic tubes £000	Total operations £000
Revenue			
Medical and Science	15,457	18,182	33,639
Aerospace and Defence	16,753	10,770	27,523
Commercial and Industrial	15,890	23,495	39,385
Total segment revenue	48,100	52,447	100,547
Result			
Segment result	12,559	9,299	21,858
Difference on exchange			1,689
Voluntary severance payments			(61)
Share based payment charges			(142)
Initial public offering costs			(1,901)
Other unallocated expenses			(10,943)
Total unallocated expenses			**(11,358)**
Profit from continuing operations before tax and net finance costs			10,500
Net finance costs			(4,941)
Profit before income tax			5,559
Income tax expense			(2,167)
Profit for the year			**3,392**

	Sensors £000	Electronic tubes £000	Central unallocated items £000	Total operations £000
Assets and liabilities				
Assets	16,961	19,390	50,447	86,798
Liabilities	(2,404)	(2,060)	(44,092)	(48,556)
Net assets	**14,557**	**17,330**	**6,355**	**38,242**
Other segment information				
Capital expenditure:				
Property, plant and equipment	2,597	2,065	1,451	6,113
Software	-	-	1,455	1,455
Expenditure on product development	100	900	-	1,000
Depreciation	2,165	1,346	1,225	4,736
Amortisation	72	853	852	1,777
Warranty provision	875	1,682	-	2,557

4. Segment information (continued)

Geographical segments

The following table presents revenue, capital expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 March 2006 and 2005.

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Group turnover		
Revenue by destination		
United Kingdom	31,472	25,081
North America	37,492	35,802
Europe	32,924	28,679
Rest of the world	10,388	10,985
	112,276	100,547
Revenue by origin		
United Kingdom	66,124	56,824
North America	37,915	36,836
Europe	8,237	6,887
	112,276	100,547
Segment assets		
United Kingdom	85,291	71,104
North America	10,511	11,640
Europe	4,350	4,054
	100,152	86,798
Capital expenditure including product development		
United Kingdom	9,058	8,402
North America	48	158
Europe	5	8
	9,111	8,568

Notes to the financial statements

5. Revenues and expenses

Profit from continuing operations is stated after charging:

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Research and development expenditure written off	4,060	4,280
Amortisation of deferred development expenditure	868	915
Total research and development expense	4,928	5,195
Included in cost of sales: Depreciation of property, plant and equipment	4,054	4,221
Included in distribution and administrative expenses: Depreciation of property, plant and equipment	809	515
Amortisation of software	[illegible]	853
Amortisation of acquired intangibles	[illegible]	9
Total depreciation and amortisation expense	[illegible]	5,598
Net foreign currency losses / (gains)	[illegible]	(1,688)
Costs of inventories recognised as an expense	[illegible]	56,638
Including: write-down of inventories to net realisable value	[illegible]	1,426
Minimum lease payments recognised as an operating lease expense	625	523

6. Auditors' remuneration

New requirements for the disclosure of remuneration paid by the Group to its auditors were introduced in the Companies (Audit, Investigations, and Community Enterprise) Act 2004 and regulations specifying these requirements were issued in 2005, and are mandatory for accounting periods beginning on or after 1 October 2005. Notwithstanding this, the Group has elected to give disclosures that comply with these requirements, in particular regarding fees other than for the audit of the financial statements, as well as disclosing the total of non-audit fees for the Group, in accordance with the extant legislation.

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Audit of the financial statements	208	151
IFRS transition	51	25
Services in respect of the Initial Public Offering*	-	717
Local non-statutory audit services in relation to subsidiary undertakings	5	-
Other services	-	-
Total other fees paid to auditors	56	742

*Of this amount £360,000 was charged against the share premium account.

7. Staff costs and Directors' remuneration

Staff costs	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Wages and salaries (including voluntary severance payments)	[illegible]	31,226
Social security costs	[illegible]	3,580
Pension costs	[illegible]	1,244
Share-based payment charges	150	142
	[illegible]	36,192

Details of Directors' remuneration for the year are provided in the Directors' Remuneration report on pages 32 to 37

The average monthly number of employees during the year was made up as follows:	Year ended 31 March 2006 No.	Year ended 31 March 2005 No.
Manufacturing	[illegible]	891
Administration	[illegible]	405
	[illegible]	1,296

8. Finance costs and revenue

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Bank loan interest	1,850	2,310
Other loan interest	[illegible]	549
Finance charges payable under finance leases	[illegible]	-
Amortisation of debt issue costs	[illegible]	2,236
Total finance costs	[illegible]	5,095
	[illegible]	
Bank interest receivable	[illegible]	154
Total finance revenue	[illegible]	154

Notes to the financial statements

9. Income tax

Major components of income tax expense for the years ended 31 March 2006 and 2005 are:

Consolidated income statement	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Current income tax		
Current income tax charge - UK corporation tax	2,861	792
Current income tax charge - foreign tax	1,006	1,054
Current income tax charge	3,867	1,846
Adjustments in respect of current income tax of previous years	320	15
Total current income tax	4,187	1,861
Deferred income tax		
Relating to origination and reversal of temporary differences	(419)	306
Income tax expense reported in the group income statement	3,768	2,167
Tax relating to items charged or credited to equity		
Deferred income tax		
Net gain on adoption of IAS 32 and IAS 39	182	-
Net loss on revaluation of cash flow hedges	[illegible]	-
Credit in respect of share-based payments	[illegible]	(78)
Net deferred income tax on retranslation of foreign operations	[illegible]	(43)
Tax credit in the statement of recognised income and expense	(220)	(121)

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 March 2006 and 2005 is as follows:

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Accounting profit before income tax	11,916	5,559
At UK statutory income tax rate of 30% (2005: 30%)	3,575	1,668
Adjustments in respect of current income tax of previous years	320	15
Adjustments in respect of deferred income tax of previous years	76	29
Expenditure not allowable for income tax	88	476
Tax relief on research and development	(280)	(225)
Tax relief on share options exercised	(54)	-
Impact of higher taxes on overseas earnings	43	204
Total tax expense reported in the income statement	3,768	2,167

9. Income tax (continued)

Deferred income tax
Deferred income tax at 31 March relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	31 March 2006 £000	31 March 2005 £000	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	1,412	1,021	391	287
Revaluation of foreign subsidiaries	140	-	46	-
Fair value adjustments on acquisition	991	-		-
Gross deferred income tax liabilities	2,543	1,021		
Deferred income tax assets				
Employment benefits	332	380	52	6
Revaluations of cash flow hedges	108	-	(26)	-
Share-based payment charges	304	120	(135)	(43)
Deferred tax allowances on provisions	1,262	427	(747)	56
Revaluation of foreign subsidiaries		43		-
Gross deferred income tax assets	2,006	*970*		
Deferred income tax (credit)/charge			(419)	306
Net deferred income tax liability	537	51		

At 31 March 2006, there was no recognised or unrecognised deferred income tax liability (2005: £Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.
There are no income tax consequences attaching to the payment of dividends by e2v technologies plc to the shareholders of the Company.

Notes to the financial statements

10. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options. The following reflects the *income and share data used in the basic and diluted earnings per share computations:*

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Net profit attributable to ordinary shareholders	8,148	3,392

Adjusted earnings per share is arrived at using the following earnings:

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Profit for the year	8,148	3,392
Initial public offering costs	[illegible]	1,901
Abnormal interest charges	[illegible]	2,050
Amortisation of acquired intangible assets	269	10
Share-based payment charges	450	142
Voluntary severance costs	819	61
Tax impact of the above	[illegible]	(843)
	9,295	6,713

The adjusted earnings per share is considered to more appropriately reflect the underlying performance of the business. This reflects that the costs highlighted above are expected to be either non-recurring or not comparable between periods.

Weighted average number of ordinary shares	Year ended 31 March 2006 No. 000	Year ended 31 March 2005 No. 000
For basic earnings per share	55,018	48,944
Effect of dilution:		
Share options	250	94
For diluted earnings per share	55,268	49,038

Since the reporting date and before completion of these financial statements, a further 21,782 shares have been issued as a result of early exercise under share option schemes. The weighted average number of ordinary shares excludes 884,239 (2005: 968,091) shares held by the Employee Benefit Trust.

11. Dividends paid and proposed

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2005: 3.90p (2004: 0.00p)	2,145	-
First dividend for 2006: 2.00p (2005: 0.63p)	1,101	347
	3,246	347
Proposed for approval at AGM (not recognised as a liability as at 31 March)		
Equity dividends on ordinary shares:		
Final dividend for 2006: 4.25p (2005: 3.90p)	2,345	2,143

The final dividend is payable on 15 September 2006 to shareholders registered at the close of business on 25 August 2006 and is based on the number of shares in issue, excluding those held by the Employee Benefit Trust, at the date the financial statements are approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the financial statements and the record date for the final dividend.

Notes to the financial statements

12. Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Office equipment, fixtures and fittings £000	Assets under construction £000	Total £000
COST					
At 1 April 2004	1,017	19,967	2,342	2,646	25,972
Additions	-	2,700	569	2,844	6,113
Disposals	(13)	(89)	(229)	-	(331)
Reclassifications between categories	-	1,788	213	(2,001)	-
Exchange adjustment	-	-	1	-	1
At 1 April 2005	1,004	24,366	2,896	3,489	31,755
Additions	6	3,761	487	2,271	6,525
Acquisition of subsidiary	30	98	96	-	224
Disposals	-	(22)	(157)	-	(179)
Reclassifications between categories	148	3,191	89	(3,428)	-
Exchange adjustment	-	4	14	-	18
At 31 March 2006	**1,188**	**31,398**	**3,425**	**2,332**	**38,343**
DEPRECIATION					
At 1 April 2004	211	6,601	1,032	-	7,844
Provided during the year	91	3,904	741	-	4,736
Disposals	(8)	(76)	(227)	-	(311)
Reclassifications between categories	-	4	(4)	-	-
At 1 April 2005	294	10,433	1,542	-	12,269
Provided during the year	105	3,927	831	-	4,863
Disposals	-	(18)	(106)	-	(124)
Exchange adjustment	-	1	14	-	15
At 31 March 2006	**399**	**14,343**	**2,281**	**-**	**17,023**
CARRYING AMOUNT					
At 31 March 2004	806	13,366	1,310	2,646	18,128
At 31 March 2005	710	13,933	1,354	3,489	19,486
At 31 March 2006	**789**	**17,055**	**1,144**	**2,332**	**21,320**

The carrying value of plant and equipment held under finance leases at 31 March 2006 was £67,000 (2005: £Nil).

13. Intangible assets

	Patents trade marks and technology £000	Development costs £000	Software £000	Customer relationships and agreements £000	Goodwill £000	Total £000
COST						
At 1 April 2004	107	1,746	4,698	-	11,412	17,963
Additions	-	1,000	1,455	-	-	2,455
Disposals	-	-	(6)	-	-	(6)
At 1 April 2005	107	2,746	6,147	-	11,412	20,412
Additions	-	1,308	1,278	-	-	2,586
Acquisition of subsidiary	1,686	-	-	1,607	2,002	5,295
Disposals	-	-	(15)	-	-	(15)
At 31 March 2006	**1,793**	**4,054**	**7,410**	**1,607**	**13,414**	**28,278**

	Patents trade marks and technology £000	Development costs £000	Software £000	Customer relationships and agreements £000	Goodwill £000	Total £000
AMORTISATION						
At 1 April 2004	11	862	906	-	-	1,779
Charge in year	9	915	853	-	-	1,777
Disposals	-	-	(6)	-	-	(6)
At 1 April 2005	20	1,777	1,753	-	-	3,550
Charge in year	171	868	1,134	198	-	2,371
Disposals	-	-	(15)	-	-	(15)
At 31 March 2006	**191**	**2,645**	**2,872**	**198**		**5,906**

	Patents trade marks and technology £000	Development costs £000	Software £000	Customer relationships and agreements £000	Goodwill £000	Total £000
CARRYING AMOUNT						
At 31 March 2004	96	884	3,792	-	11,412	16,184
At 31 March 2005	87	969	4,394	-	11,412	16,862
At 31 March 2006	**1,602**	**1,409**	**4,538**	**1,409**	**13,414**	**22,372**

Goodwill is not amortised but is annually tested for impairment (see note 14). All other assets have finite lives.

Notes to the financial statements

14. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to individual cash-generating units for impairment testing as follows:

- e2v technologies, being entities in the Marconi Applied Technologies division acquired in July 2002;
- e2v scientific instruments, acquired in July 2005,
- Siemens high power satcom product group, acquired in 1999;
- Dynex microwave alarms business, acquired in 2004

The recoverable amount of the goodwill for all cash-generating units has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 15 per cent (2005: 15 per cent). The carrying amount of goodwill for each cash-generating unit is set out in the table below:

	e2v unit		e2v scientific instruments unit		Siemens high power satcom unit		Dynex microwave alarms unit		Total	
	31 March 2006 £000	31 March 2005 £000	31 March 2006 £000	31 March 2005 £000	31 March 2006 £000	31 March 2005 £000	31 March 2006 £000	31 March 2005 £000	31 March 2006 £000	31 March 2005 £000
Carrying amount of goodwill	**9,709**	9,709	**2,002**	-	**359**	359	**1,344**	1,344	**13,414**	11,412

Key assumptions used in valuations for 31 March 2006 and 31 March 2005

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for any expected changes due to sales mix.

Discount rates – discount rates reflect the management's estimate of the return on capital employed (ROCE) required in each cash generating unit. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

Growth rates – growth rates are based on financial budgets. No growth rates have been included beyond the budget period for the Siemens high power satcom or e2v scientific instruments cash generating units. A growth rate of 1.5% was applied to the e2v cash generating unit for periods beyond financial budgets and, for the Dynex microwave alarms cash generating unit, it was assumed that there would be a decline in turnover after the financial budget period.

15. Business combinations

Acquisition of Gresham Scientific Instruments Limited

On 28 July 2005, e2v technologies plc acquired 100% of the voting shares of e2v scientific instruments (formerly Gresham Scientific Instruments) and Gresham Sensor Technology (Dormant), both unlisted companies based in the United Kingdom specialising in x-ray detectors. The fair value of the identifiable assets and liabilities of e2v scientific Instruments as at the date of acquisition was:

	Fair value recognised on acquisition £000	Book value £000
Property, plant and equipment	224	224
Cash and cash equivalents	237	237
Trade receivables	372	372
Other debtors	111	111
Inventories	603	603
Patents, trade marks and technology	1,686	24
Customer relationships and agreements	1,607	-
Goodwill	-	128
	4,840	1,699
Trade payables	(260)	(260)
Taxation	(109)	(109)
Other creditors	(271)	(271)
Deferred income tax liability	(991)	(3)
	(1,631)	(643)
Fair value of net assets	3,209	1,056
Goodwill arising on acquisition	2,002	
Total consideration	5,211	

Consideration:	£000
Cash paid	5,113
Costs associated with the acquisition	98
Total consideration	5,211

The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	237
Cash paid	(5,211)
Net cash outflow	(4,974)

From the date of acquisition, e2v scientific instruments has contributed £202,000 to the profit of the Group. If the combination had taken place at the beginning of the year, the profit for the year attributable to the Group would have been £101,000 and revenue from continuing operations would have been £3,266,000.

Notes to the financial statements

16. Inventories

	31 March 2006 £000	31 March 2005 £000
Raw materials and consumables	10,905	9,836
Work-in-progress	2,912	1,311
Contract work in progress	4,070	3,722
Contract payments on account	(1,039)	(382)
Finished goods	3,991	4,566
Total inventories at lower of cost and net realisable value	20,839	19,053

17. Trade and other receivables (current)

	31 March 2006 £000	31 March 2005 £000
Trade receivables	23,924	24,068
Other debtors	418	846
Prepayments and accrued income	1,219	1,444
	25,561	26,358

Trade receivables are non-interest bearing and are generally on 30 or 60 day terms.

18. Other financial assets

	31 March 2006 £000	31 March 2005 £000
Interest rate swap	5	-
Forward currency contracts	6	-
	11	-

IAS 32 and IAS 39 were adopted with effect from 1 April 2005. The value of financial assets in respect of forward currency contracts on that date was £1,035,000. There were no financial assets in respect of interest rate swaps on that date.

19. Cash

	31 March 2006 £000	31 March 2005 £000
Cash at bank and in hand	8,087	4,069

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash is £8,087,000 (2005: £4,069,000). For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 March:

	31 March 2006 £000	31 March 2005 £000
Cash at bank and in hand	8,087	4,069

20. Trade and other payables

	31 March 2006 £000	31 March 2005 £000
Trade payables	12,068	9,679
Taxation and social security costs	1,606	1,260
Payments received on account	2,625	2,106
Other payables	1,698	1,263
Interest payable	35	35
Accruals and deferred income	4,166	3,075
	22,198	17,418

Terms and conditions of the above financial liabilities:
Trade payables are non-interest bearing and are normally settled on 60-day terms.
Other payables are non-interest bearing and have an average term of six months.
Interest payable is settled monthly or half yearly throughout the financial year.

21. Financial liabilities

	Effective interest rate	Maturity	31 March 2006 £000	31 March 2005 £000
Current				
Obligations under finance leases	6.8 - 9.8%	2006-2007	28	-
Bank loans: revolving credit facility	5.475%	On demand	1,000	2,500
Bank loans: term credit	5.948%*	2006-2007	4,908	3,658
Forward currency contracts			606	-
Interest rate swaps			65	-
			6,607	6,158
Non-current				
Obligations under finance leases	6.8 - 9.8%	2007-2008	20	-
Bank loans: term credit	5.948%*	2007-2010	14,785	19,693
Bank loans: acquisition facility	5.455%*	2009	5,100	-
			19,905	19,693

* includes the effects of related interest rate swap as discussed in note 29.

The bank loans are secured by a floating charge over the net assets of the Group.
The *acquisition facility loan is repaid and re-drawn at six-monthly intervals. Provided covenants* continue to be met, the draw down is at the discretion of the Group with no requirement to reduce the outstanding balance below that currently drawn before 2009. The loan is therefore treated as non-current. At 31 March 2006, the Group had available £28,900,000 (2005: £32,500,000) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met.

	31 March 2006 £000	31 March 2005 £000
Future minimum lease payments under finance leases are as follows:		
Not later than one year	30	-
After one year but not more than five years	21	-
	51	-
Less finance charges allocated to future periods	(3)	-
Present values of minimum lease payments	48	-

Notes to the financial statements

22. Provisions

	Environmental £000	Product warranty £000	Total £000
At 1 April 2005	1,207	2,557	3,764
Acquisition of subsidiary	-	45	45
Arising during the year	-	2,046	2,046
Utilised	(137)	(1,973)	(2,110)
Exchange adjustment	-	16	16
At 31 March 2006	**1,070**	**2,691**	**3,761**
Current 2006	-	2,691	2,691
Non-current 2006	1,070	-	1,070
	1,070	**2,691**	**3,761**
Current 2005	-	2,557	2,557
Non-current 2005	1,207	-	1,207
	1,207	**2,557**	**3,764**

The effect of the time value of money is not material and therefore the above provisions are not discounted.

Environmental
A provision is recognised for expected environmental costs relating to UK manufacturing operations. It is expected that most of these costs will be incurred within two years of the balance sheet date.

Product warranties
A provision is recognised for expected warranty claims on products sold that are within their warranty period at the end of the year. The warranty period can be date based or hours usage based. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about warranty claims.

23. Authorised and issued share capital

Authorised	2006 No.	2005 No.
Ordinary shares of 5p each	750,000,000	750,000,000
Issued and fully paid		
Ordinary shares		
At 1 April 2005	55,916,451	2,796
Issued on 25 January 2006 for cash on early exercise of SAYE options	4,366	-
Issued on 22 March 2006 for cash on early exercise of SAYE options	490	-
At 31 March 2006	55,921,307	2,796
Treasury shares		
At 1 April 2005	968,091	10
Issued in respect of share options exercised	(83,852)	(1)
At 31 March 2006	884,239	9

The Group has four share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (see note 26).

On 1 April 2004, the share capital of the Group consisted of 388,636 ordinary shares of 10p each, 2,045,455 A ordinary shares of 1p each and 218,182 B ordinary shares of £1 each. Immediately prior to the flotation of the Group in July 2004 the following transactions in the Company's share capital took place:

- The issued share capital of the Company was increased to £286,676 by the issue of 20,453 ordinary 10p shares and 7,130 B ordinary £1 shares, issued at par to the Employee Benefit Trust;
- 1,240,506 of the A ordinary shares of 1p each were then converted to deferred shares of 1p each and 223,531 of the Ordinary shares of 10p each were converted into 2,235,310 deferred shares of 1p each.
- The Company's authorised share capital was reduced from £334,091 to £286,676 by the cancellation of un-issued B ordinary shares.
- Each of the remaining ordinary shares of 10p each was converted into one ordinary share of 1p each and nine deferred shares of 1p each.
- Each of the remaining B ordinary shares of £1 each was converted into one B ordinary share of 1p each and 99 deferred shares of 1p each.
- Each of the remaining A ordinary shares of 1p each and B ordinary shares of 1p each were converted one ordinary share of 1p each.
- The ordinary shares of 1p each were then consolidated by issuing one ordinary share of 5p each for every five ordinary shares of 1p each, with any fractions converting into deferred shares of 1p each.
- Following the consolidation, the authorised share capital of the Company was increased to £4,024,518 by the creation of an additional 74,756,842 Ordinary shares of 5p ranking pari passu in all respects with the existing ordinary shares of 5p each.
- The Company purchased all of the deferred shares of 1p each owned by institutional investors for a consideration of one pence per share and all of the deferred shares of 1p each owned by non-institutional investors for a consideration of one pence per non-institutional investor.
- The Company allotted and issued 4,977 Ordinary shares of 5p each to the EBT at par.
- The Company appropriated £1,835,335 of the Company's share premium account to and amongst the holders of ordinary shares of 5p each on the Company's register immediately prior to the issue of new shares on flotation and applied that sum on their behalf in paying up in full 36,706,914 new ordinary shares of 5p each.
- On flotation, the Company issued 18,961,623 ordinary shares of 5p each, of which 141,262 were issued to employees.

As a result of the above transactions, at 31 March 2005, the share capital of the Company consisted of 55,916,451 ordinary shares of 5p each.

Notes to the financial statements

24. Reconciliation of movements in equity

	Issued capital £000	Share premium £000	Other reserves £000	Hedge reserve £000	Foreign currency translation reserve £000	Restated retained earnings £000	Total equity £000
At 1 April 2004	278	2,376	-	-	-	4,729	7,383
Conversion of shares pre IPO	1,835	(1,835)	-	-	-	-	-
Redemption of shares pre IPO	(262)	-	274	-	-	(12)	-
Issue of shares on IPO	945	28,442	-	-	-	-	29,387
Initial Public Offering costs		(1,682)	-	-	-	-	(1,682)
Investment in own shares by Employee Benefit Trust	-	-	(10)	-	-	-	(10)
Total recognised income/(expense) for the year	-	-	-	-	(101)	3,470	3,369
Dividend	-	-	-	-	-	(347)	(347)
Share-based payment charge	-	-	-	-	-	142	142
At 31 March 2005 as previously stated	2,796	27,301	264	-	(101)	7,982	38,242
Effect of adopting IAS 32 and IAS 39	-	-	-	367	-	(59)	308
At 1 April 2005 (restated)	2,796	27,301	264	367	(101)	7,923	38,550
Total recognised income/(expense) for the year	-	-	-	(501)	322	8,154	7,975
Share-based payment charge	-	-	-	-	-	450	450
Issue of shares	-	8	-	-	-	-	8
Issue of shares by EBT on exercise of options	-	-	1	-	-	(1)	-
Equity dividends	-	-	-	-	-	(3,246)	(3,246)
At 31 March 2006	**2,796**	**27,309**	**265**	**(134)**	**221**	**13,280**	**43,737**

Nature and purpose of reserves

Hedge reserve
This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the net investments hedged in these subsidiaries.

Other reserves
Other reserves consist of the capital redemption reserve and treasury shares reserve. These reserves are used to record reserve transfers required on redemption of shares and also to record movements in shares held by the Employee Benefit Trust. The balance on the Capital redemption reserve at 31 March 2006 was £274,000 (2005: £274,000). The balance on the Treasury shares reserve at 31 March 2006 was £9,000 (2005: £10,000).

25. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of small machinery where it is not in the best interest of the Group to purchase these assets. These leases have an average life of between 3 and 10 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	31 March 2006 £000	31 March 2005 £000
Within one year	**602**	564
After one year but not more than five years	**577**	428
	1,179	992

Capital commitments

At 31 March 2006, the Group had commitments of £4,277,000 (2005: £3,628,000) principally relating to the acquisition of new plant and machinery.

26. Employee benefits – equity settled share-based payments

The Group operates four share-based award schemes as follows:

Long-Term Incentive Plan (LTIP)

Awards under this scheme vest on the third anniversary of the date of the award subject to performance targets being met. Targets relate to Total Shareholder's Return (TSR) relative to the TSR of a specified list of peer group companies. All awards under this scheme have a £nil exercise price and have no end date by which they must be exercised. The following table provides details of awards made under this scheme:

	2006 No.	2005 No.
Awards granted 3 September 2004	**258,000**	258,000
Awards Granted 1 August 2005	**342,250**	-
Outstanding at the end of the year	**600,250**	258,000

Shares in relation to the LTIP will be issued from those currently held by the Employee Benefit Trust (EBT). The EBT owns 884,239 ordinary shares (2005: 968,091) in e2v technologies plc. These shares are recorded in the balance sheet as treasury shares at a cost of £9,000 (2005: £10,000). Dividends on the shares owned by the trust, the purchase of which was funded by an interest-free loan to the trust from e2v technologies plc, are waived.

Executive Share Option Plan (ExSOP)

The Group has an ExSOP for the granting of non-transferable options to certain employees. Options granted under the plan vest on the first day on which they become exercisable which is typically between three and four years after grant date. The overall life of the options is five years. The vesting period for the ExSOP is finite allowing eligible employees to exercise the option in a fixed period, once conditions are met. These options are settled in equity once exercised. The options may not be exercised unless, over the vesting period, the earnings per share (EPS) has increased by a fixed percentage above the retail price index (RPI) as detailed in the Directors' Remuneration Report.

Notes to the financial statements

26. Employee benefits – equity settled share-based payments (continued)

The following table illustrates the number (No.) and, weighted average remaining contractual life and the weighted average exercise prices (WAEP) of share options for the ExSOP.

	Awards granted 3 August 2005		Awards granted 14 January 2005	
	2006	2005	**2006**	2005
Outstanding at the beginning of the year	**-**	-	**240,000**	-
Exercised during the year	**-**	-	**-**	-
Lapsed during the year	**-**	-	**(5,000)**	-
Granted during the year	**265,000**	-	**-**	240,000
Outstanding at the end of the year	**265,000**	-	**235,000**	240,000
Exercisable at the end of the year	**10,000**	N/A	**35,000**	-
Weighted average exercise price	**£2.15**	N/A	**£1.96**	£1.96
Weighted average remaining contractual life	**39 months**	N/A	**33 months**	45 months

Share Incentive Plan (SIP)
No awards have been made to date under this scheme

Sharesave Scheme (SAYE)
The Group operates an Inland Revenue approved Sharesave Scheme for all UK employees and Executive Directors and managers can apply to join the scheme. The following table illustrates the number (No.) and, weighted average remaining contractual life and the weighted average exercise prices (WAEP) of share options for the SAYE.

	Awards granted 1 September 2005		Awards granted 1 October 2004	
	2006	2005	**2006**	2005
Outstanding at the beginning of the year	**-**	-	**915,326**	-
Granted during the year	**259,536**	-	**-**	928,621
Exercised during the year	**-**	-	**(4,366)**	-
Lapsed during the year	**(12,382)**	-	**(56,645)**	(13,295)
Outstanding at the end of the year	**247,154**	-	**854,315**	915,326
Exercisable at the end of the year	**5,362**	N/A	**13,182**	3,439
Weighted average exercise price	**£1.943**	N/A	**£1.653**	£1.653
Weighted average remaining contractual life	**35 months**	N/A	**24 months**	36 months

The fair value of all share option plans is estimated as at the date of grant using the binomial model. The following table gives the assumptions made. No subsequent amendments have been made to assumptions estimated at the date of grant.

	Schemes launched in the year ended 31 March 2006			Schemes launched in the year ended 31 March 2005		
	SAYE	ExSOP	LTIP	SAYE	ExSOP	LTIP
Dividend yield (%)	2.1%	2.1%	2.0%	2.6%	2.3%	2.6%
Expected volatility (%)	31.0%	30.3%	29.6%	34%	33.1%	34.4%
Risk-free interest rate (%)	4.0%	4.2%	4.1%	4.7%	4.4%	4.8%
Expected life of option (years)	3 years 4 months	3 years 5.5 months	3 years	3 years 4 months	3 years 5.5 months	3 years
Fair value per option (pence)	60.8	51.7	135.4	60.9	48.2	109.9

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

26. Employee benefits – post employment benefits

Pensions and other post-employment benefit plans

The Group has defined contribution plans in the UK and North America, covering substantially all of its employees, which require contributions to be made to a separately administered fund. The Group contributes to state schemes for European activities. Such schemes are defined contribution schemes and there is no Group exposure to any scheme liabilities.

27. Related party disclosures

Compensation of key management personnel of the Group

Key management comprises the Board of Directors. Further details of their remuneration can be found in the Directors' remuneration report on pages 32 to 37.

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Short-term employee benefits	603	589
Post-employment benefits	35	33
Share-based payments	102	37
Total compensation paid to key management personnel	740	659

Notes to the financial statements

28. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group also enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 29. The Group's accounting policies in relation to derivatives are set out in note 2.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's policy is to maintain as much of its borrowings as possible at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 March 2006, after taking into account the effect of interest rate swaps, approximately 96% (2005: 91%) of the Group's borrowings were at a fixed rate of interest.

Foreign currency risk

The Group has operations in the United States, Canada and Europe. As a result the Group's balance sheet can be affected significantly by movements in the US$ and Euro exchange rates. The Group does not currently hedge this exposure, other than using natural hedges where appropriate, such as purchasing components in US dollars or Euros.

The Group also has transactional currency exposures. Such exposure arises from sales by an operating unit in currencies other than the unit's measurement currency. Approximately 75% of the Group's sales are outside of the UK and a significant proportion of these sales are not Sterling and therefore subject to foreign exchange movements as all products are manufactured in the UK. The Group manages its transactional currency exposures centrally by using forward currency contracts to minimise these currency exposures. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the measurement currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of senior management.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance lease contracts. The Group's policy is to use funds in excess of the ongoing operating requirements to make early repayments against the bank borrowings on an annual basis. The Group's objective is to maintain a positive cash balance at a level adequate for daily operations while retaining the option to use revolving credit facilities for short term flexibility as necessary.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The Group has elected to apply IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and measurement" prospectively from 1 April 2005 and, as permitted by IFRS 1, comparative information has not been restated.

	Carrying amount		Fair value	
	31 March 2006 £000	31 March 2005 £000	31 March 2006 £000	31 March 2005 £000
Financial assets				
Cash	8,087	4,069	8,087	4,069
Forward currency contracts	6	-	6	1,035
Interest rate swap	5	-	5	-
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under finance leases	48	-	48	-
Floating rate borrowings	25,793	25,851	25,793	25,851
Forward currency contracts	606	-	606	53
Interest rate swap	65	-	65	9

The fair value of foreign currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The carrying amount of the other financial instruments of the Group, i.e. short term trade receivables and payables that are not included in the above table, is a reasonable approximation of fair value.

Notes to the financial statements

29. Financial instruments

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

31 March 2006

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	Total £000
Fixed rate					
Obligations under finance leases	(28)	(16)	(4)	-	(48)
	(28)	**(16)**	**(4)**	**-**	**(48)**
Floating rate					
Cash assets	8,087	-	-	-	8,087
Bank loan: revolving credit facility	(1,000)	-	-	-	(1,000)
Bank loan: term credit*	(4,908)	(4,908)	(6,158)	(3,719)	(19,693)
Bank loan: acquisition facility*	-	-	-	(5,100)	(5,100)
Interest rate swaps*	(60)	-	-	-	(60)
Forward currency contracts	(600)	-	-	-	(600)
	1,519	**(4,908)**	**(6,158)**	**(8,819)**	**(18,366)**

31 March 2005

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	Total £000
Fixed rate						
Obligations under finance leases	-	-	-	-	-	-
	-	-	-	-	-	-
Floating rate						
Cash assets	4,069	-	-	-	-	4,069
Bank loan: revolving credit facility	(2,500)	-	-	-	-	(2,500)
Bank loan: term credit*	(3,658)	(4,908)	(4,908)	(6,158)	(3,719)	(23,351)
	(2,089)	(4,908)	(4,908)	(6,158)	(3,719)	(21,782)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

*The Group has two interest rate swaps in place to hedge against movements in interest rates on long-term loans. The interest rate swap in respect of the term loan extends until 31 March 2007 and the interest rate swap on the acquisition facility extends until 31 March 2008.

Hedging activities – cash flow hedges

Currency

At 31 March 2006, the Group held several foreign exchange contracts designated as hedges of expected future sales to customers in the United States and Europe for which the Group has firm commitments. The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are as follows:

Total currency value of contracts	Maturity	Average Exchange rate
31 March 2006		
US$28,900 000	**April 2006 to January 2007**	**US$: £ 1.741**
¤16,950,000	**April 2006 to January 2007**	**¤ : £ 1.458**
31 March 2005		
$45,800,000	April 2005 to April 2006	US$: £ 1.803
¤4,350,000	April 2005 to December 2005	¤ : £ 1.421

The terms of the foreign exchange contracts have been negotiated to match the terms of the commitments.

At 31 March, the Group's currency exposures were as follows:
Net foreign currency monetary assets

Functional currency of group operations	Sterling £000	US dollar £000	Other £000	Total £000
2006				
Sterling	-	-	-	-
Other	**562**	-	-	**562**
Total	**562**	-	-	**562**
2005				
Sterling	-	-	1,795	1,795
Other	656	-	-	656
Total	656	-	1,795	2,451

Interest rate swaps

The Group has an interest rate swap agreement in place with a notional amount equal to the balance outstanding on the term loan whereby it pays a fixed rate of interest and receives a variable rate equal to the notional amount. The Group also has an interest rate swap agreement in place with a notional amount equal to the balance outstanding on its acquisition facility. The terms of the agreement are such that the interest rate is limited to a range between 4.0% and 5.25%. The secured loans and interest rate swaps have the same critical terms (note 21).

Notional amount	*Maturity*	*Fixed rate*	*Variable rate*
31 March 2006			
£20,000,000	**30 March 2007**	**5.0625%**	**6 month GBP-LIBOR-BBA**
£5,100,000	**31 March 2008**	**4.00 - 5.25%***	**3 month GBP-LIBOR-BBA**
*capped rate			
31 March 2005			
£23,750,000	30 March 2007	5.0625%	6 month GBP-LIBOR-BBA

Notes to the financial statements

30. Transition to international financial reporting standards

For all periods up to and including the year ended 31 March 2005, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 March 2006 are the first the Group is required to prepare in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. The first results prepared on an IFRS basis were contained in the Group's announcement for the six months ended 30 September 2005.

The Group has prepared financial statements which comply with IFRS applicable for periods commencing after 1 April 2005 and the significant accounting policies meeting those requirements are outlined in note 2. In preparing these financial statements the Group has started from an opening balance sheet as at 1 April 2004, the Group's date of transition to IFRS and made those changes in accounting policies and other restatements as required by IFRS1 for the first time adoption of IFRS. The Group issued a press release on 1 November 2005 which contained the restatement of its UK GAAP balance sheet as at 31 March 2004 and its previously published UK GAAP financial statements for the year ended 31 March 2005. This note summarises the principal adjustments made by the Group in that restatement. The adjustments are categorised into either "reclassifications" or "re-measurements". The format of the balance sheet included in these financial statements differs from the initial press release and the interim report as the Directors are of the opinion that the revised format is more appropriate for a UK listed plc.

The transition from UK GAAP to IFRS has had no effect on cash flows generated by the Group. The IFRS cash flow statement is presented in a different format from that required under UK GAAP with cash flows categorised into three categories of activities – operating, investing and financing. The reconciling items between the UK GAAP presentation and the IFRS presentation have no impact on the cash flows generated.

Exemptions applied
IFRS 1 "First time adoption of IFRS" allows first time adopters certain exemptions from the general requirement to apply IFRS effective for the year ended 31 March 2006 retrospectively. The Group has taken the following exemptions:

Business combinations
The Group has elected not to apply IFRS 3 "Business Combinations" to business combinations that took place before 31 March 2004.

Financial Instruments
The Group has elected to apply IAS 32 "Financial Instruments: Disclosure and presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" prospectively from 1 April 2005. Consequently, the relevant comparative information for the year ended 31 March 2005 does not reflect the impact of these standards and is accounted for on a UK GAAP basis.

Cumulative foreign currency translation differences
The Group has elected to deem the cumulative differences on translation into Sterling of the Group's subsidiaries to be £nil as at 31 March 2004.

Accounting policies applied in the year ended 31 March 2005
As noted above, the Group has elected to apply IAS 32 and IAS 39 prospectively from 1 April 2005 and, as permitted by IFRS 1, the comparative information for the year ended 31 March 2005 has not been restated. The new accounting policy in respect of financial instruments is included in note 2. For accounting periods up to the year ended 31 March 2005, derivative contracts were not recognised as assets and liabilities on the balance sheet and gains or losses arising on them were not recognised until the hedged item had itself been recognised in the financial statements. Transactions covered by forward foreign currency contracts were recorded at the forward contract rate and monetary assets and liabilities in respect of the hedged transaction were translated at the forward contract rate.

Nature of the main adjustments to comply with IAS 32 and 39
Had IAS 32 and IAS 39 been applied from 1 April 2004, the following adjustments would have been necessary on the financial statements for the year ended 31 March 2005:

Derivative contracts would have been recognised as assets and liabilities on the balance sheet measured at their fair values. Changes in their fair values would have been recognised in the income statement unless hedge accounting was applied.

The following table shows the impact of adopting IAS 32 and IAS 39 prospectively from 1 April 2005 on the Group's equity, net funds, tax and other assets/liabilities.

	Financial assets/liabilities £000	Tax £000	Net debt £000	Equity £000
As at 31 March 2005	60,577	(553)	(21,782)	38,242
Adoption of IAS 32 and IAS 39	440	(132)	-	308
As at 1 April 2005	**61,017**	**(685)**	**(21,782)**	**38,550**

Summary of transition adjustments

(a) Property, plant and equipment
Under UK GAAP, all capitalised software was included within tangible fixed assets. Under IAS 38 "Intangible Assets", capitalised computer software must be presented as an intangible asset unless it is integral to an item of property, plant and equipment. Under IFRS, non-integral computer software with a carrying value of £4,394,000 has been reclassified from property, plant and equipment to intangible assets as at 31 March 2005 (£3,792,000 at 31 March 2004).

(b) Intangible assets
In addition to the reclassification of computer software noted above, there are differences in respect of goodwill. Under UK GAAP, goodwill was amortised over its useful economic life, tested for impairment and written down if necessary. Under IFRS, goodwill is no longer amortised but must be tested for impairment as at 31 March 2004 (the transition date) and at least annually thereafter. The impairment tests carried out by the Group as at 31 March 2004 and 31 March 2005 revealed no impairment loss. Goodwill amortisation charged under UK GAAP during the year ended 31 March 2005 was £1,227,000 and this amount has been credited back to the income statement under IFRS. The impact on the balance sheet, after accounting for deferred tax, is an increase in equity of £1,152,000.

Under UK GAAP, the Group wrote off development costs in the period in which they were incurred. Under IAS 38, all research and most development costs will continue to be written off in the period in which they are incurred. However, certain expenditure on internal product development meets all the criteria of IAS 38 and has therefore been capitalised. Development costs capitalised are amortised on a straight-line basis over their useful economic lives. At 1 April 2004, the net book value of capitalised development costs was £883,900. In the year to 31 March 2005 a further £1,000,400 of development expenditure was capitalised and £915,200 amortisation was charged. A deferred tax liability has been accounted for in respect of the amount of development expenditure held in the balance sheet.

(c) Share-based payments
Under UK GAAP, the cost of awards made under the Group's employee share scheme was based on the intrinsic value of the awards, with the exception of the SAYE scheme for which no cost was recognised. Under IFRS 2 "Share-based Payment", the cost of employee share schemes, including the SAYE scheme, is based on the fair value of the awards that must be assessed using an option pricing model. The fair value of the award is expensed on a straight line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy either service conditions or non-market performance conditions. As a result of these changes, the cost of employee share schemes recognised during the year ended 31 March 2005 has increased by £77,000 with a corresponding tax credit of £43,000.

Notes to the financial statements

(d) Proposed dividends

Under UK GAAP, proposed dividends were recognised as a liability in the period to which they related. Under IFRS, dividends are recognised as a liability in the period in which they are declared. As a result of this change, the final dividend of £2,143,000 in respect of the year ended 31 March 2005 has been reversed resulting in a corresponding increase in net assets. There was no equivalent dividend requiring reversal in respect of the year ended 31 March 2004.

(e) Employee benefits

IAS 19 requires the Group to recognise in full liabilities in relation to untaken holiday. As at 31 March 2004, the Group recognised an additional £1,125,000 of liabilities for untaken holiday. The corresponding adjustment at 31 March 2005 is £1,106,500 and, as a result, there is an increase in the pre tax profit for the year of £18,500. A deferred tax asset has been recognised in respect of the additional provision required.

(f) Foreign currency translation differences

Exchange differences amounting to £144,000 on the retranslation into Sterling of the Group's net investment in foreign operations for the year ended 31 March 2005 have been reclassified to a separate component of equity in accordance with IAS 21. A corresponding deferred tax credit has been recognised in respect of this amount.

(g) Deferred tax

Under UK GAAP deferred tax was provided on certain timing differences between the recognition of items in profit and loss and their recognition for tax purposes. Under IAS12 "Income Taxes", deferred tax is provided on temporary differences between the book value and the tax base of assets and liabilities. Under IFRS, the difference in approach means that an additional deferred tax asset of £436,000 has been recognised in the balance sheet at 31 March 2005 (31 March 2004: £487,000).

30. Transition to international financial reporting standards

	Note	31 March 2004 As reported under UK GAAP £000	Reclassifications £000	Remeasurements £000	31 March 2004 IFRS £000
ASSETS					
Non-current assets					
Property, plant and equipment	(a)	21,920	(3,792)	-	**18,128**
Intangible assets	(a)(b)	11,509	3,792	883	**16,184**
Deferred tax asset		-	-	489	**489**
		33,429	-	1,372	**34,801**
Current assets					
Inventories		21,657	-	-	**21,657**
Trade and other receivables		25,313	-	-	**25,313**
Cash		4,475	-	-	**4,475**
		51,445	-	-	**51,445**
TOTAL ASSETS		84,874	-	-	**86,246**
LIABILITIES					
Current liabilities					
Trade and other payables		23,756	-	1,125	**24,881**
Other financial liabilities		1,587	-	-	**1,587**
Income tax payable		209	-	-	**209**
Provisions		3,236	-	-	**3,236**
		28,788	-	1,125	**29,913**
Net current assets		22,657	-	(1,125)	**21,532**
Non-current liabilities					
Other financial liabilities		47,195	-	-	**47,195**
Provisions		1,402	-	-	**1,402**
Deferred income tax liabilities		425	-	(72)	**353**
		49,022	-	(72)	**48,950**
Net assets		7,064	-	319	**7,383**
SHAREHOLDERS' EQUITY					
Ordinary share capital		278	-	-	**278**
Share premium		2,376	-	-	**2,376**
Retained earnings		4,410	-	319	**4,729**
Total shareholders' equity attributable to equity holders of the parent		7,064	-	319	**7,383**

Notes to the financial statements

30. Transition to international financial reporting standards (continued)

	Note	31 March 2005 *As reported under* UK GAAP £000	Reclassifications £000	Remeasurements £000	31 March 2005 IFRS £000
ASSETS					
Non-current assets					
Property, plant and equipment	(a)	23,879	(4,393)	-	**19,486**
Intangible assets	(a)(b)	10,273	4,393	2,196	**16,862**
Deferred tax asset		-	-	970	**970**
		34,152	-	3,166	**37,318**
Current assets					
Inventories		19,053	-	-	**19,053**
Trade and other receivables		26,493	(135)	-	**26,358**
Cash		4,069	-	-	**4,069**
		49,615	(135)	-	**49,480**
TOTAL ASSETS		83,767	(135)	3,166	**86,798**
LIABILITIES					
Current liabilities					
Trade and other payables	(d)(e)	(18,775)	320	1,037	**(17,418)**
Other financial liabilities		(6,158)	-	-	**(6,158)**
Income tax payable		(502)	-	-	**(502)**
Provisions		(2,372)	(185)	-	**(2,557)**
		(27,807)	135	1,037	**(26,635)**
Net current assets		21,808	-	1,037	**22,845**
Non-current liabilities					
Other financial liabilities		(19,693)	-	-	**(19,693)**
Provisions		(1,207)	-	-	**(1,207)**
Deferred income tax liabilities		(622)	-	(399)	**(1,021)**
		(21,522)	-	(399)	**(21,921)**
Net assets		34,438	-	3,804	**38,242**
SHAREHOLDERS' EQUITY					
Ordinary share capital		2,796	-	-	**2,796**
Share premium		27,301	-	-	**27,301**
Capital redemption reserve		274	-	-	**274**
Investment in own shares held by employee benefit trust		(10)	-	-	**(10)**
Foreign currency translation	(f)	-	(144)	43	**(101)**
Retained earnings		4,077	144	3,761	**7,982**
Total shareholders' equity attributable to equity holders of the parent		34,438	-	3,804	**38,242**

30. Transition to international financial reporting standards (continued)

Reconciliation of profit and loss for the year ended 31 March 2005

	Notes	As reported under UK GAAP £000	Remeasurements	IFRS £000
Revenue		100,547	-	**100,547**
Cost of sales		(65,892)	61	**(65,831)**
Gross profit		34,655	61	**34,716**
Research and development costs	(b)	(5,280)	85	**(5,195)**
Selling and distribution costs		(9,357)	-	**(9,357)**
Amortisation of intangible assets arising on acquisitions	(b)	(1,237)	1,227	**(10)**
Initial public offering costs		(1,901)	-	**(1,901)**
Voluntary severance payments		(61)	-	**(61)**
Share-based payment charges	(c)	(65)	(77)	**(142)**
Other administrative costs	(d)(e)	(7,507)	(43)	**(7,550)**
Administrative expenses		(10,771)	1,107	**(9,664)**
Profit from continuing operations before tax and net finance costs		9,247	1,253	**10,500**
Finance costs		(5,095)	-	**(5,095)**
Finance income		154	-	**154**
Profit before tax		4,306	1,253	**5,559**
Income tax expense		(2,058)	(109)	**(2,167)**
Profit for the year attributable to equity holders of the parent		2,248	1,144	**3,392**

Financial record

	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000	UK GAAP 2002 £000
Revenue					
Sensors	50,158	48,100	44,089	34,216	32,401
Electronic tubes	62,118	52,447	53,477	58,669	63,175
Total revenue	112,276	100,547	97,566	92,885	95,576
Adjusted profit before tax and net finance costs*	15,403	12,614	11,525	9,446	11,078
Amortisation of intangible assets arising on acquisitions	(369)	(10)	(1,084)	(710)	(29)
Voluntary severance payments	(819)	(61)	-	-	-
Share-based payment charges	(450)	(142)	-	-	-
Initial public offering costs	-	(1,901)	-	-	-
Restructuring costs	-	-	(124)	(681)	(1,674)
Environmental costs	-	-	(402)	(346)	(500)
Costs associated with the MBO	-	-	(60)	(946)	-
Profit before tax and net finance costs	13,765	10,500	9,855	6,763	8,875
Net finance charges	(1,849)	(4,941)	(5,212)	(3,336)	770
Dividends receivable	-	-	-	-	6,071
Profit before tax	11,916	5,559	4,643	3,427	15,716
Income tax expense	(3,768)	(2,167)	(1,362)	(1,007)	(1,797)
Profit for the year attributable to equity holders of the parent	8,148	3,392	3,281	2,420	13,919
Basic earnings per share	14.81p	6.93p	9.19p		
Adjusted* earnings per share	14.74p	6.92p	10.33p		
Interim dividend paid	2.00p	0.63p	Nil		
Final dividend proposed	4.25p	3.90p	Nil		
Cash generated from operations	26,469	11,789	20,212	13,823	11,234
Net debt	17,757	21,782	44,307	47,769	44,911
Average employee numbers	1,292	1,296	1,292	1,339	1,355

*Before amortisation of acquired intangibles, initial public offering costs, voluntary severance costs share-based payment charges, other non-recurring expenses and their tax impacts.

Financial statements

e2v technologies PLC

Directors' statement of responsibilities in relation to the company Financial Statements

The Directors are required by the Companies Act 1985 to prepare financial statements for the financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the year.

The Directors consider that in preparing the financial statements the Company

- Has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates;
- Ensured that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts;
- Have prepared the accounts on a going concern basis as the Directors have a reasonable expectation that the Company has reasonable resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors have general responsibility for taking such steps, as are reasonably open to them, and which they deem are appropriate to safeguard the assets of the Company and to seek to prevent and detect fraud and other irregularities.

The Annual report for the year ended 31 March 2006 is published in hard-copy printed form and made available on the Company's website. The Directors are responsible for the maintenance and integrity of the annual report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Independent Auditors' report to the members of e2v technologies plc

We have audited the parent company financial statements of e2v technologies plc for the year ended 31 March 2006 which comprise the Balance Sheet and the related notes 1 to 13. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of e2v technologies plc for the year ended 31 March 2006.

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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view, the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and that the information given in the parent company Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Financial Review that is cross referred from the Review of Business section of the Directors' report.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Report and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge
5 July 2006

Company balance sheet
as at 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
Fixed assets			
Investments	4	**58,431**	51,935
Current assets			
Debtors	5	**12,301**	14,876
Other financial assets	6	**5**	-
Cash at bank and in hand		**6**	78
		12,312	14,954
Creditors: amounts falling due within one year			
Short term debt	7	**5,908**	6,158
Other creditors	8	**596**	251
Other financial liabilities	9	**65**	-
		6,569	6,409
Net current assets		**5,743**	8,545
Total assets less current liabilities		**64,174**	60,480
Creditors: amounts due after more than one year	10	**(19,885)**	(19,693)
		44,289	40,787
Capital and reserves			
Called up share capital	11	**2,796**	2,796
Share premium account	12	**27,309**	27,301
Capital redemption reserve	12	**274**	274
Hedge reserve	12	**(60)**	-
Investment in own shares held by Employee Benefit Trust	12	**(9)**	(10)
Retained earnings	12	**13,979**	10,426
Equity shareholders' funds	12	**44,289**	40,787

Approved by the Board of Directors on 5 July 2006

K Attwood
Chief Executive officer

M Hannant
Finance Director

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The Company financial statements are prepared in accordance with UK GAAP and applicable accounting standards. In preparing the financial statements for the year ended 31 March 2006, the Company has adopted FRS 20 "Share-based Payment", FRS 21 "Events after the Balance Sheet date", FRS 23 "The Effects of Changes in Foreign Exchange Rates", FRS 25 "Financial Instruments: Disclosure and Presentation", FRS 26 "Financial Instruments: Measurement" and FRS 28 " Corresponding Amounts".

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual profit and loss account. The profit dealt with in the financial statements of the parent company is £6,350,000 (2005: £1,996,000).

The Company has taken advantage of the exemption under FRS 25 "Financial Instruments: Disclosure and Presentation" for parent company financial statements. The disclosures in respect of the Company are included in the consolidated financial statements.

Foreign currencies

The presentation and functional currency of the Company is Sterling. Transactions denominated in foreign currencies are translated into the Company's functional currency at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling on the balance sheet. Currency translation differences are recognised in the profit and loss account.

Investments

Investments in subsidiaries are held at historical cost less provision for impairment.

Taxation

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The Company contributes to personal pension arrangements for its employees. The pension cost is the amount of contributions payable in the year.

Treasury shares

Shares in the Company held by the Employee Benefit Trust are stated at cost and are presented in the balance sheet as a deduction from equity.

Share-based payments

Employees (including Directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the Group financial statements. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of e2v technologies plc ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Company at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Financial Instruments

Prospective adoption of FRS 25 and FRS 26
As permitted by FRS 26, the Company has elected to apply FRS 25 "Financial Instruments: Disclosure and Presentation" and FRS 26 "Financial Instruments: Measurement" prospectively from 1 April 2005. As a result, the relevant comparative information for the year ended 31 March 2005 does not reflect the impact of these standards and is accounted for in accordance with previous GAAP.

Derivative instruments
The Company uses interest rate swaps to adjust interest rate exposures.

The Company's criteria for interest rate swaps are:
- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Under previous GAAP, interest differentials were recognised by accruing the net interest payable. Interest rate swaps were not revalued to fair value or shown on the Company balance sheet at the year-end.

From 1 April 2005 onwards, derivative financial instruments have been recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in the fair values have been recognised in the hedge reserve.

2. Dividends paid and proposed

	Year ended 31 March 2006 £000	Year ended 31 March 2005 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2005: 3.90p (2004: Nil)	**2,145**	-
First dividend for 2006: 2.00p (2005: 0.63p)	**1,101**	347
	3,246	347
Proposed for approval at AGM (not recognised as a liability as at 31 March)		
Equity dividends on ordinary shares:		
Final dividend for 2006: 4.25p (2005: 3.90p)	**2,340**	2,143

The proposed dividend is based on the number of shares in issue, excluding those held by the Employee Benefit Trust, at the date the financial statements were approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the financial statements and the record date for the final dividend.

3. Remuneration

Directors remuneration

Details of Directors' remuneration, pension benefits and share option awards are included in the Directors' Remuneration Report on pages 32 to 37.

Auditors remuneration

The total fees payable by the Company to Ernst and Young LLP for work performed in respect of the audit were £90,000 (2005 £77,500).

4. Investments

	Equity interests in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost:			
At 1 April 2005	47,935	4,000	51,935
Additions	6,496	-	6,496
At 31 March 2006	**54,431**	**4,000**	**58,431**

Interests in group undertakings

Name of undertaking	Country of incorporation	Principal activity
e2v technologies (UK) Limited	England & Wales	Electrical Component Manufacturer
e2v scientific instruments Limited (formerly Gresham Scientific Instruments Limited)	England & Wales	Electronic component manufacture
e2v biosensors Limited	England & Wales	Research and development
e2v technologies Inc.	USA	Sales & Distribution
e2v technologies SAS	France	Sales & Distribution
e2v technologies Canada Limited	Canada	Sales & Distribution
e2v Technologies GmbH	Germany	Sales & Distribution
e2v Holdings Inc.	USA	Holding Company
EEV Limited	England & Wales	Dormant
E2V Limited	England & Wales	Dormant
Gresham Sensor Technology Limited	England & Wales	Dormant

The Company has control over 100% of the ordinary share capital in respect of each if its subsidiary undertakings. Subsidiary undertakings are all held by e2v technologies plc, with the exception of e2v technologies Canada Limited and e2v technologies GmbH which are held through e2v technologies (uk) Limited, and e2v technologies Inc which is held through e2v Holdings Inc.

5. Debtors

	31 March 2006 £000	31 March 2005 £000
Other debtors	**119**	154
Prepayments and accrued income	**71**	67
Amounts receivable from subsidiary undertakings	**12,111**	14,655
	12,301	14,876

6. Other financial assets

	31 March 2006 £000	31 March 2005 £000
Interest rate swap	**5**	-
	5	-

7. Short term debt

	31 March 2006 £000	31 March 2005 £000
Bank loans: revolving credit facility	**1,000**	2,500
Bank loans: term loan	**4,908**	3,658
	5,908	6,158

8. Other creditors

	31 March 2006 £000	31 March 2005 £000
Trade creditors	**38**	24
Other taxation and social security costs	**45**	49
Accruals and deferred income	**513**	178
	596	251

9. Other financial liabilities

	31 March 2006 £000	31 March 2005 £000
Interest rate swap	**65**	-
	65	-

10. Creditors: Amounts falling due after more than one year

	31 March 2006 £000	31 March 2005 £000
Loans		
Amounts falling due:		
Bank loans: acquisition facility	**5,100**	-
Bank loans: term loan	**14,785**	19,693
	19,885	19,693

Loan maturity analysis		
In more than one year but not more than two years	**4,908**	4,908
In more than two year but not more than five years	**14,977**	14,785
	19,885	19,693

The bank loans are secured by a floating charge over the net assets of the Group

11. Authorised and issued share capital

	31 March 2006 No.	31 March 2005 No.
Authorised		
Ordinary shares of 5p each	**750,000,000**	750,000,000
	No.	£000
Ordinary shares issued and fully paid		
At 1 April 2005	**55,916,451**	2,796
Issued on 25 January 2006		
for cash on early exercise of SAYE options	**4,366**	-
Issued on 22 March 2006		
for cash on early exercise of SAYE options	**490**	-
At 31 March 2006	**55,921,307**	2,796
	No.	£000
Treasury shares held by the Employee Benefit Trust		
At 1 April 2005	**968,091**	10
Issued in respect of share options	**(83,852)**	(1)
At 31 March 2006	**884,239**	9

Options have been granted under share option schemes, as detailed in the Remuneration Report on pages 32 to 37, to subscribe for ordinary shares of the Company as follows:

	Number of options	Value at date of grant	Exercise price	Exercise dates	Expiry date
LTIPs granted 2004/05	258,000	174.0p	Nil	03.10.07	N/A
LTIPs granted 2005/06	342,250	215.5p	Nil	20.07.08	N/A
Share option plan granted 2004/05	240,000	196.5p	196.5p	01.02.08	31.12.08
Share option plan granted 2005/06	265,000	215.5p	215.5p	03.08.08	30.06.09
SAYE scheme 2004/05	928,621	174.0p	165.3p	01.11.07	30.04.08
SAYE scheme 2005/06	259,536	204.5p	194.3p	01.09.08	28.02.09

Further details of employee share incentive plans are given in note 26 to the Group financial statements.

12. Reconciliation of movements in shareholders' funds

	Issued capital £000	Share premium £000	Treasury shares £000	Capital redemption £000	Retained earnings £000	Hedge reserve £000	Restated Total equity £000
At 1 April 2004	278	2,376	-	-	8,647	-	11,301
Conversion of shares pre IPO	1,835	(1,835)	-	-	-	-	-
Redemption of shares pre IPO	(262)	-	-	274	(12)	-	-
Issue of shares on IPO	945	28,442	-	-	-	-	29,387
Initial Public Offering costs	-	(1,682)	-	-	-	-	(1,682)
Investment in own shares by EBT	-	-	(10)	-	-	-	(10)
Profit for the year	-	-	-	-	1,996	-	1,996
Share-based payment charges*	-	-	-	-	142	-	142
Dividend**	-	-	-	-	(347)	-	(347)
At 31 March 2005 (restated)	2,796	27,301	(10)	274	10,426	-	40,787
Effect of adopting FRS 25 and FRS 26 ***	-	-	-	-	-	(9)	(9)
At 1 April 2005 (restated)	2,796	27,301	(10)	274	10,426	(9)	40,778
Net loss on interest rate hedges	-	-	-	-	-	(51)	(51)
Issue of shares	-	8	-	-	-	-	8
Issue of shares by EBT on exercise of options		-	1	-	(1)	-	-
Profit for the year	-	-	-	-	6,350	-	6,350
Share-based payment charges	-	-	-	-	450	-	450
Equity dividends	-	-	-	-	(3,246)	-	(3,246)
At 31 March 2006	2,796	27,309	(9)	274	13,979	(60)	44,289

In preparing the financial statements for the year ended 31 March 2006, the Company has adopted the following new accounting standards:

*** FRS 20 – Share-based payment**
Under FRS20, the cost of the employee share schemes, including the SAYE schemes, is measured on the fair value of the awards using an option pricing model and expensed on a straight-line basis over the vesting period. Prior to this, the charge in respect of the SAYE schemes was exempt. The effect of adopting FRS 20 was to increase the previously reported share-based payment charges from £65,000 to £142,000.

****FRS 21 – Events after the balance sheet date**
Under FRS 21, dividends are only recognised as a liability in the period in which they are declared. As such the final proposed dividend in respect of the year ended 31 March 2005 amounting to £2,143,000 is no longer accrued.

*****FRS 25 - Financial Instruments: Disclosure and Presentation and FRS 26 – Financial Instruments: Measurement**
As noted in the accounting policies, the Company has elected to apply FRS 25 and FRS 26 prospectively from 1 April 2005 and, as permitted by FRS 26, the comparative information for the year ended 31 March 2005 has not been restated. The impact of adopting FRS 26 was a decrease in equity of £9,000.

13. Derivatives and other financial statements

The Company's principal financial instruments, other than derivatives, comprise bank loans and cash. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has other financial instruments such as trade creditors that arise from its operations. In addition, the Company issued shares during the year in relation to the early exercise of share options under the SAYE scheme.

The Company enters into derivative transactions in the form of interest rate swaps. The purpose is to manage interest rate risk arising from the Company's sources of finance.

Interest rate risk

The Company has Sterling denominated borrowings at floating rates of interest and uses interest rate swaps to generate the desired interest rate profile and to manage the Company's exposure to interest rate fluctuations. The Company's policy is to maintain as much of its borrowings as possible at fixed rates of interest to minimise its exposure.

Fair value of financial assets and liabilities

Set out below is a comparison by category of the fair values of the Company's financial assets and liabilities.

	Book value 2006 £000	Fair value 2006 £000	Book value 2005 £000	Fair value 2005 £000
Primary financial instruments				
Cash	**6**	**6**	78	78
Short term debt	**(5,908)**	**(5,908)**	(6,158)	(6,158)
Long term borrowings	**(19,885)**	**(19,885)**	(19,693)	(19,693)
Derivative financial instruments				
Interest rate swaps	**(60)**	**(60)**	-	(9)

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