



DisplayLink (UK) Limited
Financial Statements

For the Year Ended 31 December 2007

Registered in England & Wales Number 04811048

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DisplayLink (UK) Limited

Financial Statements

Year Ended 31 December 2007

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DisplayLink (UK) Limited

Officers and Professional Advisers

The Board of Directors

Alan Duncan
Mark Evans
Hamid Farzaneh
Martin Gibson
Henry Happel III
Martin Jackson
David Mooring

Company Secretary

Michael Ledzion

Registered Office

Mount Pleasant House
Mount Pleasant
Cambridge
CB3 0RN

Auditors

Deloitte & Touche LLP
Chartered Accountants
Cambridge

Bankers

Lloyds TSB Bank Plc
Sidney Street
Cambridge
CB2 3HQ

DisplayLink (UK) Limited

The Directors' Report

Year Ended 31 December 2007

The directors present their report and the financial statements of the company for the year ended 31 December 2007

This report has been prepared in accordance with the special provisions for small companies under s246 (4) of the Companies Act 1985

Principal Activities

Displaylink is a fabless semiconductor manufacturer, principally engaged in research and development and sales and marketing activities for its ASIC (Application Specific Integrated Circuit) chipsets and associated software, which deliver the display signal from a computer to multiple display devices via USB and other protocols

Directors

The directors who served throughout the year were -

Alan Duncan
Mark Evans
Hamid Farzaneh
Martin Gibson
Henry Happel III
Martin Jackson
David Mooring

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

DisplayLink (UK) Limited

The Directors' Report

Year Ended 31 December 2007

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Signed by order of the directors

A handwritten signature in black ink, appearing to read 'Alan Duncan', with a long horizontal flourish extending to the right.

Alan Duncan

Approved by the directors on 14 August 2008

Independent Auditors' Report to the Members of DisplayLink (UK) Limited

Year Ended 31 December 2007

We have audited the financial statements of DisplayLink (UK) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

19 August 2008

DisplayLink (UK) Limited

Profit and Loss Account

Year Ended 31 December 2007

		2007	2006
	Note	£	£
Turnover	2	2,382,004	495,497
Cost of sales		(1,021,697)	(235,972)
Gross Profit		1,360,307	259,525
Administrative expenses		(6,531,175)	(3,726,397)
Operating Loss	3	(5,170,868)	(3,466,872)
Interest receivable and similar income		208,525	116,372
Interest payable and similar charges		(2,178)	-
Loss on Ordinary Activities Before Taxation		(4,964,521)	(3,350,500)
Tax on loss on ordinary activities	5	381,906	307,135
Loss for the Financial Year	14	(4,582,615)	(3,043,365)

The notes on page 5 form part of these financial statements.

DisplayLink (UK) Limited

Balance Sheet

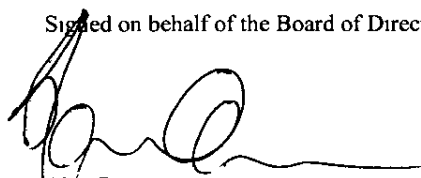
31 December 2007

	Note	2007 £	2006 £
Fixed Assets			
Tangible assets	6	572,456	363,270
Current Assets			
Stock	7	-	22,207
Debtors	8	1,626,302	782,643
Short Term Investments – cash held on deposit		10,767,847	3,700,000
Cash at bank and in hand		1,789,734	217,258
		14,183,883	4,722,108
Creditors: Amounts Falling due Within One Year	9	(728,195)	(713,713)
Net Current Assets		13,455,688	4,008,395
Total Assets Less Current Liabilities		14,028,144	4,371,665
Creditors: Amounts Falling due after More than One Year	10	(971,048)	(245,789)
Net assets		13,057,096	4,125,876
Capital and Reserves			
Called-up share capital	13	9,337,223	9,337,223
Capital contribution	14	13,513,835	-
Profit and loss account	14	(9,807,877)	(5,225,262)
Other Reserves	14	13,915	13,915
Shareholders' funds	15	13,057,096	4,125,876

These financial statements have been prepared in accordance with the special provisions for small companies under s246 Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007)

These financial statements were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors by -


Alan Duncan
Director

14/8/08
Date

The notes on page 6 form part of these financial statements.

DisplayLink (UK) Limited

Notes to the Financial Statements

Year Ended 31 December 2007

1. Accounting Policies

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007). The particular accounting policies adopted are described below.

Accounting Convention

The financial statements are prepared under the historical cost convention.

DisplayLink (UK) Limited is a wholly owned subsidiary of DisplayLink Corp who will continue to support the company for the foreseeable future.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Tangible Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Research and Development Equipment	- 25% straight line
Research and Development Software	- lower of the expected life of the software or 33% straight line
Fixtures and Fittings	- 25% straight line
Computer Equipment	- 50% straight line
Office software	- 25% straight line

The useful economic life in respect of Research and Development Software has been changed during the year from 25% straight line to the above basis. The directors feel that this reflects more accurately the expectation of the useful economic life of such assets (i.e. in line with Research and Development product lifecycles). The effect of the change does not materially alter the current or prior year profit and loss result.

Production tooling has not been depreciated until the assets are brought into use.

Lease agreements

Operating leases Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Finance leases assets held under finance leases are recognised as assets of the company at their fair value, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance charges are charged directly to the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Taxation

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

Deferred 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 exception:

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.

DisplayLink (UK) Limited

Notes to the Financial Statements

Year Ended 31 December 2007

1. Accounting Policies (continued)

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Cash Flow Statement

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with Financial Reporting Standard No. 1 (revised) on the basis that it is a small company.

2. Turnover and income recognition

Turnover represents the invoiced amounts for goods and services sold and provided, net of value added tax. The company recognises revenue for product sales when title transfers and risk of loss has passed to the customer, which is generally upon shipment of product to the customer. However, the company does not recognise revenue until any right of return has expired or it can reasonably estimate the likely level of returns.

The percentage of turnover attributable to markets outside the UK is 100% (2006 – 100%).

3. Operating Loss

Operating loss is stated after charging

	2007 £	2006 £
Operating lease rentals - other	154,414	92,670
Pension contributions	153,840	125,472
Depreciation of owned tangible fixed assets	211,241	84,022
Depreciation of leased tangible fixed assets	10,385	13,269
Fees payable to the company's auditors for the audit of the company's annual accounts	15,000	9,000

4. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2007 £	2006 £
Aggregate emoluments	-	46,744
Value of company pension contributions to money purchase schemes	-	7,997
	-	54,741

DisplayLink (UK) Limited

Notes to the Financial Statements

Year Ended 31 December 2007

5 Tax on loss on ordinary activities

	2007 £	2006 £
Current tax credit		
Research and Development tax credit @ 16%	444,766	307,135
Adjustments in respect of prior years	(62,860)	-
	<u>381,906</u>	<u>307,135</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2006 – 30%) The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation

	2007 £	2006 £
Loss on ordinary activities before tax	4,964,521	3,350,500
Tax on loss on ordinary activities at standard rate	1,489,356	1,005,150
Factors affecting the charge		
Disallowable expenses	(3,595)	(5,554)
Tax losses carried forward	(863,316)	(586,493)
Capital allowances in deficit of depreciation	(66,488)	(29,187)
Other timing differences	-	3
Research and development tax credit enhancement	(111,191)	(76,784)
Adjustment in respect of prior years	(62,860)	-
Current tax credit for the year	381,906	307,135

The tax credit of £381,906 (2006 - £307,135) results from research and development tax credit claims

Factors affecting future tax charges

In March 2007, the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008 This legislation was substantively enacted in June 2007 The effective tax rate for the year ended 31 December 2008 is expected to reduce accordingly

DisplayLink (UK) Limited

Notes to the Financial Statements

Year Ended 31 December 2007

6 Tangible Fixed Assets

	Research and Development Equipment £	Research and Development Software £	Fixtures and Fittings £	Office Software £	Office IT Equipment £	Production Tooling £	Total £
Cost							
At 1 January 2007	98,671	215,604	107,785	11,475	72,150	-	505,685
Additions	27,106	154,443	123,968	-	13,056	112,239	430,812
At 31 December 2007	125,777	370,047	231,753	11,475	85,206	112,239	936,497
Depreciation							
At 1 January 2007	21,944	29,383	44,250	2,007	44,831	-	142,415
Charge for the year	24,112	115,150	50,912	2,869	28,583	-	221,626
At 31 December 2007	46,056	144,533	95,162	4,876	73,414	-	364,041
Net Book Value							
At 31 December 2007	79,721	225,514	136,591	6,599	11,792	112,239	572,456
At 31 December 2006	76,727	186,221	63,535	9,468	27,319	-	363,270

Included within Research and Development Equipment are assets with a net book value amounting to £30,482 (2006 - £67,491) held under hire purchase contracts and finance lease arrangements

7. Stock

	2007 £	2006 £
Finished Goods	-	22,207

8 Debtors

	2007 £	2006 £
Trade debtors	471,379	301,368
Other debtors	1,154,923	481,275
	1,626,302	782,643

All amounts are due within one year

DisplayLink (UK) Limited

Notes to the Financial Statements

Year Ended 31 December 2007

9. Creditors: Amounts Falling due Within One Year

	2007 £	2006 £
Trade creditors	373,476	406,141
Obligations under finance leases	17,416	17,416
Other taxes and social security	153,254	73,156
Other creditors	184,049	120,976
Deferred revenue	-	96,024
	<u>728,195</u>	<u>713,713</u>

Obligations under finance leases are secured on the assets concerned

10 Creditors: Amounts Falling due after More than One Year

	2007 £	2006 £
Obligations under finance leases	4,427	39,753
Amounts owed to group undertakings	966,621	206,036
	<u>971,048</u>	<u>245,789</u>

The amounts owed to group undertakings represented amounts owed to the immediate and ultimate parent undertaking, DisplayLink Corp

11 Commitments under Operating Leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007 £	2006 £
Operating leases which expire		
Within 1 year	2,029	39,729
Within 2 – 5 years	168,070	76,821
	<u>170,099</u>	<u>116,550</u>

12. Related Party Transactions

During the year, the company was charged £737,628 (2006 - £229,020) in sales and marketing costs incurred on its behalf by its parent undertaking. The amounts owing at the year end are included within Amounts owed to group undertakings under Note 10

DisplayLink (UK) Limited

Notes to the Financial Statements

Year Ended 31 December 2007

13 Share Capital

Authorised share capital

	2007 £	2006 £
Ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>

Allotted, called up and fully paid:

	2007 No.	2006 No.	2007 £	2006 £
Ordinary shares of £1 each	<u>9,337,223</u>	<u>9,337,223</u>	<u>9,337,223</u>	<u>9,337,223</u>

14 Movements in Reserves

	Capital Contribution £	Other Reserves £	Profit and Loss Account £
At 1 January 2007	-	13,915	(5,225,262)
Loss for the financial year	-	-	(4,582,615)
Capital contributions	13,513,835	-	-
At 31 December 2007	<u>13,513,835</u>	<u>13,915</u>	<u>(9,807,877)</u>

15 Reconciliation of Movements in Shareholders' Funds

	2007 £	2006 £
Issue of share capital at par	-	5,408,621
Capital contributions	13,513,835	-
Loss for the financial year	(4,582,615)	(3,043,365)
Net addition to shareholders' funds	<u>8,931,220</u>	<u>2,365,256</u>
Opening shareholders' funds	<u>4,125,876</u>	<u>1,760,620</u>
Closing shareholders' funds	<u>13,057,096</u>	<u>4,125,876</u>

DisplayLink (UK) Limited

Notes to the Financial Statements

Year Ended 31 December 2007

16 Deferred tax

	Provided 2007 £	2006 £	Not provided 2007 £	2006 £
Depreciation in advance of capital allowances	(66,540)	(52)	-	-
Other timing differences	(3,826)	-	-	-
Trading losses	70,366	52	1,972,698	1,098,383
	<u>-</u>	<u>-</u>	<u>1,972,698</u>	<u>1,098,383</u>

A deferred tax asset has not been recognised in respect of trading losses as the company cannot determine with any certainty the level of taxable profits arising within the immediate future which will utilise the trading losses

17 Financial Commitments

Capital commitments are as follows

	2007 £	2006 £
Contracted but not provided for	<u>131,019</u>	<u>21,460</u>

18 Ultimate Parent Undertaking and Controlling Party

The immediate and ultimate parent company is DisplayLink Corp, a company registered in the United States of America

The directors consider that the DisplayLink Corp is the ultimate controlling party and is the smallest and largest group in which the results of the company are consolidated. The financial statements of DisplayLink Corp are not publicly available