

Plasmon Data Systems Limited

**Annual report
for the year ended 31 March 2004**

Registered Number: 1793678



Plasmon Data Systems Limited

Annual report for the year ended 31 March 2004

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Plasmon Data Systems Limited

Directors' report for the year ended 31 March 2004

The directors present their report and the audited financial statements for the year ended 31 March 2004.

Principal activities and review of business

The company is involved in the development and manufacture of optical disk media for the computer and related industries.

The profit and loss account for the year is set out on page 6 and the directors expect the business to grow in the forthcoming year.

Results and dividends

The company made a loss after taxation for the year ended 31 March 2004 of £240,000 (2003: profit of £227,000). The directors do not recommend the payment of a dividend (2003: £nil) and accordingly the loss for the financial year of £240,000 (2003: profit of £227,000) has been transferred to reserves.

Research and development

The company is currently undertaking research and development into future optical media products. An amount of £3,049,000 was charged to the profit and loss account in respect of research and development expenditure for the year ended 31 March 2004 (2003: £3,062,000).

Directors and their interests

The directors who held office during the year were as follows:

N Street	(Chairman)
T Arthur	
R J Longman	

No director had an interest in the company's share capital at either 31 March 2003 or at 31 March 2004.

The interests of N Street and T Arthur in the shares of Plasmon Plc are disclosed in that company's financial statements.

Plasmon Data Systems Limited

Directors' report for the year ended 31 March 2004 (Continued)

Directors and their interests (Continued)

Interests in options over Plasmon Plc ordinary shares of 5p each

Exercise price	At 1 April 2003	Exercised in year	Lapsed	At 31 March 2004	Period within which options are exercisable
RJ Longman					
125p each	58,000	-	(58,000)	-	22 May 1996 and 21 May 2003
250p each	20,000	-	(20,000)	-	22 May 1996 and 21 May 2003
46.5p each	25,000	(25,000)	-	-	15 Nov 2000 and 14 Nov 2004
77p each	105,000	(105,000)	-	-	13 Jan 2002 and 12 Jan 2009
137p each	17,500	-	-	17,500	5 Aug 2002 and 4 Aug 2009
76.5p each	250,000	-	-	250,000	21 Dec 2004 and 20 Dec 2011
	<u>475,500</u>	<u>(130,000)</u>	<u>(78,000)</u>	<u>267,500</u>	

The market price of Plasmon Plc's shares at the end of the financial year was 219p and the range of market prices during the year was between 89p and 265p.

The exercise of those options with exercise prices of 46.5p, 77p and 137p is conditional upon both of the following conditions being met:

- Earnings per share for the Plasmon Group over any three consecutive years following grant must have grown by an average of at least 6 percentage points above inflation. The earnings per share criteria will be adjusted to remove the impact of the UDO programme; and
- Plasmon Group profits for any financial year before interest and tax (for the 46.5p options) or before goodwill amortisation, interest and tax (for the 77p and 137p options) excluding exceptionals must have exceeded £1,000,000 (for the 46.5p options) or £2,500,000 (for the 77p and 137p options).

The options with exercise prices of 76.5p require the launch of UDO drivers and media before the options can be exercised.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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 for that period.

The directors confirm that suitable accounting policies have been applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregular activities.

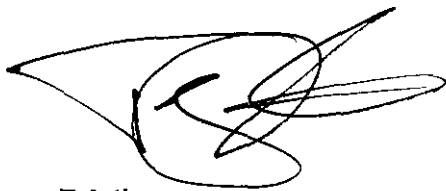
Plasmon Data Systems Limited

Directors' report for the year ended 31 March 2004 (Continued)

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'T Arthur', written over a circular stamp or seal.

T Arthur
Company Secretary
17 January 2005

Plasmon Data Systems Limited

Independent auditors' report to the members of Plasmon Data Systems Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Plasmon Data Systems Limited

Independent Auditors' report to the members of Plasmon Data Systems Limited (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "PwC LLP", is written across the page.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 January 2005

Plasmon Data Systems Limited

Profit and loss account for the year ended 31 March 2004

		2004 £'000	2003 £'000
Turnover	2	9,240	9,942
Cost of sales		(5,708)	(4,731)
Gross profit		3,532	5,211
Product development expenses		(3,049)	(3,062)
Administrative expenses		(44)	(483)
Operating profit		439	1,666
Interest payable	5	(578)	(1,106)
(Loss)/profit on ordinary activities before taxation	6	(139)	560
Taxation on loss/profit on ordinary activities	7	(101)	(333)
Retained (loss)/profit for the financial year	19	(240)	227

The company has no recognised gains and losses other than the losses/profits above and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

All turnover and operating profit are derived from continuing operations.

Plasmon Data Systems Limited

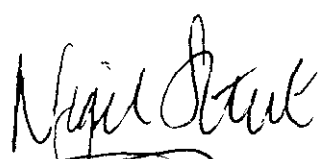

Balance sheet at 31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Goodwill	8	315	382
Intangible fixed assets	8	120	189
Tangible fixed assets	9	22,308	20,989
Investments	10	768	768
		23,511	22,328
Current assets			
Stocks	11	2,335	2,499
Debtors	12	3,369	3,762
Cash at bank and in hand		44	180
		5,748	6,441
Creditors: amounts falling due within one year	13	(15,234)	(13,856)
Net current liabilities		(9,486)	(7,415)
Total assets less current liabilities		14,025	14,913
Creditors: amounts falling due after more than one year	14	(6,986)	(7,674)
Provisions for liabilities and charges	16	(507)	(467)
Net assets		6,532	6,772
Capital and reserves			
Called up share capital	18	5,000	5,000
Share premium account	19	5,000	5,000
Profit and loss account	19	(3,468)	(3,228)
Equity shareholders' funds	20	6,532	6,772

The financial statements on pages 6 to 20 were approved by the board of directors and were signed on its behalf by:

N Street

)
) Directors

T Arthur

17 January 2005

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis of accounting. The Company is reliant on the continuing financial support of Plasmon Plc, its parent company. Plasmon Plc has indicated its willingness to continue to support the company for the foreseeable future.

Turnover

Turnover, which excludes trade discounts, represents the invoiced value of goods and services net of value added tax. Turnover in respect of the sale of goods is recognised when the goods are dispatched to the customer whilst turnover in respect of the sale of services is recognised over the period the related work is performed for short term arrangements, or in the case of longer term development work, in proportion to the costs of the development work undertaken. Turnover in respect of royalties receivable is recognised on an accruals basis as earned.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Foreign currency trading transactions are translated at the rates ruling at the time of the transaction. All foreign currency exchange differences are dealt with in the profit and loss account for the year.

Deferred taxation

FRS 19 requires companies to provide for deferred tax in full at the rate of tax expected to apply when timing differences reverse. Deferred tax assets are recognised only to the extent that they are considered recoverable in the future. Assets or liabilities that may not be realised for a number of years can be discounted to their net present value, at a rate equivalent to the government bond rate of a similar maturity; the company has not opted to discount such amounts.

Development expenditure

Expenditure on research or development is written off as incurred.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

Purchased goodwill

Goodwill arising on acquisitions represents the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired.

Purchased goodwill has been capitalised as an intangible asset and is being amortised over its useful life that is estimated to be 10 years.

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of assets manufactured in house includes directly attributable overheads.

Depreciation is provided on fixed assets when placed into effective use, on a straight-line basis, at rates calculated to reduce each asset at the end of its effective useful life, to its estimated net realisable value. The rates used are as follows:

Land	Not depreciated
Buildings	2%
Building improvements	4%
Leasehold improvements	20%
Office equipment	20% - 33%
Motor vehicles	25%
Research and development, manufacturing and test equipment	10% - 25%

Initial depreciation of the UDO media manufacturing assets has been calculated on a unit of production basis.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises expenditure incurred in bringing stocks and work in progress to their present location and condition. Net realisable value represents the estimated selling price less further production costs to completion and appropriate selling and distribution costs. Provision is made where necessary for obsolete, slow-moving and defective stocks.

Leased assets

Assets acquired under finance leases and hire purchase agreements are capitalised and depreciated over the shorter of the lease term and the useful life of the asset. The capital element is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic charge on the remaining balance outstanding for each accounting period.

Rental payments under operating leases are charged to the profit and loss account on a straight-line basis.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

Licenses

Licenses acquired for use in proprietary software or manufacturing processes are capitalised at cost. Amortisation commences when the related product is commercially launched with the cost being amortised on a straight-line basis over the expected life-cycle of the product. Current licences are being amortised over 5 years.

Fixed asset investments

Fixed asset investments are stated at cost less any amount written off to reflect a permanent impairment.

Pension costs

Pension costs represent contributions payable to the group's defined contribution pension scheme and employees' personal pension plans and are charged on an accruals basis in line with the amounts payable in respect of the accounting period.

Cash flow statement

As a wholly owned subsidiary of Plasmon Plc the company is exempt from the requirement to publish a cash flow statement.

2 Turnover

	2004 £'000	2003 £'000
By Geographical Region		
United Kingdom	949	1,034
Rest of Europe	3,984	4,196
United States of America	3,531	4,709
Rest of World	776	3
Total	9,240	9,942

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

3 Employee information

The average weekly number of employees (including directors) during the year was as follows:-

	2004 Number	2003 Number
Manufacturing, research and development	108	115
<hr/>		
	2004 £'000	2003 £'000
Staff costs		
Wages and salaries	3,183	3,180
Social security costs	333	313
Other pension costs (see note 23)	191	201
	3,707	3,694

4 Directors' remuneration

	2004 £'000	2003 £'000
Aggregate emoluments	143	148
Company pension contributions to money purchase schemes	16	16
<hr/>		
	2004 £'000	2003 £'000
Highest paid director		
Aggregate emoluments	143	148
Company pension contributions to money purchase schemes	16	16

Of the directors whose emoluments are disclosed above, retirement benefits are accruing to 1 director (2003: 1 director) under the company's defined contribution scheme.

In the year to 31 March 2004 2 directors (2003: 2 directors) were remunerated by other Plasmon Group companies and no specific allocation of their remuneration has been made in respect of their services to this company.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

5 Interest payable

	2004 £'000	2003 £'000
Interest payable on finance leases	232	160
Interest payable on bank loans	407	196
Interest (receivable)/payable on amounts owed to group undertakings	(61)	750
	578	1,106

6 Loss/profit on ordinary activities before taxation

	2004 £'000	2003 £'000
Loss/profit on ordinary activities before taxation is stated after (crediting)/charging:		
Depreciation - leased assets	1,141	1,035
Depreciation - owned assets	1,386	1,596
Amortisation	136	137
Foreign exchange (gains)/losses	185	(194)
Fees paid to auditors for audit	21	21
Research and development expenditure	3,049	3,062
Gain on disposal of fixed assets	-	(39)
Operating lease payments for land and buildings	-	141
Operating lease payments for plant and machinery	171	171

7 Taxation

(a) Analysis of tax charge in the year:

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003: 30%)		
Current	-	-
Deferred	40	320
Under /(over) provision in respect of prior years – current	-	13
	40	333
Overseas taxation		
Current	61	-
Tax charge on profit on ordinary activities	101	333

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

7 Taxation (Continued)

(b) Factors affecting tax charge for the period:

	2004 £'000	2003 £'000
(Loss)/profit on ordinary activities before tax	(139)	560
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(42)	168
Effects of:		
Adjustments to tax in respect of the prior period	-	13
Expenses not deductible for tax purposes	68	(57)
Enhanced deduction for research and development	(118)	-
Losses claimed as group relief	1,139	189
Overseas tax	61	-
Difference between capital allowance and depreciation	(1,047)	(300)
Current tax charge/(credit) for period	61	13

8 Intangible fixed assets

	Development expenditure £'000	Software code licenses £'000	Purchased goodwill £'000	Total £'000
Cost				
At 1 April 2003	583	348	665	1,596
At 31 March 2004	583	348	665	1,596
Amortisation				
At 1 April 2003	583	159	283	1,025
Charge for the year	-	69	67	136
At 31 March 2004	583	228	350	1,161
Net book value				
At 31 March 2004	-	120	315	435
At 31 March 2003	-	189	382	571

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

9 Tangible fixed assets

	Freehold land and buildings £'000	Improvements to short leasehold land and buildings £'000	Office equip- ment £'000	Motor vehicles £'000	Manu- facturing owned £'000	Constru- ction in progress £'000	Manu- facturing leased £'000	Total £'000
Cost								
At 1 April 2003	8,144	579	1,673	42	12,825	6,348	9,522	39,133
Additions	4	2	38	20	211	2,941	630	3,846
Transfers from CIP	-	-	-	-	5,108	(8,196)	3,088	-
At 31 March 2004	8,148	581	1,711	62	18,144	1,093	13,240	42,979
Depreciation								
At 1 April 2003	194	528	1,310	13	9,585	-	6,514	18,144
Charge for year	126	19	127	9	1,114	-	1,132	2,527
At 31 March 2004	320	547	1,437	22	10,699	-	7,646	20,671
Net book value								
At 31 March 2004	7,828	34	274	40	7,445	1,093	5,594	22,308
At 31 March 2003	7,950	51	363	29	3,240	6,348	3,008	20,989

The above includes leased assets with a cost of £13,302,000 (2003: £10,792,000) and a net book value of £5,634,000 (2003: £4,270,000). Depreciation of £1,141,000 (2003: £1,035,000) has been charged against these assets in the year.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

10 Fixed asset investments

	Investment in group subsidiary undertaking £'000
Cost and net book value	
At 1 April 2003 and 31 March 2004	768

The investment represents a 100% shareholding in Plasmon OMS Sarl. This company is involved in the development and production of CD/DVD masters and stampers for the volume optical replication industry and is registered in France.

The company is exempt under s288 of the Companies Act 1985 from the requirements to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Plasmon Plc, a company incorporated in England and Wales.

11 Stocks

	2004 £'000	2003 £'000
Raw materials and consumables	614	304
Work in progress	55	178
Finished goods and goods for resale	1,666	2,017
	2,335	2,499

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

12 Debtors

	2004 £'000	2003 £'000
Trade debtors	437	397
Amounts owed by group undertakings	2,251	2,705
Other taxation and social security	59	-
Corporation tax	-	14
Other debtors	-	-
Prepayments and accrued income	622	646
	3,369	3,762

13 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Bank overdraft	1,040	77
Bank loans	1,277	1,294
Trade creditors	499	294
Obligations under finance leases	1,363	954
Amounts owed to group undertakings	10,340	10,644
Other taxation and social security	167	125
Other creditors	-	1
Accruals and deferred income	548	467
	15,234	13,856

The bank overdraft is secured by a fixed and floating charge over all the company's assets and has been guaranteed by other group companies.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

14 Creditors: amounts falling due after more than one year

	2004 £'000	2003 £'000
Due within one to two years:		
Bank loans	1,271	1,295
Obligations under finance leases	1,201	804
Due within two to five years:		
Bank loans	880	1,916
Obligations under finance leases	1,257	863
Due after five years:		
Bank loans	2,377	2,796
	6,986	7,674

15 Lease commitments

Obligations under finance leases are repayable as follows:

	2004 £'000	2003 £'000
Within one year	1,363	954
Within one to two years	1,201	804
Within two to five years	1,257	863
	3,821	2,621

Obligations under operating leases payable in the next year where the commitment expires as follows:

	2004 £'000	2003 £'000
Within one year	-	171
Within two to five years	-	-
	-	171

All operating leases relate to manufacturing equipment.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

16 Provisions for liabilities and charges

	Deferred taxation provision £'000
At 1 April 2003	467
Charged to profit and loss account	40
At 31 March 2004	507

17 Deferred taxation

The deferred tax liability of £507,000 (2003: £467,000) relates to accelerated capital allowances.

There are no potential deferred tax assets or liabilities.

18 Called up share capital

	2004 £'000	2003 £'000
Authorised		
10,000,000 ordinary shares of £1 each (2003: 10,000,000)	10,000	10,000
Allotted, called up and fully paid		
5,000,100 ordinary shares of £1 each (2003: 5,000,100)	5,000	5,000

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

19 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 April 2003	5,000	(3,228)	1,772
Issue of share capital	-	-	-
Loss for the financial year	-	(240)	(240)
At 31 March 2004	5,000	(3,468)	1,532

20 Reconciliation of movements in equity shareholders' funds/(deficit)

	2004 £'000	2003 £'000
Opening equity shareholders' funds/(deficit)	6,772	(3,455)
(Loss)/profit for the financial year	(240)	227
Issue of share capital	-	10,000
Closing equity shareholders' funds	6,532	6,772

21 Capital commitments

At 31 March 2004 the company had commitments contracted for but not provided of £168,000 (2003: £500,000).

22 Contingent liabilities

The company is party to a cross guarantee incorporating Plasmon Plc, Allstor Software Limited and Plasmon Data Limited covering outstanding bank overdrafts and loans. At 31 March 2004, £3,290,000 was outstanding (2003: £3,765,000).

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2004 (Continued)

23 Pension commitments

The company has a number of different pension commitments, all of which are of a money purchase nature. As well as a company defined contribution scheme, the company also makes contributions to the pension plans of certain employees, most of which are part of a Group Personal Pension Plan arrangement. The total cost of the company's pension commitments was £191,000 (2003: £201,000).

24 Related party transactions

In accordance with Financial Reporting Standard Number 8: Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the Plasmon Group as it is a wholly owned subsidiary of Plasmon Plc which publishes consolidated financial statements.

25 Ultimate parent company

The company is a wholly owned member of the Plasmon Group whose immediate and ultimate parent company and controlling party is Plasmon Plc, a company registered in England and Wales. Copies of the consolidated financial statements of Plasmon Plc can be obtained from The Company Secretary, Plasmon Plc, Whiting Way, Melbourn, Nr Royston, Hertfordshire, SG8 6EN.