

Plasmon Data Systems Limited

**Annual report
for the year ended 31 March 2005**

Registered Number: 1793678



Plasmon Data Systems Limited

Annual report for the year ended 31 March 2005

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Plasmon Data Systems Limited

Directors' report for the year ended 31 March 2005

The directors present their report and the audited financial statements for the year ended 31 March 2005.

Principal activities and review of business

The company is involved in the development and manufacture of optical disk media and software solutions 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 2005 of £2,491,000 (2004: £240,000). The directors do not recommend the payment of a dividend (2004: £nil) and accordingly the loss for the financial year of £2,491,000 (2004: £240,000) has been transferred to reserves.

Research and development

The company is currently undertaking research and development into future optical media and software products. An amount of £2,473,000 was charged to the profit and loss account in respect of research and development expenditure for the year ended 31 March 2005 (2004: £3,049,000).

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 2004 or at 31 March 2005.

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 2005 (Continued)

Directors and their interests (Continued)

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

Exercise price	At 1 April 2004 Number	At 31 March 2005 Number	Period within which options are exercisable
R J Longman			
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>267,500</u>	<u>267,500</u>	

The market price of Plasmon Plc's shares at the end of the financial year was 120p and the range of market prices during the year was between 120p and 220p.

The exercise of those options with the exercise price of 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 goodwill amortisation, interest and tax excluding exceptionals must have exceeded £2,500,000.

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

Statement of 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 of the company 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 2005. 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 2005 (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 horizontal line.

T Arthur
Company Secretary

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.

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 report, including the opinion, has been prepared for and only for the company's members as a body 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 into whose hands it may come save where expressly agreed by our prior 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.

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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Cambridge
25 January 2006

Plasmon Data Systems Limited

Profit and loss account for the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	6,889	9,240
Cost of sales		(6,341)	(5,708)
Gross profit		548	3,532
Product development expenses		(2,473)	(3,049)
Administrative expenses		(138)	(44)
Exceptional administrative costs	5	(339)	-
		(477)	(44)
Operating (loss)/profit		(2,402)	439
Net interest payable	6	(580)	(578)
Loss on ordinary activities before taxation	7	(2,982)	(139)
Tax on loss on ordinary activities	8	491	(101)
Loss for the financial year	20, 21	(2,491)	(240)

The company has no recognised gains and losses other than those included in the losses set out above and therefore no separate statement of total 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 (losses) / profits are derived from continuing operations.

Plasmon Data Systems Limited

Balance sheet at 31 March 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	299	435
Tangible assets	10	21,330	22,308
Investments	11	768	768
		22,397	23,511
Current assets			
Stocks	12	2,880	2,335
Debtors	13	5,732	3,369
Cash at bank and in hand		24	44
		8,636	5,748
Creditors: amounts falling due within one year	14	(22,170)	(15,234)
Net current liabilities		(13,534)	(9,486)
Total assets less current liabilities		8,863	14,025
Creditors: amounts falling due after more than one year	15	(4,822)	(6,986)
Provisions for liabilities and charges	17	-	(507)
Net assets		4,041	6,532
Capital and reserves			
Called up share capital	19	5,000	5,000
Share premium account	20	5,000	5,000
Profit and loss account	20	(5,959)	(3,468)
Equity shareholders' funds	21	4,041	6,532

The financial statements on pages 6 to 20 were approved by the board of directors on 25 January 2006 and were signed on its behalf by:


Nigel Street

) Directors

T Arthur


)

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2005

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 despatched 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

Financial Reporting Standard (FRS) 19, "Deferred tax", 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 and development is written off as incurred.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2005 (Continued)

1 Principal accounting policies (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 fixed asset and is being amortised on a straight-line basis over its useful life that is estimated to be 10 years.

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation.

With the exception of the UDO media manufacturing equipment, depreciation is provided on fixed assets, on a straight-line basis, at rates calculated to reduce each asset to its estimated net realisable value at the end of its effective useful life. 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%

Depreciation of the UDO media manufacturing assets is being 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 2005 (Continued)

1 Principal accounting policies (Continued)

Licences

Licences 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

	2005	2004
	£'000	£'000
By destination:		
United Kingdom	1,233	949
Rest of Europe	2,996	3,984
United States of America	2,562	3,531
Rest of World	98	776
	<hr/> 6,889	<hr/> 9,240

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Notes to the financial statements for the year ended 31 March 2005 (Continued)

3 Employee information

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

	2005 Number	2004 Number
Manufacturing, research and development	110	108
	2005 £'000	2004 £'000
Staff costs for the above employees:		
Wages and salaries	3,319	3,183
Social security costs	355	333
Other pension costs (see note 24)	198	191
	3,872	3,707

4 Directors' remuneration

	2005 £'000	2004 £'000
Aggregate emoluments	129	127
Company pension contributions to money purchase schemes	17	16
	146	143

Of the directors whose emoluments are disclosed above, retirement benefits are accruing to 1 director (2004: 1 director) under the company's defined contribution scheme.

In the year to 31 March 2005, 2 directors (2004: 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.

5 Exceptional administrative costs

The exceptional operating costs, which were included in administrative expenses, during the year ended 31 March 2005 arose from a cost cutting programme completed in 2004 and the write-off of some obsolete inventory.

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Notes to the financial statements for the year ended 31 March 2005 (Continued)

6 Net interest payable

	2005 £'000	2004 £'000
Interest payable on finance leases	120	232
Interest payable on bank loans	489	407
Interest receivable on amounts owed to group undertakings	(29)	(61)
	580	578

7 Loss on ordinary activities before taxation

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation - leased assets	1,158	1,141
- owned assets	1,304	1,386
Amortisation on intangible fixed assets	136	136
Foreign exchange losses	61	185
Fees paid to auditors for audit	21	21
Operating lease payments for plant and machinery	56	171

8 Tax on loss on ordinary activities

(a) Analysis of tax (credit)/charge in the year:

	2005 £'000	2004 £'000
UK corporation tax at 30% (2004: 30%)		
Current	-	-
Deferred - Origination and reversal of timing differences	(507)	40
	(507)	40
Overseas taxation		
Current	16	61
Tax (credit) / charge on loss on ordinary activities	(491)	101

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Notes to the financial statements for the year ended 31 March 2005 (Continued)

8 Tax on loss on ordinary activities (Continued)

(b) Factors affecting tax charge for the period:

The tax charge for the period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation	(2,982)	(139)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	(895)	(42)
Effects of:		
Expenses not deductible for tax purposes	(265)	68
Enhanced deduction for research and development	-	(118)
Losses claimed as group relief	-	1,139
Overseas taxation	16	61
Difference between capital allowances and depreciation	1,160	(1,047)
Current tax charge for the period	16	61

9 Intangible fixed assets

	Development expenditure £'000	Software code licences £'000	Purchased goodwill £'000	Total £'000
Cost				
At 1 April 2004 and 31 March 2005	583	348	665	1,596
Amortisation				
At 1 April 2004	583	228	350	1,161
Charge for the year	-	70	66	136
At 31 March 2005	583	298	416	1,297
Net book value				
At 31 March 2005	-	50	249	299
At 31 March 2004	-	120	315	435

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Notes to the financial statements for the year ended 31 March 2005 (Continued)

10 Tangible fixed assets

	Freehold land and buildings £'000	Improvements to short leasehold land and buildings £'000	Office equipment £'000	Motor vehicles £'000	Manu- facturing owned £'000	Constru- ction in progress £'000	Manu- facturing leased £'000	Total £'000
Cost								
At 1 April 2004	8,148	581	1,711	62	18,144	1,093	13,240	42,979
Additions	-	-	49	18	275	697	444	1,483
Transfers from								
CIP	-	-	-	-	1,096	(1,083)	(13)	-
At 31 March								
2005	8,148	581	1,760	80	19,515	707	13,671	44,462
Depreciation								
At 1 April 2004	320	547	1,437	22	10,699	-	7,646	20,671
Charge for year	125	17	130	19	1,031	-	1,139	2,461
At 31 March								
2005	445	564	1,567	41	11,730	-	8,785	23,132
Net book value								
At 31 March								
2005	7,703	17	193	39	7,785	707	4,886	21,330
At 31 March								
2004	7,828	34	274	40	7,445	1,093	5,594	22,308

The above includes leased assets with a cost of £13,372,000 (2004: £13,302,000) and a net book value of £4,902,000 (2004: £5,634,000). Depreciation of £1,158,000 (2004: £1,141,000) has been charged against these assets in the year.

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Notes to the financial statements for the year ended 31 March 2005 (Continued)

11 Fixed asset investments

	Investment in group subsidiary undertaking £'000
Cost and net book value	
At 1 April 2004 and 31 March 2005	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 requirement to prepare consolidated accounts as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent company, Plasmon Plc, a company incorporated in England and Wales.

12 Stocks

	2005 £'000	2004 £'000
Raw materials and consumables	992	614
Work in progress	223	55
Finished goods and goods for resale	1,665	1,666
	2,880	2,335

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Notes to the financial statements for the year ended 31 March 2005 (Continued)

13 Debtors

	2005 £'000	2004 £'000
Trade debtors	88	437
Amounts owed by group undertakings	5,188	2,251
Other taxation and social security	37	59
Prepayments and accrued income	419	622
	5,732	3,369

14 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdraft	55	1,040
Bank loans	1,450	1,277
Trade creditors	612	499
Obligations under finance leases	1,294	1,363
Amounts owed to group undertakings	16,760	10,340
Other taxation and social security	95	167
Accruals and deferred income	1,904	548
	22,170	15,234

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 2005 (Continued)

15 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Due within one to two years:		
Bank loans	279	1,271
Obligations under finance leases	1,011	1,201
Due within two to five years:		
Bank loans	850	880
Obligations under finance leases	598	1,257
Due after five years:		
Bank loans	2,084	2,377
	4,822	6,986

16 Lease commitments

Obligations under finance leases are repayable as follows:

	2005 £'000	2004 £'000
Within one year	1,294	1,363
Within one to two years	1,011	1,201
Within two to five years	598	1,257
	2,903	3,821

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

	2005 £'000	2004 £'000
Within one year	-	-
Within two to five years	56	-
	56	-

All operating leases relate to manufacturing equipment.

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2005 (Continued)

17 Provisions for liabilities and charges

	Deferred taxation provision £'000
At 1 April 2004	507
(Credited) to the profit and loss account (see note 8)	(507)
At 31 March 2005	-

18 Deferred taxation

The deferred tax liability of £Nil (2004: £507,000) relates to accelerated capital allowances (see note 17).

The potential deferred taxation assets which have not been recognised in the financial statements are shown below:

	2005 £'000	2004 £'000
Trading losses	647	-

19 Called up share capital

	2005 £'000	2004 £'000
Authorised		
10,000,000 ordinary shares of £1 each (2004: 10,000,000)	10,000	10,000
Allotted, called up and fully paid		
5,000,100 ordinary shares of £1 each (2004: 5,000,100)	5,000	5,000

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2005 (Continued)

20 Reserves

	Share Premium account £'000	Profit and loss account £'000
At 1 April 2004	5,000	(3,468)
Loss for the financial year	-	(2,491)
At 31 March 2005	5,000	(5,959)

21 Reconciliation of movements in equity shareholders' funds

	2005 £'000	2004 £'000
Opening equity shareholders' funds	6,532	6,772
Loss for the financial year	(2,491)	(240)
Closing equity shareholders' funds	4,041	6,532

22 Capital commitments

At 31 March 2005 the company had commitments contracted for but not provided of £Nil (2004: £168,000).

23 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 2005, £3,004,000 was outstanding (2004: £3,290,000).

The company is party to an unlimited Deed of Guarantee and Indemnity to Venture Finance Plc incorporating Plasmon Plc and Plasmon Data Limited to secure all loans and facilities of each other. At 31 March 2005, £1,802,000 was outstanding (2004: £2,763,000).

Plasmon Data Systems Limited

Notes to the financial statements for the year ended 31 March 2005 (Continued)

24 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 £198,000 (2004: £191,000). There were no material outstanding or prepaid contributions in respect of these arrangements at either 31 March 2005 or 31 March 2004.

25 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.

26 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.