

IMI Vision Limited

**Directors' report and financial
statements**

Registered number 4421176

For the year ended 31 December 2004



Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of IMI Vision Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholder's funds	7
Notes	8

Directors' report

The directors of IMI Vision Limited submit their annual report and the audited financial statements for the year ended 31 December 2004.

Results and dividends

The results and transfer to reserves are set out on page 5.

The directors recommend a dividend of £Nil (2003: £Nil).

Principal activities

The principal activities of the company are to seek opportunities and develop ideas for business applications for IMI plc and external companies.

Review of the business

The business has invested in technology to build and develop future income streams. License income generated amounted to £410,000 (2003: £Nil).

Research and development

During the year the company has pursued its policy of developing existing and new products.

Directors

The directors of the company during the year were as follows:

MS Johnson

RB Pointon (Resigned 1 October 2004)

M J Lamb (Appointed 1 October 2004)

The directors and their families have no interests in the shares of the company or any other subsidiary of IMI plc.

The interests of the directors serving at the year end (including the interests of their families) who are not directors of the ultimate holding company, IMI plc were:

	Ordinary shares of 25p each as at 31 December 2004	Options as at 31 December 2003	Options granted during the year
MS Johnson	9,429	3,224	3,580

The interests of M J Lamb's share capital of the ultimate holding company are shown in the financial statements of IMI plc.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'I Davis', with a stylized flourish at the end.

I Davis
Secretary

Tything Road
Alcester
Warwickshire
B49 6EU

30 September 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;*
- *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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of IMI Vision Limited

We have audited the financial statements on pages 5 to 12.

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 directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company 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 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 of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 September 2005

Profit and loss account
for the year ended 31 December 2004

	<i>Note</i>	2004 £000	2003 £000
Turnover		410	-
Cost of sales		(4,945)	(5,799)
Gross loss		(4,535)	(5,799)
Administrative expenses		(349)	(438)
Operating loss being loss on ordinary activities before taxation	2	(4,884)	(6,237)
Tax on loss on ordinary activities	3	1,510	1,902
Loss on ordinary activities after taxation being retained loss for the financial year		(3,374)	(4,335)
Retained loss brought forward		(6,791)	(2,456)
Retained loss carried forward		(10,165)	(6,791)

The company has recognised no gains or losses other than the loss for the financial year which has been wholly derived from continuing operations.

Balance sheet
as at 31 December 2004

	Note	2004	2003
		£000	£000
Fixed Assets	4	174	-
Current assets			
Debtors	5	1,882	1,899
		<u>1,882</u>	<u>1,899</u>
Creditors: amounts falling due within one year	6	(12,221)	(8,690)
		<u>(12,221)</u>	<u>(8,690)</u>
Net current liabilities		(10,339)	(6,791)
		<u>(10,339)</u>	<u>(6,791)</u>
Total assets less current liabilities		(10,165)	(6,791)
		<u>(10,165)</u>	<u>(6,791)</u>
Financed by:			
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account		(10,165)	(6,791)
		<u>(10,165)</u>	<u>(6,791)</u>
Equity shareholder's funds		(10,165)	(6,791)
		<u>(10,165)</u>	<u>(6,791)</u>

These financial statements were approved by the board of directors on 30 September 2005, on its behalf by:



MJ Lamb
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2004

	2004 £000	2003 £000
Retained loss for the financial year	(3,374)	(4,335)
Net movement in shareholder's funds	<u>(3,374)</u>	<u>(4,335)</u>
Deficit on shareholder's funds brought forward	(6,791)	(2,456)
Deficit on shareholder's funds carried forward	<u><u>(10,165)</u></u>	<u><u>(6,791)</u></u>

Notes

(forming part of the financial statements)

1 Accounting Standards and principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis. The company is reliant on the continued support of its parent company, IMI plc, which has confirmed that it will provide sufficient funds to enable the company to continue its normal trading activities and pay its debts as and when they fall due for the foreseeable future, being at least one year from the date of signing these financial statements.

Cash flow

A group cash flow statement prepared in accordance with Financial Reporting Standard 1 (revised 1996) is included in the IMI plc group financial statements and accordingly no cash flow statement is shown in these financial statements.

Turnover

Turnover represents license income, all exclusive of value added tax. License income is recorded as turnover when the technology is made available to fellow group undertakings under license. All turnover is sourced from IMI Vision Limited's intellectual property that is held in the United Kingdom.

Related parties

Transactions with other IMI plc group companies, being related parties under FRS 8, have not been disclosed in these financial statements as the company is itself a wholly owned subsidiary of that group.

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Foreign exchange

Currency differences arising on normal trading transactions in the year are written off to profit and loss account. Overseas debtors and creditors have been translated into sterling at the rate of exchange ruling at 31 December 2004 except where such amounts are covered by forward exchange contracts and translation is made at the contract rate.

Pension costs

The company is a member of a group operated defined benefit pension scheme, the assets being held in independently administered funds.

Contributions to the scheme, which is fully funded, are based on pension costs across the group as a whole. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The pension cost is assessed in accordance with the advice of independent qualified actuaries.

The company has adopted the disclosure requirements of Financial Reporting Standard No. 17.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised on all timing differences which have arisen but not reversed at the balance sheet date, except as otherwise stated by FRS 19.

Notes (continued)

2 Loss on ordinary activities before taxation

	2004 £000	2003 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Operating lease payments:		
Land and building rentals	35	29
Other rentals	21	32
Auditor's remuneration for audit services	5	4
	<u> </u>	<u> </u>

There were no non-audit fees paid to the auditors in the year.

3 Tax on loss on ordinary activities

	2004 £000	2003 £000
<i>Current tax</i>		
Group relief for the period	(1,470)	(1,863)
Adjustments in respect of prior periods	(53)	(26)
	<u> </u>	<u> </u>
	(1,523)	(1,889)
<i>Deferred tax (see note 5)</i>		
Origination and reversal of timing differences	8	(6)
Adjustments in respect of prior periods	5	(7)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	<u> </u>	<u> </u>
	(1,510)	(1,902)

Factors affecting the tax credit for the current period

The current tax credit for the year is higher (2003: higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(4,884)	(6,237)
	<u> </u>	<u> </u>
Current tax at 30% (2003: 30%)	(1,465)	(1,871)
<i>Effects of:</i>		
Prior year adjustments	(53)	(26)
Depreciation in excess of capital allowances	(7)	6
Permanent differences	2	2
	<u> </u>	<u> </u>
Total current tax	<u> </u>	<u> </u>
	(1,523)	(1,889)

Notes (continued)

4 Tangible fixed assets

	Plant and fixtures £000	Total £000
Cost		
At beginning of year	-	-
Additions	145	145
Transfers from a fellow group subsidiary	85	85
	<hr/>	<hr/>
At end of year	230	230
	<hr/>	<hr/>
Depreciation		
At the beginning of year	-	-
Transfers from a fellow group subsidiary	29	29
Charge for the year	27	27
	<hr/>	<hr/>
At end of year	56	56
	<hr/>	<hr/>
Net book value	174	174
At 31 December 2004	<hr/>	<hr/>
At 31 December 2003	-	-
	<hr/>	<hr/>

5 Debtors

	2004 £000	2003 £000
Amounts owed by group undertakings	410	-
UK group relief receivable	1,470	1,863
Deferred taxation	1	14
Other debtors	1	22
	<hr/>	<hr/>
	1,882	1,899
	<hr/>	<hr/>
Deferred taxation comprises:		
Difference between accumulated depreciation and capital allowances	1	14
	<hr/>	<hr/>

Deferred taxation amounting to £1,000 (2003: £14,000) is due after more than one year.

Notes (continued)

6 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Accruals and deferred income	188	-
Amounts owed to group undertakings	12,033	8,690
	<u>12,221</u>	<u>8,690</u>

7 Called up share capital

	2004 £	2003 £
<i>Authorised, allotted, called up and fully paid:</i>		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

8 Commitments

The company was committed to the following payments under non cancellable operating leases which expire:

	2004		2003	
	Property £000	Other £000	Property £000	Other £000
Agreement expiring within one year of the balance sheet date	-	56	-	61
One to five years	94	-	89	-
	<u>94</u>	<u>-</u>	<u>89</u>	<u>-</u>

9 Directors' remuneration

	2004 £000	2003 £000
Directors' emoluments	100	94
Pension contributions	25	17
	<u>125</u>	<u>111</u>

	Number of directors	
	2004	2003
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	1	1
	<u>1</u>	<u>1</u>

Notes (continued)

10 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004	2003
Production	17	13
Administration	3	3
	<hr/>	<hr/>
	20	16
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	723	706
Social security	72	76
Pension	83	73
	<hr/>	<hr/>
	878	855
	<hr/>	<hr/>

11 Pensions and similar obligation

The company participates in a funded group wide defined benefit pension scheme (IMI Pension Fund). The assets are held in independently administered funds.

Contributions to the scheme, which is funded, are based on pension costs across the group as a whole. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The latest actuarial valuation of the IMI Pension Fund was at 31 March 2002.

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', the scheme will be accounted for by the Company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme. The amount charged to the profit and loss account will represent the contributions payable to the schemes in respect of the accounting period.

Further information on the funding status of the scheme, the latest full actuarial valuation and FRS 17 update is disclosed in the accounts of IMI plc.

12 Ultimate parent company

The ultimate parent company is IMI plc which is registered in England and Wales.

A copy of the group financial statements of that company can be obtained from The Company Secretary, Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham, B37 7XZ.