



Mids & Horsey Limited Annual Report & Accounts

For the year ended 31 March 2004

Company Number 116571



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Directors' Report

The directors present their report on Mids & Horsey Limited ("the Company") together with the audited Financial Statements and auditors' report for the year ended 31 March 2004.

Principal Activity

The Company's principal activity is the provision of secure card based transaction systems and services to the international banking, telephony, retail and security markets using a range of smart and magnetic card solutions.

Business Review

The Company's results for the year are set out in the Profit and Loss Account in the Financial Statements.

The Company was acquired on 12 March 2004 by ID Data Systems Limited. As at 31 March 2004 the business and assets were transferred to ID Data Systems Limited.

The Company's ultimate parent company as at 31 March 2004 is ID Data plc, a company listed on the Alternative Investment Market of the London Stock Exchange. Further details of the operations of the Company and the operations of the Group are contained within the Group accounts.

Research and Development

The Company continues to devote effort and resources to the research and development of new processes and products. All research and development costs are written off in the year that they are incurred.

Directors and their Interests

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

Peter John Cox	(Appointed 12 March 2004)	Director
Michael David Stewart	(Appointed 12 March 2004)	Director
Martin Coles	(Appointed 12 March 2004)	Director

Mr D P K Christian, Mr C G Brown, Mr R Emerson and Mr M Waring resigned as directors on 12 March 2004. Mr S J Mitchell was appointed a director on 7th February 2005.

The Directors did not have any interests in the shares of the Company. Their interests in the shares of ID Data plc are set out in the Directors' Report contained in the financial statements of that company.

Charitable Contributions

The Company made no charitable or political donations in the year.

Employees

The Company is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, religion or sexual orientation. It is also the Company's policy to give full and fair consideration to the employment of applicants who are disabled, bearing in mind the aptitude and abilities of each person in relation to the requirements of the job.

Directors' Report

The Company operates a communications policy that aims to integrate staff into the business and to encourage a sense of involvement. This is achieved through formal and informal meetings, dissemination of written communications directly or via notice boards and the Company web site. Technical and personal skills development courses are available to staff at all levels.

Environmental Matters

The Group aims to protect and preserve the environment and is committed to energy efficient operations. Wherever possible, waste materials are recycled and re-used. Paper and cardboard waste is separated for recycling and all plastic waste from card manufacture is reused in further plastic moulded products.

Processes are continually examined to look for efficient but environmentally-friendly alternatives. These include a development programme to switch from solvent-based printing inks to environmentally-friendly alternative inks that cure under ultra-violet light.

Creditors' Payment Policy

The Company's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The creditor payment days outstanding for the Company at 31 March 2004 were Nil days (2003: 36 days).

Auditors

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Stephen Mitchell

Director

21st June 2005

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit and loss of the Company 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; and
- prepare the Financial Statements on a 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 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 to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the Director's Report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

Independent Auditors' Report

Independent Auditors' Report to the members of Mids & Horsey Limited

We have audited the Financial Statements of Mids & Horsey Limited for the year ended 31 March 2004, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

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 Annual Report and the Financial Statements in accordance with applicable law and United Kingdom 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.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

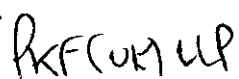
Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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.

Opinion

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


PKF (UK) LLP
Registered Auditors

London, UK

22 June 2005

Profit and Loss Account

For the year ended 31 March 2004

	Notes	2004 £	2004 £	Restated 2003 £	Restated 2003 £
TURNOVER	2		4,650,536		4,543,381
Cost of sales			(3,780,898)		(3,412,179)
GROSS PROFIT			869,638		1,131,202
Sales and distribution costs			(259,286)		(166,858)
Administrative expenses - normal		(877,360)		(885,021)	
- exceptional	3	(2,675,796)		-	
			(3,553,156)		(885,021)
OPERATING (LOSS)/ PROFIT ON ORDINARY ACTIVITIES	4		(2,942,804)		79,323
Interest payable and similar charges	6		(93,194)		(47,360)
(LOSS)/PROFIT BEFORE TAXATION			(3,035,998)		31,963
TAXATION	7		15,567		(203,268)
RETAINED LOSS FOR THE YEAR	16		(3,020,431)		(171,305)

All activities relate to discontinued operations. There were no recognised gains or losses for the year other than those included in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account.

Balance Sheet

As at 31 March 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible	8	-	1,902,828
CURRENT ASSETS			
Stocks	9	-	230,272
Debtors	10	-	877,420
Cash at bank and in hand		-	186
		-	1,107,878
CREDITORS:			
amounts falling due within one year	11	-	(987,712)
NET CURRENT ASSETS		-	120,166
TOTAL ASSETS LESS CURRENT LIABILITIES		-	2,022,994
CREDITORS:			
amounts falling due after more than one year	12	-	(586,099)
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	(203,268)
NET ASSETS		-	1,233,627
CAPITAL AND RESERVES			
Called up share capital	15	20,839	8,000
Share Premium	16	1,773,965	-
Profit and loss account	16	(1,794,804)	1,225,627
EQUITY SHAREHOLDERS' FUNDS	17	-	1,233,627

These Financial Statements were approved by the Board of Directors on 21st June 2005.

Stephen Mitchell
Director

The accompanying notes are an integral part of this balance sheet.

Notes to the Financial Statements

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of Financial Statements

The Financial Statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

As permitted by Financial Reporting Standard 1 "Cashflow statements" these financial statements do not include a cashflow statement on the grounds that 90% or more of the voting rights are controlled within the group and that the financial statements are included within the financial statements of the Group which are publicly available.

(b) Turnover

Turnover represents the total amount receivable for goods and services provided in the ordinary course of business excluding value added tax.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	5 - 10 years
Computer equipment	3 - 5 years
Fixtures and fittings	5 - 10 years
Plant and machinery	5 - 10 years
Motor vehicles	3 - 4 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(d) Research and Development

Expenditure on research and development is charged to the profit and loss account as incurred.

(e) Finance and operating leases

Assets acquired under finance leases or hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the outstanding balance of the obligation for each accounting period.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(f) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing stocks together with, where appropriate, attributable overheads.

Notes to the Financial Statements

Continued

(g) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

(h) Deferred taxation

As required by FRS 19 "Deferred tax", full provision is made for deferred tax assets and liabilities arise from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised.

Deferred tax assets are only recognised when they arising from timing differences where their recoverability in the short term is regarded as more likely than not.

(i) Pensions

Contributions payable to the group personal pension scheme are charged to the profit and loss account as incurred.

(j) Classification of Costs

For comparative purposes, a reclassification of costs has been made in respect of operating costs previously reported for the 12 month period to 31 March 2003 in order to represent more fairly the structure of the Company. This reclassification has had no impact on the loss for this year or profit of the prior year.

2. TURNOVER

All of the Company's turnover and profit arose from its main activities which are principally based in the United Kingdom and relate to a single class of business.

Turnover by geographical market can be analysed as follows:

	2004 £	2003 £
United Kingdom	4,243,443	4,110,423
Rest of the World	407,093	432,958
	<hr/>	<hr/>
	4,650,536	4,543,381
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3. ADMINISTRATIVE EXPENSES – EXCEPTIONAL ITEM

This relates to the provision against a loan to ID Data Systems Limited.

Notes to the Financial Statements

Continued

4. OPERATING (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The operating (loss)/profit on Ordinary Activities is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of tangible fixed assets		
- owned	144,794	187,228
- held under finance lease or hire purchase contract	244,551	174,724
Auditor's remuneration		
- Audit services	7,000	6,300
- Other professional services	1,500	1,500
Operating lease rentals:		
- Equipment	16,939	-
- Vehicles	34,126	32,920
(Profit) on sale of fixed assets	(1,549)	(9,064)
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5. STAFF COSTS

Staff costs, including directors' emoluments, for the year were as follows:

	2004 £	2003 £
Wages and salaries	1,784,985	1,793,380
Social security costs	175,509	216,591
Pension costs	79,757	70,264
	<hr/>	<hr/>
	2,040,251	2,080,235
	<hr/>	<hr/>

The average number of persons employed by the Company, including Directors, during the year was:

	2004 Number	2003 Number
Production	79	78
Sales and Administration	13	14
	<hr/>	<hr/>
	92	92
	<hr/>	<hr/>

Directors' Remuneration

The aggregate Directors' emoluments, excluding pension contributions, in the year were £244,221 (2003: £201,831). The highest paid director was paid £77,201 (2003: £65,000). The number of directors accruing benefits under defined contribution pension schemes was 3 (2003: 1).

Certain Directors are employed by ID Data plc and details of their emoluments are disclosed in that Company's Financial Statements. The Directors do not believe that it is practical to apportion these emoluments between their services as Directors of ID Data plc and its subsidiary.

Notes to the Financial Statements

Continued

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Bank loans and overdrafts	58,602	-
Finance lease and hire purchase contracts	34,592	47,360
	<u>93,194</u>	<u>47,360</u>

7. TAXATION

(a) Taxation charge for the year

	2004 £	2003 £
<i>Current tax</i>		
UK corporation tax		
- on loss of the period	-	-
- adjustment in respect of previous period	(15,567)	-
Total current tax	(15,567)	-
<i>Deferred tax</i>		
Origination and reversal of timing difference	-	203,268
	<u>(15,567)</u>	<u>203,268</u>

(b) Factors affecting the taxation charge for the year

The tax assessed is less (2003: greater) than the standard rate of corporation tax in the United Kingdom of 30%. The differences are explained below:

	2004 £	2003 £
(Loss)/Profit on ordinary activities before taxation	<u>(3,035,998)</u>	<u>31,963</u>
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax (30%)	(910,799)	9,589
Expenses not deductible for taxation purposes	11,954	3,648
Exceptional item not deductible for tax purposes	802,738	-
Capital allowances (in excess of)/less than depreciation	17,120	(14,217)
Tax losses arising not utilised in the period	78,987	980
Adjustment in respect of the previous period	<u>(15,567)</u>	<u>-</u>
Current tax charge for the period (note 7(a))	<u>(15,567)</u>	<u>-</u>

(c) Factors that may affect future Taxation Charges

The company's trade and assets were transferred to ID Data Systems Limited on 31 March 2004 and therefore the tax losses and unutilised capital allowances were also transferred to that company. No future tax charges are anticipated in Mids & Horsey Limited.

Notes to the Financial Statements

Continued

8. TANGIBLE FIXED ASSETS

	Leasehold Improvements	Fixtures & fittings	Plant & machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
Beginning of year	29,911	341,471	3,128,298	34,000	3,533,680
Additions	227,603	16,991	40,710	2,460	287,764
Disposals	-	-	(18,000)	(30,000)	(48,000)
Transfer to Group company	(257,514)	(358,462)	(3,151,008)	(6,460)	(3,773,444)
End of year	-	-	-	-	-
Depreciation					
Beginning of year	-	232,321	1,364,533	33,998	1,630,852
Charge for the year	23,887	43,520	321,774	164	389,345
On disposals	-	-	(11,550)	(30,000)	(41,550)
Transfer to Group company	(23,887)	(275,841)	(1,674,757)	(4,162)	(1,978,647)
End of year	-	-	-	-	-
Net book value					
End of Year	-	-	-	-	-
Beginning of Year	29,911	109,150	1,763,765	2	1,902,828

The net book amount of tangible fixed assets includes an amount of £Nil (2003: £1,289,985) in respect of finance lease and similar hire purchase contracts. The depreciation charged in respect of such assets amounted to £244,551 (2003: £174,724).

9. STOCKS

	2004 £	2003 £
Raw materials	-	50,256
Work in progress	-	180,016
	-	230,272

10. DEBTORS

	2004 £	2003 £
Amounts falling due within one year		
Trade Debtors	-	638,593
Other Debtors	-	186,521
Prepayments and accrued income	-	52,306
	-	877,420

Notes to the Financial Statements

Continued

11. CREDITORS

	2004 £	2003 £
Amounts falling due within one year		
Bank Overdraft	-	10,059
Finance Lease and hire purchase obligations	-	307,862
Trade Creditors	-	340,463
Corporation tax	-	15,567
Other tax and social security	-	48,018
Other Creditors	-	73,040
Accruals and deferred income	-	192,703
	-	987,712

12. CREDITORS

	2004 £	2003 £
Amounts falling due after more than one year		
Finance lease and hire purchase obligations	-	586,099
	-	586,099

13. MATURITY OF FINANCE LEASE AND HIRE PURCHASE OBLIGATIONS

	2004 £	2003 £
Within one year	-	307,862
Between one and two years	-	586,099
	-	893,961

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £	2003 £
Deferred taxation		
Accelerated capital allowances	-	203,268
Provision at start of period	203,268	
Transferred to ID Data Systems Limited	(203,268)	
Provision at end of period	-	

Notes to the Financial Statements

Continued

15. SHARE CAPITAL

	2004 £	2003 £
Authorised		
20,839 ordinary shares of £1 each (2003: 10,800)	20,839	10,800
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12,000 preference shares of £1 each (2003: 12,000)	12,000	12,000
	<hr/>	<hr/>
Allotted, issued and fully paid		
20,839 ordinary shares of £1 each (2003: 8,000)	20,839	8,000
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On 12 March 2004 the authorised share capital was increased by 10,039 ordinary shares of £1. On the 12 March 2004 12,839 shares were issued for a consideration of £1,786,804, increasing the allotted, called up and fully paid share capital to £20,839.

16. RESERVES

	Share Premium Account £	Profit and Loss Account £	Total Reserves £
Beginning of Year	-	1,225,627	1,225,627
Premium on issue of shares	1,773,965	-	1,773,965
Retained loss for the year	-	(3,020,431)	(3,020,431)
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End of Year	1,773,965	(1,794,804)	(20,839)
	<hr/>	<hr/>	<hr/>

17. SHAREHOLDERS' FUNDS

	2004 £	2003 £
Beginning of Year	1,233,627	1,404,932
Increase in shares	1,786,804	-
Loss for the year	(3,020,431)	(171,305)
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At end of Year	-	1,233,627
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18. CAPITAL COMMITMENTS

At 31 March 2004 the Company had no outstanding capital commitments (2003: £nil).

19. CONTINGENT LIABILITIES

At 31 March 2004 the directors of the Company were not aware of any contingent liabilities (2003: £nil).

Notes to the Financial Statements

Continued

20. RELATED PARTY TRANSACTIONS

As permitted by Financial Reporting Standard 8 "Related Party Transactions" the financial statements do not disclose transactions with fellow group undertakings on the grounds that the financial statements are included within the consolidated financial statements of the Group, which are publicly available.

21. CONTROLLING PARTY

The Company is controlled by its parent undertaking ID Data plc, a company registered in England and Wales. In the opinion of the directors there is no ultimate controlling party. Consolidated accounts for ID Data plc are available from: The Company Secretary, ID Data plc, Wansell Road, Weldon North, Corby, Northamptonshire. NN17 5LX.