

Plasmon Data Systems Limited

Annual report for the year ended 31 March 1995

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Directors' report for the year ended 31 March 1995

The directors present their report and the audited financial statements for the year ended 31 March 1995.

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.

Once again, during the year, output increased considerably with the manufacture of Phase Change disks made under licence from Matsushita and we supplied Panasonic-brand disks to Matsushita under the OEM Agreement signed during the previous year.

The Company started production of a recordable compact disc (CD-R) recorder in Summer 1994. The major development focus has, however, been on Phase Change Rewritable (PC-R) manufacturing technology, licensed from Matsushita in 1994. The first PC-R products will be shipped in Summer 1995. Development has also included CD-R disc technology with chemical systems from Ciba-Geigy. It is planned to commence volume production of CD-R discs in 1996.

The directors are looking forward to increased volumes and profitability, together with continued research and development on the current projects.

Results and dividends

The Company made a profit after taxation for the year ended 31 March 1995 of £14,777 (1994: loss of £204,350). The directors do not recommend the payment of a dividend and accordingly the profit has been transferred to reserves.

Fixed assets

Significant movements in fixed assets are disclosed in notes 8 and 9 to the financial statements.

Directors and their interests

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

PR Helfet (Chairman)
RJ Longman

No director had an interest in the Company's share capital at either 31 March 1994 or 31 March 1995.

The directors' interests in the shares of the ultimate holding company, Plasmon Plc, at 31 March 1994 and 31 March 1995 are as disclosed in that company's financial statements.

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 of the Company for that period.

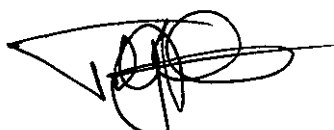
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1995. The directors also confirm that applicable accounting standards 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 irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



T Arthur
Secretary
29 September 1995

Report of the auditors to the members of Plasmon Data Systems Limited

We have audited the financial statements on page 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

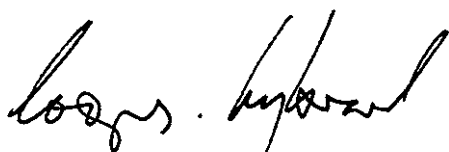
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants & Registered Auditors
London
29 September 1995

Plasmon Data Systems Limited

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Profit and loss account for the year ended 31 March 1995

	Notes	1995 £	1994 £
Turnover	2	4,718,823	2,299,377
Cost of sales		(2,742,364)	(986,800)
Gross profit		1,976,459	1,312,577
Development and manufacturing expenses		(1,749,967)	(1,508,777)
Administrative expenses		(286,147)	(201,914)
Other income		-	90,625
Operating loss	5	(59,655)	(307,489)
Interest payable	6	(63,510)	(56,562)
Loss on ordinary activities before taxation		(123,165)	(364,051)
Taxation credit	7	137,942	159,701
Profit/(loss) for the financial year		£14,777	£(204,350)
Statement of accumulated losses			
Accumulated losses at 1 April 1994		(4,586,850)	(4,382,500)
Profit/(loss) for the year		14,777	(204,350)
Accumulated losses at 31 March 1995		£(4,572,073)	£(4,586,850)

All the Company's operations are continuing.

The Company has no recognised gains and losses other than the profit/(losses) 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 profit for the year stated above, and their historical cost equivalents.

Plasmon Data Systems Limited

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Balance sheet at 31 March 1995

	Notes	1995 £	1994 £
Fixed assets			
Intangible fixed assets	8	292,084	223,593
Tangible fixed assets	9	2,888,441	1,440,337
		<u>3,180,525</u>	<u>1,663,930</u>
Current assets			
Stocks	10	454,359	159,851
Debtors	11	3,681,118	1,729,428
Cash at bank and in hand		541,543	23,674
		<u>4,677,020</u>	<u>1,912,953</u>
Creditors: amounts falling due within one year	12	(11,802,032)	(7,782,411)
Net current liabilities		<u>(7,125,012)</u>	<u>(5,869,458)</u>
Total assets less current liabilities		<u>(3,944,487)</u>	<u>(4,205,528)</u>
Creditors: amounts falling due after more than one year	13	(627,486)	(288,032)
Provisions for liabilities and charges	14	-	(93,190)
	15	<u>£(4,571,973)</u>	<u>£(4,586,750)</u>
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account		(4,572,073)	(4,586,850)
Equity shareholders' funds		<u>£(4,571,973)</u>	<u>£(4,586,750)</u>

The financial statements on pages 4 to 15 were approved by the board of directors on 29 September 1995 and were signed on its behalf by:

PR Helfet)
RJ Longman) Director

P. R. Helfet

RJ Longman

Notes to the financial statements for the year ended 31 March 1995

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 consistently applied, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting.

Turnover

Turnover represents the invoiced value of goods and services net of value added tax.

Foreign currency translation

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

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 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 the follows:

Leasehold improvements	20%
Office equipment	20% - 33%
Motor vehicles	20%
Research and development, manufacturing and test equipment	10% - 20%

Leased assets

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the useful life of the asset. Rentals under operating leases are charged to the profit and loss account on a straight line basis.

**Notes to
the financial statements
for the year ended 31 March 1995**

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is carried forward. Such expenditure is amortised over the period expected to benefit, generally between one and three years. Expenditure on pure and applied research is written off as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less further production costs to completion and appropriate selling and distribution costs.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

Pension costs represent contributions payable to the Company's defined contribution pension scheme in respect of the relevant 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.

Plasmon Data Systems Limited

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Notes to the financial statements for the year ended 31 March 1995

2 Turnover

	1995 £	1994 £
Sales of Optical Disk Media and Accessories	<u>4,718,823</u>	<u>2,229,377</u>
By Geographical Region		
	£	£
UK	1,949,353	734,738
Rest of Europe	-	5,000
USA	2,163,148	1,203,230
Japan	<u>606,322</u>	<u>356,409</u>
Total	<u>4,718,823</u>	<u>2,299,377</u>

3 Employee information

	1995 £	1994 £
Wages and salaries	1,194,093	959,261
Social security costs	120,599	101,776
Other pension costs (see note 20)	<u>11,749</u>	<u>25,819</u>
	<u>1,326,441</u>	<u>1,086,856</u>

	1995 Number	1994 Number
The average weekly number of employees (including directors) during the year was made up as follows:		
Office and management	2	4
Manufacturing, research and development	<u>58</u>	<u>45</u>
	<u>60</u>	<u>49</u>

**Notes to the financial statements
for the year ended 31 March 1995**

4 Directors' remuneration

	1995	1994
	£	£
Fees and other emoluments	85,501	70,537
Pension costs	6,266	6,341
	<u>91,767</u>	<u>76,878</u>
	1995	1994
Fees and other emoluments disclosed above (excluding pension costs) include the following amounts paid to:		
The chairman	<u>Nil</u>	<u>Nil</u>
The highest paid director	<u>85,501</u>	<u>70,537</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) within the following range was:

	1995	1994
	Number	Number
£0 - £5,000	1	1
£70,001 - £75,000	-	1
£85,001 - £90,000	1	-
	<u>1</u>	<u>2</u>

**Notes to the financial statements
for the year ended 31 March 1995**

5 Operating loss

	1995 £	1994 £
Operating loss is stated after charging/(crediting):		
Research and development expenditure		
- current year expenditure	454,614	333,973
- deferred expenditure amortised	194,515	-
Depreciation - leased assets	292,425	191,425
- owned assets	208,845	283,774
Fees paid to auditors for - audit charged to PLC	13,250	12,300
Profit/(loss) on sale of fixed assets	2,406	(2,132)
Operating lease payments:		
Plant and machinery	26,177	19,621
Other	121,731	70,384
	<u> </u>	<u> </u>

6 Interest payable

	1995 £	1994 £
On bank loans, overdrafts and other loans:		
Repayable within 5 years not by instalments	80	884
On finance leases and hire purchase contracts	63,430	55,678
	<u> </u>	<u> </u>
	<u>63,510</u>	<u>56,562</u>

7 Taxation

	1995 £	1994 £
Group relief receivable		
- current year	153,069	163,163
- prior year	(15,127)	(3,462)
	<u> </u>	<u> </u>
	<u>137,942</u>	<u>159,701</u>

Notes to the financial statements for the year ended 31 March 1995

8 Intangible fixed assets

	£
Cost	
At 1 April 1994	223,593
Additions	263,006
At 31 March 1995	486,599
Depreciation	
At 1 April 1994	-
Charge for the year	194,515
At 31 March 1995	194,515
Net book value	
At 31 March 1995	292,084
At 31 March 1994	223,593

9 Tangible fixed assets

	Improvements to short leasehold land and buildings £	Office equipment £	Motor vehicles £	Owned £	Construction in progress £	Leased £	Total £
Cost							
At 1 April 1994	304,009	211,988	135,692	1,673,034		1,712,467	4,037,190
Additions	34,017	121,880	52,540	655,217	1,092,201	-	1,955,855
Disposals	(11,675)	-	(45,238)	-	-	-	(56,913)
Transfer of assets	-	-	-	(628,380)	-	628,380	-
At 31 March 1995	326,351	333,868	142,994	1,699,871	1,092,201	2,340,847	5,936,132
Depreciation							
At 1 April 1994	273,382	159,891	46,669	1,183,861	-	933,050	2,596,853
Charge for the year	15,419	39,102	29,690	154,324	-	262,735	501,270
Disposals	(11,675)	-	(38,757)	-	-	-	(50,432)
At 31 March 1995	277,126	198,993	37,602	1,338,185	-	1,195,785	3,047,691
Net book value							
At 31 March 1995	49,225	134,875	105,392	361,686	1,092,201	1,145,062	2,888,441
At 31 March 1994	30,627	52,097	89,023	489,173	-	779,417	1,440,337

Notes to the financial statements for the year ended 31 March 1995

The above includes leased assets with a net book value of £1,237,245 (1994: £852,040). Depreciation of £292,425 (1994: £283,774) has been charged against these assets in the year.

10 Stocks

	1995 £	1994 £
Raw materials and consumables	337,335	128,230
Finished goods and goods for resale	117,024	31,621
	<u>454,359</u>	<u>159,851</u>

11 Debtors

	1995 £	1994 £
Amounts owed by fellow subsidiary undertakings	3,298,138	1,436,311
Trade debtors	159,093	197,481
Other debtors	178,471	67,916
Prepayments	45,416	27,720
	<u>3,681,118</u>	<u>1,729,428</u>

12 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft	2,250,843	-
Trade creditors	1,247,236	250,592
Amounts owed to parent company	7,725,618	6,798,410
Amounts owed to fellow subsidiary undertakings	107,381	446,692
Obligations under finance leases	324,016	221,711
Other taxation and social security costs	39,937	30,611
Accruals and deferred income	107,001	34,395
	<u>11,802,032</u>	<u>7,782,411</u>

**Notes to the financial statements
for the year ended 31 March 1995****13 Creditors: amounts falling due after more than one year**

	1995 £	1994 £
Obligations under finance leases	612,149	254,317
Accruals and deferred income	15,337	33,715
	<u>627,486</u>	<u>288,032</u>

14 Provisions for liabilities and charges

	1995	1994
Other provisions	-	93,190
	<u>-</u>	<u>93,190</u>

The movement represents the release to the profit and loss account of the provision for disk returns and Moth Eye and Phase Change royalty payments.

15 Reconciliation of movements in shareholder' funds

	1995 £	1994 £
Opening shareholders' funds	(4,586,750)	(4,382,400)
Profit/(Loss) for the financial year	14,777	(204,350)
Closing shareholders' funds	<u>(4,571,973)</u>	<u>(4,586,750)</u>

16 Called up share capital

	1995 £	1994 £
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Plasmon Data Systems Limited

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Notes to the financial statements for the year ended 31 March 1995

17 Lease commitments

	1995 £	1994 £
Obligations under finance leases are repayable as follows:		
Under 1 year	324,016	221,711
2 to 5 years	612,149	254,317
	<u>936,165</u>	<u>476,028</u>
Obligations under operating leases payable in the next year where the commitment expires as follows:		
Under 1 year	-	19,000
2 to 5 years	140,768	70,384
	<u>140,768</u>	<u>89,384</u>
Included in the above are the following amounts for the lease of land and buildings:		
2 to 5 years	<u>140,768</u>	<u>70,384</u>

Notes to the financial statements for the year ended 31 March 1995

18 Capital commitments

At 31 March 1995 the Company had no commitments authorised by the board but not contracted for (1994: £Nil) but had commitments contracted but not provided for of £1,961,641 (1994: £69,495).

19 Contingent liabilities

The assets of the Company are subject to a fixed and floating charge in respect of bank overdrafts and loans.

The Company is party to a cross guarantee incorporating Plasmon Plc and Plasmon Data Limited covering outstanding bank overdrafts and loans. At 31 March 1995 the loans and overdrafts outstanding amounted to £1,179,357 (1994: £750,000).

The Company is party to a subordination agreement incorporating Silicon Valley Bank and Plasmon Data Systems Inc. covering bank loans. At 31 March 1995, the Company had subordinated \$1,700,000 to Silicon Valley Banks against advances made to Plasmon Data System Inc.

20 Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Other pension costs, detailed in note 3, represent the contributions payable by the Company during the year.

21 Ultimate parent company

The Company is part of the Plasmon group, of which the parent company is Plasmon plc, a company incorporated in the United Kingdom. Copies of the consolidated financial statements of Plasmon Plc can be obtained from The Secretary, Whiting Way, Melbourn, Royston, Herts SG8 6EN.