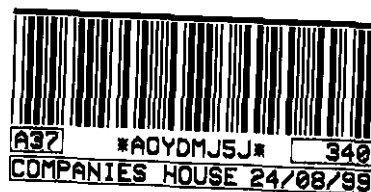


Plasmon Data Systems Limited

**Annual report
for the year ended 31 March 1999**

Registered Number: 1793678



Plasmon Data Systems Limited

Annual report for the year ended 31 March 1999

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**Directors' report
for the year ended 31 March 1999**

The directors present their report and the audited financial statements for the year ended 31 March 1999.

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.

On 8 January 1999 the company acquired both the business and certain assets & liabilities of the UK arm of Philips LMS which operated as a division of the Philips Electronics Group. Further details of the acquisition are given in note 20 to the financial statements.

Following the acquisition of Philips LMS the company is in the process of reorganising its manufacturing operations. Further details of this reorganisation are given in note 5 to the financial statements.

The profit and loss account for the year is set out on page 7 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 1999 of £576,000 (1998: loss of £7,284,000). The directors do not recommend the payment of a dividend (1998: £nil) and accordingly the loss for the financial year of £576,000 (1998: loss of £7,284,000) has been transferred to reserves.

Directors and their interests

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

N Street	(Chairman, appointed 1 April 1998)
T Arthur	(Appointed 1 April 1998)
C J Harris	(Appointed 1 April 1998)
R J Longman	

No director had an interest in the company's share capital at either 31 March 1999 or at 31 March 1998.

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

**Directors' report
for the year ended 31 March 1999 (continued)**

Directors and their interests (continued)

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

Exercise price	1 April 1998	Granted	Cancelled	31 March 1999	Periods within which option exercisable
CJ Harris					
46.5p each	35,000	-	-	35,000	15 Nov 2000 and 14 Nov 2007
77p each	-	150,000	-	150,000	13 Jan 2002 and 12 Jan 2009
	<u>35,000</u>	<u>150,000</u>	<u>-</u>	<u>185,000</u>	
RJ Longman					
125p each	36,180	-	(36,180)	-	16 Dec 1991 and 15 Dec 1998
	120,000	-	-	120,000	29 June 1994 and 28 June 2001
	32,000	-	-	32,000	15 April 1995 and 14 April 2002
	58,000	-	-	58,000	22 May 1996 and 21 May 2003
250p each	92,604	-	-	92,604	29 June 1994 and 28 June 2001
	40,000	-	-	40,000	15 April 1995 and 14 April 2002
	20,000	-	-	20,000	22 May 1996 and 21 May 2003
375p each	160,000	-	(160,000)	-	20 June 1999 and 19 June 2006
500p each	160,000	-	(160,000)	-	20 June 1999 and 19 June 2006
625p each	320,000	-	(320,000)	-	20 June 1999 and 19 June 2006
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
	<u>1,063,784</u>	<u>105,000</u>	<u>(676,180)</u>	<u>492,604</u>	

The market price of Plasmon Plc's shares at the end of the financial year was 103.5p and the range of market prices during the year was between 56.5p and 115.5p.

The exercise of those options with exercise prices of 46.5p and 77p 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; and

Directors' report for the year ended 31 March 1999 (continued)

Directors and their interests (continued)

- Plasmon Group profits for any financial year before interest and tax (for the 46.5p options) or before goodwill, interest and tax (for the 77p options) excluding exceptionals must have exceeded £1,000,000 (for the 46.5p options) or £2,500,000 (for the 77p options).

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 1999. 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.

Year 2000

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences.

The Plasmon Group has completed its risk-based review of its computer systems and computer-controlled processes that identified any likely to be affected. In close collaboration with suppliers, the affected systems have been replaced or modified. The majority of this work has now been completed and costs incurred by the Plasmon Group as a whole were approximately £200,000.

In common with most companies, the company is also exposed, to an unquantifiable degree, to the failure of third parties to deal with Year 2000 exposures, and is taking all practical steps to mitigate the effect.

**Directors' report
for the year ended 31 March 1999 (continued)**

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

A resolution proposing the reappointment of PricewaterhouseCoopers as auditors of 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
27 May 1999

**Auditors' report
to the members of Plasmon Data Systems Limited**

We have audited the financial statements on pages 7 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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.

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.

**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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
27 May 1999

**Profit and loss account
for the year ended 31 March 1999**

		Continuing activities		Total	Total
			Acquisition	1999	1998
		£'000	£'000	£'000	£'000
Turnover	2	4,330	2,323	6,653	4,293
Cost of sales		(1,527)	(1,046)	(2,573)	(2,634)
Gross profit		2,803	1,277	4,080	1,659
Development and manufacturing expenses		(2,164)	(850)	(3,014)	(3,512)
Administrative expenses		(218)	-	(218)	(189)
Exceptional operating costs	5	-	(1,179)	(1,179)	(4,879)
Total operating costs		(2,382)	(2,029)	(4,411)	(8,580)
Operating profit/(loss)		421	(752)	(331)	(6,921)
Interest receivable	6			-	25
Interest payable	6			(245)	(388)
Loss on ordinary activities before taxation	7			(576)	(7,284)
Taxation	8			-	-
Loss for the financial year				(576)	(7,284)
Statement of accumulated losses					
Accumulated losses at start of year				(10,674)	(3,390)
Loss for the financial year				(576)	(7,284)
Accumulated losses at end of year				(11,250)	(10,674)

The company has no recognised gains and losses other than the losses 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.

**Balance sheet
at 31 March 1999**

	Notes	1999 £'000	1998 £'000
Fixed assets			
Intangible fixed assets	9	648	-
Tangible fixed assets	10	7,790	6,318
		<u>8,438</u>	<u>6,318</u>
Current assets			
Stocks	11	2,221	1,790
Debtors	12	3,790	744
Cash at bank and in hand		1,088	218
		<u>7,099</u>	<u>2,752</u>
Creditors: amounts falling due within one year	13	<u>(24,328)</u>	<u>(16,863)</u>
Net current liabilities		<u>(17,229)</u>	<u>(14,111)</u>
Total assets less current liabilities		<u>(8,791)</u>	<u>(7,793)</u>
Creditors: amounts falling due after more than one year	14	<u>(1,541)</u>	<u>(2,881)</u>
Provisions for liabilities and charges	16	<u>(918)</u>	<u>-</u>
Net liabilities		<u>(11,250)</u>	<u>(10,674)</u>
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		<u>(11,250)</u>	<u>(10,674)</u>
Equity shareholders' funds	18	<u>(11,250)</u>	<u>(10,674)</u>

The financial statements on pages 7 to 21 were approved by the board of directors and were signed on its behalf by:

N Street

)

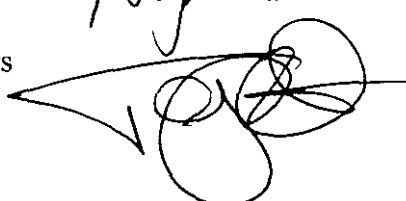
) Directors

T Arthur

)

27 May 1999

Nigel Sturt



**Notes to the financial statements
for the year ended 31 March 1999****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 continued to support the company for the foreseeable future.

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. 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

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 assets will crystallise in the foreseeable future.

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is carried forward where the related expenditure is separately identifiable. Such expenditure is amortised over the period expected to benefit from its development, starting with the date commercial production commences. Expenditure on pure and applied research is written off as incurred.

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.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)****Purchased goodwill (continued)**

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 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:

Leasehold improvements	20%
Office equipment	20% - 33%
Motor vehicles	20%
Research and development, manufacturing and test equipment	10% - 25%

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.

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.

Pension costs

Pension costs represent contributions payable to the company'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.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

2 Turnover

By Geographical Region	1999	1998
	£'000	£'000
UK	1,203	1,338
Rest of Europe	2,091	745
USA	2,808	2,158
Rest of World	551	52
Total	6,653	4,293

3 Employee information

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

	1999	1998
	Number	Number
<i>Manufacturing, research and development</i>	93	110

Staff costs	1999	1998
	£'000	£'000
Wages and salaries	2,079	2,357
Social security costs	210	205
Other pension costs (see note 22)	29	22
	2,318	2,584

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

4 Directors' remuneration

	1999	1998
	£'000	£'000
Aggregate emoluments	193	103
Company pension contributions to money purchase schemes	22	14
	<hr/>	<hr/>
	1999	1998
	£'000	£'000
Highest paid director		
Aggregate emoluments	104	103
Company pension contributions to money purchase schemes	14	14
	<hr/>	<hr/>

Of the directors whose emoluments are disclosed above, retirement benefits are accruing to 1 director (1998: 1 director) under the company's defined contribution scheme. The company also makes contributions to 1 director's (1998: No directors) personal pension plan.

In the year to 31 March 1999 2 directors (1998: 1 director) 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 operating costs

	1999	1998
	£'000	£'000
Reorganisation of media manufacturing operations	1,179	-
Withdrawal from volume CD-R disc production	-	4,879
	<hr/>	<hr/>
	1,179	4,879

Following the acquisition of Philips LMS in January 1999, the Company is in the process of reorganising its media manufacturing operations. The principal costs relate to transferring the acquired activities based in Blackburn to the Company's existing site in Melbourn. The reorganisation is anticipated to be completed within the next six months.

As a result of significant overcapacity in the CD-R market and consequent price collapse for CD-R media, on 1 September 1997 the Company announced that it was withdrawing from CD-R disc production. The costs of this decision principally relate to tangible and intangible fixed asset provisions, stock provisions and the costs of staff redundancies.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

6 Net interest payable

	1999	1998
	£'000	£'000
Interest receivable on bank deposits	-	25
Interest payable on finance leases	(245)	(388)
	<u>(245)</u>	<u>(363)</u>

7 Loss on ordinary activities before taxation

	1999	1998
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation - leased assets	514	653
- owned assets	964	784
Amortisation	17	-
Foreign exchange (gains)/losses	(4)	25
Fees paid to auditors for audit	12	12
Research and development expenditure	462	319
Loss on sale of fixed assets	-	13
Operating lease payments for land and buildings	141	141
Exceptional operating costs (see note 5)	1,179	4,879
	<u>1,179</u>	<u>4,879</u>

8 Taxation

	1999	1998
	£'000	£'000
UK corporation tax at a rate of 31% (1998: 31%)		
Current	-	-
	<u>-</u>	<u>-</u>

There is no potential liability for current or deferred taxation due to the continuing availability of tax losses.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

9 Intangible fixed assets

	Development expenditure £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 April 1998	583	-	583
Acquisition	-	665	665
At 31 March 1999	583	665	1,248
Amortisation			
At 1 April 1998	583	-	583
Charge for the year	-	17	17
At 31 March 1999	583	17	600
Net book value			
At 31 March 1999	-	648	648
At 31 March 1998	-	-	-

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

10 Tangible fixed assets

	Improvements to short leasehold land and buildings	Office equipment	Motor vehicles	Manu- facturing owned	Construction in progress	Manu- facturing leased	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 1998	460	778	77	6,852	-	7,549	15,716
Additions	30	36	20	503	632	1	1,222
Acquisition	-	-	-	1,733	-	-	1,733
Disposals	-	-	(14)	-	-	(574)	(588)
At 31 March 1999	490	814	83	9,088	632	6,976	18,083
Depreciation							
At 1 April 1998	362	440	35	3,844	-	4,717	9,398
Charge for the year	38	158	13	754	-	514	1,477
Disposals	-	-	(8)	-	-	(574)	(582)
At 31 March 1999	400	598	40	4,598	-	4,657	10,293
Net book value							
At 31 March 1999	90	216	43	4,490	632	2,319	7,790
At 31 March 1998	98	338	42	3,008	-	2,832	6,318

The above includes leased assets with a net book value of £2,339,000 (1998: £2,851,000). Depreciation of £514,000 (1998: £665,000) has been charged against these assets in the year. Additional provisions of £1,940,000 were made against leased assets in 1998.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

11 Stocks

	1999	1998
	£'000	£'000
Raw materials and consumables	368	343
Finished goods and goods for resale	1,853	1,447
	2,221	1,790

12 Debtors

	1999	1998
	£'000	£'000
Trade debtors	202	149
Amounts owed by group undertakings	3,233	420
Other debtors	49	76
Prepayments and accrued income	306	99
	3,790	744

13 Creditors: amounts falling due within one year

	1999	1998
	£'000	£'000
Bank overdraft	500	-
Trade creditors	1,340	514
Obligations under finance leases	961	1,011
Amounts owed to group undertakings	20,959	15,038
Other taxation and social security costs	137	58
Accruals and deferred income	431	242
	24,328	16,863

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.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

14 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Obligations under finance leases	<u>1,541</u>	<u>2,881</u>

15 Lease commitments

Obligations under finance leases are repayable as follows:

	1999 £'000	1998 £'000
Within one year	961	1,011
Within two to five years	<u>1,541</u>	<u>2,881</u>
	<u>2,502</u>	<u>3,892</u>

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

	Manufacturing equipment £'000	Land & buildings £'000	Total 1999 £'000	Land & buildings 1998 £'000
Within one year	-	-	-	-
Within two to five years	<u>171</u>	<u>141</u>	<u>312</u>	<u>141</u>
	<u>171</u>	<u>141</u>	<u>312</u>	<u>141</u>

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

16 Provisions for liabilities and charges

	Reorganisation provision £'000
At 1 April 1998	-
Provided in year	1,179
Utilised in year	(261)
At 31 March 1999	918

Further details of the reorganisation provision are given in note 5.

17 Called up share capital

	1999 £	1998 £
Authorised, allotted, called up and fully paid:		
100 Ordinary shares of £1 each	100	100

18 Reconciliation of movements in equity shareholders' funds

	1999 £'000	1998 £'000
Opening equity shareholders' funds	(10,674)	(3,390)
Losses for the financial year	(576)	(7,284)
Closing equity shareholders' funds	(11,250)	(10,674)

19 Capital commitments

At 31 March 1999 the company had commitments contracted for but not provided of £1,374,000 (1998: £36,000).

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

20 Acquisition

On 8 January 1999 the company acquired both the business and certain assets & liabilities of the UK arm of Philips LMS which operated as a division of the Philips Electronics Group.

	Book value £'000	Fair value adjustment £'000	Fair value to Company £'000
Net assets acquired:			
Tangible fixed assets	297	1,436	1,733
Stock	277	-	277
Trade debtors	46	-	46
Trade creditors	(243)	-	(243)
	<u>377</u>	<u>1,436</u>	<u>1,813</u>
Goodwill			665
			<u>2,478</u>
Satisfied by:			
Cash			2,417
Acquisition expenses			61
			<u>2,478</u>

The fair value adjustment represents the revaluation of tangible fixed assets to estimated depreciated replacement cost. No significant alignments of accounting policies were necessary.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)****20 Acquisition (continued)**

Prior to the acquisition Philips LMS's financial years ended on 31 December and its results for the year ended 31 December 1998 are shown below.

As a division of the Philips Electronics Group, neither interest or tax charges were attributed or passed down to Philips LMS.

	1998 £'000
Turnover	7,730
Cost of sales	(4,438)
Gross profit	3,292
Net operating expenses	(181)
Operating profit	3,111

Philips LMS had no recognised gains or losses other than those above.

The results for the eight days from 1 January 1999 to the date of acquisition were not material.

21 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 1999, no amounts were outstanding (1998: £1,304,632).

22 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, include contributions payable by the company during the year to the scheme of £14,000 (1998: £14,000). The remaining balance of £15,000 (1998: £8,000) was paid into privately operated schemes.

**Notes to the financial statements
for the year ended 31 March 1999 (continued)**

23 Related party transactions

Henry Zinsli, a non-executive director of Plasmon Plc, was an employee of Ciba Speciality Chemicals Inc until 31 March 1999. Both Ciba Speciality Chemicals Inc and Ciba Speciality Chemicals (UK) Limited are wholly owned subsidiaries of Ciba Speciality Chemicals Holding Inc.

Until 1 June 1998, the Company had a supply agreement pursuant to which Ciba Speciality Chemicals (UK) Ltd agreed to supply certain dyes. During the year ended 31 March 1999 no purchases (1998: £111,947) were made under this agreement with no balance being due at 31 March 1999 and 1998. On 1 June 1998, the Company entered into a collaboration agreement with Ciba Speciality Chemicals Inc for the development and exploitation of organic media products and processes. Payments totalling £861,920 were receivable during the year and a balance of £2,831 had been prepaid at 31 March 1999.

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.

24 Ultimate parent company

The company is a wholly owned member of the Plasmon Group whose 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, Whiting Way, Melbourn, Nr Royston, Hertfordshire, SG8 6EN.