

Plasmon Data Systems Limited
Annual report
for the year ended 31 March 1998

Registered no: 1793678



Plasmon Data Systems Limited

Annual report for the year ended 31 March 1998

	Pages
Directors' report	1-3
Report of the auditors	4-5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-18

Directors' report for the year ended 31 March 1998

The directors present their report and the audited financial statements for the year ended 31 March 1998.

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.

The company made a loss after taxation for the year ended 31 March 1998 of £7,284,000 (1997 profit: £615,000). The directors do not recommend the payment of a dividend and accordingly the loss has been transferred to reserves.

As publicly announced on 1 September 1997, significant overcapacity in the CD-R market and the subsequent price collapse for CD-R media forced the company to withdraw from volume CD-R disc production.

During the year ended 31 March 1998 the company has made the following adjustments to the carrying value of its assets:

- Provided for all intangible fixed assets
- Provided £3,458,000 in respect of a permanent diminution in value of its tangible fixed assets
- written-off £316,000 of assets disposed of; and
- written-off stock valued at £612,000.

In addition to the adjustments to the carrying value of its assets, the company also incurred significant revenue costs relating to the closure of certain production facilities. Further details are provided in note 6.

Following the restructuring the directors are refocusing on leveraging the significant technology base which has been developed in optical media technology.

Plasmon Data Systems Limited

2

Directors and their interests

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

P R Helfet (Resigned 1 September 1997)
 R J Longman
 N Street (Chairman, appointed 1 April 1998)
 T Arthur (appointed 1 April 1998)
 C J Harris (appointed 1 April 1998)

No director had an interest in the company's share capital at either 31 March 1997 or 31 March 1998.

The number of options over Plasmon Plc 5p ordinary shares held by R J Longman is as follows:

	1 April 1997	Granted	Cancelled	31 March 1998	Periods within which option exercisable
Options over 5 p Ordinary shares at:					
£1.25 each	109,102		(109,102)	-	25 Sep 1990 and 24 Sep 1997
	36,180			36,180	16 Dec 1991 and 15 Dec 1998
	120,000			120,000	29 Jun 1994 and 28 Jun 2001
	32,000			32,000	15 Apr 1995 and 14 Apr 2002
	62,000			62,000	22 May 1996 and 21 May 2003
£2.50 each	92,604			92,604	29 Jun 1994 and 28 June 2001
	40,000			40,000	15 Apr 1995 and 14 Apr 2002
	20,000			20,000	22 May 1996 and 21 May 2003
£3.75 each	160,000			160,000	20 Jun 1999 and 19 Jun 2006
£5.00 each	160,000			160,000	20 Jun 1999 and 19 Jun 2006
£6.25 each	320,000			320,000	20 Jun 1999 and 19 Jun 2006
£0.465 each		25,000		25,000	15 Nov 2000 and 14 Nov 2004
	<hr/>	<hr/>	<hr/>	<hr/>	
	1,151,886	25,000	(109,102)	1,067,784	
	<hr/>	<hr/>	<hr/>	<hr/>	

At 31 March 1998 the share price of Plasmon Plc was 70½p.

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.

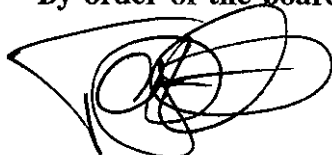
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1998. The directors also confirm that applicable accounting standards 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

A handwritten signature in black ink, appearing to be 'T Arthur', written over a circular stamp or seal.

T Arthur
Company secretary

1 June 1998

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

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 3 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.

Fundamental uncertainty

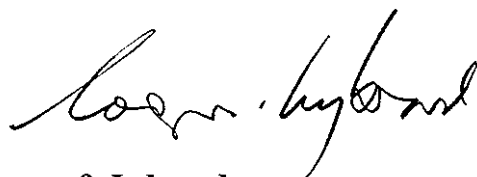
In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continuing financial support of the Company's parent company. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

Plasmon Data Systems Limited

5

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'Coopers & Lybrand', is written in dark ink.

Coopers & Lybrand

Chartered Accountants & Registered Auditors
London

1 June 1998

**Profit and loss account
for the year ended 31 March 1998**

	Notes	1998 £'000	1997 £'000
Turnover	2	4,293	6,190
Cost of sales		(2,634)	(2,588)
Gross profit		1,659	3,602
Development and manufacturing expenses		(3,512)	(2,603)
Administrative expenses		(189)	(93)
Operating (loss)/profit before exceptional operating costs		(2,042)	906
Exceptional operating costs	6	(4,879)	-
Operating (loss)/profit after exceptional operating costs		(6,921)	906
Interest receivable	7	25	9
Interest payable	8	(388)	(314)
(Loss)/profit on ordinary activities before taxation	5	(7,284)	601
Taxation credit	9	-	14
(Loss)/profit for the financial year		(7,284)	615
Statement of accumulated losses			
Accumulated losses at 1 April 1997		(3,390)	(4,005)
(Loss)/profit for the financial year		(7,284)	615
Accumulated losses at 31 March 1998		(10,674)	(3,390)

All the company's operations are continuing.

The company has no recognised gains and losses other than the 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 loss for the year stated above, and their historical cost equivalents.

Plasmon Data Systems Limited

7

Balance sheet at 31 March 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Intangible fixed assets	10	-	270
Tangible fixed assets	11	6,318	9,793
		<u>6,318</u>	<u>10,063</u>
Current assets			
Stocks	12	1,790	1,725
Debtors	13	744	384
Cash at bank and in hand		218	1,960
		<u>2,752</u>	<u>4,069</u>
Creditors: amounts falling due within one year	14	<u>(16,863)</u>	<u>(13,702)</u>
Net current liabilities		<u>(14,111)</u>	<u>(9,633)</u>
Total assets less current liabilities		<u>(7,793)</u>	<u>430</u>
Creditors: amounts falling due after more than one year	15	<u>(2,881)</u>	<u>(3,820)</u>
		<u>(10,674)</u>	<u>(3,390)</u>
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		<u>(10,674)</u>	<u>(3,390)</u>
Equity shareholders' funds	18	<u>(10,674)</u>	<u>(3,390)</u>

The financial statements on pages 6 to 18 were approved by the board of directors and were signed on its behalf by:

N Street

T Arthur

1 June 1998

) *Nigel Street*
Directors
) *T Arthur*

Notes to the financial statements for the year ended 31 March 1998

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. The Company is reliant on the continuing support of its parent company. That company has indicated its willingness to continue to support Plasmon Data Systems Limited 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 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% - 25%

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 1998**

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.

**Notes to the financial statements
for the year ended 31 March 1998**

2 Turnover

	1998	1997
	£'000	£'000
Sales of Optical Disk Media and Accessories	4,293	6,190

By Geographical Region

	1998	1997
	£'000	£'000
UK	1,338	1,904
Rest of Europe	745	1,268
USA	2,158	2,644
Rest of World	52	374
Total	4,293	6,190

3 Employee information

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

	1998	1997
	Number	Number
Manufacturing, research and development	110	101

Staff costs

	1998	1997
	£'000	£'000
Wages and salaries	2,357	1,938
Social security costs	205	196
Other pension costs (see note 21)	22	18
	2,584	2,152

**Notes to the financial statements
for the year ended 31 March 1998**

4 Directors' remuneration

	1998 £'000	1997 £'000
Aggregate emoluments	103	99
Highest paid director emoluments	103	99
Company pension contributions to money purchase schemes	14	15
	<u> </u>	<u> </u>

Retirement benefits are accruing to one director under the company's defined benefit scheme.

5 (Loss)/profit on ordinary activities before taxation

	1998 £'000	1997 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Research and development expenditure		
- current year expenditure	289	402
- deferred expenditure amortised	30	18
Depreciation - leased assets	653	625
- owned assets	784	476
Foreign exchange losses	25	66
Fees paid to auditors for audit	12	9
Loss on sale of fixed assets	13	10
Operating lease payment for land and buildings	141	141
Exceptional operating costs (see note 6)	4,879	-
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 March 1998****6 Exceptional operating costs**

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 volume CD-R disc production. The following costs resulted from the reorganisation that followed this decision:

	1998 £'000
Tangible asset provisions	3,458
Intangible asset provisions	240
Stock write-offs	612
Tangible asset write-off	316
Redundancy payments	209
Tangible assets included in redundancy packages	44
	<u>4,879</u>

7 Interest receivable

	1998 £'000	1997 £'000
On bank deposits	25	9
	<u> </u>	<u> </u>

8 Interest payable

	1998 £'000	1997 £'000
On finance leases	388	314
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 March 1998**

9 Taxation

	1998 £'000	1997 £'000
Group relief receivable/(payable)		
- current year	-	16
- prior year	-	(2)
UK Corporation tax at 31% (1997: 33%)	-	-
	<u>-</u>	<u>14</u>
	<u>-</u>	<u>14</u>

10 Intangible fixed assets

	Development expenditure £'000
Cost	
At 1 April 1997 and 31 March 1998	583
	<u>583</u>
Depreciation	
At 1 April 1997	313
Charge for the year	30
Restructuring provision	240
	<u>583</u>
At 31 March 1998	583
	<u>583</u>
Net book value	
At 31 March 1998	-
	<u>-</u>
At 31 March 1997	270
	<u>270</u>

Notes to the financial statements for the year ended 31 March 1998

11 Tangible fixed assets

	Improvements to short leasehold land and buildings £'000	Office equipment £'000	Motor vehicles £'000	Manu- facturing owned £'000	Construction in progress £'000	Manu- facturing leased £'000	Total £'000
Cost							
At 1 April 1997	429	573	177	5,163	466	7,549	14,357
Additions	31	208	-	545	998	-	1,782
Disposals	-	-	(25)	(4)	-	-	(29)
Restructuring write-off	-	(3)	(75)	-	(316)	-	(394)
Transfer of asset	-	-	-	1,148	(1,148)	-	-
At 31 March 1998	460	778	77	6,852	-	7,549	15,716
Depreciation							
At 1 April 1997	329	323	66	1,721	-	2,125	4,564
Charge for the year	33	117	26	609	-	652	1,437
Disposals	-	-	(23)	(4)	-	-	(27)
Restructuring write-off	-	-	(34)	-	-	-	(34)
Restructuring provisions	-	-	-	1,518	-	1,940	3,458
Transfer of assets	-	-	-	-	-	-	-
At 31 March 1998	362	440	35	3,844	-	4,717	9,398
Net book value							
At 31 March 1998	98	338	42	3,008	-	2,832	6,318
At 31 March 1997	100	250	111	3,442	466	5,424	9,793

The above includes leased assets with a net book value of £2,851,000 (1997: £5,484,000). Depreciation of £665,000 (1997: £625,000) has been charged against these assets in the year. Additional provisions were made as part of the restructuring totalling £1,940,000 against leased assets.

**Notes to the financial statements
for the year ended 31 March 1998**

12 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	343	948
Finished goods and goods for resale	1,447	777
	<u>1,790</u>	<u>1,725</u>

13 Debtors

	1998 £'000	1997 £'000
Trade debtors	149	1
Amounts owed by fellow subsidiary undertakings	420	292
Other debtors	76	17
Prepayments and accrued income	99	74
	<u>744</u>	<u>384</u>

14 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	514	1,481
Amounts owed to parent company	15,038	10,171
Amounts owed to fellow subsidiary undertakings	-	659
Obligations under finance leases	1,011	1,129
Other taxation and social security costs	58	68
Accruals and deferred income	242	194
	<u>16,863</u>	<u>13,702</u>

**Notes to the financial statements
for the year ended 31 March 1998****15 Creditors: amounts falling due after more than one year**

	1998 £'000	1997 £'000
Obligations under finance leases	2,881	3,820

16 Lease commitments

	1998 £'000	1997 £'000
Obligations under finance leases are repayable as follows:		
Under 1 year	1,011	1,129
Between 2 to 5 years	2,881	3,820
	<u>3,892</u>	<u>4,949</u>
	1998 £'000	1997 £'000
Obligations under operating leases payable in the next year where the commitment expires as follows:		
Between 2 to 5 years	141	141
	<u>141</u>	<u>141</u>

The above amounts relate to the lease of land and buildings.

17 Called up share capital

	1998 £	1997 £
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**Notes to the financial statements
for the year ended 31 March 1998****18 Reconciliation of movements in shareholders' funds**

	1998 £'000	1997 £'000
Opening shareholders' funds	(3,390)	(4,005)
(Loss)/profit for the financial year	(7,284)	615
Closing shareholders' funds	<u>(10,674)</u>	<u>(3,390)</u>

19 Capital commitments

At 31 March 1998 the company had commitments contracted for but not provided for of £35,933 (1997: £4,928,000).

20 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 1998 the loans and overdrafts outstanding amounted to £1,304,632 (1997: £284,000).

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

21 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 £13,500. The remaining balance of £8,099 was paid into privately operated schemes.

**Notes to the financial statements
for the year ended 31 March 1998**

22 Related Party Transactions

On 4 September 1995, the Group entered into a supply agreement pursuant to which Ciba Speciality Chemicals (UK) Ltd agreed to supply certain dyes to the Group. During the year ended 31 March 1998 the Group purchased goods for an aggregate cost of £111,947 under this agreement with a balance due of nil as at 31 March 1998. Henry Zinsli, a non-executive Director of Plasmon Plc, is an employee of Ciba Speciality Chemicals Inc. Both Ciba Speciality Chemicals Inc. and Ciba Speciality Chemicals (UK) Ltd are wholly owned subsidiaries of Ciba Speciality Chemicals Holdings Inc.

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.

23 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 and registered in England and Wales. Copies of the consolidated financial statements of Plasmon Plc can be obtained from The Secretary, Whiting Way, Melbourn, Royston, Herts SG8 6EN.