

Plasmon Data Systems Limited
Annual report
for the year ended 31 March 1997

Registered no: 1793678



Plasmon Data Systems Limited

Annual report for the year ended 31 March 1997

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Directors' report for the year ended 31 March 1997

The directors present their report and the audited financial statements for the year ended 31 March 1997.

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 profit after taxation for the year ended 31 March 1997 of £615,000 (1996: £567,000). The directors do not recommend the payment of a dividend and accordingly the profit 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 CR-R disc production.

The price collapse occurred after 31 March 1997 and therefore its impact has been treated as a non adjusting post balance sheet event.

During the six months to 30 September 1997 the company has made the following adjustments to the carrying value of its assets:

- Written off all intangible fixed assets
- Provided £3,833,000 in respect of a permanent diminution in value of its fixed assets; and
- Increased its stock provisions by £373,000.

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.

Directors and their interests

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

PR Helfet (Chairman) (Resigned 1 September 1997)
RJ Longman

No director had an interest in the company's share capital at either 31 March 1996 or 31 March 1997.

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PR Helfet's interests in the shares of the ultimate holding company, Plasmon Plc, at 31 March 1996 and 31 March 1997 are as disclosed in that company's financial statements.

RJ Longman held Nil 5p ordinary shares at 31 March 1997 (1996: 5,000) in the ultimate holding company, Plasmon Plc.

The number of options held by RJ Longman is as follows:

	1 April 1996 (1)	Granted	31 March 1997	Periods within which options exercisable
Options for 5p ordinary shares at:				
£1.25 each	109,102	-	109,102	25 Sept 1990 and 24 Sept 1997
	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
	62,000	-	62,000	22 May 1996 and 21 May 2003
£2.50 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
£3.75 each	-	160,000	160,000	20 June 1999 and 19 June 2006
£5.00 each	-	160,000	160,000	20 June 1999 and 19 June 2006
£6.25 each	-	320,000	320,000	20 June 1999 and 19 June 2006

At 31 March 1997 the share price of Plasmon Plc was 178.5p.

(1) The number of share options held prior to July 1996 have been adjusted to reflect the subdivision of 10p ordinary shares into 5p ordinary shares.

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 1997. 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.

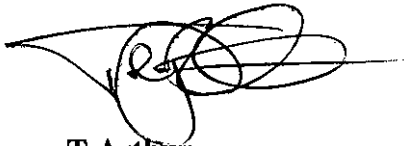
Plasmon Data Systems Limited

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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 horizontal line.

T Arthur
Company secretary

26 January 1998

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

We have audited the financial statements on page 6 to 17.

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.

Fundamental uncertainty

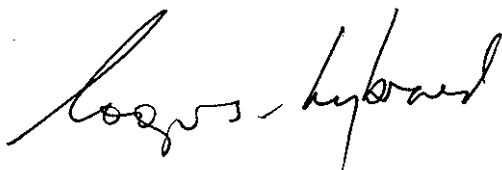
In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continuing financial support of the Company's parent 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.

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Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1997 and of the profit 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

26 January 1998

Plasmon Data Systems Limited

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Profit and loss account for the year ended 31 March 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	6,190	5,585
Cost of sales		(2,588)	(3,320)
Gross profit		3,602	2,265
Development and manufacturing expenses		(2,603)	(1,329)
Administrative expenses		(93)	(122)
Operating profit		906	814
Interest receivable	6	9	12
Interest payable	7	(314)	(268)
Profit on ordinary activities before taxation	5	601	558
Taxation credit	8	14	9
Profit for the financial year		615	567
Statement of accumulated losses			
Accumulated losses at 1 April 1996		(4,005)	(4,572)
Profit for the year		615	567
Accumulated losses at 31 March 1997		(3,390)	(4,005)

All the company's operations are continuing.

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

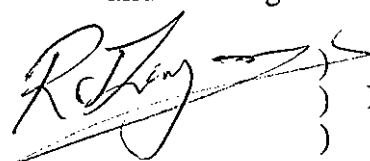
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Balance sheet at 31 March 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Intangible fixed assets	9	270	288
Tangible fixed assets	10	9,793	7,324
		<u>10,063</u>	<u>7,612</u>
Current assets			
Stocks	11	1,725	1,406
Debtors	12	384	1,973
Cash at bank and in hand		1,960	1
		<u>4,069</u>	<u>3,380</u>
Creditors: amounts falling due within one year	13	<u>(13,702)</u>	<u>(11,416)</u>
Net current liabilities		<u>(9,633)</u>	<u>(8,036)</u>
Total assets less current liabilities		<u>430</u>	<u>(424)</u>
Creditors: amounts falling due after more than one year	14	<u>(3,820)</u>	<u>(3,581)</u>
		<u>(3,390)</u>	<u>(4,005)</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		<u>(3,390)</u>	<u>(4,005)</u>
Equity shareholders' funds	17	<u>(3,390)</u>	<u>(4,005)</u>

The financial statements on pages 6 to 17 were approved by the board of directors and were signed on its behalf by:

 Director

26 January 1998

Notes to the financial statements for the year ended 31 March 1997

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. 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% - 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 1997

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 1997**

2 Turnover

	1997 £'000	1996 £'000
Sales of Optical Disk Media and Accessories	<u>6,190</u>	<u>5,585</u>

By Geographical Region

	1997 £'000	1996 £'000
UK	1,904	2,764
Rest of Europe	1,268	63
USA	2,644	2,396
Japan	374	362
Total	<u>6,190</u>	<u>5,585</u>

3 Employee information

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

	1997 Number	1996 Number
Manufacturing, research and development	<u>101</u>	<u>77</u>

Staff costs

	1997 £'000	1996 £'000
Wages and salaries	1,938	1,438
Social security costs	196	147
Other pension costs (see note 20)	18	11
	<u>2,152</u>	<u>1,596</u>

**Notes to the financial statements
for the year ended 31 March 1997**

4 Directors' remuneration

	1997 £'000	1996 £'000
Fees and other emoluments	99	83
Pension costs	15	6
	<u>114</u>	<u>89</u>

Fees and other emoluments disclosed above (excluding pension costs) include the following amounts paid to:

	1997 £'000	1996 £'000
The chairman	<u>Nil</u>	<u>Nil</u>
The highest paid director	<u>99</u>	<u>83</u>

5 Profit on ordinary activities before taxation

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Research and development expenditure		
- current year expenditure	402	239
- deferred expenditure amortised	18	100
Depreciation - leased assets	625	322
- owned assets	476	278
Foreign exchange gains	66	106
Fees paid to auditors for audit	9	8
Loss/(profit) on sale of fixed assets	10	(2)
Operating lease payment for land and buildings	<u>141</u>	<u>141</u>

**Notes to the financial statements
for the year ended 31 March 1997**

6 Interest receivable

	1997 £'000	1996 £'000
On bank deposits	9	12
	<u> </u>	<u> </u>

7 Interest payable

	1997 £'000	1996 £'000
On finance leases	314	268
	<u> </u>	<u> </u>

8 Taxation

	1997 £'000	1996 £'000
Group relief receivable (payable)		
- current year	16	-
- prior year	(2)	12
UK Corporation tax at 33%	-	(3)
	<u> </u>	<u> </u>
	14	9
	<u> </u>	<u> </u>

9 Intangible fixed assets

	£'000
Cost	
At 1 April 1996 and 31 March 1997	583
	<u> </u>
Depreciation	
At 1 April 1996	295
Charge for the year	18
	<u> </u>
At 31 March 1997	313
	<u> </u>
Net book value	
At 31 March 1997	270
	<u> </u>
At 31 March 1996	288
	<u> </u>

Notes to the financial statements for the year ended 31 March 1997

10 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 1996	398	450	143	3,288	1,607	5,084	10,970
Additions	31	123	80	885	2,368	97	3,584
Disposals	-	-	(46)	(151)	-	-	(197)
Transfer of asset	-	-	-	1,141	(3,509)	2,368	-
At 31 March 1997	429	573	177	5,163	466	7,549	14,357
Depreciation							
At 1 April 1996	296	251	66	1,515	-	1,518	3,646
Charge for the year	33	72	32	357	-	607	1,101
Disposals	-	-	(32)	(151)	-	-	(183)
At 31 March 1997	329	323	66	1,721	-	2,125	4,564
Net book value							
At 31 March 1997	100	250	111	3,442	466	5,424	9,793
At 31 March 1996	102	199	77	1,773	1,607	3,566	7,324

The above includes leased assets with a net book value of £7,627,000 (1996: £3,633,000). Depreciation of £625,000 (1996: £348,000) has been charged against these assets in the year.

11 Stocks

	1997 £'000	1996 £'000
Raw materials and consumables	948	898
Finished goods and goods for resale	777	508
	1,725	1,406

**Notes to the financial statements
for the year ended 31 March 1996**

12 Debtors

	1997 £'000	1996 £'000
Trade debtors	1	166
Amounts owed by fellow subsidiary undertakings	292	1,686
Other debtors	17	72
Prepayments and accrued income	74	49
	<u>384</u>	<u>1,973</u>

13 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdraft	-	1,777
Trade creditors	1,481	1,071
Amounts owed to parent company	10,171	7,503
Amounts owed to fellow subsidiary undertakings	659	47
Obligations under finance leases	1,129	817
Other taxation and social security costs	68	49
Accruals and deferred income	194	149
Corporation tax	-	3
	<u>13,702</u>	<u>11,416</u>

14 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Obligations under finance leases	<u>3,820</u>	<u>3,581</u>

Notes to the financial statements for the year ended 31 March 1997

15 Lease commitments

	1997 £'000	1996 £'000
Obligations under finance leases are repayable as follows:		
Under 1 year	1,129	817
Between 2 to 5 years	3,820	3,373
Over 5 years	-	208
	<u>4,949</u>	<u>4,398</u>
	1997 £'000	1996 £'000
Obligations under operating leases payable in the next year where the commitment expires as follows:		
Under 1 year	-	-
Between 2 to 5 years	141	141
	<u>141</u>	<u>141</u>

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

16 Called up share capital

	1997 £	1996 £
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

17 Reconciliation of movements in shareholders' funds

	1997 £'000	1996 £'000
Opening shareholders' funds	(4,005)	(4,572)
Profit for the financial year	615	567
Closing shareholders' funds	<u>(3,390)</u>	<u>(4,005)</u>

Notes to the financial statements for the year ended 31 March 1997

18 Capital commitments

At 31 March 1997 the company had no commitments authorised by the board but not contracted for (1996: £Nil) but had commitments contracted but not provided for of £4,928,000 (1996: £97,000).

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 1997 the loans and overdrafts outstanding amounted to £288,000 (1996: £765,000).

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 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 1997 the Group purchased £281,000 under this agreement with a balance due of £195,560 as at 31 March 1997. 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.

22 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.

23 Post balance sheet event

As more fully disclosed in the directors' report, subsequent to the year end the company was obliged to substantially restructure its operations resulting in significant losses.