

Directors

Rex Francis Thorne OBE, BSc, FIM, MCIM	<i>(Non-executive Chairman)</i>
Kenneth Neville Burgin BSc	<i>(Managing Director)</i>
Iain Charles Silvester BSc, ACA	<i>(Finance Director)</i>
John Duncan Martin B Eng	<i>(Technical Director)</i>
Nicholas Graham Sturge B Eng, AMIEE	<i>(IT and Quality Director)</i>
David Edward Sykes BSc, MSc	<i>(Sales & Marketing Director)</i>
Alan Richard MacKenzie BSc (Econ), MSI Dip	<i>(Non-executive Director)</i>

Company Secretary and Registered Office

Iain Charles Silvester BSc, ACA
Horton Hall, Horton, Bristol BS37 6QN

Financial Adviser

ARM Corporate Finance Limited
12 Pepper Street, London E14 9RP

Auditors

Solomon Hare
Chartered Accountants
Oakfield House, Oakfield Grove, Clifton, Bristol BS8 2BN

Solicitors

Burges Salmon
Narrow Quay House, Prince Street, Bristol BS1 4AH

Bankers

The Royal Bank of Scotland Plc
London City Office, 62 – 63 Threadneedle Street, London EC2R 8LA

Registrars

Independent Registrars Group Limited
Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

Brokers

Teather & Greenwood Limited
Beaufort House, 15 St Botolph Street, London, EC3A 7QR

Public Relations

Citigate Dewe Rogerson
3 London Wall Buildings, London, EC2M 5SY

The Directors present the Chairman's statement and the accounts of the Company for the year ended 31 December 1999:

Chairman's Statement



I have pleasure in presenting the annual report of Motion Media PLC for the year ended 31 December 1999.

It was a year during which the technological strength and depth of Motion Media was further recognised when it was selected by Orange, the international mobile telephone operator to develop and supply key technology for use in the new Orange Mobile Videophone.

Considerable progress was also made in identifying other market opportunities and the Company has obtained trial orders from a number of organisations which have the potential to place major follow on contracts, particularly in the fields of video call centres and telehealth.

The Board recognises that the longer term growth opportunities for the Company require the continuation of significant investment in the infrastructure of the business and the expansion in the number of staff employed. The Company's current facilities at Horton Hall are now at full capacity and other premises will be required to cope with our expectations.

Growth in sales continued at the rate of the previous year, doubling to £2.7m. Despite the increased costs associated with the business' expansion the Board has nonetheless maintained strict control over those costs and combined with attractive gross margins managed to keep the loss for the period to a little over half a million pounds, representing a major improvement over 1998.

The mm225 videophone with its 5" screen entered production in the middle of the year and has been enthusiastically received in the market place. It replaces the original 4" screen model as the flagship of the Motion Media range of video communications products. It is encouraging to note that there are still very few suppliers of ISDN videophones world-wide and the performance and high picture quality of the mm225 puts it in a class of its own with its dual H.320/H.324 international standard performance capability.

In the second half of the year, the company launched its new "eyesite 300" remote surveillance product. This unit is generating considerable interest in the rapidly growing digital security market and in other surveillance applications including "Telecare" trials for monitoring care of the elderly and infirm living at home. The technical capabilities and cost effectiveness of this system indicate an excellent market opportunity.

In spite of limitations on our financial resources, Motion Media continued to develop its sales and marketing capabilities and good progress has been achieved in extending UK sales with the appointment of distributors such as McMillan and Audeo, both leaders in videoconferencing equipment distribution. In the US, Teleco, which has a large network of retail end-points, has started to distribute the mm225, whilst Madge Networks is selling a badged version of the new videophone in both the US and Europe. Talk Visual, which is establishing videocalling retail locations in the US and overseas, has also just started to distribute a badged version of the mm225 in the US, bundled as a package with ISDN connection and has arranged attractive leasing terms for its customers.

I have already mentioned the Orange Mobile Videophone and much more is expected to be heard of the product when it is launched this year. Motion Media is an integral part of the team involved in the product's development and the Company has provided specific Intellectual Property into the mobile videophone.

Substantial opportunities continue to arise for the exploitation of Motion Media's video communications technology in a rapidly expanding telecommunications market. In order to take full advantage of these opportunities the Board announced in January that the Company intends to transfer from OFEX to the Official List of the London Stock Exchange. This move will enable additional capital to be raised to support the Board's plan for the expansion of Motion Media world-wide.

Finally I would like to express the appreciation of the directors for the support of our shareholders and employees during the early development of our company and trust their patience will be rewarded from the planned major expansion in the future.

Rex Thorne, OBE
Chairman

8 March 2000

Principal Activities

The principal activities during the year were the design and marketing of video telecommunications equipment.

Results and Dividends

The Group's loss for the year on ordinary activities before taxation was £525,535 (1998: £1,304,180). Costs of research and development undertaken in the year have been written off as detailed in note 3. A review of activities is included in the Chairman's statement on pages 2 - 3.

The directors do not recommend the payment of a dividend.

Policy on payment of creditors

The group policy on payment to suppliers is that balances owing are paid according to the payment terms agreed with each supplier.

The average number of days purchases included within trade creditors at the year end was 99 (1998: 34). The increase compared to 1998 is due to a high level of purchases of product for re-sale in December 1999 to allow the Group to satisfy customer orders expected during the first part of 2000.

Directors and their Interests

The directors of the Company during the year and the interests in the ordinary share capital of the Company, of those serving at 31 December 1999, were:

Name	Ordinary shares		Deferred shares	
	31.12.99	1.1.99	31.12.99	1.1.99
	10p shares	(or date of appointment if later) 10p shares	10p shares	(or date of appointment if later) 10p shares
K N Burgin	688,157	688,157	244,188	244,188
J D Martin	548,803	548,803	196,452	196,452
G R Nunan	610,351	610,351	218,484	218,484
I C Silvester (appointed 9 March 1999)	-	-	-	-
N G Sturge	550,803	550,803	196,452	196,452
D E Sykes	-	-	-	-
R F Thorne	110,080	110,080	36,720	36,720
A R MacKenzie	-	-	-	-

R E Burgin resigned as a director on 30 April 1999.

G R Nunan resigned as a director on 10 February 2000.

In addition K N Burgin has a non-beneficial interest in 198,773 ordinary shares and 67,932 deferred shares.

A R MacKenzie has a beneficial interest in 101,000 ordinary shares held by ARM Corporate Finance.

The directors except for A R MacKenzie, D E Sykes, I C Silvester and R F Thorne, are trustees and beneficiaries of the Motion Media Technology Retirement Benefits Scheme which held 292,353 ordinary shares and 104,652 deferred shares as at 31 December 1999. D E Sykes was granted options under the 1997 employee share option scheme to subscribe for 23,076 ordinary shares at 130p per share on 27 April 1997, exercisable between April 2000 and April 2007. I C Silvester was granted options under the 1997 employee share option scheme to subscribe for 50,000 ordinary shares at 60p per share on 26 March 1999, exercisable between April 2002 and April 2009.

Substantial Shareholdings

In addition to the holdings listed above, the Company has been notified or is aware of holdings of 3% or more of the issued Ordinary Share Capital as at 31 December 1999:

	Ordinary shares	Percentage of existing ordinary share capital
Namulus Pensioner Trustees Limited	292,353	3.36
Mr S J Maudsley	413,883	4.76
Mr R Boulton	441,828	5.08
Mr C Blackbourne	268,000	3.08
Mr T and Mrs M Davis	312,230	3.59
Mr S D Turner	569,835	6.55
London Wall Nominees Limited	273,500	3.14

Save as disclosed above, the directors are not aware of any other person who is directly or indirectly interested in 3% or more of any shares of relevant share capital of the Company.

Corporate Governance

The Board recognises the importance of the provisions of the Combined Code ("the Code") published in the Listing Rules but considers that full compliance is not appropriate for a company of its size. For example, the Board has two non-executive directors whereas the Code recommends a minimum of three non-executive directors.

In compliance with the recommendations of the Code, the Board has established an audit committee and a remuneration committee with duties and responsibilities formally delegated to them. Both committees comprise Mr Thorne, as Chairman with a casting vote, and Mr MacKenzie.

The audit committee is responsible for ensuring that the financial performance of the Company and its subsidiary is properly measured and reported and for reviewing reports from auditors relating to the Company's accounts and its internal control systems. The remuneration committee is responsible inter alia for setting the remuneration of the executive directors and the senior management and for the operation of the Company's Employee Share Scheme. The non-executive directors will be entitled to seek, at the Company's expense, independent professional advice in connection with their roles on these committees.

An analysis of directors' remuneration is given in note 4 and details of directors' shareholdings appear on page 4.

European Monetary Union

The directors have considered the impact of the Economic Monetary Union on the Group's activities. Although some modifications to the systems will be required to accommodate the introduction of the euro the board is not aware of any significant costs associated with the implementation.

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

The directors confirm that they are not aware of any key systems being affected by the Year 2000. The directors do not anticipate any future risks concerning the issue although given the complexity of the problem it is impossible to guarantee that no Year 2000 problems will remain. The directors consider the financial effect of future compliance to be immaterial.

Post Balance Sheet Event

On 24 January 2000 the Company issued 125,000 new ordinary shares of 10p each to new institutional investors at £13.50 per share. The placing raised £1,635,375, net of expenses, to provide working capital for the Group. A pro-forma consolidated balance sheet showing the effect of this share issue as if it had occurred on 31 December 1999 is provided on page 10.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the reappointment of Solomon Hare as auditors to the company will be put to the annual general meeting.
Approved by the Board of Directors
and signed on behalf of the Board by

By Order of the Board
I C Silvester

Date: 8 March 2000



Auditors' report to the shareholders of Motion Media PLC

We have audited the accounts on pages 8 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 6 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 1999 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

SOLOMON HARE

Registered Auditors
Chartered Accountants
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

Date: 8 March 2000

Consolidated Profit and Loss Account for the Year ended 31 December 1999

	Note	1999	1998
		£	£
Turnover	2	2,718,967	1,332,044
Cost of sales		(1,099,868)	(808,269)
Gross Profit		1,619,099	523,775
Administrative expenses		(2,235,741)	(1,931,962)
Other operating income		91,813	44,052
Operating Loss	3	(524,829)	(1,364,135)
Interest receivable	6	371	60,230
Interest payable and similar charges	7	(1,077)	(275)
Loss for the Year	19	(525,535)	(1,304,180)

All of the above results relate to continuing activities.

Loss per share (normal)	23	6.08p	15.25p
Loss per share (diluted)	23	6.01p	14.98p

The notes on pages 13 to 25 form part of these accounts

Consolidated Statement of Total Recognised Gains and Losses for the Year ended 31 December 1999

	Note	1999	1998
		£	£
Loss for the Financial Year		(525,535)	(1,304,180)
Lapsed share option – advance payment	18	120,000	-
Total Recognised Gains and Losses relating to the Year		(405,535)	(1,304,180)

The notes on pages 13 to 25 form part of these accounts

Consolidated Balance Sheet at 31 December 1999

	Note	1999	1998	Pro forma 1999 (unaudited) (note 27)
		£	£	£
Fixed Assets				
Tangible assets	9	165,550	214,053	165,550
Current Assets				
Stocks	11	532,671	335,786	532,671
Debtors due within one year	12	577,307	762,158	577,307
Cash at bank and in hand		20,956	141,728	1,536,331
		1,130,934	1,239,672	2,646,309
Creditors: amounts falling due within one year	13	(651,917)	(294,832)	(531,917)
Net Current Assets		479,017	944,840	2,114,392
Total Assets Less Current Liabilities		644,567	1,158,893	2,279,942
Creditors: amounts falling due after more than one year	14	(4,555)	(2,846)	(4,555)
Net Assets		640,012	1,156,047	2,275,387
Capital and Reserves				
Called up share capital	16	1,052,143	1,042,643	1,064,643
Share premium account	17	3,595,770	3,595,770	5,218,645
Other reserves	18	-	120,000	-
Profit and loss account	19	(4,007,901)	(3,602,366)	(4,007,901)
Shareholders' Funds (including non-equity)	20	640,012	1,156,047	2,275,387

Approved by the board

K N Burgin, Director

8 March 2000

The notes on pages 13 to 25 form part of these accounts

Company Balance Sheet at 31 December 1999

	Note	1999	1998
		£	£
Fixed Assets			
Investments	10	4,749,918	4,749,918
Current Assets			
Debtors due within one year	12	2,542	4,528
Debtors due after more than one year	12	50,000	50,000
Cash at bank and in hand		1,097	21,742
		53,639	76,270
Creditors: amounts falling due within one year	13	(20,058)	(14,811)
Net Current Assets		33,581	61,459
Net Assets		4,783,499	4,811,377
Capital and Reserves			
Called up share capital	16	1,052,143	1,042,643
Share premium account	17	3,595,770	3,595,770
Other reserves	18	-	120,000
Profit and loss account	19	135,586	52,964
Shareholders' Funds (including non-equity)	20	4,783,499	4,811,377

Approved by the board

K N Burgin, Director

8 March 2000

The notes on pages 13 to 25 form part of these accounts

Consolidated Cash Flow Statement for the Year ended 31 December 1999

	1999		1998	
	£	£	£	£
Net cash outflow from operating activities (note 24)		(204,552)		(1,913,755)
Returns on Investments and Servicing of Finance				
Interest received	371		60,230	
Interest paid	-		(64)	
Interest element of HP rental payments	(1,077)		(211)	
		(706)		59,955
Capital Expenditure and Financial Investment				
Purchase of tangible fixed assets	(61,423)		(98,795)	
Sale of tangible fixed assets	19,098		3,298	
		(42,325)		(95,497)
Management of Liquid Resources				
Movement in short term deposits	-		2,000,000	
		-		2,000,000
Cash (Outflow)/Inflow Before Financing		(247,583)		50,703
Financing				
Issue of ordinary shares	9,500		-	
Capital element of HP rental payments	(2,689)		(934)	
		6,811		(934)
(Decrease)/Increase in cash in the year (note 25)		(240,772)		49,769

The notes on pages 13 to 25 form part of these accounts

I. Accounting Policies

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a. Basis of preparation

These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b. Consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiary for the year ended 31 December 1999 and exclude all intra-group transactions. The acquisition method of accounting has been used and the results of the subsidiary are included from the date of acquisition. The Company has taken advantage of the exemption provided by section 230 of the Companies Act 1985 from presenting its own profit and loss account.

c. Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, net of Value Added Tax.

d. Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset, as follows:

Demonstration tools	-	25% on cost
Property maintenance	-	25% on cost
Computer equipment	-	25% on cost
Equipment	-	25% on cost
Production tooling	-	25% on cost

e. Stocks

Stocks have been valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items.

f. Deferred taxation

Provision is made, using the liability method, for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

g. Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

h. Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

i. Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

j. Pension costs

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the profit and loss account.

k. Research and development

Expenditure on research and development is written off in the year in which it is incurred.

l. Government grants

Grants relating to revenue expenditure are credited to the profit and loss account over the life of the project.

m. Investments

Investments are stated at cost, less any provision for impairment in value

n. Goodwill

Goodwill arising on acquisitions prior to 1 January 1998 has been written off to reserves on acquisition.

Under the transitional arrangements of FRS10 the balance on the goodwill write-off reserve has been transferred to the profit and loss account reserve. Such goodwill will be included in the calculation of profit or loss on disposal of the business to which it relates.

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the Group.

This turnover arose from the following geographical areas:

	1999	1998
	£	£
United Kingdom	1,396,824	424,322
Other EC	794,805	664,793
Rest of the world	527,338	242,929
	2,718,967	1,332,044

3. Operating Loss

	1999	1998
	£	£
Operating loss is arrived at after charging:		
Directors' remuneration (note 4)	336,931	311,241
Directors' pension contributions	9,081	9,093
Depreciation		
- owned assets	105,214	103,403
- assets held under finance leases	1,451	1,589
Auditors' remuneration		
- as auditors	8,750	8,750
- non audit services	2,335	2,750
Operating leases		
- land and buildings	44,629	38,959
Profit on disposal of fixed assets	(9,494)	-
Research and development	701,922	607,167

Research and development costs for 1999 include the costs of staff employed in those activities. The comparative costs for 1998 have been restated from those provided in the 1998 accounts for consistency.

4. Directors' Remuneration

	1999	1998
	£	£
Highest paid director:		
Remuneration	78,683	60,118
Contributions paid by Group to money purchase pension schemes	1,743	1,621
Number of directors accruing benefits under money purchase schemes	7	7

Analysis of directors' remuneration

	Salary	Fees	Sales Bonus	Pension Contributions	1999 Total	1998 Total
	£	£	£	£	£	£
R F Thorne	-	15,000	-	399	15,399	15,397
K N Burgin	55,000	-	-	2,071	57,071	51,872
R E Burgin	4,081	-	-	178	4,259	25,707
R Boulton	-	-	-	-	-	9,941
J Martin	45,000	-	-	1,521	46,521	41,371
G R Nunan	42,500	-	-	1,447	43,947	41,371
I C Silvester	41,667	-	-	456	42,123	-
N G Sturge	42,500	-	-	1,266	43,766	37,696
D E Sykes	48,000	-	30,683	1,743	80,426	61,739
S D Turner	-	-	-	-	-	12,740
D A Wright	-	-	-	-	-	10,000
A R MacKenzie	-	12,500	-	-	12,500	12,500
	278,748	27,500	30,683	9,081	346,012	320,334

R E Burgin resigned as a director on 30 April 1999.

I C Silvester was appointed a director on 9 March 1999.

Mr MacKenzie's fees are payable to ARM Corporate Finance Limited.

5. Staff Numbers and Costs

The average number of persons employed by the Group (including directors) during the year was as follows:

	1999	1998
Management and office	48	42
The aggregate payroll costs of these persons were as follows		
	£	£
Wages and salaries	1,388,070	1,070,692
Social security costs	146,371	104,333
Other pension costs	30,430	29,316
	1,564,871	1,204,341

6. Interest Receivable and Similar Income

	1999	1998
	£	£
Bank interest receivable	371	60,230

7. Interest Payable and Similar Charges

	1999	1998
	£	£
Finance lease charges	1,077	275

8. Tax on loss on ordinary activities

No tax charge arises in respect of the year ended 31 December 1999 (1998: £nil).

The group has tax losses of approximately £3,214,000 (1998: £2,700,000) available for offset against future trading profits arising from the same trade.

9. Tangible Fixed Assets -Group

	Demo tools	Property Maintenance	Computer Equipment	Equipment	Production Tooling	Totals
Cost	£	£	£	£	£	£
At 1 January 1999	38,748	6,007	128,295	92,865	202,139	468,054
Additions	41,104	-	18,807	1,580	6,275	67,766
Disposals	(14,421)	-	-	-	-	(14,421)
At 31 December 1999	65,431	6,007	147,102	94,445	208,414	521,399
Depreciation						
At 1 January 1999	11,622	4,358	80,587	62,004	95,430	254,001
Charge for year	12,343	1,465	24,271	16,835	51,751	106,665
On disposals	(4,817)	-	-	-	-	(4,817)
At 31 December 1999	19,148	5,823	104,858	78,839	147,181	355,849
Net book value						
At 31 December 1999	46,283	184	42,244	15,606	61,233	165,550
At 31 December 1998	27,126	1,649	47,708	30,861	106,709	214,053

The Company held no fixed assets during the year.

Hire purchase agreements:

Included within the net book value of £165,550 is £8,056 relating to assets held under hire purchase agreements (1998: £4,371). The depreciation charged to the accounts in the year in respect of such assets amounted to £1,451 (1998: £1,589).

Capital commitments

	1999	1998
	£	£
Contracted but not provided for in the accounts	-	-

10. Investments: Company

	1999	1998
	£	£
Shares in group undertakings	4,749,918	4,749,918

The company holds the entire share capital of Motion Media Technology Limited. Its principal activity is the design and marketing of video telecommunications equipment.

11. Stocks

	GROUP		COMPANY	
	1999	1998	1999	1998
	£	£	£	£
Components	6,439	186,101	-	-
Finished goods and goods for resale	500,530	77,309	-	-
Accessories and miscellaneous	25,702	72,376	-	-
	532,671	335,786	-	-

12. Debtors

	GROUP		COMPANY	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	486,994	689,688	-	-
Other debtors	65,826	44,528	-	4,528
Prepayments and accrued income	24,487	27,942	2,542	-
Amounts owed by group undertakings	-	-	50,000	50,000
	577,307	762,158	52,542	54,528

Included within amounts owed by group undertakings is £50,000 (1998: £50,000) due after more than one year.

13. Creditors: amounts falling due within one year

	GROUP		COMPANY	
	1999	1998	1999	1998
	£	£	£	£
Bank overdraft	120,000	-	-	-
Trade creditors	420,659	115,192	280	-
Amounts owed to group undertakings	-	-	5,378	7,847
Other taxes and social security	43,129	36,517	-	-
Accruals and deferred income	64,659	141,598	14,400	6,964
Obligations under finance leases and hire purchase contracts	3,470	1,525	-	-
	651,917	294,832	20,058	14,811

14. Creditors: amounts falling due after more than one year

	GROUP		COMPANY	
	1999	1998	1999	1998
	£	£	£	£
Obligations under finance leases and hire purchase contracts	4,555	2,846	-	-
	4,555	2,846	-	-

15. Provisions for liability and charges

No provision has been made in the accounts. Amounts not provided/(not recognised) at the year end are analysed as follows:

	1999		1998	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Group				
Accelerated capital allowances	-	(42,977)	-	(40,126)
Other timing differences	2,362	-	8,137	-
Tax losses carried forward	(2,362)	(640,514)	(8,137)	(567,628)
	-	(683,491)	-	(607,754)
Company				
Tax losses carried forward	-	(7,476)	-	-

16. Share Capital

	1999	1998	1999	1998
Authorised:	No.	No.	£	£
Ordinary shares of 10p each	13,173,180	13,173,180	1,317,318	1,317,318
Deferred shares of 10p each	1,826,820	1,826,820	182,682	182,682
	15,000,000	15,000,000	1,500,000	1,500,000
Allotted issued and fully paid:				
Ordinary shares of 10p each	8,694,611	8,599,611	869,461	859,961
Deferred shares of 10p each – non equity	1,826,820	1,826,820	182,682	182,682
	10,521,431	10,426,431	1,052,143	1,042,643

The deferred shares carry no rights to voting, dividends or attendance at AGM and on a return of capital, the holders of the shares shall only be entitled to the nominal value of the shares after holders of the ordinary shares have received £100,000 per share.

At 31 December 1999 the following options over ordinary share capital have been granted:

Number of shares	Exercise price	Exercise period
75,076	130.0p	Between April 2000 and April 2007
56,000	145.0p	Between April 2001 and April 2008
10,000	105.0p	Between August 2001 and August 2008
82,000	60.0p	Between April 2002 and April 2009

During the year, 95,000 share options were exercised at 10.0p per share. Included in the 75,076 share options are 23,076 shares granted to D E Sykes at an exercise price of 130p per share. Included in the 82,000 share options are 50,000 shares granted to I C Silvester at an exercise price of 60.0p per share.

17. Share Premium Account: Group and Company

		£
At 1 January 1999		
and at 31 December 1999		3,595,770

18. Other Reserves: Group and Company

		1999	1998
		£	£
Inmos share options – advance payment		-	120,000

SGS-Thomson Microelectronics Limited had an option to acquire 177,778 ordinary shares in Motion Media PLC at 67.5p per share. The option, which was exercisable between 1 May 1993 and 30 April 1999, was not exercised during the year and this advance, non-refundable payment was transferred to reserves – see note 19.

19. Reconciliation of movements in Shareholders' funds

	Share Capital	Share Premium	Other Reserve	Profit & Loss Account	1999	1998
	£	£	£	£	£	£
Group						
At 1 January 1999	1,042,643	3,595,770	120,000	(3,602,366)	1,156,047	2,460,227
Other reserve transfer	-	-	(120,000)	120,000	-	-
Shares issued	9,500	-	-	-	9,500	-
Loss for the year	-	-	-	(525,535)	(525,535)	(1,304,180)
At 31 December 1999	1,052,143	3,595,770	-	(4,007,901)	640,012	1,156,047

	Share Capital	Share Premium	Other Reserve	Profit & Loss Account	1999	1998
	£	£	£	£	£	£
Company						
At 1 January 1999	1,042,643	3,595,770	120,000	52,964	4,811,377	4,779,122
Other reserve transfer	-	-	(120,000)	120,000	-	-
Shares issued	9,500	-	-	-	9,500	-
Loss for the year	-	-	-	(37,378)	(37,378)	32,255
At 31 December 1999	1,052,143	3,595,770	-	135,586	4,783,499	4,811,377

Goodwill totalling £755,082 has been written off against reserves.

20. Analysis of Shareholders' funds

	GROUP		COMPANY	
	1999	1998	1999	1998
	£	£	£	£
Equity	457,330	973,365	4,600,817	4,628,695
Non-equity	182,682	182,682	182,682	182,682
	640,012	1,156,047	4,783,499	4,811,377

21. Commitments under Operating Leases

At 31 December 1999 the Group had annual commitments under non-cancellable operating leases as follows:

	LAND AND BUILDINGS	
	1999	1998
	£	£
Operating lease which expire:		
Within 1 year	-	40,000
In two to five years	47,900	-

22. Related Party Transactions

Motion Media PLC has taken advantage of the exemption not to disclose any group transactions due to the preparation of these consolidated accounts.

With the exception of A R MacKenzie, all directors of Motion Media PLC were directors of Motion Media Technology Limited and as such are classified as related parties.

23. Loss per share

Loss per share has been calculated using the loss for the year of £525,535 (1998 - £1,304,180) and the average weighted number of ordinary shares in issue of 8,635,456 (1998 - 8,549,561). Fully diluted earnings per share has been calculated in accordance with FRS14 and on the basis of a further 223,076 (1998 - 466,854) share options in issue at 31 December 1999. The fully diluted earnings are calculated using the loss of £525,535 (1998 - £1,304,180) and the average weighted number of shares of 8,737,366 (1998 - 8,707,802).

24. Reconciliation of operating loss to net cash outflow from operating activities

	1999	1998
	£	£
Operating loss	(524,829)	(1,364,135)
Depreciation of tangible fixed assets	106,665	104,992
Profit on disposal of tangible fixed assets	(9,494)	-
Increase in stocks	(196,885)	(273,202)
(Decrease)/Increase in debtors	184,851	(450,272)
Increase in creditors	235,140	68,862
Net cash outflow from operating activities	(204,552)	(1,913,755)

25. Reconciliation of net cash flow to movement in net debt

	1999	1998
	£	£
(Decrease)/Increase in cash in the year	(240,772)	49,769
Cash (inflow)/outflow on liquid resources	-	(2,000,000)
Cash outflow from hire purchase	2,689	934
Movement in net debt arising from cash flows	(238,083)	(1,949,297)
New HP agreement	(6,343)	(4,955)
Net funds at 1 January 1999	137,357	2,091,609
Net (debt)/funds at 31 December 1999	(107,069)	137,357

26. Analysis of net debt

	B/fwd	Cash flow	Non cash	C/fwd
	£	£	£	£
Cash at bank	141,728	(120,772)	-	20,956
Bank overdraft	-	(120,000)	-	(120,000)
H P agreement	(4,371)	2,689	(6,343)	(8,025)
	137,357	(238,083)	(6,343)	(107,069)

27. Pro-forma consolidated balance sheet

The pro-forma balance sheet of the Group is based on the audited consolidated balance sheet of the Group as at 31 December 1999 adjusted in accordance with the notes set out below.

Since the balance sheet date, as detailed in note 28, the Group has completed a share issue to raise £1,635,375 (net of expenses). The directors consider the commercial impact significant enough to justify separate identification on a pro-forma basis as at 31 December 1999.

NOTES

- 1 The proceeds of the issue are derived from gross proceeds of £1,687,500 less £52,125 of expenses.
- 2 The pro-forma takes no account of trading results since 1 January 2000.
- 3 £120,000 of the proceeds have been used to repay the bank overdraft. The balance has been included in "cash at bank and in hand" on the balance sheet.

28. Post balance sheet events

On 24 January 2000 the Company issued 125,000 new ordinary shares of 10p each to new institutional investors at £13.50 per share. The placing raised £1,635,375, net of expenses, to provide working capital for the Group. A pro-forma consolidated balance sheet showing the effect of this share issue as if it occurred on 31 December 1999 is provided on page 10.

29. Derivatives

The Group's financial instruments, other than derivatives, comprise cash and liquid resources, some borrowings and various items, such as trade debtors and trade creditors that arise directly from its operations.

It is the Group's policy to finance its operations through cash, and to utilise overdraft facilities after review of the projected working capital requirements of the Group should a short-term funding requirement arise. On 23 December 1999 the group arranged an overdraft facility of £200,000 with The Royal Bank of Scotland Plc. At 31 December 1999 the overdraft was £120,000. The overdraft facility is repayable on demand and has a floating interest rate linked to the bank's base rate. On 25 January 2000 the overdraft was repaid in full following the issue of new ordinary shares of 10p each to institutional shareholders.

The majority of the Group's sales and purchases are priced in sterling. Foreign currency exposure arises on certain trading balances and the table set out below summarises the Group's net foreign currency assets/ (liabilities):

	1999	1998
	£	£
US Dollar	(2,446)	136,685
Euro	111,124	-

There are no derivatives and it is and has been throughout the year under review the Group's policy that no trading in financial instruments shall be undertaken.

There is no material difference between the book value and the fair value of the Group's financial instruments.

Notice of Annual General Meeting

Notice is hereby given that the Fourth Annual General Meeting of Motion Media PLC will be held at the offices of Citigate Dewe Rogerson, 26 Finsbury Square, London, EC2A 1DS on Monday, 10th April 2000 at 12 noon for the following purpose:

1. To receive apologies for absence.
2. To receive and adopt the minutes of the third AGM held on 30 April 1999.
3. To receive and adopt the annual statements of accounts and the reports of the directors and auditors for the period ended 31st December 1999.
4. To re-elect Mr. K Burgin as a director who retires by rotation in accordance with the Company's Articles of Association.
5. To re-elect Mr. D Sykes as a director who retires by rotation in accordance with the Company's Articles of Association.
6. To re-elect Mr. J Martin as a director who retires by rotation in accordance with the Company's Articles of Association.
7. To re-appoint Solomon Hare as auditors of the Company to hold office until the conclusion of the next general meeting at which the accounts are laid before the Company, and authorize the Directors to fix their remuneration.

As special business to consider and, if thought fit to pass the following Special Resolution

8. The Directors be and they are hereby generally and unconditionally authorized pursuant to Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in Section 80 of the Act) and further pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority set out in Section 6.1 of the Company's Articles of Association as if Section 89 (1) of the Act did not apply to such allotment such authority to expire on the date of the Company's next Annual General Meeting (or if sooner, the expiry of fifteen months after the passing of the resolution.) except as regards an allotment made pursuant to an offer or agreement entered into by the Company before such date, provided such power be limited to:
 - a) allotments of equity securities in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, the territory or otherwise howsoever); and
 - b) allotments of equity securities up to an aggregate nominal amount of £44,098 representing 5 per cent of the issued share capital of the Company.

Provided further that the Directors shall be entitled under such authorities to make at any time prior to expiry of such authorities any offer or agreement which would or might require relevant or equity securities (as appropriate) of the Company to be allotted after expiry of such authorities and the Directors may allot the same in pursuance of such offer or agreement as if the powers conferred thereby had not expired.

By Order of the Board

I C Silvester, 17th March 2000

Horton Hall, Horton, Bristol BS37 6QN

Motion Media PLC AGM Proxy Form

I/We
 (Block Capitals Please)

of

HEREBY APPOINT the Chairman of the meeting/
 (see note 6) as my/our proxy at the Annual General Meeting of the above named Company to be held on
 Monday 10 April 2000 at 12 noon and at any adjournment thereof.

I/We direct my/our proxy to vote as follows:

RESOLUTIONS

	FOR	AGAINST
3. To receive and adopt the accounts and reports	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. K Burgin as a director who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. D Sykes as a director who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. J Martin as a director who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint the auditors and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorize the Directors to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 and further to allot equity securities within the meaning of Section 94 of the Companies Act 1985 as if Section 89 (1) of that Act did not apply.	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate your vote by an X in the relevant boxes. Unless otherwise indicated, your proxy will abstain or
 vote on all business at the meeting as he/she think fit.

Signature

Date 2000



Proxy Form notes



1. A proxy need not also be a member of the Company.
2. To be valid this form must be deposited at Motion Media PLC, Horton Hall, Horton, Bristol BS37 6QN, not later than 12 noon on 6th April 2000, together any authority under which it is signed.
3. A corporation must give its proxy under its common seal or have it signed by a duly authorized officer or attorney.
4. In the case of a joint holding, the vote of the most senior who tenders a vote will be accepted to the exclusion of other holders. Seniority is determined by the order in which the names are listed in the relevant section of the Register of Members.
5. All alterations to this proxy form must be initialled by the person signing it.
6. If you wish to appoint someone other than the Chairman as your proxy, please insert his/her name, delete the words "the Chairman of the meeting" and initial these amendments.
7. The appointment of a proxy does not prevent you from attending the meeting and voting instead of your proxy.
8. The form of proxy will be used only in the event of a poll being demanded.
9. You should indicate how you wish your vote to be cast. Unless otherwise indicated the proxy will vote or abstain as he/she thinks fit.

