ARTHUR ANDERSEN

Maxell Europe Limited and subsidiary undertakings

Consolidated accounts 31 March 1999 together with directors' and auditors' reports

Registered number: 1485997

Directors' report

For the year ended 31 March 1999

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 March 1999.

Principal activity and business review

The principal activity of the group continues to be the production, importation, marketing and distribution of audio and video tapes, computer floppy disks and tapes, CD ROM, mini-disks, CDR, optical disks and batteries.

Results and dividends

The group's turnover for the year was £170,861,441 (1998 - £123,315,688) and its loss before taxation was £1,778,302 (1998 - profit of £513,817).

No dividend has been proposed (1998 - £250,000).

Directors and their interests

The directors who served during the year and subsequently were as follows:

S. Ashida (appointed 14 June 1999)
A. Matsumoto (resigned 14 June 1999)
J. Mitsui
M. Toi
K. Kurokawa
S. Boyd
H. Numoto (appointed 14 June 1999)
H. Itazu
T. Taniguchi (appointed 14 June 1999)
Y. Senzai (appointed 14 June 1999)
N. Akai (resigned 14 June 1999)
N. Higashiyama (resigned 14 June 1999)

The directors who held office at 31 March 1999 had no interests in the shares of the company as required to be disclosed under Schedule 7 of the Companies Act 1985.

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 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;

Directors' report (continued)

Directors' responsibilities (continued)

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 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 company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

Year 2000

The group's Year 2000 compliance programme is well advanced and in accordance with the timetable. Assurances have been sought from customers and suppliers.

The group does not expect there to be a significant difference between the costs of this programme and those incurred in the course of normal computer upgrade programmes.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Apley
Telford
Shropshire
TF6 6DA

By order of the Board,

S. Ashida

Director

14 June 1999

ARTHUR ANDERSEN

Auditors' report

Birmingham

To the members of Maxell Europe Limited:

We have audited the accounts on pages 4 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors
As described on pages 1 and 2 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 the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of 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 affairs of the group and of the company at 31 March 1999 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

14 June 1999

Consolidated profit and loss account

For the year ended 31 March 1999

	Notes	1999 £	1998 £
Turnover	2	170,861,441	123,315,688
Cost of sales		(138,943,715)	(105,755,801)
Gross profit		31,917,726	17,559,887
Other operating expenses (net)	3	(31,092,263)	(16,294,681)
Operating profit		825,463	1,265,206
Share of associates' operating loss	4	-	(30,327)
Profit on ordinary activities before finance charges		825,463	1,234,879
Finance charges (net)	5	(2,603,765)	(721,062)
(Loss) profit on ordinary activities before taxation	6	(1,778,302)	513,817
Tax on (loss) profit on ordinary activities	8	(58,823)	(245,851)
(Loss) profit for the financial year		(1,837,125)	267,966
Dividends proposed, all equity (0p per share (1998 - 1p)		-	(250,000)
Retained (loss) profit for the year		(1,837,125)	17,966
Retained profit, beginning of year		4,689,922	4,671,956
Retained profit, end of year		2,852,797	4,689,922

All turnover and profits are derived from the group's continuing operations.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 1999

	1999 £	1998 £
(Loss) profit for the financial year	(1,837,125)	17,966
Exchange gain (loss) on foreign equity investment	362,768	(528,803)
Total recognised losses	(1,474,357)	(510,837)

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

31 March 1999

	Notes	1999 £	1998 £
Fixed assets			
Goodwill	9	459,295	-
Tangible assets	10	19,993,010	14,213,998
		20,452,305	14,213,998
Current assets			
Stocks	12	51,716,351	41,380,777
Debtors	13	41,542,624	30,717,508
Cash at bank and in hand		4,521,124	3,434,798
		97,780,099	75,533,083
Creditors: Amounts falling due within one year	14	(82,298,840)	(60,311,218)
Net current assets		15,481,259	15,221,865
Total assets less current liabilities		35,933,564	29,435,863
Creditors: Amounts falling due after more than one year	15	(8,463,658)	(491,600)
Net assets		27,469,906	28,944,263
Capital and reserves			
Called-up share capital	17	25,000,000	25,000,000
Merger reserve	18	123,199	123,199
Currency translation reserve	18	(506,090)	(868,858)
Profit and loss account		2,852,797	4,689,922
Shareholders' funds, all equity	19	27,469,906	28,944,263

Signed on behalf of the Board

S. Ashida Director

14 June 1999

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

31 March 1998

	Notes	1999 £	1998 £
Fixed assets			
Goodwill	9	369,876	-
Tangible assets	10	19,870,078	14,120,266
Investments	11	5,236,669	5,236,669
		25,476,623	19,356,935
Current assets			
Stocks	12	34,023,013	25,676,764
Debtors	13	39,306,502	24,020,251
Cash at bank and in hand		1,193,430	1,494,975
		74,522,945	51,191,990
Creditors: Amounts falling due within one year	14	(64,303,230)	(41,381,379)
Net current assets		10,219,715	9,810,611
Total assets less current liabilities		35,696,338	29,167,546
Creditors: Amounts falling due after more than one year	15	(8,355,878)	(426,030)
Net assets		27,340,460	28,741,516
Capital and reserves			
Called-up share capital	17	25,000,000	25,000,000
Currency translation reserve	18	(543,591)	(603,373)
Profit and loss account	20	2,884,051	4,344,889
Shareholders' funds, all equity	19	27,340,460	28,741,516

Signed on behalf of the Board

S. Ashida Director

14 June 1999

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 March 1999

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

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

The company is exempt from the requirement of Financial Reporting Standard No 1 'Cash flow statements', to include a cash flow statement in its accounts because consolidated accounts, in which the results of Maxell Europe Limited are included, are prepared by the parent company and are publicly available.

b) Basis of consolidation

The group accounts consolidate the accounts of Maxell Europe Limited and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the period from and to the date on which control passed. Acquisitions are accounted for under the acquisition method.

In the company's accounts the investments in its subsidiary undertakings are stated at cost.

c) Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between 5 and 10 years.

Goodwill arising on acquisitions in the year ended 31 March 1998 and earlier periods was written off to reserves in accordance with the accounting standard in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

d) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write-off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	25 years straight-line
Plant and machinery	25% - 36.9% reducing balance
Computer equipment	3 years straight-line
Fixtures and fittings	25% reducing balance

Residual value is calculated on prices prevailing at the date of acquisition.

Notes to accounts (continued)

1 Accounting policies (continued)

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transportation expenses and import duty if appropriate
Work-in-progress and finished goods	-	cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

g) Turnover

Turnover represents amounts receivable for goods and services in the normal course of business, net of trade discounts, VAT and other sales related taxes.

h) Pension costs

It is the general policy of the company to provide for pension liabilities on a going concern basis, on the advice of external actuaries, by payments to an insurance company.

The amount charged to the profit and loss account (the regular pension cost) is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account on a prudent basis over a period not exceeding employees' average remaining service lives. Any difference between amounts charged to the profit and loss account and amounts paid to the pension fund is shown as a separately identified liability or asset in the balance sheet.

Notes to accounts (continued)

1 Accounting policies (continued)

i) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward exchange contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

For the purposes of consolidation and application of the equity method of accounting, the net investment method is used, under which translation gains or losses are shown as a movement on reserves. The profit and loss account of the overseas subsidiary is translated at the closing exchange rate.

j) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

k) Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

Notes to accounts (continued)

2 Segment information

All of the group's trading relates to its principal activity. Contributions to group turnover, (loss)/profit before taxation and net assets are analysed as follows:

By geographical area	1999 £	1998 £
i) Turnover		
By origin		
United Kingdom	144,577,375	120,607,449
Rest of Europe	97,195,280	21,820,327
Inter segmental sales	(70,911,214)	(19,112,088)
	170,861,441	123,315,688
By destination		
United Kingdom	36,491,781	32,614,688
Rest of Europe	134,369,660	90,701,000
	170,861,441	123,315,688
ii) (Loss) profit before taxation		
United Kingdom	(1,749,877)	519,365
Rest of Europe	(28,425)	24,779
Share of loss in associate	-	(22,469)
Dividend received from associate	-	(7,858)
	(1,778,302)	513,817
iii) Net assets		
United Kingdom	21,814,751	23,504,847
Rest of Europe	5,655,155	5,439,416
	27,469,906	28,944,263

3 Other operating expenses (net)

	1999 £	1998 £
Selling and marketing costs	24,741,514	9,356,158
Administrative expenses	6,687,363	7,269,383
	31,428,877	16,625,541
Other operating income	(336,614)	(330,860)
	31,092,263	16,294,681

Notes to accounts (continued)

4 Share of associates' operating loss

	1999	1998
	£	£
Share of loss of associated undertaking	-	(30,327)

5 Finance charges (net)

Investments income

	1999	1998
	£	£
Bank interest	82,296	75,379

Interest payable and similar charges

	1999	1998
	£	£
Bank loans and overdrafts	2,686,061	796,441
Interest on overdue tax	-	308,000
	2,686,061	1,104,441
Less reimbursement from parent	-	(308,000)
	2,686,061	796,441

The interest on overdue tax and reimbursement from parent are explained in note 8.

Finance charges (net)

	1999	1998
	£	£
Interest payable and similar charges	2,686,061	796,441
Less investment income	(82,296)	(75,379)
	2,603,765	721,062

Notes to accounts (continued)

6 (Loss) profit on ordinary activities before taxation

(Loss) profit on ordinary activities before taxation is stated after charging (crediting):

	1999 £	1998 £
Staff costs (note 7)	13,115,518	9,770,808
Depreciation and amounts written off tangible fixed assets	3,803,298	4,080,785
Amortisation of goodwill	59,788	-
Foreign exchange losses, net	114,075	1,420,520
Amortisation of government grant	(95,495)	(98,058)
Operating lease rentals		
- Plant and machinery	690,765	358,171
- Other	789,892	168,652
Auditors' remuneration for audit services	113,688	68,554
Exceptional stock obsolescence provision	1,797,396	-

Amounts payable to Arthur Andersen by the company in respect of non-audit services were £69,722 (1998 - £111,253).

7 Staff costs

The average monthly number of employees (including directors) was:

	1999 Number	1998 Number
Production	426	482
Selling and Marketing	110	51
Administration	87	60
	623	593

Their aggregate remuneration comprised:

	1999 £	1998 £
Wages and salaries	11,183,790	8,516,932
Social security costs	1,601,753	978,464
Other pension costs (note 21c)	329,975	275,412
	13,115,518	9,770,808

Notes to accounts (continued)

7 Staff costs (continued)

Directors' remuneration

Aggregate Remuneration

The total amounts for directors remuneration were as follows:

	1999 £	1998 £
Emoluments	744,528	551,909

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £	1998 £
Emoluments	211,602	158,958

Pensions

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Defined benefit schemes	1	-

8 Tax on (loss) profit on ordinary activities

The tax charge comprises:

	1999 £	1998 £
Current taxation at 31% (1998 - 31%)	-	(128,398)
Adjustment in respect of prior year – current tax	-	(30,000)
Overseas taxation	58,823	30,851
Deferred taxation arising from		
- capital allowances	-	343,377
- other timing differences	-	30,021
Corporation tax due in respect of prior years	-	1,162,000
	58,823	1,407,851
Less reimbursement from parent	-	(1,162,000)
	58,823	245,851

Notes to accounts (continued)

8 Tax on profit on ordinary activities (continued)

In the prior year, charges in respect of the settlement of Transfer Pricing issues with the Inland Revenue were recorded by the group at the expected settlement value. These charges included both additional tax payable, as well as related interest on those overdue tax balances. The Parent agreed to reimburse the company in respect of the above charges which was reflected as an amount due from group undertakings.

The final settlement and payment of these amounts is expected in the current year at a level which will not exceed the amounts provided as at 31 March 1999.

9 Goodwill

	Group	Company
	£	£
Cost		
Beginning of year	-	-
Additions	519,083	419,876
End of year	519,083	419,876
Amortisation		
Beginning of year	-	-
Charge for the year	59,788	50,000
End of year	59,788	50,000
Net book value		
Beginning of year	-	-
End of year	459,295	369,876

During the year the company paid £319,036 to acquire the primary battery business from Maxell Deutschland GmbH. In the prior year the company paid £100,840 to acquire the rechargeable business from Maxell Deutschland GmbH which was previously included within prepayments. This combined goodwill of £419,876 has been capitalised to be amortised over 5 years.

During the year the group acquired the trade and activities of its former Belgian distributor for £418,243. This goodwill has been capitalised to be amortised over 10 years. The other goodwill of £100,840 as set out above was acquired prior to Maxell Deutschland GmbH becoming a subsidiary undertaking of the Company.

Notes to accounts (continued)

10 Tangible fixed assets

Group	Freehold land and buildings	Plant and machinery Leased	Plant and machinery Owned	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
Beginning of year	11,149,983	743,577	40,481,676	1,186,267	53,561,503
Additions	888,040	-	8,376,762	256,328	9,521,130
Currency translation adjustment	47,590	-	240,064	28,300	315,954
Disposals	-	-	(1,082,879)	(28,803)	(1,111,682)
End of year	12,085,613	743,577	48,015,623	1,442,092	62,286,905
Depreciation					
Beginning of year	4,555,186	743,577	33,069,629	979,113	39,347,505
Charge for the year	528,575	-	3,137,860	136,863	3,803,298
Currency translation adjustment	57,634	-	151,800	8,363	217,797
Disposals	-	-	(1,045,902)	(28,803)	(1,074,705)
End of year	5,141,395	743,577	35,313,387	1,095,536	42,293,895
Net book value					
Beginning of year	6,594,797	-	7,412,047	207,154	14,213,998
End of year	6,944,218	-	12,702,236	346,556	19,993,010

Freehold land amounting to £248,760 (1998 - £248,760) and assets under construction of £851,034 (1998 - £618,960) have not been depreciated.

Notes to accounts (continued)

10 Tangible fixed assets (continued)

	Freehold land and buildings	Plant and machinery		Fixtures and fittings	Total
		Leased	Owned		
Company	£	£	£	£	£
Cost					
Beginning of year	11,134,241	743,577	40,336,496	615,172	52,829,486
Additions	888,040	-	8,367,497	167,065	9,422,602
Currency translation adjustment	47,590	-	240,064	18,021	305,675
Disposals	-	-	(1,082,879)	-	(1,082,879)
End of year	12,069,871	743,577	47,861,178	800,258	61,474,884
Depreciation					
Beginning of year	4,539,444	743,577	32,967,306	458,893	38,709,220
Charge for the year	528,575	-	3,116,844	86,635	3,732,054
Currency translation adjustment	57,634	-	151,800	-	209,434
Disposals	-	-	(1,045,902)	-	(1,045,902)
End of year	5,125,653	743,577	35,190,048	545,528	41,604,806
Net book value					
Beginning of year	6,594,797	-	7,369,190	156,279	14,120,266
End of year	6,944,218	-	12,671,130	254,730	19,870,078

Freehold land amounting to £248,760 (1998 - £248,760) and assets under construction of £851,034 (1998 - £618,960) have not been depreciated.

In the opinion of the directors, the market value of the freehold land and buildings are not substantially different from their net book value.

11 Fixed asset investments

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Subsidiary undertakings	-	-	5,236,669	5,236,669

Notes to accounts (continued)

11 Fixed asset investments (continued)

a) Subsidiary undertakings

	Company	
	1999	1998
	£	£
Cost		
Beginning of year	5,236,669	1,175,365
Additions in year	-	4,048,451
Transfer from investment in associated undertaking	-	12,853
End of year	5,236,669	5,236,669

The parent company has investments in the following subsidiary undertakings:

	Country of Registration	**Holding**	%
Maxell France S.A	France	Ordinary	100
Maxell Scandinavia AB	Sweden	Ordinary	100
Maxell Deutschland GmbH	Germany	Ordinary	100
Maxell Italia S.p.A	Italy	Ordinary	100
Maxell Benelux B.V.	Netherlands	Ordinary	100

The principal activity of all the above companies is the distribution of multimedia products.

Notes to accounts (continued)

12 Stocks

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Raw materials and consumables	11,670,882	6,994,523	11,670,882	6,994,523
Work in progress	577,938	2,441,049	577,938	2,441,049
Finished goods and goods for resale	39,467,531	31,945,205	21,774,193	16,241,192
	51,716,351	41,380,777	34,023,013	25,676,764

There is no material difference between the balance sheet value of stocks and their replacement cost.

13 Debtors

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	37,364,018	26,846,369	15,830,601	10,629,930
Amounts owed by group undertakings	1,782,152	1,585,995	21,187,606	11,976,022
ACT recoverable	62,500	185,000	62,500	185,000
Corporation tax recoverable	-	103,174	-	103,174
Deferred taxation (note 16)	-	49,000	-	49,000
VAT	-	-	133,272	-
Prepayments and other accrued income	2,229,954	1,830,470	1,988,523	959,625
	41,438,624	30,600,008	39,202,502	23,902,751
Amounts falling due after more than one year:				
Rent deposit	55,000	55,000	55,000	55,000
ACT on proposed dividends	-	62,500	-	62,500
Deferred taxation (note 16)	49,000	-	49,000	-
	41,542,624	30,717,508	39,306,502	24,020,251

Notes to accounts (continued)

14 Creditors: Amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank loans and overdraft (unsecured)	41,546,544	26,974,457	30,170,000	15,583,799
Trade creditors	7,187,302	6,215,604	4,958,014	3,639,542
Amounts owed to group undertakings	23,306,014	16,774,021	23,306,014	17,144,258
ACT on proposed dividends	62,500	62,500	62,500	62,500
Pension scheme	105,000	105,000	105,000	105,000
Corporation tax	-	1,162,000	-	1,162,000
VAT	378,328	714,802	-	221,022
Accruals and deferred income	9,713,152	8,052,834	5,701,702	3,213,258
Proposed dividends	-	250,000	-	250,000
	82,298,840	60,311,218	64,303,230	41,381,379

The company's borrowing facilities include a Barclays overdraft facility of £17 million which is reviewed annually with the interest fixed monthly, and a Bank of Tokyo facility of £15 million which is reviewed semi annually with the interest rate fixed at this point. In addition, subsidiary undertakings have local borrowing facilities.

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Loans	8,000,000	-	8,000,000	-
Government grants	355,878	426,030	355,878	426,030
Accounts and deferred income	107,780	65,570	-	-
	8,463,658	491,600	8,355,878	426,030

The bank loan was taken out in July 1998. The first repayment of £2million is due in July 2000 with the remainder being repaid in 6 monthly instalments of £1million, commencing January 2001. Interest is charged on the loan at LIBOR plus 0.125%. The loan is guaranteed by the parent company.

Notes to accounts (continued)

15 Creditors: Amounts falling due after more than one year (continued)

The movement on the unamortised government grants was as follows:

	Group and Company	
	1999	1998
	£	£
Beginning of year	528,678	601,242
New grants in year	-	25,494
Amortisation	(95,495)	(98,058)
End of year	433,183	528,678
Less: Amounts in creditors falling due within one year	(55,188)	(75,159)
Less : Currency translation movement	(22,117)	(27,489)
Amounts falling due after one year	355,878	426,030

16 Deferred tax

The deferred tax asset at 31 March 1999 is included within debtors and is considered by the directors to be recoverable.

	Group and Company	
	1999	1998
	£	£
Excess of book depreciation of fixed assets over tax allowances (net of government grant)	-	-
Other timing differences relating to current assets and liabilities	(49,000)	(49,000)
	(49,000)	(49,000)

The movement on deferred taxation comprises:

	Group and Company	
	1999	1998
	£	£
Beginning of year	(49,000)	(422,398)
Charged to profit and loss, in respect of:		
- capital allowances	-	343,377
- other timing differences	-	30,021
End of year	(49,000)	(49,000)

Notes to accounts (continued)

17 Called-up share capital

	1999 £	1998 £
Authorised		
26,000,000 ordinary shares of £1 each	26,000,000	26,000,000
Allotted, called-up and fully-paid		
25,000,000 ordinary shares of £1 each	25,000,000	25,000,000

18 Other reserves

	Group		Company
	Merger reserve £	Currency translation reserve £	Currency translation reserve £
Balance, beginning of year	123,199	(868,858)	(603,373)
Currency translation adjustment	-	362,768	59,782
Balance, end of year	123,199	(506,090)	(543,591)

The currency translation reserve in the company's accounts arises in respect of the company's Dublin branch.

19 Reconciliation of movement in shareholders' funds

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
(Loss) profit for the financial year	(1,837,125)	267,966	(1,460,838)	304,365
Dividends	-	(250,000)	-	(250,000)
	(1,837,125)	17,966	(1,460,838)	54,365
Increase in share capital	-	4,000,000	-	4,000,000
Movement in revaluation reserve	-	-	-	(269,796)
Negative goodwill	-	123,199	-	-
Movement in currency translation reserve	362,768	(528,803)	59,782	(369,408)
Opening shareholders' funds	28,944,263	25,331,901	28,741,516	25,326,355
Closing shareholders' funds	27,469,906	28,944,263	27,340,460	28,741,516

Notes to accounts (continued)

20 Profit and loss account

The movement on the company's profit and loss account during the year was as follows:

	£
Balance, beginning of year	4,344,889
(Loss) profit for the financial year	(1,460,838)
Balance, end of year	2,884,051

No profit and loss account is presented for Maxell Europe Limited, as provided by section 230 of the Companies Act 1985.

21 Guarantees and other financial commitments

a) Capital commitments

At the end of the year capital commitments were:	Group and Company	
	1999	1998
	£	£
Contracted for but not provided for	2,121,000	7,561,246

b) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:-

	Group and Company		
	Property	Plant and Machinery	Total
	£	£	£
1999			
Expiry date:			
- within one year	-	150,061	150,061
- between two and five years	-	462,421	462,421
- after five years	726,543	15,997	742,540
	726,543	628,479	1,355,022
1998			
Expiry date:			
- within one year	-	52,863	52,863
- between two and five years	-	263,616	263,616
- after five years	241,704	-	241,704
	241,704	316,479	558,183

Notes to accounts (continued)

21 Guarantees and other financial commitments (continued)

b) Lease commitments (continued)

The operating lease on the Rickmansworth property expires in 2010, and rent reviews are every 5 years, the next being in December 1999.

c) Pension arrangements

The only significant pension scheme operated by the Group is Maxell Europe Limited Pension Scheme in the UK.

The company operates a defined benefit pension scheme which all employees are invited to join. The scheme is contributory (employer 7.1%, employees 4.5% of basic salary) and is administered by trustees. The pension cost for the year was £296,321, representing the regular cost (1998: £275,412).

The contribution rates are reviewed every three years by independent actuaries. The most recent actuarial valuation was at 1 April 1997. That valuation showed the market value of the scheme's assets to be £2,702,000, which represented 135% of the actuarial value of benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns and the increase in pension liabilities will be 2.5% higher than the increase in salaries. On the recommendation of the actuary, the contribution rates have been maintained at the same levels, since expected changes in the legal requirements relating to the funding of pension schemes on a solvency basis would lead to a significantly lower surplus.

22 Ultimate parent company

The largest group in which the results of Maxell Europe Limited are consolidated is that headed by Hitachi Limited, its ultimate parent company, incorporated in Japan, whose principal place of business is 6 Kanda, Surugadai, 4 Chome, Chiyoda-Ku, Tokyo 101-8010, Japan. The smallest group in which the results are consolidated is that headed by Hitachi Maxell Limited, its immediate parent company, incorporated in Japan, whose principal place of business is 1-1-88, Ushitora, Ibaraki-shi, Osaka 567-8567, Japan. The consolidated accounts are available from the above addresses.

23 Related party transactions

The group purchases raw materials and finished goods from its parent company. During the year the total value of these purchases amounted to £90,477,918 (1998 - £70,946,000). In addition the group paid its parent company £1,605,975 (1998 - £1,251,200) in respect of management services and £137,751 (1998 - £324,317) in respect of product royalties. During the year the group made sales of £70,911,214 (1998 - £45,020,000) to fellow subsidiary undertakings.