

Maxell Europe Limited
and subsidiary undertaking

Accounts 31 March 1997
together with directors' and auditors' reports
Registered number: 1485997



Directors' report

For the year ended 31 March 1997

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 1997.

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, optical disks and micro batteries.

Group turnover increased by £9,251,861 (7.8%) during the year and group profits after tax decreased by £90,155 due to the start up costs of the CD-ROM operation.

The directors expect growth both in turnover and profitability in the future.

Results and dividends

	£
Group retained profit, beginning of year	4,603,464
Group profit after tax for the year	278,492
Proposed dividend	(210,000)
Group retained profit, end of year	<u>4,671,956</u>

A dividend of £210,000 (1996 - £210,000) is proposed.

Directors and their interests

The directors who served during the year are as shown below:

A Matsumoto

J Mitsui (appointed 20 June 1997)

Dr F. Inose

N. Akai

H Itazu (appointed 20 June 1997)

K. Yamazaki (resigned 20 June 1997)

M. Sasaki (resigned 20 June 1997)

I. Arai (resigned 20 June 1997)

The directors who held office at 31 March 1997 had no interests in the shares of the company as required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

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 group and company 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;
- 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 group and company 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 company 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 its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

Directors' report (continued)

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,

A handwritten signature in black ink, appearing to read 'A. Matsumoto', with a long horizontal flourish extending to the right.

A. Matsumoto

Director

20 June 1997

Auditors' report

Birmingham

To the members of Maxell Europe Limited:

We have audited the accounts on pages 5 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on page 2 the group'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 judgments 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 1997 and of the profit and cash flows of the group 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

20 June 1997

Consolidated profit and loss account

For the year ended 31 March 1997

	Notes	1997 £	1996 £
Turnover	2	127,050,882	117,799,021
Cost of sales		(109,196,604)	(100,699,070)
Gross profit		17,854,278	17,099,951
Other operating expenses (net)	3	(16,701,056)	(15,815,300)
Operating profit		1,153,222	1,284,651
Investment income	4	56,960	184,284
Interest payable and similar charges	5	(746,343)	(812,612)
Profit on ordinary activities before taxation	6	463,839	656,323
Tax on profit on ordinary activities	8	(185,347)	(287,676)
Profit on ordinary activities after taxation		278,492	368,647
Dividends proposed		(210,000)	(210,000)
Retained profit for the financial year		68,492	158,647
Retained profit, beginning of year		4,603,464	4,444,817
Retained profit, end of year		4,671,956	4,603,464

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 1997

	1997 £	1996 £
Retained profit for the financial year	68,492	158,647
Exchange (loss) gain on foreign equity investment	(471,163)	22,332
Total recognised gains and losses	(402,671)	180,979

Consolidated balance sheet

31 March 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	9	15,758,744	19,232,596
Investments	10	282,649	333,358
		<u>16,041,393</u>	<u>19,565,954</u>
Current assets			
Stocks	11	16,061,870	18,150,014
Debtors	12	21,642,842	20,280,897
Cash at bank and in hand		2,142,049	1,410,253
		<u>39,846,761</u>	<u>39,841,164</u>
Creditors: Amounts falling due within one year	13	(29,445,603)	(32,015,335)
Net current assets		<u>10,401,158</u>	<u>7,825,829</u>
Total assets less current liabilities		<u>26,442,551</u>	<u>27,391,783</u>
Creditors: Amounts falling due after more than one year	14	(1,110,650)	(1,657,211)
Net assets		<u>25,331,901</u>	<u>25,734,572</u>
Capital and reserves			
Called-up share capital	16	21,000,000	21,000,000
Currency translation reserve	17	(340,055)	131,108
Profit and loss account		4,671,956	4,603,464
Total shareholders' funds - all equity	18	<u>25,331,901</u>	<u>25,734,572</u>

Signed on behalf of the Board



A. Matsumoto

Director

20 June 1997

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

Balance sheet

31 March 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	9	15,746,338	19,202,032
Investments	10	1,458,014	1,508,723
		<u>17,204,352</u>	<u>20,710,755</u>
Current assets			
Stocks	11	13,154,958	15,102,941
Debtors	12	19,752,209	18,018,807
Cash at bank and in hand		2,099,297	1,308,474
		<u>35,006,464</u>	<u>34,430,222</u>
Creditors: Amounts falling due within one year	13	(25,782,014)	(28,008,833)
Net current assets		<u>9,224,450</u>	<u>6,421,389</u>
Total assets less current liabilities		<u>26,428,802</u>	<u>27,132,144</u>
Creditors: Amounts falling due after more than one year	14	(1,102,447)	(1,631,066)
Net assets		<u>25,326,355</u>	<u>25,501,078</u>
Capital and reserves			
Called-up share capital	16	21,000,000	21,000,000
Revaluation reserve	17	269,796	320,505
Currency translate reserve	17	(233,965)	-
Profit and loss account	19	4,290,524	4,180,573
Total shareholders' funds - all equity	18	<u>25,326,355</u>	<u>25,501,078</u>

Signed on behalf of the Board



A. Matsumoto

Director

20 June 1997

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

Notes to accounts

31 March 1997

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

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

The company is exempt from the requirement of FRS1 to include a cash flow statement in its accounts because consolidated accounts in which Maxell Europe Limited is included are publicly available.

b) Basis of consolidation

The consolidated accounts include the results of the company, its subsidiary undertaking and the results of the associated undertaking as described in note 1h after eliminating intra-group transactions and balances.

In the company's accounts the investment in its subsidiary undertaking is stated at cost.

c) Tangible fixed assets

Tangible fixed assets are shown at original historical cost, net of depreciation and provision for permanent diminution in value. Any related government grants being reported as deferred income are amortised over the expected useful life of the asset concerned. The balance of unused grants is disclosed as deferred income.

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of each fixed asset over its expected useful life as follows:

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

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included within operating profit.

d) 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:

Notes to accounts (continued)

1 Accounting policies (continued)

d) Stocks (continued)

- 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 normal 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.

e) 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.

f) 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.

g) Turnover

Group turnover comprises the value of sales (excluding VAT, trade discounts and intra-group transactions) of goods in the normal course of business.

Notes to accounts (continued)

1 Accounting policies (continued)

h) Associated undertaking

Maxell Sweden AB ("MSAB"), in which the company owns 50% of the voting share capital and over which it exerts significant influence, is treated as an associate. The group's share of MSAB's post-investment retained profits (or losses) is added to (or deducted from) the carrying value of the investment in the consolidated balance sheet, the corresponding amount being taken to the consolidated profit and loss account.

In the company's accounts, the investment in its associate is stated at cost plus or minus the group's share of post-acquisition retained profits or losses, with a corresponding movement in the revaluation reserve.

i) 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.

j) 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)

2 Segment information

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

By geographical area	1997 £	1996 £
i) Turnover		
By origin		
United Kingdom	124,629,137	111,642,110
Rest of Europe	17,427,145	17,108,206
Inter segmental sales	(15,005,400)	(10,951,295)
	<u>127,050,882</u>	<u>117,799,021</u>
By destination		
United Kingdom	32,162,219	29,679,636
Rest of Europe	94,888,663	88,119,385
	<u>127,050,882</u>	<u>117,799,021</u>
ii) Profit before taxation		
United Kingdom	489,950	567,856
Rest of Europe	14,661	30,817
Share of profit in associate	(31,083)	66,729
Dividend received from associate	(9,689)	(9,079)
	<u>463,839</u>	<u>656,323</u>
iii) Net assets		
United Kingdom	23,868,340	23,992,355
Rest of Europe	1,180,912	1,408,859
Share of associated undertaking	282,649	333,358
	<u>25,331,901</u>	<u>25,734,572</u>
3 Other operating expenses (net)		
	1997 £	1996 £
Selling and marketing costs	9,813,098	9,527,461
Administrative expenses	7,217,132	6,386,156
	<u>17,030,230</u>	<u>15,913,617</u>
Other operating income	(329,174)	(98,317)
	<u>16,701,056</u>	<u>15,815,300</u>

Notes to accounts (continued)

4 Investment income

Investment income comprises:

	1997 £	1996 £
Share of (losses) profits of associated undertaking	(31,083)	66,729
Bank interest income	88,043	117,555
	<u>56,960</u>	<u>184,284</u>

5 Interest payable and similar charges

	1997 £	1996 £
Bank borrowings	707,239	610,769
Loans from group undertakings	39,104	201,843
	<u>746,343</u>	<u>812,612</u>

6 Profit on ordinary activities before taxation

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

	1997 £	1996 £
Staff costs (note 7)	9,337,130	8,387,665
Depreciation	5,466,384	3,882,448
Foreign exchange losses (gains), net	1,283,776	(260,838)
Amortisation of government grant	(135,516)	(36,000)
Hire of plant and machinery - under operating leases	393,758	422,520
- other	13,195	35,735
Other operating lease rentals	183,000	157,600
Auditors' remuneration - audit-fees	61,700	60,800
- non-audit fees	<u>119,600</u>	<u>113,405</u>

Notes to accounts (continued)

7 Staff costs

Particulars of employees (including directors) are as shown below:

Employee costs during the year amounted to:

	1997 £	1996 £
Wages and salaries	8,185,446	7,339,828
Social security costs	916,414	843,446
Other pension costs	235,270	204,391
	<u>9,337,130</u>	<u>8,387,665</u>

The average monthly number of persons employed by the group during the year was as follows:

	1997 Number	1996 Number
Production	472	419
Selling and marketing	50	47
Administration	51	49
	<u>573</u>	<u>515</u>

Directors' remuneration:

Directors' remuneration paid in respect of directors of the company was as follows:

	1997 £	1996 £
Total emoluments	<u>345,606</u>	<u>546,076</u>

The emoluments, excluding pensions and pension contributions, of the directors included:

	1997 £	1996 £
Highest paid director	<u>193,429</u>	<u>254,726</u>

Notes to accounts (continued)

7 Staff costs (continued)

Directors received emoluments, excluding pensions and pension contributions, in the following ranges:

	1997 Number	1996 Number
Up to - £5,000	4	6
£75,001 - £80,000	-	1
£150,001 - £155,000	1	-
£190,001 - £195,000	1	-
£210,001 - £215,000	-	1
£250,001 - £255,000	-	1

8 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1997 £	1996 £
Current taxation at 33%	337,398	(264,000)
Overseas taxation	5,410	6,505
Deferred taxation arising from		
- capital allowances	(255,377)	429,000
- other timing differences	87,979	106,000
Taxation attributable to income of associated undertaking	9,937	10,171
	<u>185,347</u>	<u>287,676</u>

Notes to accounts (continued)

9 Tangible fixed assets

The movement on tangible fixed assets was as follows:

Group	Freehold land and buildings £	Plant and machinery		Fixtures and fittings £	Total £
		Leased £	Owned £		
Cost					
Beginning of year	11,238,475	743,577	43,284,683	672,937	55,939,672
Additions	-	-	2,302,737	157,708	2,460,445
Currency translation adjustment	(69,674)	-	(338,719)	(4,479)	(412,872)
Disposals	-	-	(4,616,738)	(26,086)	(4,642,824)
End of year	<u>11,168,801</u>	<u>743,577</u>	<u>40,631,963</u>	<u>800,080</u>	<u>53,344,421</u>
Depreciation					
Beginning of year	3,482,281	743,577	32,002,384	478,834	36,707,076
Charge for the year	560,830	-	4,771,528	134,026	5,466,384
Currency translation adjustment	(7,156)	-	(30,666)	(324)	(38,146)
Disposals	-	-	(4,549,637)	-	(4,549,637)
End of year	<u>4,035,955</u>	<u>743,577</u>	<u>32,193,609</u>	<u>612,536</u>	<u>37,585,677</u>
Net book value					
Beginning of year	<u>7,756,194</u>	<u>-</u>	<u>11,282,299</u>	<u>194,103</u>	<u>19,232,596</u>
End of year	<u>7,132,846</u>	<u>-</u>	<u>8,438,354</u>	<u>187,544</u>	<u>15,758,744</u>

Freehold land amounting to £248,760 (1996 - £248,760) and assets under construction of £378,299 (1996 - £248,199) have not been depreciated.

Notes to accounts (continued)

9 Tangible fixed assets (continued)

Company	Freehold land and buildings £	Plant and machinery		Fixtures and fittings £	Total £
		Leased £	Owned £		
Cost					
Beginning of year	11,238,475	743,577	43,284,683	434,899	55,701,634
Additions	-	-	2,302,737	157,708	2,460,445
Currency translation adjustment	(69,674)	-	(338,719)	(4,479)	(412,872)
Disposals	-	-	(4,616,738)	(21,375)	(4,638,113)
End of year	11,168,801	743,577	40,631,963	566,753	53,111,094
Depreciation					
Beginning of year	3,482,281	743,577	32,002,384	271,360	36,499,602
Charge for the year	560,830	-	4,771,528	120,579	5,452,937
Currency translation adjustment	(7,156)	-	(30,666)	(324)	(38,146)
Disposals	-	-	(4,549,637)	-	(4,549,637)
End of year	4,035,955	743,577	32,193,609	391,615	37,364,756
Net book value					
Beginning of year	7,756,194	-	11,282,299	163,539	19,202,032
End of year	7,132,846	-	8,438,354	175,138	15,746,338

Freehold land amounting to £248,760 (1996 - £248,760) and assets under construction of £378,299 (1996 - £248,199) 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.

10 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Associated undertaking	282,649	333,358	282,649	333,358
Subsidiary undertaking	-	-	1,175,365	1,175,365
	282,649	333,358	1,458,014	1,508,723

Notes to accounts (continued)

10 Fixed asset investments (continued)

a) Investment in associated undertaking

The company has a 50% investment in an associated undertaking, Maxell Sweden AB, incorporated in Sweden and trading as a distributor, which is shown at cost plus the company's share of post-acquisition retained profits as follows:

	1997 £	1996 £
Cost	12,853	12,853
Share of post-acquisition retained profits		
- beginning of year	320,505	273,026
- current year	(41,020)	56,558
Dividends received	(9,689)	(9,079)
End of year	<u>282,649</u>	<u>333,358</u>

b) Investment in subsidiary undertaking

The company owns 100% of the share capital of Maxell France S.A., a company incorporated in France, which is a distributor of audio and video tapes and computer floppy disks. The investment in the company's accounts is shown at cost.

	1997 £	1996 £
Cost		
Beginning and end of year	<u>1,175,365</u>	<u>1,175,365</u>

11 Stocks

The following are included in the net book value of stocks:

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Raw materials and consumables	2,968,308	3,964,555	2,968,308	3,964,555
Work-in-progress	383,110	278,928	383,110	278,928
Finished goods and goods for resale	12,710,452	13,906,531	9,803,540	10,859,458
	<u>16,061,870</u>	<u>18,150,014</u>	<u>13,154,958</u>	<u>15,102,941</u>

In the opinion of the directors, there is no significant difference between the replacement cost and the book value of stocks at the balance sheet date.

Notes to accounts (continued)

12 Debtors

The following are included in the net book value of debtors:

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	14,859,568	13,512,826	9,676,580	8,315,539
Amounts owed by associated undertakings	1,978,203	-	1,978,203	2,320,372
Amounts owed by group undertakings	3,488,448	4,977,834	6,813,445	5,798,717
VAT	217,089	258,351	255,934	188,220
Prepayments and other accrued income	569,636	825,386	498,149	689,459
	<u>21,112,944</u>	<u>19,574,397</u>	<u>19,222,311</u>	<u>17,312,307</u>
Amounts falling due after more than one year:				
Rent deposit	55,000	55,000	55,000	55,000
Corporation tax recoverable	-	264,000	-	264,000
ACT recoverable	-	80,000	-	80,000
ACT on proposed dividends	52,500	52,500	52,500	52,500
Deferred taxation (note 15)	422,398	255,000	422,398	255,000
	<u>21,642,842</u>	<u>20,280,897</u>	<u>19,752,209</u>	<u>18,018,807</u>

13 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Unsecured bank loans and overdraft	6,085,614	10,721,494	5,220,000	8,900,000
Trade creditors	3,710,121	4,798,430	2,054,119	3,547,150
Amounts owed to group undertakings	14,622,516	10,058,657	14,622,516	10,058,657
Unsecured loans from group undertakings	-	1,500,000	-	1,500,000
ACT on proposed dividends	52,500	52,500	52,500	52,500
Social security and PAYE	-	282,241	-	158,292
Pension scheme	105,000	105,000	105,000	105,000
Proposed dividends	210,000	210,000	210,000	210,000
Corporation tax	162,725	-	162,725	-
Accruals and deferred income	4,497,127	4,287,013	3,355,154	3,477,234
	<u>29,445,603</u>	<u>32,015,335</u>	<u>25,782,014</u>	<u>28,008,833</u>

The bank loan facilities are reviewed monthly and bear interest at commercial rates.

Notes to accounts (continued)

14 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Unsecured bank loans	600,000	1,200,000	600,000	1,200,000
Accruals and deferred income				
- government grants	502,447	431,066	502,447	431,066
- other	8,203	26,145	-	-
	<u>1,110,650</u>	<u>1,657,211</u>	<u>1,102,447</u>	<u>1,631,066</u>

The bank loans are repayable in instalments between September 1996 and March 1999.

The movement on the unamortised government grants was as follows:

	Group and Company	
	1997	1996
	£	£
Beginning of year	467,066	503,066
New grants in year	269,692	-
Amortisation	(135,516)	(36,000)
End of year	<u>601,242</u>	<u>467,066</u>
Less: Amounts in creditors falling due within one year	<u>(98,795)</u>	<u>(36,000)</u>
	<u>502,447</u>	<u>431,066</u>

15 Deferred tax

The deferred tax asset at 31 March 1997 is included within debtors and is considered by the directors to be recoverable in less than one year.

	Group and Company	
	1997	1996
	£	£
Excess of book depreciation of fixed assets over tax allowances (net of government grant)	(343,377)	(88,000)
Other timing differences relating to current assets and liabilities	<u>(79,021)</u>	<u>(167,000)</u>
	<u>(422,398)</u>	<u>(255,000)</u>

Notes to accounts (continued)

15 Deferred tax (continued)

The movement on deferred taxation comprises:

	Group and Company	
	1997	1996
	£	£
Beginning of year	(255,000)	(790,000)
(Credited) charged to profit and loss, in respect of:		
- capital allowances	(255,377)	429,000
- other timing differences	87,979	106,000
End of year	<u>(422,398)</u>	<u>(255,000)</u>

16 Called-up share capital

	1997	1996
	£	£
<i>Authorised</i>		
22,000,000 ordinary shares of £1 each	<u>22,000,000</u>	<u>22,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
21,000,000 ordinary shares of £1 each	<u>21,000,000</u>	<u>21,000,000</u>

17 Other reserves

The movements on the revaluation and currency translation reserves were as follows:

	Company		Group
	Revaluation reserve £	Currency translation reserve £	Currency translation reserve £
Balance, beginning of year	320,505	-	131,108
Share of current year retained profits of associated undertaking	(41,020)	-	-
Dividends received from associated undertaking	(9,689)	-	-
Currency translation adjustment	-	(233,965)	(471,163)
Balance, end of year	<u>269,796</u>	<u>(233,965)</u>	<u>(340,055)</u>

Notes to accounts (continued)

18 Reconciliation of movement in shareholders' funds

The movement in shareholders' funds was as follows:

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Profit for the financial year	278,492	368,647	319,951	296,856
Dividends	(210,000)	(210,000)	(210,000)	(210,000)
	<u>68,492</u>	<u>158,647</u>	<u>109,951</u>	<u>86,856</u>
Movement in revaluation reserve	-	-	(50,709)	47,479
Increase in share capital	-	5,000,000	-	5,000,000
Movement in currency translation reserve	(471,163)	22,332	(233,965)	-
Opening shareholders' funds	<u>25,734,572</u>	<u>20,553,593</u>	<u>25,501,078</u>	<u>20,366,743</u>
Closing shareholders' funds	<u>25,331,901</u>	<u>25,734,572</u>	<u>25,326,355</u>	<u>25,501,078</u>

19 Profit and loss account

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

	£
Balance, beginning of year	4,180,573
Profit for the financial year	319,951
Proposed dividend	(210,000)
Balance, end of year	<u>4,290,524</u>

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

20 Guarantees and other financial commitments

a) Capital commitments

At the end of the year capital commitments were:

	Group and Company	
	1997	1996
	£	£
Contracted for but not provided for	<u>134,297</u>	<u>469,444</u>

Notes to accounts (continued)

20 Guarantees and other financial commitments (continued)

b) Lease commitments

The group leases certain property and plant and machinery on short-term and long-term operating leases. The annual rental on these leases in the year was £514,248 (1996 - £580,120).

The minimum annual rentals under the foregoing leases are as follows:

	Group and Company		
	Property £	Plant and machinery £	Total £
1997			
Operating leases which expire:			
- within 1 year	-	40,707	40,707
- within 2-5 years	-	291,864	291,864
- after 5 years	182,600	-	182,600
	<u>182,600</u>	<u>332,571</u>	<u>515,171</u>
1996			
Operating leases which expire:			
- within 1 year	-	51,780	51,780
- within 2-5 years	-	265,572	265,572
- after 5 years	188,600	-	188,600
	<u>188,600</u>	<u>317,352</u>	<u>505,952</u>

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

Notes to accounts (continued)

20 Guarantees and other financial commitments (continued)

c) Pension arrangements

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 £235,270, representing the regular cost (1996: £204,391).

The contribution rates are reviewed every three years by independent actuaries. The most recent actuarial valuation was at 1 April 1994. That valuation showed the market value of the scheme's assets to be £1,416,000, which represented 151% 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.

21 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, 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, Japan. The consolidated accounts are available from the above addresses.

22 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 £58,262,849 (1996 - £47,182,000). In addition the group paid its parent company £1,101,350 (1996 - £1,100,000) in respect of management services and £947,106 (1996 - £943,308) in respect of product royalties. During the year the group made sales of £47,210,000 (1996 - £44,940,000) to fellow subsidiary undertakings.