



**Maxell Europe Limited
and subsidiary undertakings**

Annual report and financial statements
for the year ended 31 March 2002

Registered number: 1485997



A24 0046
COMPANIES HOUSE 15/08/02

Directors' report

For the year ended 31 March 2002

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 March 2002.

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, mini-disks, CDR, optical disks and batteries.

Results and dividends

The group's turnover for the year was £224,575,000 (2001 - £222,911,000) and its profit before taxation was £482,000 (2001 - £925,000).

During the year the company ceased the operation of its Dublin CD-Rom manufacturing site, and incurred closure costs of £4,007,000.

No dividend has been proposed (2001 - £Nil).

Directors and their interests

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

S. Ashida (Japanese)

S. Boyd

A. Camm

Y. Fushiki (Japanese) (appointed 28 June 2002)

N. Higashiyama (Japanese) (appointed 28 June 2002)

H. Itazu (Japanese)

N. Masuda (Japanese) (appointed 28 June 2001, resigned 28 June 2002)

J. Mitsui (Japanese) (resigned 28 June 2001)

B. Myers

H. Numoto (Japanese)

Y. Senzai (Japanese) (resigned 28 June 2002)

T. Taniguchi (Japanese)

The directors who held office at 31 March 2002 had no interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant 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.

Directors' report (continued)

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.

Apley
Telford
Shropshire
TF1 6DA

By order of the Board,



S. Ashida

31 July 2002

Director

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 and loss of the group for that period. In preparing the financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements 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.



To the shareholders of Maxell Europe Limited

We have audited the financial statements of Maxell Europe Limited for the year ended 31 March 2002, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 March 2002 and of the group's profit 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

Four Brindleyplace
Birmingham
B1 2HZ

31 July 2002

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 March 2002 and of the group's profit 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

Four Brindleyplace
Birmingham
B1 2HZ

31 July 2002

Consolidated profit and loss account

For the year ended 31 March 2002

	Notes	2002 £'000	2001 Restated £'000
Turnover	1,2		
Continuing operations		224,267	221,226
Discontinued operations		308	1,685
		<u>224,575</u>	<u>222,911</u>
Cost of sales		(188,727)	(188,647)
Gross profit		<u>35,848</u>	<u>34,264</u>
Other operating expenses (net)	3	(30,006)	(31,227)
Operating profit			
Continuing operations		6,080	5,639
Discontinued operations		(238)	(2,602)
		<u>5,842</u>	<u>3,037</u>
Loss on termination of operation	4	(4,007)	-
Profit on ordinary activities before finance charges		<u>1,835</u>	<u>3,037</u>
Finance charges (net)	5	(1,353)	(2,112)
Profit on ordinary activities before taxation	6	<u>482</u>	<u>925</u>
Tax on profit on ordinary activities	8	(171)	(473)
Profit for the financial year	18	<u>311</u>	<u>452</u>

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 2002

	2002 £'000	2001 £'000
Profit for the financial year	311	452
Exchange (loss) gain on foreign currency translation	(24)	189
Total recognised gains and losses relating to the year	<u>287</u>	<u>641</u>
Prior year adjustment (as explained in note 9)	<u>1,221</u>	
Total gains and losses recognised since last annual report and financial statements	<u>1,508</u>	

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

Consolidated balance sheet

31 March 2002

	Notes	2002 £'000	2001 Restated £'000
Fixed assets			
Goodwill	10	121	197
Tangible assets	11	6,209	11,696
		<u>6,330</u>	<u>11,893</u>
Current assets			
Stocks	13	40,246	46,439
Debtors			
- due within one year	14	37,611	46,133
- due after one year	14	1,530	817
Cash at bank and in hand		13,531	8,334
		<u>92,918</u>	<u>101,723</u>
Creditors: Amounts falling due within one year	15	<u>(55,897)</u>	<u>(68,495)</u>
Net current assets		<u>37,021</u>	<u>33,228</u>
Total assets less current liabilities		<u>43,351</u>	<u>45,121</u>
Creditors: Amounts falling due after more than one year	16	<u>(14,353)</u>	<u>(16,410)</u>
Net assets	1	<u>28,998</u>	<u>28,711</u>
Capital and reserves			
Called-up share capital	17	25,000	25,000
Merger reserve	18	123	123
Currency translation reserve	18	(529)	(1,117)
Profit and loss account		4,404	4,705
Shareholders' funds, all equity	19	<u>28,998</u>	<u>28,711</u>

The financial statements on pages 6 to 30 were approved by the board of directors and signed on its behalf by:

S. Ashida

Director



31 July 2002

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

Company balance sheet

31 March 2002

	Notes	2002 £'000	2001 Restated £'000
Fixed assets			
Goodwill	10	121	181
Tangible assets	11	6,155	11,643
Investments	12	5,237	5,237
		<u>11,513</u>	<u>17,061</u>
Current assets			
Stocks	13	22,697	32,309
Debtors			
- due within one year	14	37,698	43,583
- due after one year	14	5,727	5,154
Cash at bank and in hand		12,360	4,781
		<u>78,482</u>	<u>85,827</u>
Creditors: Amounts falling due within one year	15	<u>(47,928)</u>	<u>(58,343)</u>
Net current assets		<u>30,554</u>	<u>27,484</u>
Total assets less current liabilities		<u>42,067</u>	<u>44,545</u>
Creditors: Amounts falling due after more than one year	16	<u>(14,166)</u>	<u>(16,270)</u>
Net assets		<u>27,901</u>	<u>28,275</u>
Capital and reserves			
Called-up share capital	17	25,000	25,000
Currency translation reserve	18	-	(755)
Profit and loss account	18	2,901	4,030
Shareholders' funds, all equity	19	<u>27,901</u>	<u>28,275</u>

The financial statements on pages 6 to 30 were approved by the board of directors and signed on its behalf by:

S. Ashida

Director



31 July 2002

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

Statement of accounting policies

31 March 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, with the exception of the policy for deferred tax which is explained in note 9.

Basis of accounting

The financial statements 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 Number 1 'Cash flow statements', to include a cash flow statement in its financial statements because consolidated financial statements, in which the results of Maxell Europe Limited are included, are prepared by the parent company and are publicly available.

Basis of consolidation

The group financial statements consolidate the financial statements 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 financial statements the investments in its subsidiary undertakings are stated at cost, less any provision for impairment.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the 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 as permitted by the accounting standard in force at the time. 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.

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.

Statement of accounting policies (continued)

Investments

Fixed asset investments are stated at cost less provision for impairment.

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 an appropriate 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.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Turnover

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

Statement of accounting policies (continued)

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.

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 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 acquisition 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 accounts of overseas subsidiaries are translated at the closing exchange rate.

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.

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 financial statements

31 March 2002

1 Segment information

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

By geographical area	2002 £'000	2001 Restated £'000
Turnover by origin		
United Kingdom	209,546	194,830
Rest of Europe	95,008	101,613
Inter segmental sales	(79,979)	(73,532)
	<u>224,575</u>	<u>222,911</u>
Turnover by destination		
United Kingdom	40,018	39,976
Rest of Europe	184,557	182,935
	<u>224,575</u>	<u>222,911</u>
Profit (loss) before taxation		
United Kingdom	(716)	216
Rest of Europe	1,198	709
	<u>482</u>	<u>925</u>
Net assets		
United Kingdom	22,555	22,869
Rest of Europe	6,443	5,842
	<u>28,998</u>	<u>28,711</u>

Notes to financial statements (continued)

2 Discontinued operations

	2002			2001		
	Continuing	Discontinued	Total	Continuing Restated	Discontinued Restated	Total Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	224,267	308	224,575	221,226	1,685	222,911
Cost of sales	(188,236)	(491)	(188,727)	(185,150)	(3,497)	(188,647)
Gross profit	36,031	(183)	35,848	36,076	(1,812)	34,264
Other operating expenses (net)						
- selling and marketing	(20,669)	(25)	(20,694)	(21,329)	(214)	(21,543)
- administration	(8,327)	(63)	(8,390)	(8,036)	(598)	(8,634)
- other operating expenses (net)	(955)	33	(922)	(1,072)	22	(1,050)
	(29,951)	(55)	(30,006)	(30,437)	(790)	(31,227)
Operating profit	6,080	(238)	5,842	5,639	(2,602)	3,037
Loss on termination of operation	-	(4,007)	(4,007)	-	-	-
Profit on ordinary activities before finance charges	6,080	(4,245)	1,835	5,639	(2,602)	3,037

All operations in 2001 were expected to be continuing as at the signing of the 31 March 2001 accounts on 28 June 2001.

3 Other operating expenses (net)

	2002	2001 Restated
	£'000	£'000
Selling and marketing costs	20,694	21,543
Administrative expenses	8,390	8,634
	<u>29,084</u>	<u>30,177</u>
Other operating expenses (net)	922	1,050
	<u>30,006</u>	<u>31,227</u>

During the year the directors have revised their allocation of other operating expenses, and believe the revised allocations are more appropriate. The prior year comparatives for selling and marketing costs and administrative expenses have been restated onto a basis consistent with the current year. The restatement has not resulted in any change to the overall level of other operating expenses (net).

Notes to financial statements (continued)

4 Exceptional items after operating profit

During the year, the company closed its Dublin CD-Rom manufacturing plant. The results of the Dublin plant have been disclosed as discontinued operations as the closure had a material effect on the nature and focus of the operations of the group.

Exceptional charges of £4,007,000 were incurred in respect of the closure, principally in relation to severance costs, provision for onerous contracts and asset write-downs, which are shown in note 11.

The effect of the exceptional charges on the taxation charge for the year was as follows:

	Tax on profit on ordinary activities	
	2002 £'000	2001 £'000
Costs of closure of Dublin manufacturing site, reduction in charge	816	-
5 Finance charges (net)		
	2002 £'000	2001 £'000
<i>Investment income</i>		
Bank interest	504	540
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	1,857	2,652
<i>Finance charges (net)</i>		
Interest payable and similar charges	1,857	2,652
Less: Investment income	(504)	(540)
	1,353	2,112

Notes to financial statements (continued)

6 Profit on ordinary activities before taxation

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

	2002 £'000	2001 £'000
Depreciation and amounts written off tangible fixed assets	2,318	6,441
Impairment losses included within operating profit	1,853	1,938
Impairment losses included within exceptional items	1,517	-
Amortisation of goodwill	73	166
Foreign exchange losses, net	916	575
Amortisation of government grant	(49)	(50)
Operating lease rentals		
- plant and machinery	469	689
- other	588	377
Auditors' remuneration for audit services	110	102

Amounts payable to Arthur Andersen by the group in respect of non-audit services were £58,000 (2001 - £88,000).

7 Staff costs

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

	2002 Number	2001 Number
Production	258	352
Selling and Marketing	109	114
Administration	73	77
	<u>440</u>	<u>543</u>

Their aggregate remuneration comprised:

	2002 £'000	2001 £'000
Wages and salaries	10,274	11,964
Social security costs	1,305	1,551
Other pension costs	546	400
	<u>12,125</u>	<u>13,915</u>

Notes to financial statements (continued)

7 Staff costs (continued)

Directors' remuneration

Aggregate Remuneration

The total amounts for directors remuneration were as follows:

	2002 £'000	2001 £'000
Emoluments	<u>867</u>	<u>897</u>

Highest paid director

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

	2002 £'000	2001 £'000
Emoluments	<u>209</u>	<u>244</u>

The highest paid director did not receive any pension contributions in either year.

Pensions

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

	2002 Number	2001 Number
Defined benefit schemes	<u>3</u>	<u>3</u>

Notes to financial statements (continued)

8 Tax on profit on ordinary activities

On adoption of Financial Reporting Standard Number 19 "Deferred tax" the group has changed its accounting policy in respect of deferred taxation and the effect of this restatement is set out in note 9.

	2002 £'000	2001 Restated £'000
Current tax		
Foreign tax	470	388
Adjustments in respect of prior year		
- UK corporation tax	(52)	-
Total current tax	418	388
Deferred tax		
Origination and reversal of timing differences	(247)	85
Total deferred tax	(247)	85
Total tax on profit on ordinary activities	171	473

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002 £'000	2001 £'000
Group profit on ordinary activities before tax	482	925
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	145	277
Effects of:		
Expenses not deductible for tax purposes	399	67
Depreciation in excess of capital allowances	212	823
Other timing differences	31	(60)
Utilisation of tax losses	(428)	(876)
Higher tax rates on overseas earnings	111	157
Adjustment to tax charge in respect of previous periods	(52)	-
Group current tax charge for the year	418	388

The group's overseas tax rates are generally higher than those in the UK.

Notes to financial statements (continued)

9 Prior year adjustment

The group policy in respect of deferred taxation was changed during the year to adopt Financial Reporting Standard Number 19 "Deferred tax". The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	2002 £'000	2001 £'000
Profit and loss account		
Tax on profit on ordinary activities	170	(122)
Increase (decrease) in profit for the financial year	170	(122)
Balance sheet		
Debtors – deferred tax asset	1,391	1,221
Increase in net assets	1,391	1,221

10 Goodwill

	Group £'000	Company £'000
Cost		
Beginning of year	471	420
Currency translation adjustment	(5)	-
End of year	466	420
Amortisation		
Beginning of year	274	239
Charge for the year	73	60
Currency translation adjustment	(2)	-
End of year	345	299
Net book value		
End of year	121	121
Beginning of year	197	181

Notes to financial statements (continued)

11 Tangible fixed assets

Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
Beginning of year	11,945	41,901	1,356	55,202
Additions	-	323	52	375
Transfers	(752)	752	-	-
Currency translation adjustment	(4)	(24)	(8)	(36)
Disposals	(1,006)	(7,793)	(141)	(8,940)
End of year	10,183	35,159	1,259	46,601
Depreciation				
Beginning of year	6,135	36,217	1,154	43,506
Charge for the year	415	1,784	119	2,318
Impairment losses				
- included within operating profit	-	1,853	-	1,853
- closure of Dublin manufacturing site	283	1,221	13	1,517
Transfers	(98)	98	-	-
Currency translation adjustment	(3)	(19)	(7)	(29)
Disposals	(1,006)	(7,627)	(140)	(8,773)
End of year	5,726	33,527	1,139	40,392
Net book value				
End of year	4,457	1,632	120	6,209
Beginning of year	5,810	5,684	202	11,696

Freehold land amounting to £249,000 (2001 - £249,000) and assets under construction of £58,000 (2001 - £260,000) have not been depreciated.

Notes to financial statements (continued)

11 Tangible fixed assets (continued)

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Company				
Cost				
Beginning of year	11,929	41,768	838	54,535
Additions	-	309	26	335
Transfers	(752)	752	-	-
Currency translation adjustment	(3)	(23)	-	(26)
Disposals	(1,006)	(7,793)	(141)	(8,940)
End of year	10,168	35,013	723	45,904
Depreciation				
Beginning of year	6,121	36,085	686	42,892
Charge for the year	415	1,779	88	2,282
Impairment losses				
- included within operating profit	-	1,853	-	1,853
- closure of Dublin manufacturing site	283	1,221	13	1,517
Transfers	(98)	98	-	-
Currency translation adjustment	(3)	(19)	-	(22)
Disposals	(1,006)	(7,627)	(140)	(8,773)
End of year	5,712	33,390	647	39,749
Net book value				
End of year	4,456	1,623	76	6,155
Beginning of year	5,808	5,683	152	11,643

Freehold land amounting to £249,000 (2001 - £249,000) and assets under construction of £58,000 (2001 - £260,000) 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.

12 Fixed asset investments

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Subsidiary undertakings	-	-	5,237	5,237

Notes to financial statements (continued)

12 Fixed asset investments (continued)

Subsidiary undertakings

	Company	
	2002 £'000	2001 £'000
Cost		
Beginning and end of year	<u>5,237</u>	<u>5,237</u>

The 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.

13 Stocks

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Raw materials and consumables	1,239	3,154	1,239	3,154
Work in progress	105	131	105	131
Finished goods and goods for resale	<u>38,902</u>	<u>43,154</u>	<u>21,353</u>	<u>29,024</u>
	<u>40,246</u>	<u>46,439</u>	<u>22,697</u>	<u>32,309</u>

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

Notes to financial statements (continued)

14 Debtors

	Group		Company	
	2002	2001	2002	2001
		Restated		Restated
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	36,492	43,795	16,539	19,497
Amounts owed by group undertakings	167	647	20,486	22,757
ACT recoverable	-	63	-	63
Deferred tax asset	59	525	59	525
Prepayments and other accrued income	893	1,103	614	741
	<u>37,611</u>	<u>46,133</u>	<u>37,698</u>	<u>43,583</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	4,291	4,354
Rent deposit	55	55	55	55
Deferred tax asset	1,475	762	1,381	745
	<u>1,530</u>	<u>817</u>	<u>5,727</u>	<u>5,154</u>
	<u>39,141</u>	<u>46,950</u>	<u>43,425</u>	<u>48,737</u>

The movement on deferred tax is as follows:

	Deferred taxation £'000
Group	
At beginning of year as restated	1,287
Credited to profit and loss account	247
At end of year	<u>1,534</u>
Company	
At beginning of year as restated	1,270
Credited to profit and loss account	170
At end of year	<u>1,440</u>

Notes to financial statements (continued)

14 Debtors (continued)

Deferred tax is provided as follows:

	Group		Company	
	2002	2001 Restated	2002	2001 Restated
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Other timing differences	59	61	59	61
Tax losses available	-	464	-	464
	<u>59</u>	<u>525</u>	<u>59</u>	<u>525</u>
Amounts falling due after more than one year:				
Accelerated capital allowances	1,332	696	1,332	696
Other timing differences	143	66	49	49
	<u>1,475</u>	<u>762</u>	<u>1,381</u>	<u>745</u>
Asset for deferred tax	<u>1,534</u>	<u>1,287</u>	<u>1,440</u>	<u>1,270</u>

The accumulated reserves of certain overseas subsidiary undertakings would be subject to additional taxation if remitted. In the opinion of the directors these accumulated reserves are required to finance the continuing operations of these undertakings and are therefore not expected to be remitted in the foreseeable future. Accordingly, no provision for additional taxation has been made.

15 Creditors: Amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans and overdraft (unsecured)	8,545	14,724	8,075	12,186
Trade creditors	2,793	3,492	2,844	3,491
Amounts owed to group undertakings	31,207	38,491	30,873	38,430
Pension scheme	206	65	206	65
Corporation tax	139	355	-	-
VAT	2,142	2,357	1,036	1,373
Accruals and deferred income	10,865	9,011	4,894	2,798
	<u>55,897</u>	<u>68,495</u>	<u>47,928</u>	<u>58,343</u>

The company's borrowing facilities include a facility of £19 million which is reviewed annually with the interest fixed monthly, and a 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.

Notes to financial statements (continued)

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Loans	13,951	16,014	13,951	16,014
Government grants	215	256	215	256
Accruals and deferred income	187	140	-	-
	<u>14,353</u>	<u>16,410</u>	<u>14,166</u>	<u>16,270</u>

In July 1998, the company entered into a bank loan for £8 million. The first repayment of £1 million was payable in July 2000 with the remainder being repaid in 6 monthly instalments of £1 million, commencing January 2001. Interest is charged on the loan at LIBOR plus 0.125%. The loan is guaranteed by the parent company.

During 2000 the company entered into a currency SWAP arrangement for an amount of £7.66 million and €7 million. The loan is due for repayment in June 2006. Interest is charged on the balance sheet value of the loan as follows:

£7.66 million	6 month LIBOR plus 0.18%
£4.29 million	6 month Euro LIBOR plus 0.22%

The loan is secured by cash provided by the parent company.

Borrowings are repayable as follows:

	Group and Company	
	2002	2001
	£'000	£'000
Bank loans		
Between one and two years	2,000	2,000
Between two and five years	-	2,000
After five years	11,951	12,014
	<u>13,951</u>	<u>16,014</u>
On demand or within one year	2,000	2,000
	<u>15,951</u>	<u>18,014</u>

Notes to financial statements (continued)

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

The movement on the unamortised government grants was as follows:

	Group and Company	
	2002 £'000	2001 £'000
Beginning of year	300	353
Amortisation	(49)	(50)
End of year	251	303
Less: Amounts included in creditors falling due within one year	(36)	(44)
Less: Currency translation movement	-	(3)
Amounts falling due after more than one year	215	256

17 Called-up share capital

	2002 £'000	2001 £'000
<i>Authorised</i>		
26,000,000 ordinary shares of £1 each	26,000	26,000
<i>Allotted, called-up and fully-paid</i>		
25,000,000 ordinary shares of £1 each	25,000	25,000

Notes to financial statements (continued)

18 Reserves

	Merger reserve £'000	Currency translation reserve £'000	Profit and loss account £'000	Total £'000
Group				
At beginning of year as previously stated	123	(1,117)	3,484	2,490
Prior year adjustment	-	-	1,221	1,221
	<hr/>	<hr/>	<hr/>	<hr/>
At beginning of year as restated	123	(1,117)	4,705	3,711
Currency translation adjustment	-	(24)	-	(24)
Realised currency translation adjustment	-	612	(612)	-
Retained profit for the year	-	-	311	311
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	123	(529)	4,404	3,998
	<hr/>	<hr/>	<hr/>	<hr/>
Company				
At beginning of year as previously stated		(755)	2,809	2,054
Prior year adjustment		-	1,221	1,221
		<hr/>	<hr/>	<hr/>
At beginning of year as restated		(755)	4,030	3,275
Currency translation adjustment		143	(90)	53
Realised currency translation adjustment		612	(612)	-
Retained loss for the year		-	(427)	(427)
		<hr/>	<hr/>	<hr/>
At end of year		-	2,901	2,901
		<hr/>	<hr/>	<hr/>

The realised currency translation adjustment in the group and company arises in respect of the closure of the company's Dublin branch.

Notes to financial statements (continued)

19 Reconciliation of movement in shareholders' funds

	Group		Company	
	2002	2001 Restated	2002	2001 Restated
	£'000	£'000	£'000	£'000
Profit (loss) for the financial year	311	452	(427)	34
Other recognised gains and losses relating to the year (net)	(24)	189	53	28
Net addition to shareholders' funds	287	641	(374)	62
Opening shareholders' funds as previously stated	27,490	26,727	27,054	26,870
Prior year adjustment	1,221	1,343	1,221	1,343
Opening shareholders' funds as restated	28,711	28,070	28,275	28,213
Closing shareholders' funds	28,998	28,711	27,901	28,275

20 (Loss) profit attributable to Maxell Europe Limited

The loss for the financial year dealt with in the financial statements of the parent company, Maxell Europe Limited, was £427,000 (2001 - profit of £34,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

21 Guarantees and other financial commitments

a) Capital commitments

At the end of the year capital commitments were:

	Group and Company	
	2002	2001
	£'000	£'000
Contracted for but not provided for	65	85

Notes to financial statements (continued)

21 Guarantees and other financial commitments (continued)

b) Lease commitments

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

	2002		2001	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Group				
Expiry date				
- within one year	-	10	-	21
- between two and five years	250	254	-	448
- after five years	487	11	484	11
	<u>737</u>	<u>275</u>	<u>484</u>	<u>480</u>
Company				
Expiry date				
- within one year	-	9	-	21
- between two and five years	250	217	-	400
- after five years	400	-	396	-
	<u>650</u>	<u>226</u>	<u>396</u>	<u>421</u>

The operating lease on the Rickmansworth property expires in 2010, and rent reviews are every 5 years, the next being in December 2004.

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 £526,000, representing the regular cost plus an additional accrual of £161,000 for underfunding (2001 – regular cost of £365,000).

Notes to financial statements (continued)

21 Guarantees and other financial commitments (continued)

c) Pension arrangements (continued)

Details of the most recent actuarial valuation of the scheme, which was conducted as at 1 April 2000 using the projected unit method are as follows:

Main assumptions (% pa):

- rate of increase in salaries	5
- rate of increase in pensions in payment	3
- interest rate before retirement	7.5
- interest rate after retirement	6
- return on scheme investments	7.5

Results:

- market value of scheme's assets (£)	5,526,000
- level of funding (%)	109

As a result of the above actuarial valuation, the employer's contribution rate has been amended to 8.5%. The increase reflects future expectations in relation to the value of the scheme assets and the future liabilities.

Numerous overseas schemes exist, each of which is small in comparison with the principal UK scheme. The total pension cost relating to these schemes was £20,000 (2001 - £35,000).

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of Financial Reporting Standard Number 17 "Retirement benefits" and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information which will be necessary for full implementation of Financial Reporting Standard Number 17 in the year ended 31 March 2004.

The actuarial valuation described above has been updated at 31 March 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of Financial Reporting Standard Number 17. Investments have been valued, for this purpose, at fair value.

Notes to financial statements (continued)

21 Guarantees and other financial commitments (continued)

c) Pension arrangements (continued)

The major assumptions (% pa) used for the actuarial valuation were:

	2002 %
Rate of increase in salaries	3.25
Rate of increase in pensions in payment	2.50
Discount rate	6.25
Inflation assumption	2.50

The fair value of the assets in the scheme, the present value of liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2002 %	2002 £'000
Equities	7.25	5,878
Total fair value of assets		5,878
Present value of scheme liabilities		(6,595)
Deficit in the scheme		(717)
Related deferred tax asset		215
Net pension deficit		(502)

The contribution rate agreed from June 2001 and for the next 5 years was 8.5% of pensionable earnings for the company and 4.5% of pensionable earnings for employees.

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 financial statements 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 £142,831,000 (2001 - £136,384,000). In addition the group paid its parent company £975,000 (2001 - £1,374,000) in respect of management services and £113,000 (2001 - £92,000) in respect of product royalties. During the year the group made sales of £75,924,000 (2001 - £73,532,000) to fellow subsidiary undertakings.