

Maxell Europe Limited

Report and Financial Statements

31 March 2012

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COMPANIES HOUSE

Directors

M Kamemoto
N Kimoto
A Camm
K H Ewald
Y Kono
M Takahashi

Secretary

A Camm

Auditors

Ernst & Young LLP
Apex Plaza
Reading RG1 1YE

Bankers

The Bank of Tokyo – Mitsubishi Limited
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Barclays Bank Plc
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Solicitors

Herbert Smith
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London EC2A 2HS

Registered Office

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Maidenhead
Berkshire SL6 8YA

Registered No 1485997

Directors' report

The directors present their report and financial statements for the year ended 31 March 2012

Results and dividends

The loss for the year after taxation amounted to £4,231,000 (2011 – loss of £8,800,000) The directors do not recommend a final dividend (2011 – £nil)

Principal activities and review of the business

The principal activity of the company is the importation, marketing and distribution of videotapes, USB computer tapes, CDR, DVD and batteries. The directors expect the level of current activity to continue into the foreseeable future. The company is looking to accelerate the introduction of new products to increase turnover in the future.

The gross profit of the company has improved in the current year due to inclusion of the German branch.

As shown in the company's profit and loss account on page 9, the company sales have increased by 8% compared with the prior year. The sales of new products has more than offset the falling demand and prices for some of the more traditional media products. One of the main risks for the company is keeping pace with the changes in technology and the company is in the process of introducing new products and applications to look to increase turnover in the future.

The company's key performance indicators used to measure the effectiveness of its operations are as follows

	2012	2011
Gross margin %	15%	15%
Operating loss %	(3)%	(6)%

The gross margin percentage has remained at 15% partly due to the inclusion of the German branch. The company is managing currency risk by utilising forward contracts.

The balance sheet on page 10 shows the company's financial position at the year end.

During 2010 the company entered into a sale and leaseback transaction for the Telford site. The sale resulted in a profit of £2,370,000 being recorded in the year. The minimum consideration is £3 million of which £1.5 million was received in December 2009. The initial leaseback period is 3 years to December 2012.

The company looks after the European market through a combination of direct sales or sales via its branches in Hungary, Germany, Italy and France. The Hungarian branch deals with sales in Central and Eastern Europe. The operations in France and Italy which deal with sales in those countries were transferred to branches of Maxell Europe Limited from its subsidiaries from 1 April 2010. The operation in Germany looks after the German, Switzerland, Netherlands and Austrian markets. This operation became a branch with effect from 23 August 2011.

The company's cash levels have increased by £4,596,000 from £2,436,000 at the end of 2011 to £7,032,000 at the end of the current financial year. Cash levels have increased primarily due to receiving £15 million from the issuing of new shares during the year. The additional cash was utilised to pay back all the short term bank loans. Following the issue of the new shares the company passed a special resolution to reduce the share capital of the company from £50,000,000 to £20,000,000 and to use the distributable reserve created by the reduction to eliminate the accumulated realised losses of the company.

Directors' report (continued)

Future developments

The main focus for the company in the next year will be to improve profitability and to further improve the cash conversion rate and reduce inventories

Principal risks and uncertainties

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the group's debtors are shown in note 14 to the financial statements. The directors have reviewed the financial risk management objectives and policies of the company, where there is a significant exposure to financial risks, the group policy laid down by the immediate parent undertaking, Hitachi Maxell Limited, is followed.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. The company also manages liquidity risk via appropriate trade terms being negotiated with suppliers and customers with management reviewing these terms and the relationships with suppliers and customers as well as any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and the requirement for additional funding is managed as part of the overall Hitachi Maxell Limited financing arrangements.

The company has identified that fluctuations between the dollar and the euro is a material exposure. The company uses forward foreign exchange rates by fixing the rate of any material payments in foreign currency. The forward foreign exchange contracts are entered into on a monthly basis based upon forecast monthly requirements. The company does not enter into any speculative financial instruments.

Events since the balance sheet date

The company has renewed the lease for the Telford site for a 3 year period with effect from 12 December at an annual rental of £195,000.

Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed cash flow forecasts for a period of at least twelve months from the date of approval of the financial statements. A parental support letter has been provided by Hitachi Maxell Limited which states that they will provide financial support to assist the company in meeting their liabilities as and when they fall due but only to the extent that money is not available to the Company to meet such liabilities. The support letter in place covers a period of 12 months from the date of signing these statutory financial statements. On this basis, the directors consider that the company has adequate funds to meet its liabilities for a period of at least twelve months from the date of approval of the financial statements.

Directors' report (continued)

Directors

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

H Numoto (appointed 16 June 2011, resigned 1 April 2012)

M Kamemoto (appointed 1 April 2012)

N Kimoto (appointed 16 June 2011)

A Matsumoto (resigned 16 June 2011)

S Boyd (resigned 16 June 2011)

A Camm

M Takahashi

K H Ewald

T Kameda (resigned 16 June 2011)

Y Kono

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employees

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004.

The company places considerable value on the improvement 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 company.

Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Policy and practice on payment of creditors

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 2012, the company had an average of 29 days purchases owed to trade creditors.

Directors' report (continued)

Overseas branches

The company has branches in France, Germany, Italy and Hungary

Environment

Maxell Europe Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities

Corporate responsibility

The company recognises that, as part of the wider community of employees, customers, suppliers, shareholders, and others, it has a responsibility to act in a way that respects the environment and minimises any adverse impacts caused by its operations

As a global citizen the company aims to promote innovation throughout the world while developing the potentials of the future generation to pioneer next-generation products and services

Health and safety

The company strives to provide and maintain a safe environment for all employees, customers and visitors to its premises with relevant health and safety legislation. In addition, the company aims to protect the health of employees with suitable, specific work-based strategies, seeking to minimise the risk of injury from company activity and to ensure that systems are in place to address health and safety matters through the company's Health and Safety Committee. Compliance with the company policy is monitored centrally and an annual health and safety report is produced for the Board

Health and safety audits and risk assessments have been carried out and additional actions and controls have been implemented, and training conducted to ensure that employees can carry out their functions in a safe and effective manner

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board



Andrew Camm
Director

Date 13 December 2012

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Maxell Europe Limited

We have audited the financial statements of Maxell Europe Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of Maxell Europe Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Jane Barwell (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Date *17 December 2012*

Profit and loss account

for the year ended 31 March 2012

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Turnover	2	128,991	118,970
Cost of sales		(109,623)	(101,172)
Gross Profit		19,368	17,798
Distribution costs		(9,241)	(11,041)
Administration expenses			
Before exceptional items		(9,264)	(8,204)
Write off of balance owed by subsidiary undertakings	4	-	(1,247)
Other operating expenses		(4,776)	(4,941)
Operating loss	3	(3,913)	(7,635)
Gain on sale and leaseback transaction	4	-	-
Interest receivable and similar income	7	1,338	1,155
Amounts written off investments	12	-	(779)
Interest payable and similar charges	8	(1,353)	(1,388)
Loss on ordinary activities before taxation		(3,928)	(8,647)
Tax	9	(303)	(153)
Loss for the financial year	19	(4,231)	(8,800)

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 March 2012

	<i>Note</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Loss for the financial year		(4,231)	(8,800)
Exchange difference on retranslation of net assets of overseas branches		(417)	158
Capital restructuring		30,000	0
Actuarial (loss)/ gain in respect of defined benefit pension scheme	22	(2,411)	738
Movement on deferred tax relating to pension liability		439	(200)
Total recognised gains and losses relating to the year		23,380	(8,104)

Balance sheet

at 31 March 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	10	-	-
Tangible fixed assets	11	1,883	2,047
Investments	12	92	1,502
		<u>1,975</u>	<u>3,549</u>
Current assets			
Stocks	13	22,991	18,491
Debtors			
Amounts falling due after more than one year	14	287	190
Amounts falling due within one year	14	35,343	38,245
Cash at bank and in hand		<u>7,032</u>	<u>2,436</u>
		65,653	59,362
Creditors amounts falling due within one year	15	<u>(35,018)</u>	<u>(31,764)</u>
Net current assets		<u>30,635</u>	<u>27,598</u>
Total assets less current liabilities		32,610	31,147
Creditors amounts falling due after more than one year	16	<u>(356)</u>	<u>(8,925)</u>
Net assets excluding pension liability		32,254	22,222
Defined benefit pension scheme liability	22	<u>(5,049)</u>	<u>(3,397)</u>
Net assets		<u>27,205</u>	<u>18,825</u>
Capital and reserves			
Called up share capital	18	20,000	35,000
Profit and loss account	19	7,205	(16,175)
Shareholders' funds	19	<u>27,205</u>	<u>18,825</u>

The financial statements were approved by the Board of Directors and signed on its behalf by



Andrew Camm

Director

Date 13 December 2012

Notes to the financial statements

at 31 March 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

Going concern

The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons, a fellow group undertaking, Hitachi Maxell Limited, has provided the company with an undertaking that for 12 months from the date of approval of these financial statements, they will continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as and when they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

Group financial statements

The company is exempt, by virtue of s401 of the Companies Act, from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Hitachi Limited, a company incorporated in Japan. Therefore, these financial statements present information about the company and not its group.

Statement of cash flows

The directors have taken advantage of the exemption in Financial Reporting Standard (FRS) 1 (revised) from including a statement of cash flows in the financial statements, on the grounds that the company is wholly owned and its ultimate parent, Hitachi Limited, publishes group financial statements which are publicly available.

Goodwill

Goodwill is the difference between the cost of an acquired entity, or trade and assets thereof, and the aggregate of the fair value of the entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Positive goodwill is amortised over its estimated useful economic life which is between 2 and 10 years.

Notes to the financial statements

at 31 March 2012

1. Accounting policies (continued)

Tangible fixed assets

All tangible fixed assets are initially recorded at cost. Depreciation is provided to write off the costs less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows

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

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

No depreciation is provided on freehold land or assets in the course of construction

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Investments

Investments held as fixed assets are stated at cost less amounts provided. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows

Raw materials, consumables and goods for resale	–	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 attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items in income and expenditure in taxation computations in periods different to those in which they are included in the financial statements

Notes to the financial statements

at 31 March 2012

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Currency translation differences on overseas operations at the year end are taken directly to the statement of total recognised gains and losses. The profit and loss financial statements of overseas operations are translated at the average rate.

All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against equity investments in foreign enterprises, which are taken directly to reserves.

Leasing and hire purchase commitments

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within trade and other payables. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental amounts are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes to the financial statements

at 31 March 2012

1. Accounting policies (continued)

Pensions

The company operates a number of pension schemes. The assets of the schemes are held separately from those of the company.

The company provides pension arrangements to the majority of full-time employees through a defined benefit pension scheme.

Actuarial valuations are carried out every three years by independent qualified actuaries.

Following the adoption of Financial Reporting Standard No. 17 'Retirement benefits' (FRS17), the regular service cost of providing benefits to employees during the year, together with the cost of any benefits relating to past service is charged to operating profit in the year.

The interest cost on retirement benefit scheme liabilities less the expected return on the assets of the scheme during the year, based on the market value of the scheme at the start of the year, is charged as other finance charges to profit before taxation in the year.

The difference between the market value of assets and the actuarial value of pension liabilities is shown as a liability in the balance sheet, net of deferred tax.

Differences between actual and expected returns on assets and experience gains/(losses) arising on scheme liabilities during the year, together with differences arising from changes in assumptions, are recognised in the statement of total recognised gains and losses in the year.

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. Revenue is recognised when persuasive evidence of an arrangement with a customer exists, delivery has occurred, the price is fixed or determinable and the collection of the amount due is reasonably assured.

Warranty accounting

Provision for warranty cost is made either by a cost accrual or turnover deferral at the time of sale.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Segmental analysis

Maxell Europe Limited operates in competitive international markets and information on competitor activity is not available. In the opinion of the directors, disclosure of the information required by the Companies Act 2006 and SSAP25 would be seriously prejudicial to the interests of the company.

Notes to the financial statements

at 31 March 2012

2. Turnover

Turnover, which is stated net of Value Added Tax, represents the amounts derived from the provision of services which fall within the company's ordinary activities

Sales by destination are as follows

	2012 £000	2011 £000
UK	31,094	28,816
Other western Europe	97,897	90,154
	<u>128,991</u>	<u>118,970</u>

3. Operating loss

This is stated after charging/(crediting)

	2012 £000	2011 £000
Auditor's remuneration – audit service	82	82
– other assurance work	25	16
Depreciation – owned assets	465	442
Operating leases – plant and machinery	321	289
– other	453	381
Foreign currency losses	<u>1,351</u>	<u>1,525</u>

4. Exceptional items

Exceptional items recognised in arriving at operating loss

	2012 £000	2011 £000
Write off of balance owed by subsidiary undertakings	<u>-</u>	<u>1,247</u>

Exceptional items recognised below operating profit

	2012 £000	2011 £000
Gain made on sale and leaseback transaction	<u>-</u>	<u>-</u>

There is no tax charge arising on the gain made on the sale and leaseback transaction

During the year to 31 March 2010 the company entered into a sale and leaseback transaction for the Telford site. The minimum consideration for the sale is £3,000,000 of which £1,500,000 was received in December 2009, with the remaining £1,500,000 receivable in December 2012. The sale resulted in a profit on disposal (after legal costs) of £2,370,000.

Notes to the financial statements

at 31 March 2012

4. Exceptional items (continued)

The company has entered into an initial 3 year leaseback agreement for the part of the building utilised for the moulding operation. The lease can be renewed for additional periods of 3 years.

5. Directors' remuneration

	2012	2011
	£000	£000
Remuneration	981	1,016
Compensation for loss of office	-	270
	<u>981</u>	<u>1,286</u>

The remuneration of the highest paid director was £237,000 (2011 – £309,000) and contributions to the pension scheme of £nil (2011 – £nil) and amounts received in respect of long term incentive plans of £nil (2011 – £nil).

The accrued pension of the highest paid director is £nil (2011 – £nil), with a lump sum of £nil (2011 – £nil).

Retirement benefits accrued in the year to the following number of directors

	No	No
Money purchase plan	-	-
Defined benefit schemes	<u>2</u>	<u>2</u>

6. Staff costs

	2012	2011
	£000	£000
Wages and salaries	6,683	5,824
Social security costs	988	885
Other pension costs	326	339
	<u>7,997</u>	<u>7,048</u>

Included in other pension costs are £326,000 (2011 – £339,000) in respect of the defined benefit schemes.

The average monthly number of employees during the year was made up as follows:

	No	No
Production	72	68
Selling and marketing	44	33
Administration	75	70
	<u>191</u>	<u>171</u>

Notes to the financial statements

at 31 March 2012

7. Interest receivable and similar income

	2012	2011
	£000	£000
Interest receivable	15	21
Finance income on defined benefit scheme	1,323	1,134
	<u>1,338</u>	<u>1,155</u>

8. Interest payable and similar charges

	2012	2011
	£000	£000
On bank loans and overdrafts	2	81
Interest payable to group companies	188	193
Financing costs on defined benefit pension scheme	1,163	1,114
	<u>1,353</u>	<u>1,388</u>

9. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2012	2011
	£000	£000
Current tax:		
UK corporation tax on the loss for the year	12	—
Foreign tax	191	22
Total current tax (note 9(b))	<u>203</u>	<u>22</u>
Deferred tax:		
Pension scheme FRS17	100	131
Total deferred tax (note 9(c))	<u>100</u>	<u>131</u>
Tax on loss on ordinary activities	<u>303</u>	<u>153</u>

Notes to the financial statements

at 31 March 2012

9. Tax (continued)

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24% (2011 – 28%) The differences are explained below

	2012 £000	2011 £000
Loss on ordinary activities before tax	(3,928)	(8,647)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 – 28%)	(943)	(2,421)
<i>Effects of</i>		
Expenses not deductible for tax purposes	90	232
Capital allowances in advance of depreciation	(94)	(144)
Tax losses not relieved	1,050	2,224
Pension adjustment under FRS 17	100	131
Current tax for the year (note 9(a))	203	22

(c) Deferred tax

The deferred tax included in the balance sheet is as follows

	2012 £000	2011 £000
Included in Pensions related deferred tax asset (note 22)	1,595	1,256

Analysis of deferred tax

	Recognised 2012 £000	Unrecognised 2012 £000	Recognised 2011 £000	Unrecognised 2011 £000
Difference between accumulated amortisation and depreciation and capital allowances	-	293	-	86
Tax losses available	-	4,044	-	3,496
Pensions under FRS 17	1,595	-	1,256	-
Deferred tax asset/liability	1,595	4,337	1,256	3,582
Less deferred tax transferred to pension	(1,595)	-	(1,256)	-
Total	-	4,337	-	3,582

A deferred tax asset of £4,337,000 (2011 – £3,582,000) has not been recognised in respect of these losses because at present it is uncertain when there will be sufficient taxable profits in the company against which these losses can be offset

Notes to the financial statements

at 31 March 2012

9. Tax (continued)

(d) Factors that may affect future tax charges

The recent budget in March 2012 confirmed a decrease in the rate of UK corporation tax from 26% to 24% from April 2012 and then by 1% each year to 22% over the next three years. At 31 March 2012 the reduction in the tax rate to 24% was substantially enacted and has been reflected in the Company's financial statements. The rate change will also impact the amount of the future cash tax payment to be made by the Company.

Further from 1 April 2012, there will be a 2% reduction in the rates of capital allowances, the main rate pool going down from 20% to 18% and the special rate pool from 10% to 8%.

The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted.

10. Intangible fixed assets

	<i>Goodwill</i>
	2012
	2011
	£000
£000	£000
Cost	
At 1 April 2011 and 31 March 2012	704
Amortisation	
At 1 April 2011 and 31 March 2012	(704)
Net book value	
At 1 April 2011 and 31 March 2012	-

11. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Furniture and fixtures</i>	<i>Total</i>
	£000	£000	£000
Cost			
At 1 April 2011	6,956	2,077	9,033
Additions	156	145	301
Disposals	(235)	-	(235)
At 31 March 2012	6,877	2,222	9,099
Depreciation			
At 1 April 2011	5,932	1,054	6,986
Charge for year	143	322	465
Disposals	(235)	-	(235)
At 31 March 2012	5,840	1,376	7,216
Net book value			
At 31 March 2012	1,037	846	1,883
At 1 April 2011	1,024	1,023	2,047

Assets under construction within plant and machinery of £98,000 (2011 – £194,000) have not been depreciated.

Notes to the financial statements

at 31 March 2012

12. Investments

	<i>Interests in subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 1 April 2011	4,303	92	4,395
Disposal	(3,355)	-	(3,355)
At 31 March 2012	948	92	1,040
Provisions			
At 1 April 2011	2,893	-	2,893
Disposal	(1,945)	-	(1,945)
At 31 March 2012	948	-	948
Net book value			
At 31 March 2012	-	92	92
At 1 April 2011	1,410	92	1,502

The company has investments in the following undertakings

<i>Subsidiary undertakings</i>	<i>Country of registration</i>	<i>Holding</i>	<i>%</i>
Maxell Italia S p A	Italy	Ordinary	100
Maxell Benelux B V	Netherlands	Ordinary	100
Maxell Hungary	Hungary	Ordinary	99
<i>Other investments</i>			
Maxell Spain S A	Spain	Ordinary	15

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

With effect from 1 April 2010 the operations of Maxell France SA and Maxell Italia SA have been transferred to branches of Maxell Europe Limited. Maxell France SA was subsequently dissolved. With effect from 23 August 2011 the assets and liabilities of Maxell Deutschland GmbH were transferred at book value by merger to a branch of Maxell Europe Limited. Maxell Deutschland GmbH was subsequently dissolved.

13. Stocks

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Raw materials	710	600
Work in progress	165	103
Finished goods	22,116	17,788
	<u>22,991</u>	<u>18,491</u>

Notes to the financial statements

at 31 March 2012

13. Stocks (continued)

The difference between purchase price or production cost of stocks and their replacement cost is not material

In the opinion of the directors, there is no material difference between the book value of stocks and their replacement cost

14. Debtors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade debtors	31,777	30,515
Amounts owed by group undertakings	-	4,561
Other taxes and social security	1,102	809
Prepayments and accrued income	2,464	2,360
	<u>35,343</u>	<u>38,245</u>
Amounts falling due after more than one year		
Rent deposit	110	190
Prepayments and accrued income	177	-
	<u>287</u>	<u>190</u>

15. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	4,286	6,534
Amounts owed to group undertakings	24,821	22,258
Other taxes and social security costs	73	47
Other creditors	-	22
Accruals and deferred income	5,838	2,903
	<u>35,018</u>	<u>31,764</u>

In 2010 the company took out a loan for £2million, \$4.5million and €4.2million from its parent undertaking which was repaid in June 2012. Interest was charged at a fixed rate as follows

Borrowings bear interest as follows

£ 2 million at 1.500%

\$ 4.5 million at 1.450%

€ 4.2 million at 1.300%

The company's borrowing facilities include a facility of £14 million which is reviewed annually with the interest fixed monthly, a facility of £3 million which is reviewed annually with the interest rate fixed monthly and a facility of £2.5 million which is reviewed annually with the interest rate fixed at this point

Notes to the financial statements

at 31 March 2012

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

	2012 £000	2011 £000
Amounts loaned by parent undertaking	-	8,525
Other	356	400
	<u>356</u>	<u>8,925</u>

17. Loans

Loans repayable, included within trade and other payables, are analysed as follows

	2012 £000	2011 £000
Wholly repayable within five years (From parent undertaking)	<u>8,317</u>	<u>8,525</u>

Details of loans wholly repayable within five years are as follows

	2012 £000	2011 £000
Within one year	8,317	-
In two to five years	-	8,525
	<u>8,317</u>	<u>8,525</u>

The company took out a new loan in June 2012 for \$7.7 million and €4.2 million from its parent undertaking repayable in June 2013. Interest was charged at a fixed rate as follows:

\$7.7 million at 0.941%

€4.2 million at 0.910%

18. Issued share capital

	No	2012 £000	No	2011 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	20,000,000	<u>20,000</u>	35,000,000	<u>35,000</u>

During the year the company issued 15 million ordinary shares of £1 each at par to its parent company. Following the issue of the new shares the company passed a special resolution to reduce the share capital of the company from £50,000,000 to £20,000,000 and to use the distributable reserve created by the reduction to eliminate the accumulated realised losses of the company.

Notes to the financial statements

at 31 March 2012

19. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 April 2010	35,000	(8,071)	26,929
Loss for the year	-	(8,800)	(8,800)
Actuarial gain on defined benefit pension scheme	-	738	738
Deferred tax on the pension scheme	-	(200)	(200)
Exchange difference	-	158	158
At 1 April 2011	35,000	(16,175)	18,825
Loss for the year	-	(4,231)	(4,231)
Capital increase	15,000	-	15,000
Capital reduction	(30,000)	30,000	-
Actuarial loss on defined benefit pension scheme	-	(2,411)	(2,411)
Deferred tax on the pension scheme	-	439	439
Exchange difference	-	(417)	(417)
At 31 March 2012	20,000	7,205	27,205

20. Events since the balance sheet date

The company has renewed the lease on the Telford site for a 3 year period with effect from 12 December at an annual rental of £195,000

21. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £108,185 (2011 – £193,461)

22. Pensions

Defined benefit scheme

The only significant pension scheme operated by the company is the Maxell Europe Limited Pension Scheme (the 'scheme') in the UK

The scheme is a defined benefit pension scheme which all employees are invited to join. The scheme is contributory (employer 11%, employees 7% of basic salary during the year) and is administered by trustees

During the year ended 31 March 2011, the company was contributing on average approximately 11% of pensionable pay into the UK pension scheme. From 1 April 2011, the company is on average contributing approximately 11% of pensionable pay plus additional contributions of £30,000 per month

Notes to the financial statements

at 31 March 2012

22. Pensions (continued)

The major assumptions used by the actuary were (in nominal terms)

	2012	2011
Rate of increase in salaries	3.3	3.5
Rate of increase of pensions payment	2.2	2.4
Discount rate	4.7	5.5
Inflation assumption	3.3	3.5
Equities	8.0	8.5
Bonds	2.6	4.25
Other	0.5	0.5
Post retirement mortality (years)		
Current pensioners at 65 – male	86.5	88.3
Current pensioners at 65 – female	88.8	90.9
Future pensioners at 65 in 20 years – male	88.3	91.3
Future pensioners at 65 in 20 years – female	90.8	93.8

The overall expected return on assets is determined as the average of the expected return of each major asset class, weighted by the assets allocated to each class

The post mortality assumptions allow for expected increases in longevity. The 'current' disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 2032.

The fair value of the assets in the scheme, the expected rate of return, the present value of the scheme liabilities and the resulting deficit were

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Equities	14,279	14,370	13,248	8,737	12,104
Bonds	2,923	2,011	1,285	864	546
Other	43	52	169	61	178
Total market value of assets	17,245	16,433	14,702	9,662	12,828
Present value of scheme liabilities	(23,889)	(21,086)	(20,369)	(13,703)	(15,250)
Pension deficit in the scheme before tax	(6,644)	(4,653)	(5,667)	(4,041)	(2,422)
Related deferred tax asset	1,595	1,256	1,587	1,131	678
Net pension liability	(5,049)	(3,397)	(4,080)	(2,910)	(1,744)

Notes to the financial statements

at 31 March 2012

22. Pensions (continued)

Changes in the fair value of plan assets are analysed as follows

	2012	2011
	£000	£000
At 1 April	16,433	14,702
Expected return on assets	1,323	1,134
Members' contributions	139	144
Benefits paid	(345)	(242)
Actuarial (losses)/gains on assets	(930)	100
Contributions by the Company	625	595
At 31 March	<u>17,245</u>	<u>16,433</u>

Changes in the present value of the defined benefit obligations are analysed as follows

	2012	2011
	£000	£000
At 1 April	21,086	20,369
Current service cost	366	339
Members' contributions	138	144
Interest cost	1,163	1,114
Benefits paid	(345)	(242)
Actuarial losses/(gains) on liabilities	1,481	(638)
At 31 March	<u>23,889</u>	<u>21,086</u>

The fair value of the assets in the scheme and the present value of the liabilities in the scheme were

	2012	2011
	£000	£000
Bonds	2,923	2,011
Equities	14,279	14,370
Cash and net current assets	43	52
Total fair value of scheme assets	<u>17,245</u>	<u>16,433</u>
Present value of scheme liabilities	<u>(23,889)</u>	<u>(21,086)</u>
Shortfall in scheme	(6,644)	(4,653)
Related deferred tax asset	1,595	1,256
Net pension liability	<u>(5,049)</u>	<u>(3,397)</u>

Notes to the financial statements

at 31 March 2012

22. Pensions (continued)

Analysis of the amount chargeable to operating result

	2012 £000	2011 £000
Current service cost	326	339
Total operating charge	326	339
Expected return on pension scheme assets	1,323	1,134
Interest on pension liabilities	(1,163)	(1,114)
Total recognised in the profit and loss account	160	20

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2012 £000	2011 £000
Actual return less expected return on assets	(930)	100
Experience gains and losses on liabilities	-	-
Changes in assumptions	(1,481)	638
Actuarial (loss)/gain recognised in STRGL	(2,411)	738

Movement in deficit during the year

	2012 £000	2011 £000
Deficit at beginning of year	(4,653)	(5,667)
Movement in year		
Current service cost	(326)	(339)
Contributions	586	595
Net return on assets	160	20
Actuarial (loss)/gain	(2,411)	738
Deficit at end of year	(6,644)	(4,653)

Notes to the financial statements

at 31 March 2012

22. Pensions (continued)

History of experience gains and losses

	2012	2011	2010	2009	2008
Difference between expected and actual return on scheme assets					
Amount £000	(930)	100	3,757	(4,350)	(1,751)
Percentage of scheme assets	(4)%	1%	26%	(45)%	(14)%
Experience gains and losses on scheme liabilities					
Amount £000	(295)	(296)	25	1,908	330
Percentage of scheme liabilities	(1)%	(1)%	2%	14%	2%
Total amount recognised in STRGL					
Amount £000	(2,411)	738	(1,939)	(1,979)	1,105
Percentage of scheme liabilities	10%	3%	10%	14%	7%

The cumulative amount of actuarial gains and losses recognised since 1 January 2004 in the statement of total recognised gains and losses is a net loss of £3,890,000 (2011 – loss of £1,479,000)

Defined contribution scheme

The company opened a defined contribution pension scheme during the year

23. Other financial commitments

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire				
Within one year	63	70	5	80
In two to five years	294	210	361	150

24. Contingent asset

The gain made on the sale and leaseback transaction as disclosed in note 4. In addition to this, for a 10 year period from the date of transfer of the property there is a potential for overage payments to be received of up to £1.5 million based upon planning permission being granted and capable of being executed for a qualifying development at the property

Notes to the financial statements

at 31 March 2012

25. Derivatives

The company purchases interest rate swaps to manage forward foreign currency swaps to hedge currency exposure. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows

	2012 £000	2011 £000
Forward foreign currency contracts	-	(107,000)

26. Guarantees and other financial commitments

The company has given bonds and guarantees to Customs authorities in Europe in the normal course of trading which amounted to £775,000 at 31 March 2012 (2011 – £800,000)

27. Related party transactions

As 100% of the company's voting rights are controlled within the Hitachi group of companies, the company has taken advantage of the exemption in FRS 8 not to disclose transactions with entities which form part of this group. The group financial statements of Hitachi Limited, can be obtained from the address in note 28.

Maxell Spain S A is a related party as Maxell Europe Limited owns 15% of its issued share capital. Sales of £2,171,000 (2011 – £1,939,000) were made to Maxell Spain S A during the year to 31 March 2012. £819,333 (2011 – £589,856) remains unpaid at the balance sheet date and is included in trade debtors (note 14).

28. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Hitachi Maxell Ltd (Japan).

The direct parent undertaking of the smallest group which includes the company and for which group financial statements are prepared is Hitachi Ltd (Japan). The ultimate parent undertaking and controlling party and the parent undertaking of the largest group which includes the company and for which group financial statements are prepared, is Hitachi Limited (Japan). The group financial statements of this group are available to the public and may be obtained from

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