

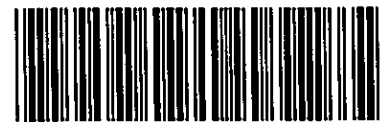
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# **Maxell Europe Limited**

## **Report and Financial Statements**

31 March 2013

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COMPANIES HOUSE

**Directors**

M Kamemoto  
M Takahashi  
A Camm  
K Fujimura  
Y Kono

**Secretary**

A Camm

**Auditors**

Ernst & Young LLP  
Apex Plaza  
Forbury Road  
Reading RG1 1YE

**Bankers**

The Bank of Tokyo – Mitsubishi Limited  
Finsbury Circus House  
12-15 Finsbury Circus  
London EC2M 76BT

Barclays Bank Plc  
23 Church Street  
Wellington  
Telford TF1 1DP

**Solicitors**

Herbert Smith  
Exchange House  
Primrose Street  
London EC2A 2HS

**Registered Office**

Whitebrook Park  
Lower Cookham Road  
Maidenhead  
Berkshire SL6 8YA

Registered No 1485997

## Directors' report

The directors present their report and financial statements for the year ended 31 March 2013

### Results and dividends

The loss for the year after taxation amounted to £8,265,000 (2012 – loss of £4,231,000) The directors do not recommend a final dividend (2012 – £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

As shown in the company's profit and loss account on page 9, the company sales have decreased by 28% compared with the prior year The sales of new products have not managed to offset the significant decline in demand 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

	2013	2012
Gross margin %	16%	15%
Operating loss %	(9)%	(3)%

The gross margin percentage has remained consistent with the prior year 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 that year The minimum consideration is £3 million of which the final £1.5 million was received in 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 decreased by £5,664,000 from £7,032,000 at the end of 2012 to £1,368,000 at the end of the current financial year Cash levels have decreased primarily due to making a payment of £6.25 million to the pension scheme during the year and funding the trading losses In addition to the reduction in cash the company has had to increase its short term borrowing during the year

### 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

## Directors' report (continued)

### 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

On the 6 August 2013, 25% of the share capital was purchased by Hitachi Maxell Global Limited from Hitachi Maxell Limited. Hitachi Maxell Global Limited, a company incorporated in Hong Kong, is a wholly owned subsidiary of Hitachi Maxell Limited.

### 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

N Kimoto	(resigned 1 January 2013)
A Camm	
M Takahashi	
K H Ewald	(resigned 29 March 2013)
K Fujimura	(appointed 1 January 2013)
Y Kono	
M Kamemoto	(appointed 1 April 2012)
H Numoto	(resigned 1 April 2012)

### 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 2013, the company had an average of 42 days purchases owed to trade creditors.

### 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.

## Directors' report (continued)

### 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 6 November 2013

## Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' 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 judgements 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 2013 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 2013 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 *6 November 2013*

## Profit and loss account

for the year ended 31 March 2013

		2013	2012
	Notes	£000	£000
<b>Turnover</b>	2	92,938	128,991
Cost of sales		(78,352)	(109,623)
<b>Gross Profit</b>		14,586	19,368
Distribution costs		(8,177)	(9,241)
Administration expenses			
Before exceptional items		(8,352)	(9,264)
Write off of balance owed by subsidiary undertakings	4	(74)	–
Other operating expenses		(6,545)	(4,776)
<b>Operating loss</b>	3	(8,562)	(3,913)
Gain on sale and leaseback transaction	4	–	–
Interest receivable and similar income	7	1,245	1,338
Amounts written off investments	12	–	–
Interest payable and similar charges	8	(1,225)	(1,353)
<b>Loss on ordinary activities before taxation</b>		(8,542)	(3,928)
Tax	9	277	(303)
<b>Loss for the financial year</b>	19	(8,265)	(4,231)

All amounts relate to continuing activities

## Statement of total recognised gains and losses

for the year ended 31 March 2013

		2013	2012
	Note	£000	£000
Loss for the financial year		(8,265)	(4,231)
Exchange difference on retranslation of net assets of overseas branches		97	(417)
Capital restructuring		–	30,000
Actuarial loss in respect of defined benefit pension scheme	22	(1,100)	(2,411)
Movement on deferred tax relating to pension liability		–	439
<b>Total recognised gains and losses relating to the year</b>		(9,268)	23,380

## Balance sheet

at 31 March 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible fixed assets	11	1 428	1 883
Investments	12	92	92
		<u>1,520</u>	<u>1 975</u>
<b>Current assets</b>			
Stocks	13	20 355	22,991
Debtors			
Amounts falling due after more than one year	14	208	287
Amounts falling due within one year	14	28,665	35,343
Cash at bank and in hand		<u>1,368</u>	<u>7 032</u>
		50,596	65,653
<b>Creditors</b> amounts falling due within one year	15	<u>(35,405)</u>	<u>(35 018)</u>
<b>Net current assets</b>		<u>15 191</u>	<u>30,635</u>
<b>Total assets less current liabilities</b>		16 711	32,610
<b>Creditors</b> amounts falling due after more than one year	16	<u>(302)</u>	<u>(356)</u>
<b>Net assets excluding pension liability</b>		16,409	32 254
<b>Deferred Tax asset</b>	9	1,528	-
<b>Defined benefit pension scheme liability</b>	22	<u>-</u>	<u>(5,049)</u>
<b>Net assets</b>		<u>17,937</u>	<u>27,205</u>
<b>Capital and reserves</b>			
Called up share capital	18	20,000	20,000
Profit and loss account	19	<u>(2,063)</u>	<u>7 205</u>
<b>Shareholders' funds</b>	19	<u>17,937</u>	<u>27,205</u>

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



Andrew Camm

Director

Date 6 November 2013

## Notes to the financial statements

at 31 March 2013

### 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, the parent 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 2013

### 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	–	12 5%-25% straight line
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 2013

### 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 2013

### 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 2013

### 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

	2013 £000	2012 £000
UK	23,500	31,094
Other western Europe	69,438	97,897
	<u>92,938</u>	<u>128,991</u>

### 3. Operating loss

This is stated after charging/(crediting)

	2013 £000	2012 £000
Auditor's remuneration – audit service	75	82
– other assurance work	<u>20</u>	<u>25</u>
Depreciation – owned assets	396	465
Operating leases – plant and machinery	307	321
– other	490	453
Foreign currency losses	<u>1,553</u>	<u>1,351</u>

### 4. Exceptional items

Exceptional items recognised in arriving at operating loss

	2013 £000	2012 £000
Write off of balance owed by subsidiary undertakings	<u>74</u>	<u>–</u>



## Notes to the financial statements

at 31 March 2013

### 5. Directors' remuneration

	2013 £000	2012 £000
Remuneration	909	981
Compensation for loss of office	380	–
	<u>1,289</u>	<u>981</u>

The remuneration of the highest paid director was £236,000 (2012 – £237,000) and contributions to the pension scheme of £nil (2012 – £nil) and amounts received in respect of long term incentive plans of £nil (2012 – £nil)

The accrued pension of the highest paid director is £nil (2012 – £nil), with a lump sum of £nil (2012 – £nil)

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

	No	No
Money purchase plan	–	–
Defined benefit schemes	<u>1</u>	<u>2</u>

### 6 Staff costs

	2013 £000	2012 £000
Wages and salaries	6,365	6,683
Social security costs	904	988
Other pension costs	229	326
	<u>7,498</u>	<u>7,997</u>

Included in other pension costs are £179,000 (2012 – £326,000) 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	72
Selling and marketing	44	44
Administration	68	75
	<u>184</u>	<u>191</u>

## Notes to the financial statements

at 31 March 2013

### 7. Interest receivable and similar income

	2013 £000	2012 £000
Interest receivable	14	15
Finance income on defined benefit scheme	1 231	1 323
	<u>1,245</u>	<u>1,338</u>

### 8. Interest payable and similar charges

	2013 £000	2012 £000
On bank loans and overdrafts	3	2
Interest payable to group companies	97	188
Financing costs on defined benefit pension scheme	1,125	1,163
	<u>1,225</u>	<u>1 353</u>

### 9. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows

	2013 £000	2012 £000
<b>Current tax</b>		
UK corporation tax on the loss for the year	9	12
Foreign tax	248	191
Group relief surrender	(606)	-
Total current tax (note 9(b))	<u>(349)</u>	<u>203</u>
<b>Deferred tax</b>		
Pension scheme FRS17	72	100
Total deferred tax	<u>72</u>	<u>100</u>
Tax on loss on ordinary activities	<u>(277)</u>	<u>303</u>

## Notes to the financial statements

at 31 March 2013

### 9. Tax (continued)

(b) Factors affecting current tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24% (2012 – 24%) The differences are explained below

	2013 £000	2012 £000
Loss on ordinary activities before tax	(8,542)	(3,928)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 – 24%)	(2,050)	(943)
<i>Effects of</i>		
Expenses not deductible for tax purposes	90	90
Capital allowances in advance of depreciation	(92)	(94)
Tax losses not relieved	1 631	1 050
Pension adjustment under FRS 17	72	100
Current tax for the year (note 9(a))	(349)	203

(c) Deferred tax

The deferred tax included in the balance sheet is as follows

	2013 £000	2012 £000
Deferred tax asset	1,528	-
Included in Pensions related deferred tax asset (note 22)	-	1,595

#### Analysis of deferred tax

	Recognised 2013 £000	Unrecognised 2013 £000	Recognised 2012 £000	Unrecognised 2012 £000
Difference between accumulated amortisation and depreciation and capital allowances	-	280	-	293
Tax losses available	-	5,003	-	4,044
Pensions under FRS 17	1,528	-	1,595	-
Deferred tax asset/liability	1,528	5,283	1,595	4,337
Less deferred tax transferred to pension	-	-	(1,595)	-
Total	1,528	5,283	-	4,337

A deferred tax asset of £5,283,000 (2012 – £4,337,000) 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 2013

### 9. Tax (continued)

(d) Factors that may affect future tax charges

The recent budget in March 2013 confirmed a decrease in the rate of UK corporation tax from 24% to 23% from April 2013 and then by 2% to 21% from April 2014 and a further 1% decrease to 20% from April 2015. At 31 March 2013 the decrease in the tax rate to 23% 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.

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>	
	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Cost		
At 1 April 2012 and 31 March 2013	704	704
Amortisation		
At 1 April 2012 and 31 March 2013	(704)	(704)
Net book value		
At 1 April 2012 and 31 March 2013	-	-

### 11. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Furniture and fixtures</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 1 April 2012	6,877	2,222	9,099
Additions	-	39	39
Disposals	(491)	(500)	(991)
At 31 March 2013	6,386	1,761	8,147
Depreciation			
At 1 April 2012	5,840	1,376	7,216
Charge for year	148	248	396
Disposals	(393)	(500)	(893)
At 31 March 2013	5,595	1,124	6,719
Net book value			
At 31 March 2013	791	637	1,428
At 1 April 2012	1,037	846	1,883

Assets under construction within plant and machinery of £nil (2012 – £98,000) have not been depreciated.

## Notes to the financial statements

at 31 March 2013

### 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 2012	948	92	1,040
Disposal	(881)	-	(881)
At 31 March 2013	67	92	159
Provisions			
At 1 April 2012	948	-	948
Disposal	(881)	-	(881)
At 31 March 2013	67	-	67
Net book value			
At 31 March 2013	-	92	92
At 1 April 2012	-	92	92

The company has investments in the following undertakings

<i>Subsidiary undertakings</i>	<i>Country of registration</i>	<i>Holding</i>	<i>%</i>
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. Maxell Italia SA was dissolved during 2012.

### 13. Stocks

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Raw materials	782	710
Work in progress	397	165
Finished goods	19,176	22,116
	<u>20,355</u>	<u>22,991</u>

## Notes to the financial statements

at 31 March 2013

### 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

	2013 £000	2012 £000
Amounts falling due within one year		
Trade debtors	25,353	31,777
Other taxes and social security	1,012	1,102
Prepayments and accrued income	2,300	2,464
	<u>28,665</u>	<u>35,343</u>
Amounts falling due after more than one year		
Rent deposit	132	110
Prepayments and accrued income	76	177
	<u>208</u>	<u>287</u>

### 15 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	6,121	4,286
Amounts owed to group undertakings	24,607	24,821
Other taxes and social security costs	90	73
Accruals and deferred income	4,587	5,838
	<u>35,405</u>	<u>35,018</u>

In 2012 the company took out two loans for \$7.7 million and €4.2 million from its parent undertaking which were repaid in June 2013. Interest was charged at a fixed rate as follows:

Borrowings bear interest as follows:

\$7.7 million at 0.941%

€4.2 million at 0.910%

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 2013

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

	2013 £000	2012 £000
Other	302	356
	<u>302</u>	<u>356</u>

### 17 Loans

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

	2013 £000	2012 £000
Wholly repayable within five years (From other group undertaking)	11,004	-
Wholly repayable within five years (From parent undertaking)	<u>8,623</u>	<u>8,317</u>

Details of loans wholly repayable within five years are as follows

	2013 £000	2012 £000
Within one year	19 627	8 317
In two to five years	-	-
	<u>19,627</u>	<u>8,317</u>

The company took out a new loan in June 2013 for \$3 million and €6.7 million from its parent undertaking repayable in June 2014. Interest was charged at a fixed rate as follows

\$3.0 million at 0.688%  
€6.7 million at 0.558%

### 18. Issued share capital

	2013 No £000	2012 No £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	20,000,000 <u>20,000</u>	20,000,000 <u>20,000</u>

During the prior 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 2013

### 19. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and</i>	<i>Total</i>
	<i>£000</i>	<i>loss account</i>	<i>share-</i>
		<i>£000</i>	<i>holders'</i>
			<i>funds</i>
			<i>£000</i>
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 1 April 2012	20,000	7 205	27,205
Loss for the year	–	(8 265)	(8,265)
Actuarial loss on defined benefit pension scheme	–	(1,100)	(1 100)
Deferred tax on the pension scheme	–	–	–
Exchange difference	–	97	97
At 31 March 2013	20 000	(2,063)	17,937

### 20 Events since the balance sheet date

On the 6 August 2013, 25% of the share capital was purchased by Hitachi Maxell Global Limited from Hitachi Maxell Limited. Hitachi Maxell Global Limited, a company incorporated in Hong Kong, is a wholly owned subsidiary of Hitachi Maxell Limited.

### 21. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £55,000 (2012 – £108,185).

### 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 defined benefit scheme was closed to future accrual with effect from 31 January 2013.

During the year ended 31 March 2013, the company was contributing on average approximately 11% of pensionable pay into the UK pension scheme prior to the closure. The Company made an additional payment of £6.25 million during the year.



## Notes to the financial statements

at 31 March 2013

### 22. Pensions (continued)

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

	2013	2012
Rate of increase in salaries	-	3.3
Rate of increase of pensions payment	2.2	2.2
Discount rate	4.7	4.7
Inflation assumption	3.4	3.3
Equities	8.0	8.0
Diversified growth fund	7.0	-
Bonds	3.6	2.6
Other	0.5	0.5
Post retirement mortality (years)		
Current pensioners at 65 – male	87	86.5
Current pensioners at 65 – female	89	88.8
Future pensioners at 65 in 20 years – male	88	88.3
Future pensioners at 65 in 20 years – female	91	90.8

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 2033.

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:

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Equities	8,428	14,279	14,370	13,248	8,737
Bonds	3,640	2,923	2,011	1,285	864
Diversified growth fund	4,253	-	-	-	-
Other	10,454	43	52	169	61
Total market value of assets	26,775	17,245	16,433	14,702	9,662
Present value of scheme liabilities	(24,546)	(23,889)	(21,086)	(20,369)	(13,703)
Pension surplus (deficit) in the scheme before tax	2,229	(6,644)	(4,653)	(5,667)	(4,041)
Assets not recoverable in the future	(2,229)	-	-	-	-
Related deferred tax asset	-	1,595	1,256	1,587	1,131
Net pension deficit	-	(5,049)	(3,397)	(4,080)	(2,910)

## Notes to the financial statements

at 31 March 2013

### 22. Pensions (continued)

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

	2013 £000	2012 £000
At 1 April	17,245	16,433
Expected return on assets	1,231	1,323
Members' contributions	119	139
Benefits paid	(302)	(345)
Actuarial gain (loss) on assets	1,678	(930)
Contributions by the Company	6,804	625
At 31 March	26,775	17,245

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

	2013 £000	2012 £000
At 1 April	23,889	21,086
Current service cost	278	366
Members' contributions	119	138
Interest cost	1,125	1,163
Gain on settlement and curtailment	(1,112)	-
Benefits paid	(302)	(345)
Actuarial gain on liabilities	549	1,481
At 31 March	24,546	23,889

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

	2013 £000	2012 £000
Bonds	3,640	2,923
Equities	8,428	14,279
Diversified growth fund	4,253	-
Cash and net current assets	10,454	43
Total fair value of scheme assets	26,775	17,245
Present value of scheme liabilities	(24,546)	(23,889)
Surplus (shortfall) in scheme	2,229	(6,644)
Assets not recoverable in the future	(2,229)	-
Related deferred tax asset	-	1,595
Net pension deficit	-	(5,049)

## Notes to the financial statements

at 31 March 2013

### 22. Pensions (continued)

Analysis of the amount chargeable to operating result

	2013 £000	2012 £000
Current service cost	278	326
Gain on curtailment	(1,112)	-
Total operating charge	(834)	326
Expected return on pension scheme assets	1,231	1,323
Interest on pension liabilities	(1,125)	(1,163)
Total recognised in the profit and loss account	106	160

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

	2013 £000	2012 £000
Actual return less expected return on assets	1,678	(930)
Asset not recoverable in the future	(2,229)	-
Changes in assumptions	(549)	(1,481)
Actuarial (loss) recognised in STRGL	(1,100)	(2,411)

Movement in deficit during the year

	2013 £000	2012 £000
Deficit at beginning of year	(6,644)	(4,653)
Movement in year		
Current service cost	(278)	(326)
Gain on curtailment of scheme	1,112	-
Contributions	6,804	586
Net return on assets	106	160
Actuarial loss	(1,100)	(2,411)
Deficit at end of year	-	(6,644)

## Notes to the financial statements

at 31 March 2013

### 22. Pensions (continued)

History of experience gains and losses

	2013	2012	2011	2010	2009
Difference between expected and actual return on scheme assets					
Amount £000	1 678	(930)	100	3,757	(4 350)
Percentage of scheme assets	6%	(5)%	1%	26%	(45)%
Experience gains and losses on scheme liabilities					
Amount £000	65	(295)	(296)	25	1,908
Percentage of scheme liabilities	0%	(1)%	(1)%	2%	14%
Total amount recognised in STRGL					
Amount £000	(1,100)	(2,411)	738	(1,939)	(1,979)
Percentage of scheme liabilities	4%	10%	3%	10%	14%

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 £4,990,000 (2012 – loss of £3,890 000)

#### *Defined contribution scheme*

The company opened a defined contribution pension scheme during the year

### 23. Other financial commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out below

	2013		2012	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases which expire				
Within one year	44	30	63	70
In two to five years	565	213	294	210

### 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 2013

### 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:

	2013	2012
	£000	£000
Forward foreign currency contracts	124	—

### 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 £870,000 at 31 March 2013 (2012 – £775,000).

### 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 £2,242,000 (2012 – £2,171,000) were made to Maxell Spain S.A. during the year to 31 March 2013. £755,491 (2012 – £819,333) 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:

Hitachi Limited  
6-6, Marunouchi 1 - chome  
Chiyoda-Ku  
Tokyo 100-8280  
Japan