

Maxell Europe Limited

Report and Financial Statements

31 March 2015

Registered Number: 1485997

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Company information

Directors

M Kamemoto
M Takahashi
A Camm
H Ishiyama
H Kuroda

Secretary

A Camm

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

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

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 March 2015.

Principal activities and review of the business

The principal activities of the company during the year continued to be the importation, marketing and distribution of accessories, batteries, computer tapes, CDR, DVD and USB.

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

	2015 £000	2014 £000	Change %
Turnover	63,844	70,730	-10%
Gross margin %	14%	17%	-3%
Operating loss	(10,956)	(7,668)	43%
Loss after tax	(14,765)	(5,237)	182%
Equity shareholder funds	31,514	12,184	159%
Cash	23,130	832	2680%

Turnover decreased by 10% during the year due both to the Euro weakness and the fact that the development of sales of new products did not manage 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 operating loss increased by 43% in the year due in part to the decline in gross margin due to the lower turnover amount. It is expected that costs will be reduced following the rationalisation of the branch operations. Also the gross margin % declined slightly in the current year due to the focus on higher margin products being offset by the weakening euro with many purchase prices based on dollar costs and also the decision to sell though a lot of aged stock in the year.

The loss after tax increased by 182% partly as a result of booking on exceptional gain of £2,250,000 following the renegotiation of the terms of sales of the Telford site in the prior year but also due to booking costs of £3,334,000 following the decision to restructure the branch operations.

The company's cash levels have improved by £22.3 million primarily due to issuing £35 million of new share capital in March, which was used to repay the external bank loans and will be used to fund the restructuring costs.

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 13 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.

Strategic report continued

Principal risks and uncertainties (continued)

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.

On behalf of the Board



A. Camm

Director

Date 5 August 2015

Registered No. 1485997

Directors' report

The directors present their report and financial statements for the year ended 31 March 2015.

Results and dividends

The loss for the year after taxation amounted to £14,765,000 (2014 – loss of £5,237,000). The directors do not recommend a final dividend (2014 – £nil).

Future developments

The main focus for the company in the next year will be to improve profitability by expanding sales of new products and to further improve the cash conversion rate and reduce inventories.

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

The directors who served the company during the year, and to the date of this report, were as follows:

M Kamemoto
M Takahashi
A Camm
H Ishiyama (appointed 1 July 2014)
K Fujimura (resigned 30 June 2014)
Y Kono (resigned 30 June 2014)
H Kuroda (appointed 2 June 2015)

Directors' liabilities

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.

Directors' report continued

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 2015, the company had an average of 40 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.

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.

Directors' report continued

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



A.Camm

Director

Date 5 August 2015

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 auditors' report

to the members of Maxell Europe Limited

We have audited the financial statements of Maxell Europe Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 25. 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 7, 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 report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2015 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report continued

to the members of Maxell Europe Limited

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

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

Bristol

Date: *6 August 2015*

Profit and loss account

for the year ended 31 March 2015

		2015	2014
	Notes	£000	£000
Turnover-continuing operations		50,844	55,818
Turnover-discontinued operations		13,000	14,912
	2	63,844	70,730
Cost of sales	3	(54,775)	(58,419)
Gross profit		9,069	12,311
Distribution costs		(4,788)	(6,295)
Administration expenses:			
Before exceptional items		(6,177)	(7,856)
Other operating expenses		(9,060)	(5,828)
Operating loss- continuing operations		(9,866)	(6,343)
Operating loss- discontinued operations		(1,090)	(1,325)
	3	(10,956)	(7,668)
Restructuring costs in respect of discontinued operations	4	(3,334)	-
Gain on sale and leaseback transaction	4	-	2,250
Interest receivable and similar income	7	1,394	1,141
Interest payable and similar charges	8	(1,308)	(1,269)
Loss on ordinary activities before taxation		(14,204)	(5,546)
Tax	9	(561)	309
Loss for the financial year	18	(14,765)	(5,237)

Statement of total recognised gains and losses

for the year ended 31 March 2015

		2015	2014
	Note	£000	£000
Loss for the financial year		(14,765)	(5,237)
Exchange difference on retranslation of net assets of overseas branches		-	(267)
Actuarial loss in respect of defined benefit pension scheme	20	(1,073)	(159)
Movement on deferred tax relating to pension liability		168	(90)
Total recognised gains and losses relating to the year		(15,670)	(5,753)

Balance sheet

at 31 March 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	10	1,367	1,065
Investments	11	92	92
		<u>1,459</u>	<u>1,157</u>
Current assets			
Stocks	12	11,149	17,132
Debtors:			
Amounts falling due after more than one year	13	122	1,629
Amounts falling due within one year	13	22,578	27,251
Cash at bank and in hand		<u>23,130</u>	<u>832</u>
		<u>56,979</u>	<u>46,844</u>
Creditors: amounts falling due within one year	14	<u>(27,301)</u>	<u>(36,873)</u>
Net current assets		<u>29,678</u>	<u>9,971</u>
Total assets less current liabilities		31,137	11,128
Creditors: amounts falling due after more than one year	15	<u>(96)</u>	<u>(88)</u>
Net assets excluding pension liability		31,041	11,040
Deferred tax	9(c)	1,271	1,271
Defined benefit pension scheme liability	20	<u>(798)</u>	<u>(127)</u>
Net assets		<u>31,514</u>	<u>12,184</u>
Capital and reserves			
Called up share capital	17	20,000	20,000
Profit and loss account	18	<u>11,514</u>	<u>(7,816)</u>
Shareholders' funds	18	<u>31,514</u>	<u>12,184</u>

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



A. Camm

Director

Registered Number: 1485997

Date 5 August 2015

Notes to the financial statements

at 31 March 2015

1. Accounting policies

Basis of preparation

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

Going concern

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 section 401 of the Companies Act, from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Hitachi Maxell 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 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 Maxell Limited, publishes group financial statements which are publicly available.

Bad debt reserve

The company makes a specific reserve for bad debts when it is probable that an amount will not be collected. In addition a general reserve is made for a proportion of unsecured debts that are more than 90 days past due.

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	–	20%-25% straight-line
Moulding dies	-	straight-line based on the number of shots

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.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

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.

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.

Notes to the financial statements

at 31 March 2015

1. Accounting policies (continued)

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.

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 FRS 17 'Retirement benefits' (FRS 17), 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. The discontinued operations relate to the French, German and Italian branches.

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 SSAP 25 would be seriously prejudicial to the interests of the company.

Notes to the financial statements

at 31 March 2015

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:

	2015 £000	2014 £000
UK	18,983	19,711
Other western Europe continuing operations	31,861	36,107
Other western Europe discontinuing operations	13,000	14,912
	<u>63,844</u>	<u>70,730</u>

3. Operating loss

This is stated after charging:

		2015 £000	2014 £000
Cost of Sales	– continuing operations	44,530	47,214
	– discontinuing operations	<u>10,245</u>	<u>11,205</u>
Auditor's remuneration	– audit	85	83
	– other services	<u>16</u>	<u>15</u>
Depreciation	– owned assets	<u>543</u>	<u>497</u>
Operating lease rentals	–plant and machinery continuing operations	129	146
	–plant and machinery discontinuing operations	<u>60</u>	<u>81</u>
	–other continuing operations	344	353
	–other discontinuing operations	<u>157</u>	<u>256</u>
Foreign currency losses		<u>1,871</u>	<u>1,089</u>

4. Exceptional items

Exceptional items recognised below operating loss:

	2015 £000	2014 £000
Restructuring provision in respect of discontinued operations	<u>3,334</u>	<u>–</u>
Gain made on sale and leaseback transaction	<u>-</u>	<u>(2,250)</u>

During the prior year the company renegotiated the terms of the overage payment resulting in a profit of £2,250,000 of which £750,000 was received in January 2015, £750,000 will be received in July 2015 and the final £750,000 in January 2016.

Notes to the financial statements

at 31 March 2015

5. Directors' remuneration

	2015	2014
	£000	£000
Remuneration	567	626
	<u>567</u>	<u>626</u>

The remuneration of the highest paid director was £191,000 (2014 – £184,000) and contributions to the pension scheme of £nil (2014 – £nil) and amounts received in respect of long-term incentive plans of £nil (2014 – £nil).

The accrued pension of the highest paid director is £nil (2014 – £nil), with a lump sum of £nil (2014 – £nil).

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

	No.	No.
Money purchase plan	1	1
Defined benefit schemes	<u>-</u>	<u>-</u>

6. Staff costs

	2015	2014
	£000	£000
Wages and salaries	3,999	5,034
Social security costs	595	768
Other pension costs	210	248
	<u>4,804</u>	<u>6,050</u>

Included in other pension costs are £nil (2014 – £nil) in respect of the defined benefit schemes.

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

	No.	No.
Production	54	66
Selling and marketing	41	43
Administration	31	43
	<u>126</u>	<u>152</u>

7. Interest receivable and similar income

	2015	2014
	£000	£000
Interest receivable	2	5
Finance income on defined benefit scheme	1,392	1,136
	<u>1,394</u>	<u>1,141</u>

Notes to the financial statements

at 31 March 2015

8. Interest payable and similar charges

	2015	2014
	£000	£000
On bank loans and overdrafts	86	3
Interest payable to group companies	64	130
Financing costs on defined benefit pension scheme	1,158	1,136
	<u>1,308</u>	<u>1,269</u>

9. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2015	2014
	£000	£000
Current tax:		
UK corporation tax on the loss for the year	-	38
Foreign tax	561	126
Group relief surrender	-	(608)
Total current tax (note 9(b))	<u>561</u>	<u>(444)</u>
Deferred tax:		
Pension scheme FRS 17	-	135
Total deferred tax	-	135
Tax on loss on ordinary activities	<u>561</u>	<u>(309)</u>

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21% (2014 – 23%). The differences are explained below:

	2015	2014
	£000	£000
Loss on ordinary activities before tax	<u>(14,204)</u>	<u>(5,546)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014 – 23%)	(2,983)	(1,276)
Effects of:		
Expenses not deductible for tax purposes	147	15
Capital allowances in advance of depreciation	114	(49)
Tax losses not relieved	3,283	866
Pension adjustment under FRS 17	-	-
Current tax for the year (note 9(a))	<u>561</u>	<u>(444)</u>

Notes to the financial statements

at 31 March 2015

9. Tax (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2015	2014
	£000	£000
Deferred tax asset	1,271	1,271
Included in pensions related deferred tax asset (note 20)	200	32

Analysis of deferred tax	Recognised		Unrecognised	
	2015	2014	2015	2014
	£000	£000	£000	£000
Difference between accumulated amortisation and depreciation and capital allowances	-	-	559	492
Tax losses available	-	-	7,896	5,613
Pensions under FRS 17	1,471	1,303	-	-
Deferred tax asset	1,471	1,303	8,455	6,105
Less deferred tax transferred to pension	(200)	(32)	-	-
	1,271	1,271	8,455	6,105

A deferred tax asset of £8,455,000 (2014 – £6,105,000) 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.

(d) Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

In his budget of 2013, the Chancellor of the Exchequer announced a reduction in the UK rate of corporation tax to 21% on 1st April 2014 and to 20% on 1st April 2015. These reductions to UK corporation tax were substantively enacted on 2nd July 2013. Consequently, the company has recognised the deferred tax assets and liabilities at the rate they are expected to unwind, 20%.

Notes to the financial statements

at 31 March 2015

10. 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 2014	6,218	1,844	8,062
Additions	794	52	846
Disposals	(2,001)	(493)	(2,494)
At 31 March 2015	5,011	1,403	6,414
Depreciation:			
At 1 April 2014	5,560	1,437	6,997
Charge for year	174	369	543
Disposals	(2,001)	(492)	(2,493)
At 31 March 2015	3,733	1,314	5,047
Net book value:			
At 31 March 2015	1,278	89	1,367
At 1 April 2014	658	407	1,065

Assets under construction within plant and machinery of £583,000 (2014 – £35,000) have not been depreciated.

11. 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 2014	67	92	159
Disposal	-	-	-
At 31 March 2015	67	92	159
Provisions:			
At 1 April 2014	67	-	67
Disposal	-	-	-
At 31 March 2015	67	-	67
Net book value:			
At 31 March 2015	-	92	92
At 1 April 2014	-	92	92

Notes to the financial statements

at 31 March 2015

11. Investments (continued)

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
Other investments			
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.

12. Stocks

	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Raw materials	464	730
Work in progress	206	238
Finished goods	10,479	16,164
	<u>11,149</u>	<u>17,132</u>

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

13. Debtors

	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
<i>Amounts falling due within one year:</i>		
Trade debtors	18,770	23,209
Other taxes and social security	942	1,132
Prepayments and accrued income	2,866	2,910
	<u>22,578</u>	<u>27,251</u>
<i>Amounts falling due after more than one year:</i>		
Rent deposit	122	129
Prepayments and accrued income	-	1,500
	<u>122</u>	<u>1,629</u>

Notes to the financial statements

at 31 March 2015

14. Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	2,332	4,054
Short term borrowings	-	9,886
Amounts owed to group undertakings	18,744	17,915
Other taxes and social security costs	506	38
Accruals and deferred income	5,719	4,980
	<u>27,301</u>	<u>36,873</u>

In 2013 the company took out two loans for £3 million and €6.7 million from its parent undertaking which were repaid in June 2014. Interest was charged at a fixed rate as follows:

Borrowings bear interest as follows:

£3.0 million at 0.688%

€6.7 million at 0.558%

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

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

	2015	2014
	£000	£000
Other	<u>96</u>	<u>88</u>

16. Loans

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

	2015	2014
	£000	£000
Wholly repayable within five years (external)	-	9,886
Wholly repayable within five years (from other group undertaking)	-	-
Wholly repayable within five years (from parent undertaking)	<u>6,820</u>	<u>7,338</u>

Details of loans wholly repayable within five years are as follows:

	2015	2014
	£000	£000
Within one year	6,820	17,224
In two to five years	-	-
	<u>6,820</u>	<u>17,224</u>

Notes to the financial statements

at 31 March 2015

16. Loans (continued)

The company took out a new loan in June 2014 for £3 million and €5.28 million from its parent undertaking repayable in June 2015. Interest was charged at a fixed rate as follows:

£3.0 million at 1.435%

€5.28 million at 0.807%

17. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2015</i>	<i>No.</i>	<i>2014</i>
		<i>£000</i>		<i>£000</i>
Ordinary shares of £1 each	20,000,000	<u>20,000</u>	20,000,000	<u>20,000</u>

During the year the company issued 35 million ordinary shares of £1 each at par to its parent undertakings. Following the issue of the new shares the company passed a special resolution to reduce the share capital of the company from £55,000,000 to £20,000,000 and to use the distributable reserve created by the reduction to eliminate the accumulated realised losses of the company.

18. 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 2013	20,000	(2,063)	17,937
Loss for the year	-	(5,237)	(5,237)
Actuarial loss on defined benefit pension scheme	-	(159)	(159)
Deferred tax on the pension scheme	-	(90)	(90)
Exchange difference	-	(267)	(267)
At 1 April 2014	20,000	(7,816)	12,184
Loss for the year	-	(14,765)	(14,765)
Capital increase	35,000	-	35,000
Capital reduction	(35,000)	35,000	-
Actuarial loss on defined benefit pension scheme	-	(1,073)	(1,073)
Deferred tax on the pension scheme	-	168	168
Exchange difference	-	-	-
At 31 March 2015	<u>20,000</u>	<u>11,514</u>	<u>31,514</u>

19. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £33,000 (2014 – £nil).

Notes to the financial statements

at 31 March 2015

20. 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.

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

	2015	2014
Rate of increase in salaries	-	-
Rate of increase of pensions payment	2.15	2.2
Discount rate	3.45	4.3
Inflation assumption	3.05	3.35
Equities	6.5	7.4
Diversified growth fund	6.0	6.0
Bonds	2.45	3.5
Other	1.5	1.5
Post retirement mortality (years):		
Current pensioners at 65 – male	88	87
Current pensioners at 65 – female	89	89
Future pensioners at 65 in 20 years – male	88	88
Future pensioners at 65 in 20 years – female	90	91

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 2035.

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:

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Equities	5,405	4,929	8,428	14,279	14,370
Bonds	14,860	13,344	3,640	2,923	2,011
Diversified growth fund	9,291	8,583	4,253	-	-
Other	41	107	10,454	43	52
Total market value of assets	29,597	26,963	26,775	17,245	16,433
Present value of scheme liabilities	(30,595)	(27,122)	(24,546)	(23,889)	(21,086)
Pension surplus (deficit) in the scheme before tax	(998)	(159)	2,229	(6,644)	(4,653)
Assets not recoverable in the future	-	-	(2,229)	-	-
Related deferred tax asset	200	32	-	1,595	1,256
Net pension liability	(798)	(127)	-	(5,049)	(3,397)

Notes to the financial statements

at 31 March 2015

20. Pensions (continued)

Defined benefit scheme (continued)

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

	2015	2014
	£000	£000
At 1 April	26,963	26,775
Expected return on assets	1,392	1,136
Members' contributions	-	-
Benefits paid	(389)	(724)
Actuarial gains (losses) on assets	1,631	(224)
Contributions by the Company	-	-
At 31 March	<u>29,597</u>	<u>26,963</u>

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

	2015	2014
	£000	£000
At 1 April	27,122	24,546
Current service cost	-	-
Members' contributions	-	-
Interest cost	1,158	1,136
Gain on settlement and curtailment	-	-
Benefits paid	(389)	(724)
Actuarial losses on liabilities	2,704	2,164
At 31 March	<u>30,595</u>	<u>27,122</u>

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

	2015	2014
	£000	£000
Bonds	14,860	13,344
Equities	5,405	4,929
Diversified growth fund	9,291	8,583
Cash and net current assets	41	107
Total fair value of scheme assets	<u>29,597</u>	<u>26,963</u>
Present value of scheme liabilities	<u>(30,595)</u>	<u>(27,122)</u>
Shortfall in scheme	(998)	(159)
Assets not recoverable in the future	-	-
Related deferred tax asset	200	32
Net pension liability	<u>(798)</u>	<u>(127)</u>

Notes to the financial statements

at 31 March 2015

20. Pensions (continued)

Defined benefit scheme (continued)

Analysis of the amount chargeable to operating result:

	2015	2014
	£000	£000
Current service cost	-	-
Gain on curtailment	-	-
Total operating charge	-	-
Expected return on pension scheme assets	1,392	1,136
Interest on pension liabilities	(1,158)	(1,136)
Total recognised in the profit and loss account	234	-

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

	2015	2014
	£000	£000
Actual return less expected return on assets	1,631	(224)
Asset not recoverable in the future	-	2,229
Changes in assumptions	(2,704)	(2,164)
Actuarial losses recognised in STRGL	(1,073)	(159)

Movement in deficit during the year:

	2015	2014
	£000	£000
At 1 April	(159)	-
Movement in year:		
Current service cost	-	-
Gain on curtailment of scheme	-	-
Contributions	-	-
Net return on assets	234	-
Actuarial losses	(1,073)	(159)
At 31 March	(998)	(159)

Notes to the financial statements

at 31 March 2015

20. Pensions (continued)

Defined benefit scheme (continued)

History of experience gains and losses:

	2015	2014	2013	2012	2011
Difference between expected and actual return on scheme assets:					
Amount £000	1,631	(224)	1,678	(930)	100
Percentage of scheme assets	6%	(1)%	6%	(5)%	1%
Experience gains and losses on scheme liabilities:					
Amount £000	139	(31)	65	(295)	(296)
Percentage of scheme liabilities	nil%	nil%	nil%	(1)%	(1)%
Total amount recognised in STRGL:					
Amount £000	(998)	(159)	(1,100)	(2,411)	738
Percentage of scheme liabilities	3%	1%	4%	10%	3%

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 £6,147,000 (2014 – loss of £5,149,000).

Defined contribution scheme

The company operated a defined contribution pension scheme during the current year, that was opened in the prior year.

21. Other financial commitments

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	2015		2014	
	<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	12	37	224	64
In two to five years	534	65	183	122

22. Contingent liabilities

In relation to the gain on the sale and leaseback transaction as disclosed in note 4, the terms of the agreement were renegotiated and the overage payment was fixed at £2,250,000. This will be paid in three instalments with the first £750,000 being received in January 2015, the next £750,000 will be received in July 2015 and the final £750,000 in January 2016.

Notes to the financial statements

at 31 March 2015

23. 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 £693,000 at 31 March 2015 (2014 – £858,000).

24. Related party transactions

As 100% of the company's voting rights are controlled within the Hitachi Maxell Limited 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 Maxell Limited can be obtained from the address in note 25.

Maxell Spain S.A. is a related party as Maxell Europe Limited owns 15% of its issued share capital. Sales of £1,470,000 (2014 – £1,713,000) were made to Maxell Spain S.A. during the year to 31 March 2015. £471,137 (2014 – £719,487) remains unpaid at the balance sheet date and is included in trade debtors (note 13). Related party purchases of £190,000 were made in the year from Hitachi Europe Limited with a balance of £17,250 unpaid at the balance sheet date that is included in trade creditors (note 14).

25. Ultimate parent undertaking and controlling party

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

The direct parent undertaking of the group which includes the company and for which group financial statements are prepared is Hitachi Maxell Ltd (Japan). The group financial statements of this group are available to the public and may be obtained from:

Hitachi Maxell Limited
1-1-88 Ushitora
Ibaraki-shi
Osaka 567-8567
Japan