ARTHUR ANDERSEN

Maxell Europe Limited
and subsidiary undertakings

Annual report and accounts
for the year ended 31 March 2000

Registered number: 1485997

Directors' report

For the year ended 31 March 2000

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 March 2000.

Principal activity and business review

The principal activity of the group continues to be the production, importation, marketing and distribution of audio and video tapes, computer floppy disks and tapes, CD ROM, mini-disks, CDR, optical disks and batteries.

Results and dividends

The group's turnover for the year was £224,348,000 (1999 - £170,861,000) and its profit before taxation was £246,000 (1999 - loss of £1,778,000).

No dividend has been proposed (1999 - £Nil).

Directors and their interests

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

S. Ashida (appointed 14 June 1999)
S. Boyd
A. Camm (appointed 3 July 2000)
H. Itazu
J. Mitsui
B. Myers (appointed 21 December 1999)
H. Numoto (appointed 14 June 1999)
Y. Senzai (appointed 14 June 1999)
T. Taniguchi (appointed 14 June 1999)
N. Akai (resigned 14 June 1999)
N. Higashiyama (resigned 14 June 1999)
A. Matsumoto (resigned 14 June 1999)
M. Toi (resigned 21 December 1999)
K. Kurokawa (resigned 31 January 2000)

The directors who held office at 31 March 2000 had no interests in the shares of the company as required to be disclosed under Schedule 7 of the Companies Act 1985.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

Year 2000

The group established a programme to deal with the century date change issue and preventative measures were taken to rectify systems and equipment as necessary. As a result the group experienced no significant problems.

The total cost of becoming Year 2000 compliant was £368,000 with an amount of £100,000 being charged to the profit and loss during the year ending 31 March 2000. No costs were capitalised.

The Euro

The group commenced trading in the Euro during April 1999. The systems and procedures in place are currently considered to be adequate to ensure that no significant disruption to operations occurs.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Apley
Telford
Shropshire
TF1 6DA

By order of the Board,

S. Ashida

Director

3 July 2000

Directors' responsibilities

Accounts, including adoption of going concern basis

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit and loss of the group for that period.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Other matters

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ARTHUR ANDERSEN

To the shareholders of Maxell Europe Limited:

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 3, preparing accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 March 2000 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

3 July 2000

Consolidated profit and loss account

For the year ended 31 March 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	224,348	170,861
Cost of sales		(188,940)	(138,944)
Gross profit		35,408	31,917
Other operating expenses (net)	3	(32,811)	(31,092)
Profit on ordinary activities before finance charges		2,597	825
Finance charges (net)	4	(2,351)	(2,603)
Profit (loss) on ordinary activities before taxation	5	246	(1,778)
Tax on profit (loss) on ordinary activities	7	(189)	(59)
Profit (loss) for the financial year		57	(1,837)
Retained profit, beginning of year		2,853	4,690
Retained profit, end of year		2,910	2,853

All turnover and profits are derived from the group's continuing operations.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2000

	2000 £'000	1999 £'000
Profit (loss) for the financial year	57	(1,837)
Exchange (loss) gain on foreign currency translation	(800)	363
Total recognised losses relating to the year	(743)	(1,474)

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

Consolidated balance sheet

31 March 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Goodwill	8	351	459
Tangible assets	9	17,144	19,993
		17,495	20,452
Current assets			
Stocks	11	48,902	51,716
Debtors	12	43,098	41,543
Cash at bank and in hand		15,921	4,521
		107,921	97,780
Creditors: Amounts falling due within one year	13	(80,409)	(82,299)
Net current assets		27,512	15,481
Total assets less current liabilities		45,007	35,933
Creditors: Amounts falling due after more than one year	14	(18,280)	(8,463)
Net assets		26,727	27,470
Capital and reserves			
Called-up share capital	16	25,000	25,000
Merger reserve	17	123	123
Currency translation reserve	17	(1,306)	(506)
Profit and loss account		2,910	2,853
Shareholders' funds, all equity	18	26,727	27,470

The accounts on pages 5 to 23 were approved by the board of directors and signed on its behalf by:

S. Ashida Director

S. Ashida

3 July 2000

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

Company balance sheet

31 March 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Goodwill	8	277	370
Tangible assets	9	17,073	19,870
Investments	10	5,237	5,237
		22,587	25,477
Current assets			
Stocks	11	29,275	34,023
Debtors			
- due within one year	12	47,428	39,202
- due after one year	12	4,304	104
Cash at bank and in hand		13,524	1,193
		94,531	74,522
Creditors: Amounts falling due within one year	13	(72,086)	(64,303)
Net current assets		22,445	10,219
Total assets less current liabilities		45,032	35,696
Creditors: Amounts falling due after more than one year	14	(18,162)	(8,356)
Net assets		26,870	27,340
Capital and reserves			
Called-up share capital	16	25,000	25,000
Currency translation reserve	17	(783)	(544)
Profit and loss account	19	2,653	2,884
Shareholders' funds, all equity	18	26,870	27,340

The accounts on pages 5 to 23 were approved by the board of directors and signed on its behalf by:

S. Ashida Director

3 July 2000

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

Notes to accounts

31 March 2000

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

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

The company is exempt from the requirement of Financial Reporting Standard Number 1 'Cash flow statements', to include a cash flow statement in its accounts because consolidated accounts, in which the results of Maxell Europe Limited are included, are prepared by the parent company and are publicly available.

b) Basis of consolidation

The group accounts consolidate the accounts of Maxell Europe Limited and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the period from and to the date on which control passed. Acquisitions are accounted for under the acquisition method.

In the company's accounts the investments in its subsidiary undertakings are stated at cost, less any provision for impairment.

c) Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between 5 and 10 years.

Goodwill arising on acquisitions in the year ended 31 March 1998 and earlier periods was written off to reserves as permitted by the accounting standard in force at the time. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

d) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

1 Accounting policies (continued)

d) Tangible fixed assets (continued)

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write-off the cost, less estimated residual value, of each asset over its expected useful life as follows:

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

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

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transportation expenses and import duty if appropriate.
Work-in-progress and finished goods	-	cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

f) Taxation

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

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

g) 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.

h) Pension costs

It is the general policy of the company to provide for pension liabilities on a going concern basis, on the advice of external actuaries, by payments to an insurance company.

1 Accounting policies (continued)

h) Pension costs (continued)

The amount charged to the profit and loss account (the regular pension cost) is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account on a prudent basis over a period not exceeding employees' average remaining service lives. Any difference between amounts charged to the profit and loss account and amounts paid to the pension fund is shown as a separately identified liability or asset in the balance sheet.

i) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward exchange contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

For the purposes of consolidation and application of the acquisition method of accounting, the net investment method is used, under which translation gains or losses are shown as a movement on reserves. The profit and loss accounts of overseas subsidiaries are translated at the closing exchange rate.

j) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

k) Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

2 Segment information

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

By geographical area	2000 £'000	1999 £'000
i) Turnover		
By origin		
United Kingdom	198,034	144,577
Rest of Europe	109,786	97,195
Inter segmental sales	(83,472)	(70,911)
	224,348	170,861
By destination		
United Kingdom	38,746	36,492
Rest of Europe	185,602	134,369
	224,348	170,861
ii) Profit (loss) before taxation		
United Kingdom	(171)	(1,750)
Rest of Europe	417	(28)
	246	(1,778)
iii) Net assets		
United Kingdom	21,404	21,815
Rest of Europe	5,323	5,655
	26,727	27,470

3 Other operating expenses (net)

	2000 £'000	1999 £'000
Selling and marketing costs	26,150	24,742
Administrative expenses	5,574	6,687
	31,724	31,429
Other operating expenses (income)	1,087	(337)
	32,811	31,092

4 Finance charges (net)

Investment income

	2000 £'000	1999 £'000
Bank interest	257	83

Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loans and overdrafts	2,608	2,686

Finance charges (net)

	2000 £'000	1999 £'000
Interest payable and similar charges	2,608	2,686
Less: Investment income	(257)	(83)
	2,351	2,603

5 Profit (loss) on ordinary activities before taxation

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

	2000 £'000	1999 £'000
Depreciation and amounts written off tangible fixed assets	4,337	3,803
Amortisation of goodwill	*69*	*60*
Foreign exchange losses, net	1,383	114
Amortisation of government grant	(53)	(96)
Operating lease rentals		
- plant and machinery	428	691
- other	247	790
Auditors' remuneration for audit services	87	114
Exceptional stock obsolescence provision	-	1,797

Amounts payable to Arthur Andersen by the group in respect of non-audit services were £75,000 (1999 - £70,000).

6 Staff costs

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

	2000 Number	1999 Number
Production	424	426
Selling and Marketing	120	110
Administration	85	87
	629	623

Their aggregate remuneration comprised:

	2000 £'000	1999 £'000
Wages and salaries	13,154	11,184
Social security costs	1,718	1,602
Other pension costs (note 20c)	386	330
	15,258	13,116

Directors' remuneration

Aggregate Remuneration

The total amounts for directors remuneration were as follows:

	2000 £'000	1999 £'000
Emoluments	926	745

Highest paid director

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

	2000 £'000	1999 £'000
Emoluments	231	212

6 Staff costs (continued)

Pensions

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

	2000 Number	1999 Number
Defined benefit schemes	2	1

7 Tax on profit (loss) on ordinary activities

The tax charge comprises:

	2000 £'000	1999 £'000
Foreign tax	169	59
Deferred tax arising from		
- other timing differences	20	-
	189	59

8 Goodwill

	Group £'000	Company £'000
Cost		
Beginning of year	519	420
Currency translation adjustment	(61)	-
End of year	458	420
Amortisation		
Beginning of year	60	50
Charge for the year	69	93
Currency translation adjustment	(22)	-
End of year	107	143
Net book value		
Beginning of year	459	370
End of year	351	277

8 Goodwill (continued)

In prior years the company paid £319,000 to acquire the primary battery business and £101,000 to acquire the rechargeable battery business from Maxell Deutschland GmbH. This combined goodwill of £420,000 has been capitalised and is being amortised over 5 years.

In the prior year the group acquired the trade and activities of its former Belgian distributor which gave rise to goodwill of £418,000. This goodwill has been capitalised and is being amortised over 10 years. The other goodwill of £101,000 as set out above was acquired prior to Maxell Deutschland GmbH becoming a subsidiary undertaking of the Company.

9 Tangible fixed assets

	Freehold land	Plant and machinery		Fixtures and	
	and buildings	Leased	Owned	fittings	Total
Group	£'000	£'000	£'000	£'000	£'000
Cost					
Beginning of year	12,086	744	48,015	1,442	62,287
Additions	15	-	1,661	146	1,822
Currency translation adjustment	(113)	-	(724)	(65)	(902)
Disposals	-	-	(1,859)	(222)	(2,081)
Transfers	(98)	-	98	-	-
End of year	11,890	744	47,191	1,301	61,126
Depreciation					
Beginning of year	5,142	744	35,313	1,095	42,294
Charge for the year	538	-	3,664	135	4,337
Currency translation adjustment	(91)	-	(456)	(36)	(583)
Disposals	-	-	(1,846)	(220)	(2,066)
End of year	5,589	744	36,675	974	43,982
Net book value					
Beginning of year	6,944	-	12,702	347	19,993
End of year	6,301	-	10,516	327	17,144

Freehold land amounting to £249,000 (1999 - £249,000) and assets under construction of £85,000 (1999 - £851,000) have not been depreciated.

9 Tangible fixed assets (continued)

Company	Freehold land and buildings £'000	Plant and machinery Leased £'000	Plant and machinery Owned £'000	Fixtures and fittings £'000	Total £'000
Cost					
Beginning of year	12,070	744	47,861	800	61,475
Additions	15	-	1,661	140	1,816
Currency translation adjustment	(112)	-	(717)	24	(805)
Disposals	-	-	(1,852)	(145)	(1,997)
Transfers	(98)	-	98	-	-
End of year	11,875	744	47,051	819	60,489
Depreciation					
Beginning of year	5,126	744	35,190	545	41,605
Charge for the year	538	-	3,643	109	4,290
Currency translation adjustment	(90)	-	(450)	44	(496)
Disposals	-	-	(1,840)	(143)	(1,983)
End of year	5,574	744	36,543	555	43,416
Net book value					
Beginning of year	6,944	-	12,671	255	19,870
End of year	6,301	-	10,508	264	17,073

Freehold land amounting to £249,000 (1999 - £249,000) and assets under construction of £85,000 (1999 - £851,000) have not been depreciated.

In the opinion of the directors, the market value of the freehold land and buildings are not substantially different from their net book value.

10 Fixed asset investments

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Subsidiary undertakings	-	-	5,237	5,237

10 Fixed asset investments (continued)

a) Subsidiary undertakings

	Company	
	2000	1999
	£'000	£'000
Cost		
Beginning and end of year	5,237	5,237

The company has investments in the following subsidiary undertakings:

	Country of Registration	**Holding**	**%**
Maxell France S.A	France	Ordinary	100
Maxell Scandinavia AB	Sweden	Ordinary	100
Maxell Deutschland GmbH	Germany	Ordinary	100
Maxell Italia S.p.A	Italy	Ordinary	100
Maxell Benelux B.V.	Netherlands	Ordinary	100

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

11 Stocks

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Raw materials and consumables	4,357	11,671	4,357	11,671
Work in progress	382	578	382	578
Finished goods and goods for resale	44,163	39,467	24,536	21,774
	48,902	51,716	29,275	34,023

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

12 Debtors

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Amounts falling due within one year:				
Trade debtors	39,902	37,364	16,912	15,830
Amounts owed by group undertakings	1,974	1,782	29,013	21,187
ACT recoverable	63	63	63	63
VAT	-	-	759	133
Prepayments and other accrued income	1,075	2,230	681	1,989
	43,014	41,439	47,428	39,202
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	4,200	-
Rent deposit	55	55	55	55
Deferred taxation (note 15)	29	49	49	49
	84	104	4,304	104
	43,098	41,543	51,732	39,306

13 Creditors: Amounts falling due within one year

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Bank loans and overdraft (unsecured)	21,165	41,547	19,500	30,170
Trade creditors	3,215	7,187	2,517	4,958
Amounts owed to group undertakings	38,292	23,306	38,292	23,306
ACT payable	-	63	-	63
Pension scheme	85	105	85	105
Corporation tax	218	-	-	-
VAT	89	378	-	-
Accruals and deferred income	17,345	9,713	11,692	5,701
	80,409	82,299	72,086	64,303

The company's borrowing facilities include a Barclays overdraft facility of £17 million which is reviewed annually with the interest fixed monthly, and a Bank of Tokyo facility of £15 million which is reviewed semi annually with the interest rate fixed at this point. In addition, subsidiary undertakings have local borrowing facilities.

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Loans	17,860	8,000	17,860	8,000
Government grants	302	356	302	356
Accruals and deferred income	118	107	-	-
	18,280	8,463	18,162	8,356

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

During the year the company entered into a SWAP arrangement with the Bank of Tokyo for £11.86 million. The loan is due for repayment in June 2006. Interest is charged on the loan as follows:

£7.66 million	6 month LIBOR plus 0.18%
£4.2 million	6 month Euro LIBOR plus 0.22%

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

Borrowings are repayable as follows:

	Group and Company	
	2000	1999
	£'000	£'000
Bank loans		
Between one and two years	2,000	2,000
Between two and five years	4,000	6,000
After five years	11,860	-
	17,860	8,000
On demand or within one year	2,000	-
	19,860	8,000

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

The movement on the unamortised government grants was as follows:

	Group and Company	
	2000 £'000	1999 £'000
Beginning of year	411	529
Amortisation	(53)	(96)
End of year	358	433
Less: Amounts included in creditors falling due within one year	(51)	(55)
Less: Currency translation movement	(5)	(22)
Amounts falling due after more than one year	302	356

15 Deferred tax

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not provided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Group				
Accelerated capital allowances	-	-	(61)	(61)
Other timing differences	29	49	66	66
Tax losses available	-	-	1,016	1,016
	29	49	1,021	1,021
Company				
Accelerated capital allowances	-	-	(61)	(61)
Other timing differences	49	49	63	63
Tax losses available	-	-	1,016	1,016
	49	49	1,018	1,018

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

The deferred tax asset at 31 March 2000 is included within debtors and is considered by the directors to be recoverable.

16 Called-up share capital

	2000 £'000	1999 £'000
Authorised		
26,000,000 ordinary shares of £1 each	26,000	26,000
Allotted, called-up and fully-paid		
25,000,000 ordinary shares of £1 each	25,000	25,000

17 Other reserves

	Group		Company
	Merger reserve £'000	Currency translation reserve £'000	Currency translation reserve £'000
Balance, beginning of year	123	(506)	(544)
Currency translation adjustment	-	(800)	(239)
Balance, end of year	123	(1,306)	(783)

The currency translation reserve in the company's accounts arises in respect of the company's Dublin branch.

18 Reconciliation of movement in shareholders' funds

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Profit (loss) for the financial year	57	(1,837)	(231)	(1,461)
Other recognised gains and losses relating to the year (net)	(800)	363	(239)	60
Opening shareholders' funds	27,470	28,944	27,340	28,741
Closing shareholders' funds	26,727	27,470	26,870	27,340

19 Profit and loss account

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

	£'000
Balance, beginning of year	2,884
Loss for the financial year	(231)
Balance, end of year	2,653

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

20 Guarantees and other financial commitments

a) Capital commitments

At the end of the year capital commitments were:

	Group and Company	
	2000 £'000	1999 £'000
Contracted for but not provided for	141	2,121

b) Lease commitments

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

	2000		1999	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Group				
Expiry date				
- within one year	-	34	-	150
- between two and five years	-	245	-	462
- after five years	363	12	727	16
	363	291	727	628
Company				
Expiry date				
- within one year	-	33	-	49
- between two and five years	-	230	-	283
- after five years	342	-	249	-
	342	263	249	332

20 Guarantees and other financial commitments (continued)

b) Lease commitments (continued)

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

c) Pension arrangements

The only significant pension scheme operated by the Group is Maxell Europe Limited Pension Scheme in the UK.

The company operates a defined benefit pension scheme which all employees are invited to join. The scheme is contributory (employer 7.1%, employees 4.5% of basic salary) and is administered by trustees. The pension cost for the year was £349,000, representing the regular cost (1999 - £296,000).

The contribution rates are reviewed every three years by independent actuaries. The most recent actuarial valuation was at 1 April 1997. That valuation showed the market value of the scheme's assets to be £2,702,000, which represented 135% of the actuarial value of benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns and the increase in pension liabilities will be 2.5% higher than the increase in salaries. On the recommendation of the actuary, the contribution rates have been maintained at the same levels, since expected changes in the legal requirements relating to the funding of pension schemes on a solvency basis would lead to a significantly lower surplus.

Numerous overseas schemes exist, each of which is small in comparison with the principal UK scheme. The total pension cost relating to these schemes was £37,000 (1999 - £34,000).

21 Ultimate parent company

The largest group in which the results of Maxell Europe Limited are consolidated is that headed by Hitachi Limited, its ultimate parent company, incorporated in Japan, whose principal place of business is 6 Kanda, Surugadai, 4 Chome, Chiyoda-Ku, Tokyo 101-8010, Japan. The smallest group in which the results are consolidated is that headed by Hitachi Maxell Limited, its immediate parent company, incorporated in Japan, whose principal place of business is 1-1-88, Ushitora, Ibaraki-shi, Osaka 567-8567, Japan. The consolidated accounts are available from the above addresses.

22 Related party transactions

The group purchases raw materials and finished goods from its parent company. During the year the total value of these purchases amounted to £125,821,000 (1999 - £90,478,000). In addition the group paid its parent company £1,674,000 (1999 - £1,606,000) in respect of management services and £126,000 (1999 - £138,000) in respect of product royalties. During the year the group made sales of £83,472,000 (1999 - £70,911,000) to fellow subsidiary undertakings.