



ARTHUR ANDERSEN

**Maxell Europe Limited  
and subsidiary undertakings**

Annual report and accounts  
for the year ended 31 March 2001

Registered number: 1485997



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20/07/01

## Directors' report

For the year ended 31 March 2001

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 2001.

### 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.

### Subsequent events

On 1 May 2001, the company announced its intention to close its CD ROM production plant in Ireland with effect from 31 May 2001. Further details are set out in note 23 to the accounts.

### Results and dividends

The group's turnover for the year was £222,911,000 (2000 - £224,348,000) and its profit before taxation was £925,000 (2000 - £246,000).

No dividend has been proposed (2000 - £Nil).

### Directors and their interests

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

S. Ashida (Japanese)	
S. Boyd	
A. Camm	(appointed 3 July 2000)
H. Itazu (Japanese)	
N. Masuda (Japanese)	(appointed 28 June 2001)
J. Mitsui (Japanese)	(resigned 28 June 2001)
B. Myers	
H. Numoto (Japanese)	
Y. Senzai (Japanese)	
T. Taniguchi (Japanese)	

The directors who held office at 31 March 2001 had no interests required to be disclosed under Schedule 7 of the Companies Act 1985.

### Disabled employees

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

## Directors' report (continued)

### Employee consultation

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

### The Euro

The group commenced undertaking transactions denominated 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

28 June 2001

Director

## 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.

**To the shareholders of Maxell Europe Limited**

We have audited the accounts on pages 5 to 24 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 2001 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**  
**Chartered Accountants and Registered Auditors**

Four Brindleyplace  
Birmingham  
B1 2HZ

28 June 2001

## Consolidated profit and loss account

For the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
<b>Turnover</b>	2	222,911	224,348
<b>Cost of sales</b>		(188,647)	(188,940)
<b>Gross profit</b>		34,264	35,408
<b>Other operating expenses (net)</b>	3	(31,227)	(32,811)
<b>Profit on ordinary activities before finance charges</b>		3,037	2,597
<b>Finance charges (net)</b>	4	(2,112)	(2,351)
<b>Profit on ordinary activities before taxation</b>	5	925	246
<b>Tax on profit on ordinary activities</b>	7	(351)	(189)
<b>Profit for the financial year</b>		574	57
<b>Retained profit, beginning of year</b>		2,910	2,853
<b>Retained profit, end of year</b>		3,484	2,910

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 2001

	2001 £'000	2000 £'000
<b>Profit for the financial year</b>	574	57
<b>Exchange gain (loss) on foreign currency translation</b>	189	(800)
<b>Total recognised gains (losses) relating to the year</b>	763	(743)

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

# Consolidated balance sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Goodwill	8	197	351
Tangible assets	9	11,696	17,144
		<u>11,893</u>	<u>17,495</u>
<b>Current assets</b>			
Stocks	11	46,439	48,902
Debtors	12	45,729	43,098
Cash at bank and in hand		8,334	15,921
		<u>100,502</u>	<u>107,921</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(68,495)</u>	<u>(80,409)</u>
<b>Net current assets</b>		<u>32,007</u>	<u>27,512</u>
<b>Total assets less current liabilities</b>		<u>43,900</u>	<u>45,007</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(16,410)</u>	<u>(18,280)</u>
<b>Net assets</b>		<u>27,490</u>	<u>26,727</u>
<b>Capital and reserves</b>			
Called-up share capital	16	25,000	25,000
Merger reserve	17	123	123
Currency translation reserve	17	(1,117)	(1,306)
Profit and loss account		3,484	2,910
<b>Shareholders' funds, all equity</b>	18	<u>27,490</u>	<u>26,727</u>

The accounts on pages 5 to 24 were approved by the board of directors and signed on its behalf by:

S. Ashida

Director



28 June 2001

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

# Company balance sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Goodwill	8	181	277
Tangible assets	9	11,643	17,073
Investments	10	5,237	5,237
		<u>17,061</u>	<u>22,587</u>
<b>Current assets</b>			
Stocks	11	32,309	29,275
Debtors			
- due within one year	12	43,058	47,428
- due after one year	12	4,458	4,304
Cash at bank and in hand		4,781	13,524
		<u>84,606</u>	<u>94,531</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(58,343)</u>	<u>(72,086)</u>
<b>Net current assets</b>		<u>26,263</u>	<u>22,445</u>
<b>Total assets less current liabilities</b>		<u>43,324</u>	<u>45,032</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(16,270)</u>	<u>(18,162)</u>
<b>Net assets</b>		<u>27,054</u>	<u>26,870</u>
<b>Capital and reserves</b>			
Called-up share capital	16	25,000	25,000
Currency translation reserve	17	(755)	(783)
Profit and loss account	19	2,809	2,653
<b>Shareholders' funds, all equity</b>	18	<u>27,054</u>	<u>26,870</u>

The accounts on pages 5 to 24 were approved by the board of directors and signed on its behalf by:

S. Ashida

Director



28 June 2001

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



## Notes to accounts

31 March 2001

### 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.

## Notes to accounts (continued)

### 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 an appropriate proportion of manufacturing overheads based on normal levels of activity.

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

#### 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.

## Notes to accounts (continued)

### 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.

## Notes to accounts (continued)

### 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	2001 £'000	2000 £'000
i) Turnover		
By origin		
United Kingdom	194,830	198,034
Rest of Europe	101,613	109,786
Inter segmental sales	(73,532)	(83,472)
	<u>222,911</u>	<u>224,348</u>
By destination		
United Kingdom	39,976	38,746
Rest of Europe	182,935	185,602
	<u>222,911</u>	<u>224,348</u>
ii) Profit (loss) before taxation		
United Kingdom	216	(171)
Rest of Europe	709	417
	<u>925</u>	<u>246</u>
iii) Net assets		
United Kingdom	21,648	21,404
Rest of Europe	5,842	5,323
	<u>27,490</u>	<u>26,727</u>
<b>3 Other operating expenses (net)</b>		
	2001 £'000	2000 £'000
Selling and marketing costs	24,701	26,150
Administrative expenses	5,476	5,574
	<u>30,177</u>	<u>31,724</u>
Other operating expenses (net)	1,050	1,087
	<u>31,227</u>	<u>32,811</u>

## Notes to accounts (continued)

### 4 Finance charges (net)

#### *Investment income*

	2001 £'000	2000 £'000
Bank interest	<u>540</u>	<u>257</u>

#### *Interest payable and similar charges*

	2001 £'000	2000 £'000
Bank loans and overdrafts	<u>2,652</u>	<u>2,608</u>

#### *Finance charges (net)*

	2001 £'000	2000 £'000
Interest payable and similar charges	2,652	2,608
Less: Investment income	<u>(540)</u>	<u>(257)</u>
	<u>2,112</u>	<u>2,351</u>

### 5 Profit on ordinary activities before taxation

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

	2001 £'000	2000 £'000
Depreciation and amounts written off tangible fixed assets	6,441	4,337
Amortisation of goodwill	166	69
Foreign exchange losses, net	575	1,383
Amortisation of government grant	(50)	(53)
Operating lease rentals		
- plant and machinery	689	428
- other	377	247
Auditors' remuneration for audit services	<u>102</u>	<u>87</u>

Amounts payable to Arthur Andersen by the group in respect of non-audit services were £88,000 (2000 - £75,000).

Depreciation and amounts written off tangible fixed assets include £1,938,000 (2000 - £Nil) in respect of accelerated depreciation on plant and machinery whose net book value was impaired during the year.

## Notes to accounts (continued)

### 6 Staff costs

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

	2001 Number	2000 Number
Production	352	424
Selling and Marketing	114	120
Administration	77	85
	<u>543</u>	<u>629</u>

Their aggregate remuneration comprised:

	2001 £'000	2000 £'000
Wages and salaries	11,964	13,154
Social security costs	1,551	1,718
Other pension costs	400	386
	<u>13,915</u>	<u>15,258</u>

### Directors' remuneration

#### Aggregate Remuneration

The total amounts for directors remuneration were as follows:

	2001 £'000	2000 £'000
Emoluments	<u>897</u>	<u>926</u>

#### Highest paid director

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

	2001 £'000	2000 £'000
Emoluments	<u>244</u>	<u>231</u>

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

## Notes to accounts (continued)

### 6 Staff costs (continued)

#### Pensions

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

	2001 Number	2000 Number
Defined benefit schemes	<u>3</u>	<u>2</u>

### 7 Tax on profit on ordinary activities

The tax charge comprises:

	2001 £'000	2000 £'000
Foreign tax	388	169
Deferred tax arising from - other timing differences	<u>(37)</u>	<u>20</u>
	<u>351</u>	<u>189</u>

### 8 Goodwill

	Group £'000	Company £'000
<b>Cost</b>		
Beginning of year	458	420
Currency translation adjustment	<u>13</u>	<u>-</u>
End of year	<u>471</u>	<u>420</u>
<b>Amortisation</b>		
Beginning of year	107	143
Charge for the year	166	96
Currency translation adjustment	<u>1</u>	<u>-</u>
End of year	<u>274</u>	<u>239</u>
<b>Net book value</b>		
Beginning of year	<u>351</u>	<u>277</u>
End of year	<u>197</u>	<u>181</u>

## Notes to accounts (continued)

### 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 3 to 5 years.

In prior years the group acquired the trade and activities of its former Belgian distributor which gave rise to goodwill with a year end sterling value of £370,000. This goodwill has been capitalised and is being amortised over 5 years. In addition, goodwill of £101,000 as set out above, was acquired prior to Maxell Deutschland GmbH becoming a subsidiary undertaking of the company, and is therefore included as goodwill in the group accounts.

### 9 Tangible fixed assets

Group	Freehold land and buildings £'000	Plant and machinery		Fixtures and fittings £'000	Total £'000
		Leased £'000	Owned £'000		
<b>Cost</b>					
Beginning of year	11,890	744	47,191	1,301	61,126
Additions	19	-	844	40	903
Currency translation adjustment	36	-	258	20	314
Disposals	-	(744)	(6,392)	(5)	(7,141)
End of year	11,945	-	41,901	1,356	55,202
<b>Depreciation</b>					
Beginning of year	5,589	744	36,675	974	43,982
Charge for the year (note 5)	522	-	5,754	165	6,441
Currency translation adjustment	24	-	178	20	222
Disposals	-	(744)	(6,390)	(5)	(7,139)
End of year	6,135	-	36,217	1,154	43,506
<b>Net book value</b>					
Beginning of year	6,301	-	10,516	327	17,144
End of year	5,810	-	5,684	202	11,696

Freehold land amounting to £249,000 (2000 - £249,000) and assets under construction of £260,000 (2000 - £85,000) have not been depreciated.



## Notes to accounts (continued)

### 9 Tangible fixed assets (continued)

Company	Freehold land and buildings £'000	Plant and machinery		Fixtures and fittings £'000	Total £'000
		Leased £'000	Owned £'000		
<b>Cost</b>					
Beginning of year	11,875	744	47,051	819	60,489
Additions	19	-	844	20	883
Currency translation adjustment	35	-	265	4	304
Disposals	-	(744)	(6,392)	(5)	(7,141)
End of year	11,929	-	41,768	838	54,535
<b>Depreciation</b>					
Beginning of year	5,574	744	36,543	555	43,416
Charge for the year (note 5)	522	-	5,754	130	6,406
Currency translation adjustment	25	-	178	6	209
Disposals	-	(744)	(6,390)	(5)	(7,139)
End of year	6,121	-	36,085	686	42,892
<b>Net book value</b>					
Beginning of year	6,301	-	10,508	264	17,073
End of year	5,808	-	5,683	152	11,643

Freehold land amounting to £249,000 (2000 - £249,000) and assets under construction of £260,000 (2000 - £85,000) 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		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Subsidiary undertakings	-	-	5,237	5,237

## Notes to accounts (continued)

### 10 Fixed asset investments (continued)

#### a) Subsidiary undertakings

	Company	
	2001	2000
	£'000	£'000
<b>Cost</b>		
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	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Raw materials and consumables	3,154	4,357	3,154	4,357
Work in progress	131	382	131	382
Finished goods and goods for resale	43,154	44,163	29,024	24,536
	<u>46,439</u>	<u>48,902</u>	<u>32,309</u>	<u>29,275</u>

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

# Notes to accounts (continued)

## 12 Debtors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	43,795	39,902	19,497	16,912
Amounts owed by group undertakings	647	1,974	22,757	29,013
ACT recoverable	63	63	63	63
VAT	-	-	-	759
Prepayments and other accrued income	1,103	1,075	741	681
	<u>45,608</u>	<u>43,014</u>	<u>43,058</u>	<u>47,428</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	4,354	4,200
Rent deposit	55	55	55	55
Deferred taxation	66	29	49	49
	<u>121</u>	<u>84</u>	<u>4,458</u>	<u>4,304</u>
	<u>45,729</u>	<u>43,098</u>	<u>47,516</u>	<u>51,732</u>

## 13 Creditors: Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans and overdraft (unsecured)	14,724	21,165	12,186	19,500
Trade creditors	3,492	3,215	3,491	2,517
Amounts owed to group undertakings	38,491	38,292	38,430	38,292
Pension scheme	65	85	65	85
Corporation tax	355	218	-	-
VAT	2,357	89	1,373	-
Accruals and deferred income	9,011	17,345	2,798	11,692
	<u>68,495</u>	<u>80,409</u>	<u>58,343</u>	<u>72,086</u>

The company's borrowing facilities include a facility of £19 million which is reviewed annually with the interest fixed monthly, and a facility of £15 million which is reviewed semi annually with the interest rate fixed at this point. In addition, subsidiary undertakings have local borrowing facilities.

## Notes to accounts (continued)

### 14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Loans	16,014	17,860	16,014	17,860
Government grants	256	302	256	302
Accruals and deferred income	140	118	-	-
	<u>16,410</u>	<u>18,280</u>	<u>16,270</u>	<u>18,162</u>

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

During 2000 the company entered into a currency SWAP arrangement for an amount of £11.86 million. The loan is due for repayment in June 2006. Interest is charged on the balance sheet value of the loan as follows:

£7.66 million      6 month LIBOR plus 0.18%  
£4.35 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	
	2001 £'000	2000 £'000
<b>Bank loans</b>		
Between one and two years	2,000	2,000
Between two and five years	2,000	4,000
After five years	<u>12,014</u>	<u>11,860</u>
	16,014	17,860
On demand or within one year	<u>2,000</u>	<u>2,000</u>
	<u>18,014</u>	<u>19,860</u>

## Notes to accounts (continued)

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

The movement on the unamortised government grants was as follows:

	Group and Company	
	2001 £'000	2000 £'000
Beginning of year	353	411
Amortisation	(50)	(53)
End of year	303	358
Less: Amounts included in creditors falling due within one year	(44)	(51)
Less: Currency translation movement	(3)	(5)
Amounts falling due after more than one year	256	302

### 15 Deferred tax

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

	Provided		Not provided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Group</b>				
Accelerated capital allowances	-	-	742	(61)
Other timing differences	66	29	89	66
Tax losses available	-	-	377	1,016
	66	29	1,208	1,021
<b>Company</b>				
Accelerated capital allowances	-	-	742	(61)
Other timing differences	49	49	63	63
Tax losses available	-	-	377	1,016
	49	49	1,182	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 2001 is included within debtors and is considered by the directors to be recoverable.

## Notes to accounts (continued)

### 16 Called-up share capital

	2001 £'000	2000 £'000
<i>Authorised</i>		
26,000,000 ordinary shares of £1 each	<u>26,000</u>	<u>26,000</u>
<i>Allotted, called-up and fully-paid</i>		
25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

### 17 Other reserves

	Group		Company
	Merger reserve £'000	Currency translation reserve £'000	Currency translation reserve £'000
Balance, beginning of year	123	(1,306)	(783)
Currency translation adjustment	-	189	28
Balance, end of year	<u>123</u>	<u>(1,117)</u>	<u>(755)</u>

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	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Profit (loss) for the financial year	574	57	156	(231)
Other recognised gains and losses relating to the year (net)	189	(800)	28	(239)
Opening shareholders' funds	<u>26,727</u>	<u>27,470</u>	<u>26,870</u>	<u>27,340</u>
Closing shareholders' funds	<u>27,490</u>	<u>26,727</u>	<u>27,054</u>	<u>26,870</u>

## Notes to accounts (continued)

### 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	2,653
Profit for the financial year	156
Balance, end of year	<u>2,809</u>

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	
	2001	2000
	£'000	£'000
Contracted for but not provided for	<u>85</u>	<u>141</u>

#### b) Lease commitments

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

	2001		2000	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
<b>Group</b>				
Expiry date				
- within one year	-	21	-	34
- between two and five years	-	448	-	245
- after five years	<u>484</u>	<u>11</u>	<u>363</u>	<u>12</u>
	<u>484</u>	<u>480</u>	<u>363</u>	<u>291</u>
<b>Company</b>				
Expiry date				
- within one year	-	21	-	33
- between two and five years	-	400	-	230
- after five years	<u>396</u>	<u>-</u>	<u>342</u>	<u>-</u>
	<u>396</u>	<u>421</u>	<u>342</u>	<u>263</u>

## Notes to accounts (continued)

### 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 £365,000, representing the regular cost (2000 - £349,000).

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

#### Main assumptions (% pa):

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

#### Results:

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

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

Numerous overseas schemes exist, each of which is small in comparison with the principal UK scheme. The total pension cost relating to these schemes was £35,000 (2000 - £37,000).

### 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.



## Notes to accounts (continued)

### 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 £136,384,000 (2000 - £125,821,000). In addition the group paid its parent company £1,374,000 (2000 - £1,674,000) in respect of management services and £92,000 (2000 - £126,000) in respect of product royalties. During the year the group made sales of £73,532,000 (2000 - £83,472,000) to fellow subsidiary undertakings.

### 23 Subsequent events

On 1 May 2001, the company announced its intention to close its CD ROM production plant in Ireland with effect from 31 May 2001. In accordance with Financial Reporting Standard Number 12, no provision has been made to cover any redundancy or other closure costs in these accounts. Provisions have been recorded to reduce the carrying value of tangible fixed assets to the director's estimate of their residual value.

The closure is not considered to have a material effect on the nature and focus of the groups operations, and accordingly the results of the Ireland plant have not been presented as discontinued operations within these accounts.