

Konica Minolta Business Solutions (UK) Limited

**Directors' report and financial
statements**

Registered number 1132885

For the year ended 31 March 2010

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2010

Principal activities

The principal activities of the Group are the import and distribution within the United Kingdom of plain paper copiers, colour copiers, facsimile equipment, desk top printers and their supplies. The Group's activities are not expected to change significantly in the near future.

Business review, key performance indicators and principal risks

Turnover in the year grew by 0.25% to £152.5m. The operating result improved from a loss of £1,101,000 in the prior year to a profit of £2,850,000 for the current year. The business was impacted significantly by the relative weakness of Sterling against the Euro during the year, experiencing a further 8% devaluation over the 2008/09 levels. As a business whose purchases are substantially denominated in Euro's, this has increased the input cost of our products and has continued to impact our operating margins during the year. In January 2009, the business announced a restructuring programme aimed at streamlining administrative processes in the 2009/10 financial year. This has enabled us to improve efficiency within our support activities and ensure our costs remain competitive in the challenging markets we operate in, without in any way negatively impacting upon customer satisfaction. The company has also taken steps to close the defined benefit pension scheme to future accruals of benefits for the members and this has reduced the cost of pension provision within the current year. The results of the above actions can be seen within the Distribution and Administrative costs when compared to last year. The savings generated by these actions have more than offset the negative impact of currency within our Gross Profit resulting in the improved operating result identified above. The Group's ongoing cost base remains sensitive to movement in the Euro/GBP exchange rate and the company is continuing to utilise forward currency contracts to help mitigate this risk area.

The business continues to offer a broad range of products and services to the UK market. During the year we completed the update of our Office colour product range along with a number of our top end mono machines keeping our award winning product portfolio well placed in the market.

Overall sales within the Office products sector were down over last year by 1.2%. Within an overall declining market place, (overall units down 8.4%) we consider this to be a good performance and we have continued to grow market share within the colour product market. Our ongoing service revenues have continued to grow as the percentage of colour machines grows within our installed base.

Our activities in the Production Print environment have continued to expand in 2010 and we achieved another year of good sales growth in this sector at 14% (2009: 24%). The Group continues to view this sector as a major growth opportunity and we are continuing to invest in the dedicated sales and service support teams needed to realise this.

The general economic climate within the UK market continues to be difficult following the financial markets collapse in late 2008. We continue to see certain limitations on the amount of asset backed funding available to customers to support our sales process and this may limit growth opportunities in some of our channels. Our market share in our target markets grew again in the year and it is anticipated that this market share growth will continue into 2010/11.

Further discussion on financial risks management is given on page 2.

Results and dividend

The Group's operating profit for the financial period was £2,850,000 (2009: £1,101,000 loss) and the Group has net assets of £1,032,000 (2009: £4,811,000 net liabilities) at the period end. In January 2010 an additional £13,000,000 capital was paid into the business from the existing shareholders to improve the strength of the Group's balance sheet. The directors do not propose the payment of a dividend for the period (2009: £nil).

Directors' report *(continued)*

The results for the parent Company showed a loss for the period of £15,334,000 (2009: £8,124,000). During the year the Company paid additional pension fund contributions to reduce the defined benefit scheme funding deficit of £10,805,000. These have been accounted for on a cash basis and have significantly impacted the Company result for the year.

Going Concern

These financial statements have been prepared on a going concern basis. The Board considers this to be appropriate having considered the current financial position of the company and group, future forecast trading results and cash flows and the Konica group loan facilities from Konica Minolta Business Solutions Europe GmbH to the value of £35 million that is available to the company and group to meet its current obligations.

Directors

The directors who held office during the financial year are as follows:

H Okamura
Y Kobayashi
K Wada

Employees

The Group maintains policies aimed at informing employees of and involving them in matters relating to the Group's activities and performance, as appropriate to their employment. Practices are varied to suit the particular conditions applicable to operating locations.

Disabled employees

Disabled persons are employed by the Group when they are suited to a particular vacancy. The special aptitudes and abilities of disabled persons are more easily met in certain aspects of our business and every effort is made to ensure that they are given full and fair consideration when vacancies arise. Particular efforts are made to continue the employment of existing employees who may become disabled and to arrange for their appropriate retraining. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of credit risk, currency risk and interest rate risk.

Credit risk

The Group has a large customer base and therefore has very little credit risk concentration. The Group's largest customers are large, well-known finance houses. Credit risk is managed through strong credit approval processes, close management of relationships and pro-active debt management.

Currency risk

The Group has current assets and liabilities denominated in foreign currencies. The majority of these are between fellow Group undertakings with exposure to the group being managed through the continued use of forward exchange contracts to help mitigate the risk.

Directors' report *(continued)*

Financial risk management *(continued)*

Interest rate risk

The Company is subject to interest risk on its bank loans. The loans are provided through a Group facility and the terms of the loans are reviewed and negotiated by the Group treasury activity. Due to the source of the loans the directors do not use hedging instruments to further mitigate the risk.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The Company is not required to appoint its auditors annually and KPMG LLP will therefore continue as the Company's auditors.

By order of the board



N Dingley

Secretary

Dated 03/02/2011

Konica House
Miles Gray Road
Basildon
Essex
SS14 3AR

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

KPMG LLP

6 Lower Brook Street
Ipswich
IP4 1AP
United Kingdom

Independent auditor's report to the members of Konica Minolta Business Solutions (UK) Limited

We have audited the financial statements of Konica Minolta Business Solutions (UK) Limited for the year ended 31 March 2010 set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2010 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

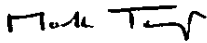
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Konica Minolta Business Solutions (UK) Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Mark J Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
6 Lower Brook Street
Ipswich IP4 1AP

4 February 2011

Consolidated profit and loss account
for the year ended 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover	2	152,504	152,115
Cost of sales		(95,591)	(93,451)
Gross profit		56,913	58,664
Distribution costs		(42,723)	(46,421)
Administrative costs		(11,340)	(13,344)
Operating profit /(loss)		2,850	(1,101)
Loss on disposal of fixed assets	3	(20)	(30)
Other interest receivable and similar income	6	91	134
Other finance expenses	7	(1,000)	(266)
Interest payable and similar charges	8	(185)	(790)
Profit/(loss) on ordinary activities before taxation	3	1,736	(2,053)
Tax on profit/(loss) on ordinary activities	9	(521)	(3,657)
Profit/(loss) for the financial year		1,215	(5,710)

All operations are continuing, the impact of acquisitions on the reported results is immaterial

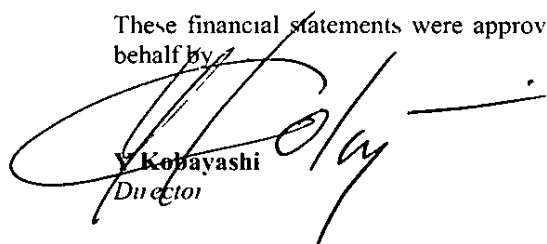
The notes on pages 11 to 30 form part of these financial statements

Consolidated balance sheet
At 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Fixed assets			
Intangible assets	11	1,150	1,523
Tangible assets	12	4,628	4,795
		<hr/>	<hr/>
		5,778	6,318
Current assets			
Stocks	14	5,685	8,071
Debtors	15	43,367	45,057
Cash at bank and in hand		2,732	4,822
		<hr/>	<hr/>
		51,784	57,950
Creditors: amounts falling due within one year	17	(47,851)	(55,626)
		<hr/>	<hr/>
Net current assets		3,933	2,324
		<hr/>	<hr/>
Total assets less current liabilities		9,711	8,642
Creditors: amounts falling due after more than one year	18	(2,774)	(2,784)
		<hr/>	<hr/>
Net assets excluding pension liabilities		6,937	5,858
Pension liabilities	21	(5,905)	(10,669)
		<hr/>	<hr/>
Net assets/(liabilities) including pension liabilities		1,032	(4,811)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	22	21,000	8,000
Profit and loss account	23	(19,968)	(12,811)
		<hr/>	<hr/>
Shareholders' funds/(deficit)		1,032	(4,811)
		<hr/>	<hr/>

The notes on pages 11 to 30 form part of these financial statements

These financial statements were approved by the board of directors on 3rd February 2011 and were signed on its behalf by


Y. Kobayashi
Director

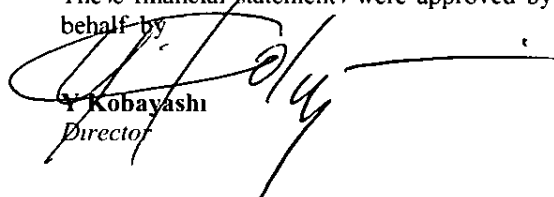
Company balance sheet

At 31 March 2010

	Note	2010 £000	2009 £000
Fixed assets			
Intangible assets	11	1,150	1,523
Tangible assets	12	4,300	4,474
Investments	13	5,069	7,401
		<u>10,519</u>	<u>13,398</u>
Current assets			
Stocks	14	4,624	6,773
Debtors	15	41,788	41,878
Cash at bank and in hand		2,326	4,315
		<u>48,738</u>	<u>52,966</u>
Creditors: amounts falling due within one year	17	<u>(53,991)</u>	<u>(58,764)</u>
Net current liabilities		<u>(5,253)</u>	<u>(5,798)</u>
Total assets less current liabilities		<u>5,266</u>	<u>7,600</u>
Creditors: amounts falling due after more than one year	18	<u>(2,764)</u>	<u>(2,764)</u>
Net assets		<u>2,502</u>	<u>4,836</u>
Capital and reserves			
Called up share capital	22	21,000	8,000
Profit and loss account	23	(18,498)	(3,164)
Shareholders' funds		<u>2,502</u>	<u>4,836</u>

The notes on pages 11 to 30 form part of these financial statements

These financial statements were approved by the board of directors on 3rd February 2011 and were signed on its behalf by


Y. Kobayashi
Director

Company Registration Number 1132885

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Profit/(Loss) for the financial year		1,215	(5,710)
Actuarial losses on pension schemes	21	(7,039)	(4,116)
Deferred tax arising on losses in the pension scheme		1,971	1,153
Deferred tax arising on additional contribution to the pension scheme		(3,303)	-
Total recognised losses and gains relating to the year		(7,156)	(8,673)

Reconciliations of movements in shareholders' funds
for the year ended 31 March 2010

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Profit/(loss) for the financial year	1,215	(5,710)	(15,334)	(8,124)
Actuarial loss on pension scheme	(7,039)	(4,116)	-	-
Movement of deferred tax relating to pension scheme	(1,333)	1,153	-	-
Additional share capital	13,000	-	13,000	-
Net addition to shareholders' funds	5,843	(8,673)	(2,334)	(8,124)
Opening shareholders' funds	(4,811)	3,862	4,836	12,960
Closing shareholders' funds/(deficit)	1,032	(4,811)	2,502	4,836

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Konica Minolta Holdings Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Konica Minolta Holdings Inc, within which this Company is included, can be obtained from the address given in note 24

Going concern

These financial statements have been prepared on a going concern basis, notwithstanding the fact that the Company incurred a net loss for the financial year of £15.3m and had net current liabilities of £5.3m, which the directors believe is appropriate for the following reasons

The Company and Group are funded by a rolling group loan facility from Konica Minolta Business Solutions Europe GmbH to the value of £35 million that is available to meet its current obligations. Further details are given in note 18

The Directors have prepared projections for the twelve months from the date of these financial statements and consider the forecasts to be reasonable and realistic

On the basis of these projections, the available facility and the factors likely to affect the group's future development and position, as set out in the Business Review section of the Directors' Report on pages 1 to 2, the directors have a reasonable expectation that the Company and Group will be able to continue in operational existence for the foreseeable future, continuing to operate within the current agreed facility and hence a going concern basis is appropriate

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2010. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 408 of the Companies Act 2006 the Company is exempt from the requirements to present its own profit and loss account

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation/business combinations in respect of acquisitions before 1 January 1998 when FRS 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation/business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

Notes (continued)

1 Accounting policies (continued)

Goodwill and negative goodwill (continued)

Negative goodwill arising on consolidation/business combinations in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill)

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off

Turnover

Turnover is generated from both sales and service activities. Sales revenue derives from the sale of new and second hand machines to customers, including equipment which is financed by third party lessors. Where equipment is financed, customers may contract directly with the lessor or alternatively customers may contract with the company and give permission for the rentals to be assigned with all the risks and rewards transferring to the lessor. The company also provides machines to customers through rental agreements and recognises the resulting income on a straight line basis over the term of the agreement. Service revenue is principally generated from metered copy contracts with customers and is recognised on an accruals basis. All revenues are stated after deducting returns, allowances and sales taxes.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. These are amortised on a straight line basis over their estimated useful lives which are as follows:

Goodwill - 5 years

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives at the following rates:

Freehold buildings	-	2%
Rental machines	-	25%
Computer equipment	-	25-33%
Plant and equipment	-	10-25%
Motor vehicles	-	25%

No depreciation is provided on freehold land

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Post-retirement benefits

The Company operates a pension scheme providing post-retirement benefits for eligible employees. The scheme has a defined contribution section and a defined benefit section providing benefits based on final pensionable pay.

Defined contribution section

The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Defined benefit section

The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of consumables and goods purchased for resale, the weighted average purchase price is used.

Taxation

The charge for taxation is based on the profit 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 tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

2 Turnover

Turnover is derived from the Company's principal activities on sales made in all material respects in the United Kingdom

3 Profit/(loss) on ordinary activities before taxation

	2010 £000	2009 £000
<i>This is stated after charging / (crediting)</i>		
Depreciation		
Depreciation of owned assets	2,340	2,115
Depreciation of assets held under finance leases and hire purchase contracts	10	27
Loss on disposal of tangible fixed assets	20	30
Operating lease rental payments		
Plant and machinery	1,895	2,139
Other	1,899	1,951
Operating lease rental receipts	(1,624)	(1,895)
Amortisation of goodwill	373	657
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
	2010 £000	2009 £000
Audit of these financial statements	165	140
Audit of subsidiaries pursuant to legislation	22	16
Amounts receivable by auditors and their associates in respect of		
Other services relating to taxation	32	29
All other services	60	140
	<hr/>	<hr/>

Notes (continued)

4 Directors' emoluments

	2010 £000	2009 £000
Aggregate emoluments	174	158

Retirement benefits are not accruing to any director under the defined benefit scheme

5 Staff numbers and costs

The average number of persons employed by the Group and the Company on a permanent basis during the year (including Directors but excluding Fixed term Contracts and Agency) analysed by category, was as follows

	Group 2010 Number	2009 Number
Management	22	21
Administration	162	156
Marketing and service	698	694
	882	871

The aggregate payroll costs of the Group's employees were as follows

	2010 £000	2009 £000
Wages and salaries	29,701	29,850
Social security costs	3,269	3,050
Other pension costs	1,243	1,220
Pension curtailment credit	(3,431)	-
	30,782	34,120

Notes *(continued)*

6 Other interest receivable and similar income

	2010	2009
	£000	£000
Other interest receivable	91	134

7 Other finance expenses

	2010	2009
	£000	£000
Expected return on pension scheme assets	2,905	3,752
Interest on pension scheme liabilities	(3,905)	(4,018)
	(1,000)	(266)

8 Interest payable and similar charges

	2010	2009
	£000	£000
On bills payable and overdrafts due within 5 years not by instalment	183	788
On finance leases and hire purchase contracts	2	2
	185	790

Notes (continued)

9 Taxation

Analysis of charge in period

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Current tax charge for the period	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences – current	-	-
Origination/reversal of timing differences – prior year	-	3,486
Impact of change in reduction in Corporation Tax rate	-	-
Charge/(credit) in respect of pension liabilities	521	171
	<hr/>	<hr/>
	521	3,657
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2009 lower) than the standard rate of corporation tax in the UK (28% 2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit/(loss)/ on ordinary activities before tax	1,736	(2,053)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 28% (2009 28%)	486	(575)
<i>Effects of</i>		
Difference between depreciation and capital allowances	384	616
Short term timing differences	(139)	(720)
Expenses not deductible for tax purposes	(384)	221
Pension contribution adjustment	(1,461)	-
Brought forward losses utilised	-	(172)
Losses not utilised	1,114	630
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

Factors affecting the future tax charge

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantially enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly.

Notes (continued)

10 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the period amounted to £15,334,000 (2009 £8,124,000 loss). During the year the Company has made additional contributions into the Group's defined benefit pension scheme as part of the agreed payment plan against the scheme deficit. As the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement benefits, it accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to its own profit and loss account represents the contributions payable to the scheme in respect of the accounting period and for the current year included the additional contributions of £10,805,000, which have significantly impacted the company result shown above.

11 Intangible fixed assets

Group	Goodwill £000	Negative Goodwill £000
Cost		
At beginning and end of year	8,465	(489)
Amortisation		
At beginning of year	6,942	(489)
Charge for year	373	-
At end of year	7,315	(489)
Net book value		
At 31 March 2010	1,150	-
At 31 March 2009	1,523	-
Company		
Cost		
At beginning and end of year	1,865	(77)
Amortisation		
At beginning of year	342	(77)
Charge for year	373	-
At end of year	715	(77)
Net book value		
At 31 March 2010	1,150	-
At 31 March 2009	1,523	-

Notes (continued)

12 Tangible fixed assets

Group	Freehold land and buildings £000	Short leasehold property and improvements £000	Plant and equipment £000	Rental machines £000	Total £000
Cost					
At beginning of year	119	1,963	10,070	7,630	19,782
Additions	-	312	874	1,161	2,347
Disposals	-	-	(84)	(943)	(1,027)
At end of year	119	2,275	10,860	7,848	21,102
Depreciation					
At beginning of year	34	674	7,063	7,216	14,987
Charge for year	4	256	1,154	936	2,350
On disposals	-	-	(47)	(816)	(863)
At end of year	38	930	8,170	7,336	16,474
Net book value					
At 31 March 2010	81	1,345	2,690	512	4,628
At 31 March 2009	85	1,289	3,007	414	4,795

Included in the total net book value of plant and equipment is £32,000 (2009 £34,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £10,000 (2009 £27,000).

"Rental machines" are assets held for rental to customers under operating leases.

Notes (continued)

12 Tangible fixed assets (continued)

Company	Freehold land and buildings £000	Short leasehold property and improvements £000	Plant and equipment £000	Rental machines £000	Total £000
Cost					
At beginning of year	100	1,882	8,245	7,311	17,538
Additions	-	312	755	1,123	2,190
Disposals	-	-	(82)	(943)	(1,025)
At end of year	100	2,194	8,918	7,491	18,703
Depreciation					
At beginning of year	15	593	5,530	6,926	13,064
Charge for year	4	256	1,027	913	2,200
On disposals	-	-	(45)	(816)	(861)
At end of year	19	849	6,512	7,023	14,403
Net book value					
At 31 March 2010	81	1,345	2,406	468	4,300
At 31 March 2009	85	1,289	2,715	385	4,474

The net book value of plant and equipment includes an amount of £nil (2009 £nil) in respect of assets held under hire purchase agreement

**Rental machines are assets held for rental to customers under operating leases

Notes (continued)

13 Fixed asset investments

Company	Total £000
<i>Cost</i>	
At beginning and end of year	9,841
<i>Provisions</i>	
At beginning of year	2,440
Amounts provided in the year	2,332
At end of year	4,772
<i>Net book value</i>	
At 31 March 2010	5,069
At 31 March 2009	7,401

Investments in subsidiaries are stated at cost less amounts written off where there has been a permanent diminution in value

During the year the Company has identified the investments in Ideal Reprographics Eastern Limited and Konica Minolta Business Solutions (Wales) Limited as being impaired and has written down both investments to net book value

The principal undertakings in which the Company's interest at the year end is more than 20% are as follows

<i>Subsidiary undertakings</i>	Principal Activity	Class and percentage of shares held
Konica Minolta Business Solutions East Limited	Business and marketing and servicing products distributed by the company	100% ordinary A shares of £1 100% ordinary B shares of £1
Konica Minolta Printing Solutions (UK) Limited	Non-trading	100% ordinary shares of £1
Konica Minolta Business Solutions (Wales) Limited	Dormant	100% ordinary shares of £1
Ideal Reprographics Eastern Limited	Non-trading	100% ordinary shares of £1

All subsidiary undertakings are registered in England and Wales and are consolidated into the Group financial statements

Notes (continued)

14 Stocks

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Finished goods and goods for resale	5,685	8,071	4,624	6,773

15 Debtors

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade debtors	34,009	33,231	31,344	30,769
Amounts owed by group undertakings				
- Subsidiary undertakings	-	-	2,235	-
- Parent company and fellow group undertakings	119	839	119	839
Other debtors	631	225	495	48
Prepayments and accrued income	8,065	9,923	7,595	9,436
Corporation tax recoverable	543	839	-	786
	43,367	45,057	41,788	41,878

16 Deferred tax

	2010	2009	2010	2009
	Group	Group	Company	Company
	£000	£000	£000	£000
At beginning of year	-	3,486	-	3,231
Transfer in on acquisition				
Charged to profit and loss account origination and reversal of timing differences – current year	-	(3,486)	-	(3,231)
At end of year	-	-	-	-

Notes (continued)

16 Deferred tax (continued)

Amounts recognised	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	-	-	-
Trading losses	-	-	-	-
Other timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not recognised	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Difference between accumulated depreciation and amortisation and capital allowances	3,240	2,973	3,170	2,897
Other timing differences	1,842	858	1,842	858
	<u>5,082</u>	<u>3,831</u>	<u>5,012</u>	<u>3,755</u>
	<u>5,082</u>	<u>3,831</u>	<u>5,012</u>	<u>3,755</u>

In accordance with FRS 19, a deferred tax asset has been recognised only to the extent to which there is sufficient persuasive and reliable evidence that it will be recovered

17 Creditors: amounts falling due within one year

	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Bank loans and overdraft	8,241	18,575	8,241	18,575
Obligations under finance leases and hire purchase contracts	10	10	-	-
Trade creditors	4,374	4,351	3,964	4,091
Bills payable				
Amounts owed to group undertakings				
- parent company and fellow group undertakings	22,415	22,898	22,415	22,898
- subsidiary undertakings	-	-	6,505	3,130
Taxation and social security	6,269	4,525	5,670	4,090
Accruals and deferred income	6,542	5,267	7,118	5,980
Corporation tax payable	-	-	78	-
	<u>47,851</u>	<u>55,626</u>	<u>53,991</u>	<u>58,764</u>
	<u>47,851</u>	<u>55,626</u>	<u>53,991</u>	<u>58,764</u>

Notes (continued)

18 Creditors' amounts falling due after more than one year

	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Obligations under finance leases and hire purchase contracts	10	20	-	-
Amounts owed to fellow subsidiary undertaking	2,764	2,764	2,764	2,764
	<u>2,774</u>	<u>2,784</u>	<u>2,764</u>	<u>2,764</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows

	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Within one year	10	10	-	-
In the second to fifth years	10	20	-	-
	<u>20</u>	<u>30</u>	<u>-</u>	<u>-</u>

Hire purchase liabilities are secured against the assets to which they relate

The maturity of obligations under loans, overdraft and other borrowings is as follows

	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Maturity of eligible bill loans and overdraft				
In one year or less, or on demand	8,241	18,575	8,241	18,575
	<u>8,241</u>	<u>18,575</u>	<u>8,241</u>	<u>18,575</u>

The loan as of the 31 March 2010 is part of a rolling Group loan facility of £35 million repayable at the end of March 2011 but is automatically renewed for a further 12 months

The interest rate on the loan is based on the one month Euribor @ 2.1% and interest is payable monthly

Notes (continued)

19 Contingent liabilities

Group and company

	2010 £000	2009 £000
Guarantees in respect of property rentals	520	520
Guarantees in respect of HM customs & Excise duties	100	100
	<u>620</u>	<u>620</u>

20 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made, are as follows

Group and company	2010 £000	2009 £000
Contracted	-	-
	<u>-</u>	<u>-</u>

- (b) Annual commitments under non-cancellable operating leases are as follows

Group	2010 Land and buildings £000	Other £000	2009 Land and buildings £000	Other £000
Operating leases which expire				
Within one year	96	291	529	321
In the second to fifth years inclusive	344	1,445	162	1,407
Over five years	1,508	-	1,559	-
	<u>1,948</u>	<u>1,736</u>	<u>2,250</u>	<u>1,728</u>
Company				
Operating leases which expire				
Within one year	76	238	529	267
In the second to fifth years inclusive	344	1,181	137	1,160
Over five years	1,335	-	1,413	-
	<u>1,755</u>	<u>1,419</u>	<u>2,079</u>	<u>1,427</u>

Notes (continued)

21 Pension schemes

Group

During the year ended 31 March 2010, the group operated the following pension scheme in the United Kingdom

The Konica Minolta Business Solutions (UK) Pension Plan

The Plan has a defined benefit section which was closed for future contributions from the 1 April 2010. There are no informal practices giving rise to constructive obligations that are required to be included in the measurement of Plan liabilities. A full FRS 17 actuarial valuation was carried out as at 30 September 2008 by a qualified independent actuary and rolled forward to 31 March 2010.

The major financial assumptions used by the actuary were

Actuarial Assumptions	2010	2009
Discount rate	5.95%	7.20%
Rate of increase in salaries	4.54%	4.20%
Pension increase rate (SLPI)	3.29%	3.05%
Expected return on Plan assets	7.34%	7.05%
Inflation assumption	3.54%	3.20%

Demographic Assumptions	2010	2009
Pre retirement mortality	AxC00	AxC00
Post retirement mortality	PCxA00	PCxA00
Post retirement cohort	Medium Cohort	Medium cohort
Start year of improvements	2000	2000
Proportion married	80%	80%

The plan does not invest in the sponsor's own financial instruments including property or other assets owed by the sponsor.

Scheme assets

The major categories of assets in the Plan, their percentage of the total Plan Assets and the expected rate of return as at 31 March 2010 were

	Expected rate of return 2010	% of Total Plan Assets	Expected rate of return 2009	% of Total Plan Assets
Equities	8.26%	67%	7.91%	61%
Property	7.76%	8%	7.37%	7%
Fixed interest -UK Gilts	N/a	0%	3.76%	9%
Fixed interest -other	5.40%	11%	6.93%	20%
Cash	4.06%	13%	0.50%	3%

Balance Sheet	31 March 2010	31 March 2009
Fair value of plan assets	62,846	38,553
Present value of funded obligations	(71,047)	(53,371)
Obligation in excess of asset	(8,201)	(14,818)
Related deferred tax asset	2,296	4,149
Net pension liability	(5,905)	(10,669)

In addition the Trustees held insured annuities. The value of these annuities have been excluded both from the assets and liabilities since the liability is matched directly by an asset of equal value.

The sponsor's best estimate of contributions to be paid in the year following 31 March 2010 is £2,342,000.

Notes (continued)

21 Pension schemes (continued)

Movements in obligation during the year

	2010 £000	2009 £000
Deficit in scheme at beginning of year	(14,818)	(11,318)
Current service cost	(571)	(803)
Contributions paid	11,796	1,573
Curtailment benefits	3,431	112
Other finance expense	(1,000)	(266)
Actuarial loss	(7,039)	(4,116)
Deficit in the scheme at the end of the year	<u>(8,201)</u>	<u>(14,818)</u>

Analysis of other pension cost charges in arriving at operating profit

	2010 £000	2009 £000
Current service cost	571	803
Total operating charge	<u>571</u>	<u>803</u>

Analysis of the amounts included in other finance income/expenses

	2010 £000	2009 £000
Expected return on pension scheme assets	2,905	3,752
Interest on pension liabilities	(3,905)	(4,018)
Other finance expense	<u>(1,000)</u>	<u>(266)</u>

Analysis of amount recognised in statement of total recognised gains and losses

	2010 £000	2009 £000
Actual return less expected return on scheme assets	10,160	(13,972)
Experience gains and losses arising on scheme liabilities	385	296
Changes in assumptions underlying the present value of scheme liabilities	(17,584)	9,560
Actuarial gain recognised in statement of total recognised gains and losses	<u>(7,039)</u>	<u>(4,116)</u>

Notes (continued)

21 Pension schemes (continued)

History of experience gains and losses – Konica Minolta Business Solutions (UK) Pension Plan

	2010	2009	2008*	2007	2006
Difference between the expected and actual return on scheme assets					
Amount (£000)	10,160	(13,972)	(5,977)	(366)	4,984
Percentage of year end scheme assets	16.2%	(36.2%)	(12.4%)	(1.0%)	14.1%
Experience gains and losses on scheme liabilities					
Amount (£000)	385	296	2,547	(810)	(4,158)
Percentage of year end present value of scheme liabilities	0.5%	0.6%	4.3%	(1.6%)	8.8%
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	(7,039)	(4,116)	3,571	(1,306)	(2,553)
Percentage of year end present value of scheme liabilities	9.9%	7.7%	6.0%	(2.6%)	5.4%

* On the 1st December 2007 the Minolta (UK) Pension Plan was merged into the Konica Minolta Business Solutions (UK) Pension Plan

History of experience gains and losses – Minolta (UK) Pension Plan

	2010	2009*	2008*	2007
Difference between the expected and actual return on scheme assets				
Amount (£000)				2,593
Percentage of year end scheme assets				20.3%
Experience gains and losses on scheme liabilities				
Amount (£000)				-
Percentage of year end present value of scheme liabilities				-
	Included in Konica Minolta scheme above	Included in Konica Minolta scheme above	Included in Konica Minolta scheme above	
Total amount recognised in statement of total recognised gains and losses				
Amount (£000)				3,482
Percentage of year end present value of scheme liabilities				24.5%

* On the 1st December 2007 the scheme was merged into the Konica Minolta Business Solutions (UK) Pension Plan

This section of the plan is closed to new entrants

FRS17 requires the service cost to be measured using the projected unit method. Under the projected unit method the current service costs, expressed as a percentage of salary, will increase as the members of the scheme approach retirement.

The group made contributions of £11.8 million to the defined benefit sections over the course of the year. Current agreed rates of contributions are 6% of basic salaries for members and for the Group 15.1% of basic salaries (22.5% in respect of former members of Minolta (UK) Pension Plan) plus £10.8 million with all expenses, life assurance premiums and levies payable in addition. The last formal valuation of the plan was carried out at 30th September 2008 and the contribution rates will be reviewed when the valuation has been finalised.

Company

Defined benefit sections

The company participates in the Konica Minolta Business Solutions (UK) Pension Plan, for eligible employees of the company providing benefits based on final pensionable pay.

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The total pension charge for the company for the period was £12,187,000 (2009 £ 1,886,000)

Accrued and outstanding defined contribution costs at the period end amounted to £75 000 (2009 £ 118,000)

Defined contribution scheme

For staff previously not eligible to join the defined benefit pension scheme and for all qualifying staff from 1st March 2003 the Company and Group operates a defined contribution scheme

Employer's contributions included within the Accounts were as follows

	2010 £000	2009 £000
Defined contribution scheme	683	525
	<u>683</u>	<u>525</u>

22 Called up share capital

Group and company	2010 £000	2009 £000
<i>Authorised</i>		
Ordinary shares of £1 each	21,000	15,000
	<u>21,000</u>	<u>15,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	21,000	8,000
	<u>21,000</u>	<u>8,000</u>

During the year the Company issued 13 000 000 ordinary shares of £1 each for total consideration of £13,000,000

23 Profit and loss account

	2010 Group £000	2009 Group £000	2010 Company £000	2009 Company £000
At beginning of year	(12,811)	(4,138)	(3,164)	4,960
Profit/(loss) for the year	1,215	(5,710)	(15,334)	(8,124)
Actuarial gain recognised in the pension schemes	(7,039)	(4,116)	-	-
Deferred tax arising on additional contribution to the pension scheme	1,970	-	-	-
Deferred tax arising on gains/(losses) in the pension schemes	(3,303)	1,153	-	-
	<u>(19,968)</u>	<u>(12 811)</u>	<u>(18,498)</u>	<u>(3,164)</u>

Notes *(continued)*

24 Ultimate parent company and parent undertaking of larger group

The ultimate holding company and controlling party is Konica Minolta Holdings, Inc. which is incorporated in Japan. Konica Minolta Holdings, Inc. is the only undertaking for which consolidated accounts, which include consolidated accounts of the Group, are drawn up. Copies of the consolidated financial statements of Konica Minolta Holdings, Inc. may be obtained from the Secretary, Konica Minolta Business Solutions (UK) Limited, Miles Gray Road, Basildon, Essex, SS14 3AR.