

Konica Minolta Business Solutions (UK) Limited

Annual report and consolidated
financial statements

Registered number 01132885

For the year ended 31 March 2018

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Strategic Report

The directors present their Strategic report, Directors report and financial statements for the year ended 31 March 2018.

Principal activities

The principal activities of the Group are the import and distribution within the United Kingdom of multi-functional printing devices and their supplies. In addition to the continuation of these principal activities the Group has taken steps to deliver a wider range of software solutions and managed IT services to our business customers.

Results

The Group's operating profit for the financial year was £4,391,000 (2017: £14,469,000) and the Group has net assets of £56,272,000 (2017: £46,197,000) at the year-end.

Business review, key performance indicators and principal risks

Business Review

Turnover in the year decreased by 5.6% to £188.6 million (2017: £199.8 million). The operating profit decreased from £14.5 million to £4.4 million in the current year. Our gross profit margin decreased in the current year to 42.1% (2017: 46.8%)

The UK's vote, in June 2016, to leave the European Union led to an immediate, significant and sustained weakening of Sterling against all major currencies. This led to a significant increase in the cost of goods imported from our European supply chain and therefore had a material impact on our profitability at gross margin level. This impact continues into the subsequent financial year.

Unfortunately we had to pass some of this cost increase on to our customers, but we have also been focussing on efficiency measures to allow our pricing to remain relevant in a very competitive market.

Our Distribution & Administration cost for the year was £75.0 million (2017: £78.8 million). This decrease is due to savings on the integration of Capture Imaging Limited and Konica Minolta Business Solutions (East) Limited into Konica Minolta Business Solutions (UK) Limited, various procurement savings and the cessation of a sponsorship arrangement.

The business continues to offer a broad range of products and services to the UK market. We introduced new products to enter the Industrial Print sector, most notably our digital label press C71cf and launched a new production print range AccurioPress C2060/C2070. We transformed the scale of our IT solutions and services business with the acquisition of ProcessFlows in May 2016.

We grew market share in the period, securing number 3 position in the Office market with 13% share (and maintaining number 2 position in the A3 colour market with 15.4% share) and maintaining 4th position in the Production Print market with 15.1% share.

Business Strategy

The focus for us is to ensure we are delivering value to our customers in helping resolve their business problems and we are striving to put the customer at the centre of all we do within the business, thereby developing lasting, mutually profitable partnerships.

The business continues to drive for profitable growth within the market by delivering Optimised Print Services (OPS) and IT solutions and managed services to our customers.

Strategic report *(continued)*

The Consultancy Service and Professional Services Divisions have continued to develop during the year and have again demonstrated the capability to deliver improved business performance to our customers through the implementation of OPS and other solutions.

The growth of our Professional Production Print sector continues to be one of our strategic aims and we are moving towards the larger end of this sector with the development of our Industrial Print portfolio, including our bizhub PRESS C71cf digital label printer and the Accurio Jet KM1, a 29-inch Sheet-fed UV Inkjet Press. The Group continues to view this sector as a major growth opportunity and we are investing in the products and the sales and service support teams needed to realise this, with our first label press sale coming in this financial year.

The business continues to benefit from the award of the Crown Commercial Services framework (formerly known as Government Procurement Services framework). Crown Commercial Services retendered the framework on 31st August 2016 and we were successful in being awarded a place on each of the 2 lots for which we bid. We have also been successful in gaining contract awards under other public sector buying consortium frameworks, such as the Crescent Purchasing Consortium, the Central Buying Consortium, North Eastern Universities Purchasing Consortium, National Procurement Services framework for Wales and Scottish Procurement. This diversity of access to the Public Sector markets leaves us well positioned to continue to grow in this area whilst we are also driving growth in the major private sector accounts.

Finally, in order to optimise our geographic coverage of the UK, the Group acquired Capture Group (Holdings) Limited on 1 July 2016. Capture was an indirect partner operating in the North of Scotland with an installed base of about 3,000 devices. This acquisition brings a high quality customer base and talent base in a geography previously not directly accessible to us and will allow us to maximise the benefits from our position on the Scottish Procurement framework. Capture's operations were integrated with the Company on 15 March 2017 in order to maximise operational efficiencies.

Key Performance Indicators

The business uses a range of Key Performance Indicators to measure the performance of the Company, with turnover, gross profit and EBIT being the main indicators used, measuring actual performance against planned performance and prior year.

Other key indicators are the management of Working Capital and measures used in this area include stock turn days and debtor days. The business also employs a range of non-financial key performance indicators including staff retention and staff engagement.

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. A significant percentage of our direct customer base in the public sector. Credit risk is managed through strong credit approval processes, close management of relationships and proactive debt management. A small amount of long term credit risk is taken relating to finance leases funded directly by the Company. Again this risk is managed in a similar manner to that stated above. Credit insurance is used to minimise credit risk in the indirect sector.

Strategic report *(continued)*

Currency risk

The Group purchases the majority of our products from a group company based in Germany. The pricing for these products is in Sterling which is calculated with reference to an underlying Euro cost converted at an agreed Euro/Sterling exchange rate. There is currency risk associated with the Sterling price but this is somewhat mitigated by having a 5% fluctuation corridor from the base rate before any rate change is implemented. This has provided a stable rate for several years. Post the Brexit vote however, we have seen a significant and sustained deterioration of the exchange rate which impacted on our cost of sales. Whilst we are mitigating this impact through tight cost controls, pricing measures and driving sales in less exposed areas such as solutions and services, it has still had a sizeable impact on our gross margins and continues to do so.

Interest rate risk

The Company is subject to interest risk on any potential bank loans it may require in the future. Any loans that are required will be provided through a Group facility and the terms of the loans are reviewed and negotiated by the Group treasury activity. Due to the source being used for any potential loans the directors would not use hedging instruments to further mitigate the risk.

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 central group loan facilities available from Konica Minolta Business Solutions Europe GmbH to the value of £11 million to meet our current obligations.

Employees

It is the Group's stated aim to be an Employer of Choice. To this end, we are committed to excellence in development, empowerment and reward for our colleagues.

The Group maintains policies aimed at informing colleagues 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 and all colleagues are invited to a twice yearly roadshow presented by the Leadership Team to explain company strategy and progress against our goals.

The Group promotes diversity and inclusivity amongst our employees and is an equal opportunity employer. This is also promoted via groups such as The Women's Network. 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 colleagues 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.

The Group uses an external salary benchmark provider to monitor reward and launched a flexible benefits portal during the year where colleagues can select a tailored benefits package from a range of options that they voted for.

Corporate Social Responsibility & Environment

We integrate environmental, economic and social perspectives into our business strategies, so that our business activities are implemented in harmony with human lives, and with the environment. We are committed to acting with integrity in our business dealings and take steps to ensure transparency in both our own business, and the businesses in our supply chain.

By working together with our suppliers to address respect for human rights within our procurement and production operations, we enable our customers to purchase products with peace of mind.

Strategic report *(continued)*

With respect to CSR procurement, we support suppliers, for example by training their internal assessors. This facilitates the identification and improvement of issues through CSR assessments and audits, using a self-assessment questionnaire to help suppliers achieve their independent initiatives.

We strive to make improvements to our supply chain through assessments and audits based on our Supplier Code of Conduct, which sets out the minimum standards of behaviour we require of our suppliers. The Code is based on recognised international standards, principals and best practices, and complies with the Electronic Industry Citizen Coalition (EICC) Code of Conduct. We ask our suppliers not just to comply with this Code, but to use all reasonable endeavours to exceed it, and promote best practice and continual improvement throughout their business operations.


We recognise our responsibility, as defined by the Modern Slavery Act 2015, and are committed to positively contributing to society through building on a strong foundation of good corporate citizenship. We have a zero-tolerance approach to modern slavery and human trafficking, and do not support or deal with any business that is involved in either.

We support the communities within which we, and our respective customers, operate. To this end, we support a number of community programmes including Enterprise Skills Careers Education Programme, Skills Careers Fairs, National Women in Engineering Day, Essex Skills Board Tutor CPD, Essex Education and Industry STEM Programme.

Political and charitable donations

The Company's Charities' Committee is comprised of colleagues from various parts and levels of the Group. In the financial year, the Group's employees voted to support two charities: The Woodland Trust and Refuge. The Charities Committee organises a range of activities that colleagues can participate in to raise money for our charity partners or take part in voluntary work such as tree planting. The Company made £16,500 of charitable donations during the year (2017: £15,000). Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2017: £nil).

By order of the board,



Martin Tierney
Director

Date:

11/10/18

Konica House
Miles Gray Road
Basildon
Essex
SS14 3AR

Directors' report

The Directors present their Directors' report and financial statements for the year ended 31 March 2018.

Proposed dividend

The profit for the financial year of £503,000 (2017: £14,422,000) has been transferred to reserves. The directors do not propose the payment of a dividend for the year (2017: £nil).

Directors

The directors who held office between the start of the financial year and the date of the signing of the accounts were as follows:

N Dingley
I Nakagawa (Resigned 1 April 2018)
M Tierney
K Tsukamoto
C Bland (Company Secretary)
K Okamoto (Appointed 01 April 2018)


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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Martin Tierney
Director

Date: 11/10/18

Konica House
Miles Gray Road
Basildon
Essex
SS14 3AR

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

The directors are responsible for preparing the Strategic Report, 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.

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

Opinion

We have audited the financial statements of Konica Minolta Business Solutions (UK) Limited ("the company") for the year ended 31 March 2018 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion:

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

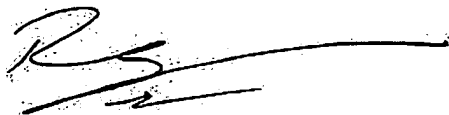
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Bartlett-Rawlings (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 18 October 2018

Consolidated Profit and Loss Account
for the year ended 31 March 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	188,551	199,773
Cost of sales		(109,179)	(106,344)
		<hr/>	<hr/>
Gross profit		79,372	93,429
Distribution costs		(50,729)	(58,641)
Administrative expenses		(24,252)	(20,139)
		<hr/>	<hr/>
Group operating profit		4,391	14,469
Profit / (loss) on disposal of fixed assets		38	(2)
Other interest receivable and similar income	7	63	130
Other finance expenses	7,8	(769)	(396)
Interest payable and similar charges	8	(13)	(2)
Amortisation expenses		(1,396)	(402)
		<hr/>	<hr/>
Profit before taxation	3	2,314	13,977
Taxation	9	(1,811)	445
		<hr/>	<hr/>
Profit for the financial year		503	14,422
		<hr/>	<hr/>
<i>Profit or loss attributable to</i>			
Shareholders of the parent company		503	14,422
		<hr/>	<hr/>
Total profit or loss		503	14,422
		<hr/>	<hr/>

The financial results above derive from continuing activities.

The accompanying notes on pages 16 to 35 forms an integral part of these financial statements.

Consolidated Other Comprehensive Income
for year ended 31 March 2018

	<i>Note</i>	2018 £000	2017 £000
Profit for the year		503	14,422
Other comprehensive income			
Remeasurement of the net defined benefit liability (asset)	19	9,683	(21,290)
Income tax on other comprehensive income	9	-	4,676
Other unrecognised (losses)/gains		(46)	(4,678)
Other comprehensive income/(loss) for the year, net of income tax		9,637	(21,292)
Total comprehensive income/(loss) for the year		10,140	(6,870)
<i>Total comprehensive income/(loss) attributable to Shareholders of the parent company</i>		10,140	(6,870)
		10,140	(6,870)

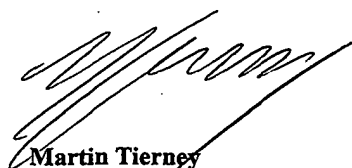
The accompanying notes on pages 16 to 35 forms an integral part of these financial statements.

Consolidated Balance Sheet
at 31 March 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Fixed assets					
Intangible assets	11		12,661		14,298
Tangible assets	12		5,065		5,396
			<u>17,726</u>		<u>19,694</u>
Current assets					
Stocks	14	3,669		3,161	
Debtors	15	88,269		98,303	
Deferred tax asset	10	6,306		6,670	
Cash at bank and in hand		9,792		9,474	
		<u>108,036</u>		<u>117,608</u>	
Creditors: amounts falling due within one year	16	(43,535)		(53,618)	
Net current assets			<u>64,501</u>		<u>63,990</u>
Total assets less current liabilities			<u>82,227</u>		<u>83,684</u>
Creditors: amounts falling due after more than one year	17	(5,740)		(5,484)	
Provisions for liabilities	18	(348)		(299)	
Deferred tax liability	10	(399)		(448)	
Pensions and similar obligations	19	(19,468)		(31,256)	
			<u>(25,955)</u>		<u>(37,487)</u>
Net assets			<u>56,272</u>		<u>46,197</u>
Capital and reserves					
Called up share capital	20	21,000		21,000	
Profit and loss account		35,272		25,197	
Equity attributable to the parent's shareholders			<u>56,272</u>		<u>46,197</u>
Shareholders' funds			<u>56,272</u>		<u>46,197</u>

The accompanying notes on pages 16 to 35 forms an integral part of these financial statements.

These financial statements were approved by the board of directors on 11/10/18 and were signed on its behalf by:



Martin Tierney
Director

Company registered number: 1132885

Company Balance Sheet
at 31 March 2018

	<i>Note</i>	2018	2017	
		£000	Restated £000	Restated £000
Fixed assets				
Intangible assets	11	51		91
Tangible assets	12	4,882		4,931
Investments	13	15,794		15,794
		20,727		20,816
Current assets				
Stocks	14	3,621	3,084	
Debtors	15	87,769	96,343	
Deferred tax asset	10	6,202	6,580	
Cash at bank and in hand		9,011	7,221	
		106,603	113,228	
Creditors: amounts falling due within one year	16	(47,022)	(52,391)	
Net current assets			59,581	60,837
Total assets less current liabilities			80,308	81,653
Creditors: amounts falling due after more than one year	17	(9,162)	(9,335)	
Provisions for liabilities	18	(348)	(213)	
Pensions and similar obligations	19	(19,468)	(31,239)	
			(28,978)	(40,807)
Net assets			51,330	40,846
Capital and reserves				
Called up share capital	20	21,000		21,000
Profit and loss account		30,330		19,846
Equity attributable to the parent's shareholders			51,330	40,846
Shareholders' funds			51,330	40,846

The accompanying notes on pages 16 to 35 forms an integral part of these financial statements.

These financial statements were approved by the board of directors on 11 October 2018 and were signed on its behalf by:



Martin Tierney
Director

Company registered number: 1132885

Consolidated Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	21,000	25,132	46,132
Profit for the year	-	503	503
Other comprehensive income	-	9,637	9,637
Total comprehensive income for the period	-	10,140	10,140
Balance at 31 March 2018	21,000	35,272	56,272

The accompanying notes on pages 16 to 35 forms an integral part of these financial statements.

Company Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	21,000	22,693	43,693
Adj for prior period	-	(3,962)	(3,962)
Balance at 1 April 2017 restated	21,000	18,731	39,731
Profit for the year	-	1,911	1,911
Other comprehensive income	-	9,688	9,688
Total comprehensive income for the period	-	11,599	11,601
Balance at 31 March 2018	21,000	34,292	55,292

The accompanying notes on pages 16 to 35 forms an integral part of these financial statements.

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.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014.

The presentation currency of these financial statements is prominently sterling.

All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

These financial statements have been prepared on a going concern basis. The Group made an after tax profit for the financial year of £503,000 (2017: £14,422,000) and had net current assets of £56,272,000 (2017: £46,197,000). The directors believe that the going concern basis is appropriate for the following reasons.

The Company and Group are funded by its own cash funds of £9,792,000 (2017: £9,474,000) and also has access to a rolling group loan facility from Konica Minolta Business Solutions Europe GmbH to the value of £11.9 million that is available to meet its current obligations.

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 funds and loan facility and the factors likely to affect the Group's future development and position, as set out in the business review section of the strategic report on pages 2 to 5, 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 2018. 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.

Notes (continued)

1 Accounting policies (continued)

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.

Goodwill

Purchased goodwill 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.

Investments

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

Prior period adjustment

In these financial statements the Company has adjusted the reported numbers for the prior period due to a change in guidance over the transfer of assets and liabilities from its subsidiary recorded in March 2017. Tech 02/17 9.70 requires intermediate holding companies to assess any diminution in value in an investment and record a receivable where the trade and assets have been transferred to another Group Company. The adjustments to intercompany balances relating to this have been recorded in the prior period with the value being reflected as an intercompany liability recognised for that value.

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 in line with UK GAAP. Service revenue generated from metered copy contracts with customers is recognised on an accruals basis. Revenue for other value added services is recognised after the services have been provided. All revenues are stated after deducting returns, allowances and sales taxes.

Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired

These are amortised on a straight line basis over their estimated useful lives which are as follows:

Goodwill	10 years
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Notes (continued)

Tangible fixed assets and depreciation

1 Accounting policies (continued)

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	50 years
Leasehold improvements	3 - 17 years
Rental machines	1 - 5 years
Computer equipment	3 - 4 years
Plant and equipment	4 - 10 years
Motor vehicles	4 years

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.

Leases to Customers

The fair value (net of provision), is detailed in the Balance Sheet as a Finance lease receivable within Debtors. Rental income is apportioned between the reduction of the debtor and interest receivable to give a constant periodic rate of return on the net cash investment.

Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group 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 group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity 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 entity'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.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2 Turnover

	2018 £000	2017 £000
Sale of goods	80,561	91,929
Rendering of services	107,990	107,844
Total turnover	<u>188,551</u>	<u>199,773</u>

All revenue is generated in the United Kingdom.

3 Profit before taxation

	2018 £000	2017 £000
<i>This is stated after charging / (crediting)</i>		
Depreciation		
Depreciation of owned assets	2,386	2,469
Loss on disposal of tangible fixed assets	(38)	2
Amortisation	2,277	1,598
Operating lease rental payments		
Plant and machinery	2,306	2,210
Other	2,254	1,766
Rental receipts	(3,031)	(4,437)
FX gain/loss	4	19
	<u> </u>	<u> </u>

Notes (continued)

4 Expenses and auditor's remuneration

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	244	299
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	60	74
Taxation compliance services	42	29
	<u>346</u>	<u>402</u>

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Management	46	39
Administration	607	136
Marketing and service	490	788
	<u>1,143</u>	<u>963</u>

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

	£000	£000
Wages and salaries	44,586	39,718
Social security costs	5,127	4,917
Other pension costs	1,731	1,373
	<u>51,444</u>	<u>46,008</u>

Auto enrolment for the Group commenced in January 2014.

6 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	500	510
Company contributions to money purchase pension plan	10	7
	<u>510</u>	<u>517</u>

The aggregate of remunerations and amounts receivable under long term incentive schemes of the highest paid director was £313,703 (2017: £323,536), and company pension contributions of £Nil (2017: £Nil) were made to a money purchase scheme on his behalf.

Notes (continued)

7 Other interest receivable and similar income

	2018 £000	2017 £000
Other interest receivable	63	130
Interest income on pension scheme assets	3,043	3,700
	<u>3,106</u>	<u>3,830</u>

8 Interest payable and similar charges

	2018 £000	2017 £000
On finance leases and hire purchase contracts	13	2
Interest on pension scheme liabilities	3,812	4,096
	<u>3,825</u>	<u>4,098</u>

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	£000	2017 £000	£000
<i>Current tax</i>				
Current tax on income for the period	416		910	
Adjustments in respect of prior periods	1,026		329	
Intercompany group relief	-		1,535	
		<u>1,442</u>		<u>2,774</u>
<i>Deferred tax (see note 10)</i>				
Origination and reversal of timing differences	315		(3,532)	
Change in tax rate	-		209	
Adjustments in respect of prior periods	54		105	
		<u>369</u>		<u>(3,219)</u>
Total tax		<u>1,811</u>		<u>(445)</u>

Notes (continued)

9 Taxation (continued)

Analysis of charge in year

	2018 £000	2017 £000
<i>UK corporation tax</i>		
Current tax on income for the year	416	910
Adjustments in respect of prior periods – current tax	1,026	329
Adjustments in respect of prior period – deferred tax	54	105
Impact of change in Corporation Tax rate	-	209
Origination and reversal of timing differences	315	(3,532)
Group relief recovered	-	1,535
Total tax	1,811	(445)

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	503	14,422
Total tax expense	1,811	(445)
Profit excluding taxation	2,314	13,977
Tax using the UK corporation tax rate of 19% (2017: 20 %)	440	2,795
<i>Effects of:</i>		
Difference between depreciation and capital allowances	225	-
Expenses not deductible for tax purposes	33	399
Amounts charged directly to STRGL or otherwise transferred	-	(4,258)
Pension contribution adjustment	-	(418)
Adjustments in respect of prior periods – current tax	1,026	124
Adjustments in respect of prior periods – deferred tax	54	107
Deferred tax not recognised	-	(9)
Impact of change in corporate tax rate	(37)	757
Losses carried back	-	58
Chargeable gains/(losses)	29	-
Other tax adjustments, reliefs and transfers	41	-
Total tax expense	1,811	(445)

Factors affecting the future tax charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2018 has been calculated based on these rates.

Notes (continued)

10 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Accelerated capital allowances	(1,117)	(1,116)	-	-	(1,117)	(1,116)
Arising on business combinations	-	-	399	448	399	448
Employee benefits	(4,956)	(5,341)	-	-	(4,956)	(5,341)
Short term timing differences	(233)	(213)	-	-	(233)	(213)
Net tax (assets) / liabilities	(6,306)	(6,670)	399	448	(5,907)	(6,222)

Company	Assets		Liabilities		Net	
	2017 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Accelerated capital allowances	(1,091)	(1,059)	-	-	(1,091)	(1,059)
Employee benefits	(4,956)	(5,341)	-	-	(4,956)	(5,341)
Short term timing differences	(155)	(180)	-	-	(233)	(180)
Net tax (assets) / liabilities	(6,202)	(6,580)	-	-	(6,280)	(6,580)

11 Intangible fixed assets

Group

	Customer Relationship £000	Goodwill £000	Software £000	Total £000
Cost				
At beginning of year	2,804	20,924	5,431	29,159
Additions	-	-	155	155
Disposals	-	-	(1,096)	(1,096)
At end of year	2,804	20,924	4,490	28,218
Amortisation				
At beginning of year	171	9,436	4,727	14,334
Charge for year	288	1,236	753	2,277
On disposals	-	-	(1,054)	(1,054)
At end of year	459	10,672	4,426	15,557
Net book value				
At 31 March 2018	2,345	10,213	103	12,661
At 31 March 2017	2,633	10,961	704	14,298

Notes (continued)

11 Intangible fixed assets (continued)

Company

	Goodwill £000	Software £000	Total £000
Cost			
At beginning of year	1,865	1,042	2,907
Additions	-	151	151
Disposals	-	(215)	(215)
At end of year	1,865	978	2,843
Amortisation			
At beginning of year	1,865	951	2,816
Charge for year	-	191	191
On disposals	-	(215)	(215)
At end of year	1,865	927	2,792
Net book value			
At 31 March 2018	-	51	51
At 31 March 2017	-	91	91

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	169	3,810	8,518	8,069	20,566
Additions	53	117	911	1,513	2,594
Disposals	(124)	(956)	(2,379)	(787)	(4,246)
At end of year	98	2,971	7,050	8,795	18,914
Depreciation					
At beginning of year	99	3,025	7,160	4,885	15,169
Charge for year	2	299	709	1,376	2,386
On disposals	(56)	(838)	(2,277)	(535)	(3,706)
At end of year	45	2,486	5,592	5,726	13,849
Net book value					
At 31 March 2018	53	485	1,458	3,069	5,065
At 31 March 2017	69	793	1,355	3,179	5,396

Notes (continued)

12 Tangible fixed assets (continued)

Company

	Freehold land and buildings	Short leasehold property and improvements	Plant and equipment	Rental machines	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	124	2,835	5,888	7,812	16,659
Additions	53	117	837	1,513	2,520
Disposals	(124)	(1)	(397)	(530)	(1,052)
At end of year	53	2,951	6,328	8,795	18,127
Depreciation					
At beginning of year	56	2,175	4,816	4,681	11,728
Charge for year	2	295	593	1,375	2,265
On disposals	(58)	(1)	(358)	(331)	(748)
At end of year	-	2,469	5,051	5,725	13,245
Net book value					
At 31 March 2018	53	482	1,277	3,070	4,882
At 31 March 2017	68	660	1,072	3,131	4,931

13 Fixed asset investments

Company

	£000
Cost	
At beginning and end of year	15,794
Additions	-
At end of year	15,794
Provisions	
At beginning and end of year	-
Net book value	
At 31 March 2018	15,794
At 31 March 2017	15,794

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

Notes (continued)

13 Fixed asset investments (continued)

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

<i>Subsidiary undertakings</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>
Konica Minolta Business Solutions East Limited	Business and marketing and servicing products distributed by the Company	100% ordinary "A" shares of £1
Konica Minolta Business Solutions (Wales) Limited	Dormant	100% ordinary "B" shares of £1
ProcessFlows Holdings Limited	Holding Company	100% ordinary shares of £1
ProcessFlows (UK) Limited	Provider of technology and services for the capture, processing, management and delivery of documents, information, voice and data.	100% ordinary "A" shares of £1
Konica Minolta Business Solutions (Northern Scotland) Limited (Formerly: Capture Holdings Ltd Limited)	Holding Company	100% ordinary "A" shares of £1
Capture Imaging Limited	Sale, rental and service of photocopiers, printers and document management systems.	100% ordinary "B" shares of £1

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

14 Stocks

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Finished goods and goods for resale	3,669	3,161	3,621	3,084

The value of inventory impairments recognised as an expense in the year was a credit £70,338 (2017: £10,000) due to a release in the value of the provision.

Notes (continued)

15 Debtors

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Debtors:				
Trade debtors	43,309	39,173	40,066	34,747
Amounts owed by group undertakings:				
- Parent and fellow group undertakings	616	811	3,927	1,495
- Subsidiary undertakings	-	-	1,217	3,523
Other debtors	(27)	-	(28)	26
Loans Receivable	31,008	43,522	31,008	43,456
Prepayments and accrued income	13,363	14,481	11,579	12,551
Corporation tax receivable	-	316	-	545
	88,269	98,303	87,769	96,343
Due within one year	56,115	54,781	52,834	48,681
Due after more than one year	32,154	43,522	34,935	47,662
	88,269	98,303	87,769	96,343

16 Creditors: amounts falling due within one year

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Obligations under finance leases and hire purchase contracts	-	6	-	6
Trade creditors	2,741	4,327	3,718	3,892
Amounts owed to group undertakings:				
- parent company and fellow group undertakings	14,085	19,641	14,079	19,445
- subsidiary undertakings	(27)	-	8,502	3,448
Corporation tax payable	(890)	-	(1,564)	-
Taxation and social security	7,071	2,300	6,690	1,805
Accruals and deferred income	20,555	27,344	15,597	23,795
	43,535	53,618	47,022	52,391

Notes *(continued)*

17 Creditors: amounts falling due after more than one year

	Group	Group	Company	Company
	2018	2017	2018	Restated 2017
	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts	-	91	-	-
Deferred Consideration of Acquisitions	2,436	-	2,436	-
Amounts owed to fellow subsidiary undertaking	2,764	5,393	6,726	9,355
Accruals and deferred income	540	-	-	-
	<u>5,740</u>	<u>5,484</u>	<u>9,162</u>	<u>9,355</u>

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

	Group	Group	Company	Company
	2018	2017	2018	2017
	£000	£000	£000	£000
Within one year	-	91	-	-
In the second to fifth years	-	-	-	-
	<u>-</u>	<u>91</u>	<u>-</u>	<u>-</u>

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

The Company has access to a rolling group loan facility of £11 million. As at 31 March 2018, there were no loans drawn under this facility but it is still available to the Company to support any future business needs.

Notes (continued)

18 Provisions

Group	Dilapidation on premises £000	Provision for restructuring £000	Total £000
At beginning of year	252	47	299
Provisions made during the year	348	-	348
Provisions used during the year	(252)	(47)	(299)
At end of year	348	-	348

The Company holds a provision for dilapidations on premises that are due to be vacated. The Company is negotiating with the landlords to finalise the dilapidations.

Company	Dilapidation on premises £000	Total £000
At beginning of year	213	213
Provisions made during the year	348	348
Provisions used during the year	(213)	(213)
At end of year	348	348

19 Employee benefits

Group and Company

During the year ended 31 March 2018, 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 FRS102 actuarial valuation was carried out as at 30 September 2014 by a qualified independent actuary and rolled forward to 31 March 2016.

Net pension (liability)/asset

	2018 £000	2017 £000
Defined benefit obligation	(141,417)	(150,341)
Plan assets	121,949	119,102
Net pension (liability)/asset	(19,468)	(31,239)
Deferred taxation on net pension liability	4,956	5,341

Notes (continued)

19 Employee benefits (continued)

Movements in present value of defined benefit obligation

	2018 £000	2017 £000
At the beginning of the period	150,341	115,377
Interest expense	3,812	4,096
Remeasurement: actuarial gains/(losses)	(7,527)	30,530
Benefits paid	(5,209)	338
At the end of the period	141,417	150,341

Movements in fair value of plan assets

	2018 £000	2017 £000
At the beginning of the period	119,102	102,969
Expected return on plan assets	3,043	3,700
Contributions by employer	2,857	2,856
Actuarial gains/losses	2,156	12,797
Benefits paid	(5,209)	(3,220)
At the end of the period	121,949	119,102

This section of the plan is closed to new entrants. The Scheme is closed to future accrual, and accordingly there is no annual service cost.

Analysis if the amount is included in other finance income

	2018 £000	2017 £000
Expected return on pension scheme assets	3,043	3,700
Interest on pension liabilities	(3,812)	(4,096)
Other finance income	(769)	(396)

Notes (continued)

19 Employee benefits (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2018 Fair value %	2017 Fair value %
Equities	47	54
Diversified growth funds	23	17
Corporate bonds	15	15
Property	14	14
Cash	1	-
	<hr/>	<hr/>
Actual return on plan assets	2,156	12,797
	<hr/>	<hr/>

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2018 %	2017 %
Discount rate	2.52	2.58
Future salary increases	3.96	3.89
Pension increase in payments rate	3.15	3.21
Inflation assumption after members' retirement (RPI)	3.27	3.36
Inflation assumption after members' retirement (CPI)	2.27	2.36
Inflation assumption before members' retirement (CPI)	1.96	1.89
	<hr/>	<hr/>

Mortality Assumptions

Pre-retirement	AxC00
Post-retirement	S2PxA

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 23.0 years (male), 25.5 years (female).
- Future retiree upon reaching 65: 24.0 years (male), 26.7 years (female).

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

The Trustees hold insured annuity policies in respect of a number of members of the Plan. At 31 March 2018, the value placed on these annuities was £1,439,980 (2017: £1,546,844). These annuities are assumed to exactly match the corresponding liability under the Plan and the value of these annuities has been included in both the assets and the liabilities shown below. The sponsor's best estimate of contributions to be paid in the year following 31 March 2016 is £2,856,000 (2017: £2,856,000). The actual return on scheme assets in the year was £5,199,479 (2017: £16,479,923).

Notes (continued)

19 Employee benefits (continued)

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

	2018 £000	2017 £000
Actual return less Interest income on scheme assets	2,156	12,798
Experience losses arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	7,527	(34,088)
	<hr/>	<hr/>
Actuarial loss recognised in statement of total recognised gains and losses	9,683	(21,290)
	<hr/>	<hr/>

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

The Group made contributions of £2,857,000 (2017: £2,857,000) to the defined benefit section over the course of the year.

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 pensionable pay as at the date of the scheme closure.

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 FRS102 '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 £769,000 (2017: £396,000).

Defined contribution scheme

For staff previously not eligible to join the defined benefit pension scheme and for all qualifying staff from 1 March 2003 the Company and Group operates a defined contribution scheme and a NEST (National Employment Savings Trust), has been in force since January 2014.

Employer's contributions included within the accounts were as follows:

Defined contribution costs:

	2018 £000	2017 £000
Defined contribution scheme	1,271	1,284
NEST contribution scheme	106	89
	<hr/>	<hr/>
	1,377	1,373
	<hr/>	<hr/>

Accrued and outstanding defined contribution costs at the period end amounted to £97,000 (2017: £89,000). NEST contributions costs were £17,000 (2017: £nil)

Notes (continued)

20 Capital and reserves

Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
21,000 ordinary shares of £1 each	21,000	21,000
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	21,000	21,000
	21,000	21,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group	2018 Land and buildings £000	Other £000	2017 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	1,407	1,901	1,589	1,988
In the second to fifth years inclusive	2,608	1,638	2,732	1,982
Over five years	1,429	-	1,709	-
	5,444	3,539	6,030	3,970
Company	2018 Land and buildings £000	Other £000	2017 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	1,305	1,901	1,402	1,730
In the second to fifth years inclusive	2,532	1,638	2,241	1,796
Over five years	1,429	-	1,709	-
	5,266	3,539	5,352	3,526

During the year, £4,405,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £8,846,000)

Notes (continued)

22 Operating leases (continued)

Leases as lessor

The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Less than one year	3,274	938	3,274	792
Between one and five years	7,847	1,980	7,847	1,726
More than five years	-	-	-	-
	<u>11,121</u>	<u>2,918</u>	<u>11,121</u>	<u>2,518</u>

23 Capital commitments

There were no capital commitments at the end of the financial year (2017: £Nil).

24 Ultimate Parent Ultimate parent company and parent company of larger group

The ultimate holding company and controlling party is Konica Minolta Inc. which is incorporated in Japan. Konica Minolta 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, Inc. may be obtained from their website <http://www.konicaminolta.com>.