Océ (UK) Limited

Report and Financial Statements

31 December 2012

Contents

Directors' report

Registered No 00235241

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The loss for the year after taxation amounted to £2,912,000 (13 months ended 31 December 2011 – restated profit after taxation of £1,530,000) No interim dividend was paid on the company's ordinary share capital for the year under review and the directors do not propose a final dividend (13 months ended 31 December 2011 – £nil)

Principal activity and review of the business

The company provides high quality printing products and services for use by businesses

The performance during the year to 31 December 2012 is shown in the profit and loss account on page 8 Revenue for the year was at the same level as the previous twelve months and although the gross margin increased by 1%, costs also increased which resulted in the loss

Key performance indicators (KPIs)

The Group's key performance indicators are sales and gross margin Despite the prevailing difficult economic conditions in the UK sales have remained at the same level as in 2011 and the gross margin has increased slightly to 40 8%

Principal risks and uncertainties

Competitive risks

The markets in which the company operates are becoming increasingly competitive with customers putting contracts to tender more frequently than in the past Our ability to remain as a supplier in these instances varies according to the financial and performance criteria contained in each contract

Legislative risks

The products and services provided by the company must be supplied in compliance with various EU and UK standards and regulations These are subject to change which could have an impact on the company's ability to generate a profit on the sale of these products or services

Financial risks

Financial risk management, including the use of financial instruments and the related currency and interest rate risks, is dealt with strategically by the central functions of the Canon group on behalf of the company

Credit risks

The risk of financial loss due to counterparty's failure to honour its obligations arises in relation to circumstances where the company provides products and services on deferred payment terms Group policies are designed to minimise such losses and require that deferred terms are only provided to customers who demonstrate appropriate payment behaviour and satisfy creditworthiness tests Credit risk is further mitigated through the careful monitoring of debtor days and overdue invoices at both a company and a group level

Liquidity risks

The company manages liquidity risks through the use of cash forecasting and establishing collection targets commensurate with projected payments Investment requirements are carefully appraised

Pension risks

The company operates a defined benefit pension scheme which is subject to risk in relation to the size of the net liabilities due to changes in a number of factors including life expectancy of members, inflation, future salary and pension increases, and the value and rate of return of the scheme investments The company works closely with the pension scheme trustees to manage these risks and take action where appropriate Formal valuations for funding purposes and full actuarial valuations for accounting purposes are carried out

Directors' report

Registered No. 00235241 (continued)

Additional risk mitigation

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

Future developments

The signs for an upturn in the UK economy are looking promising in 2013 The directors feel that the company will be well placed to take advantage in improvements in the UK economy following additional integration into the Canon group

Subsequent events

The share capital of the company was acquired by Canon (UK) Ltd on the 31st December 2012 and as a consequence the company became a wholly owned subsidiary of Canon (UK) Limited on 31st December 2012 This was followed by the subsequent hive-up of Oce UK's business and assets which took place on 1st May 2013

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Directors

The directors who served the company during the year and those appointed subsequently were as follows

B Curley	(resigned 31 January 2013)
P Anthem	(resigned 31 May 2013)
A Schaaf	(resigned 31 December 2012)
A Recio	(appointed 31 December 2012)
J Pearce	(appointed 31 December 2012 and resigned 31 May 2013)
L Holmes	(appointed 31 December 2012)
H Iwarsson	(appointed 31 December 2012)

Contracts of significance

No director had any material interest in any contract of significance with the company or any of its subsidiaries during the period under review

Charitable donations

As part of the company's commitment to communities in which it operates, charitable donations made by the company during the period amounted to £9,446 (13 months ended 31 December 2011 – £8,073), being a number of small donations to local and other organisations

Health and safety

The company places importance on the health and safety of all persons in any way connected with its operations, whether as employees or otherwise It will continue to conduct its operations in accordance with legislation and relevant codes of practice

Directors' report

Registered No. 00235241 (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged It is the policy of the company that the training, career development and promotion of a disabled person should be, as far as possible, identical to that of a person who does not suffer from a disability

Employee involvement

The company has had for a number of years formal channels of communication with employees These include managerial briefing sessions and meetings with union representatives, the aim of which is to promote the awareness and involvement of all employees in the company's performance Each employee receives a copy of the company's house magazine which contains articles on the company's operations, customers, staff and other matters

Equal opportunities

The company is an equal opportunities employer promoting career development through training for all employees regardless of sex, ethnic origin, colour or creed

Creditor payment policy and practice

The company seeks the best possible terms from suppliers consistent with consideration of quality, delivery price and discounts In many cases these are agreed with the supplier as part of the process of placing an order Provided that the supplier has met its contractual obligations, then the company endeavours to ensure that payment is made on these terms This policy is known to all staff who handles payments to suppliers The average number of creditor days of the company at 31 December 2012 was 24 days (13 months ended 31 December 2011 – 21 days)

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting

On behalf of the Board

H Iwarsson
Director

27 September 2013

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report

to the members of Océ (UK) Limited

We have audited the financial statements of Océ (UK) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statement to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report

to the members of Océ (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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

30/9/2013

Profit and loss account

for the year ended 31 December 2012

	Notes	*12 months Ended 31 Dec 12 £000*	*Restated 13 months Ended 31 Dec 11 £000*
Turnover	2	143,961	155,028
Cost of sales		(85,260)	(93,334)
Gross Profit		58,701	61,694
Service, selling and distribution costs		(40,527)	(45,879)
Administrative expenses – before exceptional items		(18,011)	(12,653)
– exceptional items	4	(899)	(843)
Operating (Loss)/Profit	3	(736)	2,319
Exceptional items	4	(1,709)	-
Interest receivable and similar income	7	212	266
Other finance expense	20	(1,715)	(981)
(Loss)/Profit on ordinary activities before taxation		(3,948)	1,604
Tax on (loss) / profit on ordinary activities	8	1,036	(74)
(Loss)/Profit for the financial year/period	19	(2,912)	1,530

All operations are continuing

Statement of total recognised gains and losses

for the 12 months ended 31 December 2012

	Notes	*12 months Ended 31 Dec 12 £000*	*Restated 13 months Ended 31 Dec 11 £000*
(Loss)/Profit) for the financial year/period		(2,912)	1,530
Actuarial loss on pension scheme	20	(4,657)	(26,625)
Total recognised loss relating to the year/period		(7,569)	(25,095)
Prior year adjustment	18	5,107	
Total gains and (losses) recognised since last annual report		(2,462)	

Balance sheet

at 31 December 2012

	Notes	31 Dec 12 £000	Restated 31 Dec 11 £000
Fixed assets			
Intangible assets	9	-	2,547
Tangible assets	10	5,196	7,058
Investments	11	-	17,848
		5,196	27,453
Current assets			
Stocks	12	2,144	3,972
Debtors – amounts falling due after more than one year	13	7,102	9,352
– amounts falling due within one year	13	68,586	71,633
Cash at bank and in hand		10,528	-
		88,360	84,957
Creditors: amounts falling due within one year	14	(27,803)	(45,429)
Net current assets		60,557	39,528
Total assets less current liabilities		65,753	66,981
Creditors: amounts falling due after more than one year	15	-	(1,081)
Provisions for liabilities	16	(945)	(1,001)
Net assets excluding pension deficit		64,808	64,899
Pension deficit	20	(69,240)	(61,762)
Net (Liabilities)/Asset including pension deficit		(4,432)	3,137
Capital and reserves			
Called up share capital	17	61,880	61,880
Share premium account	18	41,906	41,906
Other reserves	18	200	200
Profit and loss account	18	(108,418)	(100,849)
Shareholders' (deficit)/funds	19	(4,432)	3,137

These financial statements were approved by the board of directors on 27 September 2013 and were signed on its behalf by

H Iwarsson

Director

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

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

Going concern

The financial statements are prepared on a going concern basis The directors believe this to be appropriate on the basis that the company has been able to fund its day to day working capital requirements through cash from operating activities The company has prepared projected cash flow information for the twelve months ending from the date of approval of these financial statements On the basis of this cash flow information, the directors believe that the company will continue to operate within its available cash resources for at least the next twelve months from the date of approval of these financial statements The directors therefore believe it is appropriate to prepare the financial statements on the going concern basis

Consolidation

The company, at the end of the year, a wholly-owned subsidiary of Canon (UK) Ltd and in accordance with Section 400 of the Companies Act 2006, is exempt from the obligation to produce consolidated financial statements As such these financial statements present information about the company as an individual undertaking and not about its group

Statement of cash flows

The directors have taken advantage of the exemption in FRS 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share in the net identifiable assets at the date of acquisition Goodwill is currently amortised over 10 years on a straight line basis Goodwill is carried at cost less accumulated amortisation and impairment losses

Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental cost of acquisition less accumulated depreciation and accumulated impairment losses Such cost includes cost directly attributable to making the asset operating as intended The company does not capitalise finance costs

Depreciation is provided to write off the cost or valuation of tangible fixed assets by equal annual instalments over their estimated useful lives at the following rates

Leasehold improvement	–	over the lease term
Machinery & motor vehicle – rental machinery	–	18% – 100% per annum
– other	–	10% – 33% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Included in the machinery and motor vehicles are rental machines which represent machines held for use by customers under operating leases, or were previously held by customers under finance leases in which case they are capitalised as fully depreciated upon expiry of the finance lease agreements

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Investments

Fixed asset investments are stated at cost unless in the opinion of the directors there has a permanent diminution in value, in which case, investments are written down to the directors' valuation

The carrying value of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Turnover

Turnover represents the amounts (net of Value Added Tax and any discounts) derived from the provision of goods and services to third party customers

Revenue recognition is only deemed appropriate when all of the risks and rewards of ownership of the product have passed to the customer Revenue generally can be recognized when all of the following criteria are met

- Persuasive evidence of an arrangement exists it is necessary that a documented order form from the customer exists, electronic evidence is sufficient
- Delivery has occurred or services have been rendered However, delivery is not considered to have occurred unless the customer has taken title and assumed the risks and rewards of ownership Typically this occurs when a product is delivered to the customer's delivery site (if the terms of sale are 'fob destination', otherwise known as "CIF") or when a product is shipped to the customer (if the terms are 'fob shipping point')
- The seller's price to the buyer is fixed or determinable
- Collectability is reasonably assured

Revenue recognition

Revenues are recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met as described below

a) Sales of machines

Revenues are recognised at the moment that both delivery to and installation on the customer's premises have taken place If a sales contract contains an acceptance clause, revenue is recognised at the moment that the customer has confirmed acceptance When machines are sold to a distributor, the revenues are recognised at the moment of delivery If the company has offered the customer a finance lease arrangement, revenue is recognised at commencement of the lease term

Notes to the financial statements

at 31 December 2012

1 **Accounting policies** (continued)

b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the company are classified as "Rentals' Revenues from "Rentals" are recognised in the profit and loss account on a "straight-line" basis over the term of the contract

c) Service

Service revenues are mostly obtained from maintenance contracts that have been concluded for machines sold or leased out and from business service activities Revenues are recognised pro rata over the period of the contract If service contracts have been invoiced in advance, the considerations are included in the balance sheet under accruals and deferred income

d) Supplies

Revenues are recognised at the moment of delivery

Stocks

Stocks are stated at the lower of cost and net realisable value Net realisable value comprises the estimated selling price, less appropriate selling and distribution costs Provision is made for obsolescent, slow-moving and defective stocks

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Foreign currency balances have been translated into sterling at the rates ruling at the period end Foreign currency transactions during the period have been translated at the exchange rate ruling at the date of transaction Exchange differences arising have been taken to the profit and loss account

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Deferred taxation

Leasing and hire purchase commitments

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright The amount capitalised is the present value of the minimum lease payments payable during the lease term The corresponding leasing commitments are shown as finance lease obligations The interest portion of lease payments is charged to the profit and loss account using the annuity method

Where assets are rented from suppliers under operating lease agreements, the costs are charged on a straight line basis over the lease term

Debtors

Debtors are initially recognised at historical cost and are included in current assets A provision for impairment of debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtor Debtors comprise trade and other debtors

Creditors

Trade creditors are recognised at fair value, being historical cost

Lease receivables

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, other than legal title, are classified as finance leases Gross earnings under finance leases are allocated to accounting periods in such a way as to give a constant periodic rate of return on the net cash investment Finance lease receivables are stated as the minimum lease payments receivable under the lease, including residual values that may be reasonably anticipated, less the amount that is attributable to future gross earnings (interest)

Where assets are rented to customers under operating lease agreements, the assets are included in fixed assets and depreciated in accordance with the depreciation policy described in above Income is recognised over the rental agreement period as it falls due

Pensions

The company makes contributions into five pension schemes for its employees, two defined benefit schemes and three defined contribution schemes, including one group personal pension scheme

Contributions to the defined contribution schemes, including the group personal pension scheme, are recognised in the profit and loss account in the period in which they become payable

Contributions to the defined benefit schemes are charged to the profit and loss account so as to spread the cost of the pensions over the service lives of employees in the scheme

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Provisions are discounted if the effect of the time value of money is material

Notes to the financial statements

at 31 December 2012

2. Turnover

The directors are of the opinion that there is one class of business, being the provision of printing solutions for professional document applications

Turnover by origin and destination relates wholly to the United Kingdom, as do the profit/ (loss) before tax and the net assets, for both 2012 and 2011

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec11 £000*
Turnover includes the following aggregate rentals receivable		
Amounts receivable under operating leases including service revenues	54,937	59,399
Amounts receivable under finance leases	4,005	4,836

3. Operating (Loss)/Profit

This is stated after charging

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Auditor's remuneration – audit services	81	80
Depreciation of owned tangible fixed assets	2,548	5,051
Amortisation of goodwill	481	481
Operating lease rentals – land and buildings	1,699	2,109
– other	3,780	4,516

4. Exceptional items

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Redundancy payments	899	843

The directors believe that these costs require separate disclosure to enhance the understanding of the financial statements

Notes to the financial statements

at 31 December 2012

4. Exceptional items (continued)

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Profit on subsidiary rationalisation	(357)	-
Impairment of goodwill	2,066	-
	1,709	-

Prior to application for voluntary strike off and dissolution from Companies House of subsidiary undertakings (see note 11), £19,908,000 of dividend payments were received by the Océ (UK) Limited from its subsidiary undertakings, representing both a return of capital and the settlement of intercompany balances held The gains and losses as a result of these transactions were offset in presenting the £357,000 profit as the directors' believe disclosing the net components is more useful for an assessment of the effects of these transactions

The goodwill previously held on the balance sheet (see note 9), being that transferred from Océ Imagistics (UK) Limited when its business, assets and liabilities were transferred to Océ (UK) Limited in 2007, is no longer deemed recoverable

5. Directors' emoluments

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Aggregate emoluments	423	499
Value of company pension contributions under defined benefit pension scheme	16	38

At 31 December 2012 retirement benefits were accruing to two directors (at 31 December 2011 – two directors) under a defined benefit pension scheme

The amounts in respect of the highest paid director are as follows

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Aggregate emoluments	257	316
Value of company pension contributions under defined benefit pension scheme	2	22
Accrued pension at the year/period end	24	20

Notes to the financial statements

at 31 December 2012

6. Staff costs

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Wages and salaries	33,493	37,254
Social security costs	3,613	3,853
Other pension costs	2,029	2,652
	39,135	43,759

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

	12 months Ended 31 Dec 12 No	*13 months Ended 31 Dec 11 No*
Sales and servicing	845	815
Other	136	177
	981	992

7. Interest receivable and similar income

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Bank and deposit interest	212	266

8. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax credit is made up as follows

	12 months Ended 31 Dec 12 £000	*Restated 13 months Ended 31 Dec 11 £000*
Current tax		
UK corporation tax on the (loss)/profit for the year/period (note 8 (b))	(419)	323
Adjustment in respect of previous periods	(617)	(249)
	(1,036)	74

Notes to the financial statements

at 31 December 2012

8. Tax (continued)

(b) Factors affecting current tax credit for the period

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 24% (13 months ended 31 December 2011 – 26 5%) The differences are explained below

	12 months Ended 31 Dec 12 £000	*Restated 13 months Ended 31 Dec 11 £000*
(Loss)/Profit on ordinary activities before tax	(3,948)	1,604
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (13 months ended 31 December 2011 – 26 5%)	(967)	427
Effects of		
Expenses not deductible for tax purposes	1,010	160
Accelerated capital allowances and other timing differences	(462)	(264)
Adjustments in respect of prior periods	(617)	249
Current tax for the year/period (note 8(a))	(1,036)	74

(c) Deferred tax

Deferred tax provided in the financial statements and the amounts not provided are as follows

		12 months Ended 31 Dec 12		*13 months Ended 31 Dec 11*
	Provided £000	*Unprovided £000*	*Provided £000*	*Unprovided £000*
Excess of capital allowances over depreciation	-	(4,392)	-	(3,445)
Short-term timing differences	-	(709)	-	(1,221)
Pension provision	-	(15,925)	-	(15,440)
	-	(21,026)	-	(20,106)

The deferred tax asset has not been recognised as the recognition criteria of FRS19 have not been met

The Finance Act 2011 included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 The rate prior to 1 April 2011 was 28% and a blended rate has been applied in respect of current tax

Notes to the financial statements

at 31 December 2012

8. Tax (continued)

Finance Act 2012 was enacted on 17 July 2012 and introduced a reduction in the rate of corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013 The Chancellor announced in the Budget of 20 March 2013, that the main rate of UK corporation tax will fall to 20% from 1 April 2015 This follows the announcement in the pre-Budget Report that the main rate will fall to 21% with effect from 1 April 2014 A reduction in the corporation tax rate to 20% on Oce UK Limited's deferred tax balance would increase the company's deferred tax asset by £666,000 to £4,441,000 This has not been reflected in these financial statements due to the relevant legislation not having been substantively enacted at the balance sheet date

The overall effect of the further changes from 25% to 22%, if these applied to UK deferred tax balances at 31 December 2011, would be to reduce the deferred tax asset/liabilities by £688,000

9. Intangible fixed assets

	Goodwill
	£000
Cost	
At 1 January 2012 and at 31 December 2012	9,564
Amortisation	
At 1 January 2012	7,017
Provided during the year	2,547
At 31 December 2012	9,564
Net book value	
At 31 December 2012	-
At 31 December 2011	2,547

10. Tangible fixed assets

	Leasehold improvements	*Machinery and motor vehicles*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 January 2012	2,968	36,735	39,703
Additions	57	6,581	6,638
Disposals	-	(12,481)	(12,481)
At 31 December 2012	3,025	30,835	33,860

Notes to the financial statements

at 31 December 2012

10. Tangible fixed asset (continued)

	Leasehold improvements £000	*Machinery and motor vehicles £000*	*Total £000*
Depreciation			
At 1 January 2012	2,394	30,251	32,645
Charge for the period	246	2,302	2,548
Eliminated on disposals	-	(6,529)	(6,529)
At 31 December 2012	2,640	26,024	28,664
Net book value			
At 31 December 2012	385	4,811	5,196
At 31December 2011	574	6,484	7,058

The net book value of tangible fixed assets includes the following

	31 Dec 12 £000	*31 Dec 11 £000*
Assets held for use in operating leases		
Cost	12,718	18,271
Depreciation	(9,865)	(14,410)
Net book value	2,853	3,861

The net book value of leasehold improvements includes £385,000 (13 months ended 31December 2011 – £574,000) in respect of leases with less than 50 years to run

Notes to the financial statements

at 31 December 2012

11. Investments

	Subsidiary undertakings £000
Cost and net book value	
At 1 January 2012	17,848
Disinvestment during year	(17,848)
At 31 December 2012	-

As at 31 December 2012, the following companies were subsidiary undertakings

Ozalid (UK) Limited **
Ozalid Group (Export) Limited **
Ozalid Group Pensions Trustee Limited *
Ozalid (Trade Group) Limited *
Océ-Copiers (UK) Limited *
Océ-Printing Systems (UK) Limited *
Jig Design Co Limited **
Océ-Consultancy Services (UK) Limited **
Océ (UK) Finance Limited **
Oce Graphics UK Limited **
Océ-Millers Graphics Limited *
Océ-Engineering Systems (UK) Limited *
Océ-Facilities Management (UK) Limited *
Océ-Reprographic Supplies (UK) Limited *
Practical Print Solutions Limited ***
Océ Imagistics (UK) Limited ****

Notes:

1 The above companies, all of which the company possess all of the voting rights, are operated and incorporated in Great Britain and registered in England and Wales

2 All subsidiaries are dormant within the meaning of section 480 of the Companies Act 2006

* During September 2012 the agency arrangement with Océ (UK) Limited was mutually exited and application for voluntary strike off and dissolution from Companies House was made

** During September 2012 the share capital was reduced and all remaining distributable reserves were distributed to Oce (UK) Limited Application for voluntary strike off and dissolution from Companies House was subsequently made

*** During September 2012 Practical Print Solutions Limited entered into a formal deed of release with Océ (UK) Limited for a creditor balance held Application for voluntary strike off and dissolution from Companies House was subsequently made

**** During September 2012 Oce (UK) Limited settled its £6,248,000 debt with Oce Imagistics (UK) Limited Oce Imagistics (UK) Limited subsequently reduced its share capital from £7,500,000 to £1,250,000 by returning paid up share capital to the extent of 83 3p per share on each of the 7,500,000 ordinary shares of £1 to Oce (UK) Limited Application for voluntary strike off and dissolution from Companies House was subsequently made by Oce Imagistics (UK) Limited

Notes to the financial statements

at 31 December 2012

12. Stocks

	31 Dec 12 £000	31 Dec 11 £000
Finished goods	1,542	3,509
Service stocks	602	463
	2,144	3,972

13. Debtors

	31 Dec 12 £000	31 Dec 11 £000
Amounts falling due within one year		
Trade debtors	26,948	20,430
Amounts due from group undertakings	32,307	40,946
Finance lease receivables	5,374	2,271
Other debtors	1,424	5,689
Prepayments	1,816	2,297
Corporation tax asset	717	-
	68,586	71,633
Amounts falling due after one year		
Finance lease receivables	7,102	9,352
	75,688	80,985

The maturity of the net investment in finance leases is as follows

	31 Dec 12 £000	31 Dec 11 £000
Gross investment		
Within one year	5,696	3,505
Within two to five years	9,673	11,098
More than five years	243	179
	15,612	14,782
Unearned Interest	(3,136)	(3,159)
	12,476	11,623

	31 Dec 12 £000	31 Dec 11 £000
Net investment		
Within one year	5,374	2,271
Within two to five years	6,859	9,189
More than five years	243	163
	12,476	11,623

Notes to the financial statements

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13 Debtors (continued)

During the year the estimated cost of assets acquired by purchase for the purpose of letting under finance leases was £2,803,500 (13 months ended 31 December 2011 – £3,385,200)

14. Creditors: amounts falling due within one year

	31 Dec 12	Restated 31 Dec 11
	£000	£000
Bank overdraft	-	4,794
Trade creditors	4,974	9,020
Amounts due to group undertakings	4,680	13,114
Taxes and social security costs	-	619
Other creditors	4,218	3,736
Accruals and deferred income	13,931	14,146
	27,803	45,429

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

	31 Dec 12	31 Dec 11
	£000	£000
Amounts due to group undertakings (loan balances)	-	1,081
Amounts falling due after more than five years	-	1,081

16. Provisions for liabilities

	Reorganisation	Asset retirement	Other	Total
	£000	£000	£000	£000
1 January 2012	113	676	212	1,001
Utilised	(113)	-	-	(113)
Addition	-	57	-	57
At 31 December 2012	-	733	212	945

The asset retirement provision relates to provisions for future dilapidation costs of the properties The provision is revalued on an annual basis

Notes to the financial statements

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16. Provisions for liabilities (continued)

Other provision relates to staff long-service provisions The provision will be utilised as and when required

These provisions are not expected to be fully utilised until more than five years from the balance sheet date

17. Called up share capital

Authorised	*No*	*31 Dec 12 £000*	*No*	*31 Dec 11 £000*
Ordinary shares of 25p each	260,000,000	65,000	260,000,000	65,000

Allotted, called up and fully paid	*No*	*31 Dec 12 £000*	*No*	*31 Dec 11 £000*
Ordinary shares of 25p each	247,519,253	61,880	247,519,253	61,880

18. Movements on reserves

	Share premium account £000	*Other reserves £000*	*Restated Profit and loss account £000*
At 1 January 2012 as previously stated	41,906	200	(105,956)
Prior year adjustment	-	-	5,107
At 1 January 2012 as restated	41,906	200	(100,849)
(Loss) for the year	-	-	(2,912)
Actuarial (loss) on pension scheme	-	-	(4,657)
At 31 December 2012	41,906	200	(108,418)

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18. Movements on reserves (continued)

Other reserves represent an ongoing legal reserve

During the year ended 31 December 2011 a liability was recorded in error with a charge of £5,107,000 made to the profit and loss account Accruals and deferred income, administrative expenses and taxation charge have been corrected by way of a prior period adjustment

This adjustment had the effect of decreasing accruals and deferred income in 2011 by £5,430,000, and increasing the taxes and social security costs liability by £323,000 Further the adjustment had the effect of decreasing administrative expenses by £5,252,000, decreasing service, selling and distribution costs by £178,000 and increasing the taxation charge by £323,000 for the year then ended

19. Reconciliation of Shareholders' Deficit

		Restated
	31 Dec 12	*31 Dec 11*
	£000	*£000*
(Loss)/Profit for the financial year/period	(2,912)	1,530
Actuarial loss on pension scheme (note 20)	(4,657)	(26,625)
Net decrease in shareholders' (deficit)/fund	(7,569)	(25,095)
Opening shareholders' fund (originally deficit of £1,970,000 before adding prior year adjustment of £5,107,000)	3,137	28,232
Closing shareholders' (deficit)/fund	(4,432)	3,137

20. Pensions

General

The two defined benefit schemes into which the company makes contributions are

The Océ (UK) Limited Pension Scheme ("the Océ Scheme – see below for details) which has been closed to new members since 23rd June 2004

The Prudential Platinum Plan which has two members employed by the company In view of the immaterial size of this scheme the directors do not consider that further disclosure is necessary

The three defined contribution schemes into which the company makes contributions are

The Océ (UK) Limited Stakeholder Plan into which the company contributed £418,366 during the year (13 months ended 31 December 2011 - £401,374) was set up in October 2005

The Group Personal Pension Plan, arising from the acquisition of the Gretag Professional Imaging Group in 2001, which has one member

A defined contribution pension policy with Clerical Medical into which the company makes contributions on behalf of two employees

As at 31 December 2012 contributions totalling £243,749 (13 months ended 31 December 2011 - £276,831) were payable to these pension arrangements

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at 31 December 2012

20. Pensions (continued)

The Océ Scheme

The assets of the Océ Scheme are held in a separate trustee fund administered by professional investment managers The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method The most recent triennial valuation, at 30 April 2010, showed that the market value of the Océ Scheme's assets was £122m and that the value of those assets represented 75 per cent of the actuarial value of benefits that had accrued to members, after allowing for expected future increases in earnings

The key assumptions used to calculate the scheme liabilities under FRS 17 were

		31 Dec 12	*31 Dec 11*
		%	%
Rate of increase in salaries		2 40	2 25
Rate of increase in pensions in payment –	pre April 1997 joiners	2 70	3 20
–	from April 1997 to May 2005 joiners	3 55	3 60
–	post May 2005 joiners	1 90	2 30
Discount rate		4 40	4 80
Inflation – RPI		2 80	3 25
Inflation – CPI		1 90	2 25

In July 2010, the Government announced its intention that future statutory minimum pension indexation would be measured by the Consumer Price Index (CPI), rather than the Retail Price Index (RPI) This has been reflected in the company's assumptions and included in actuarial gains and losses in the reported figures The change only affects a small proportion of the fund's benefits and so the impact of the change on the fund's liabilities is small

The total contributions to the defined benefit plan in the next year are expected to be around £241,000, as a consequence of the £6,000,000 contribution paid in December 2011 Contributions to the scheme are being paid at a rate of 12% of pensionable earnings In addition, the company has agreed a repayment schedule for the deficit with the Trustees The overall expected rates of return are the weighted average return on the individual asset classes in which the scheme held investments at the balance sheet date

The assets used in the scheme and the expected rate of return and the liabilities were

Notes to the financial statements

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20. Pensions (continued)

Scheme assets at fair value	*Market value £000*	*31 Dec 12 Expected return %*	*Market value £000*	*31 Dec 11 Expected return %*
Equities	58,060	7 50	55,965	7 10
Fixed interest Government Bonds	16,509	2 85	9,799	3 10
Fixed interest Corporate Bonds	18,036	4 20	22,964	4 80
Cash	567	0 50	668	0 50
Property	9,198	7 25	10,327	7 10
Other	29,781	7 30	26,161	7 10
Fair value of scheme assets	132,151	5 85	125,884	6 30
Present value of scheme liabilities	(201,391)		(187,646)	
Deficit in the scheme	(69,240)		(61,762)	

The pension plan has no material investment in any of the Group's own financial instruments or in properties or other assets used by the Group

Analysis of the amount charged to operating result

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Current service costs of defined benefit schemes	1,584	2,050

Analysis of the amount charged to other finance income

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Expected return on pension scheme assets	7,222	8,659
Interest on pension scheme liabilities	(8,937)	(9,640)
Net return	(1,715)	(981)

Notes to the financial statements

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20. Pensions (continued)

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

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Actual return on assets during the year/period	11,995	2,318
Expected return on assets for the year/period	(7,222)	(8,659)
Actual return less expected return on pension scheme assets	4,773	(6,341)
Experience gain arising on scheme liabilities	(1,650)	1,314
Changes in assumptions underlying the present value of the scheme liabilities	(7,780)	(21,598)
Actuarial loss recognised in the STRGL	(4,657)	(26,625)

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

	12 months Ended 31 Dec 12 £000	*13 months Ended 31 Dec 11 £000*
Assets in scheme as at 1 January 2012	125,884	119,790
Employer contribution	478	8,141
Employee contribution	927	1,158
Benefits paid	(7,133)	(5,523)
Expected return on plan assets	7,222	8,659
Asset under performance	4,773	(6,341)
Assets in scheme as at 31 December 2012	132,151	125,884

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

	31 Dec 12 £000	*31 Dec 11 £000*
Present value of defined benefit obligations as at 1 January 2012	(187,646)	(160,039)
Operating charge	(1,584)	(2,050)
Interest cost	(8,937)	(9,640)
Employee contributions	(927)	(1,158)
Benefits paid	7,133	5,524
Actuarial gain	(1,650)	1,314
Change in assumptions	(7,780)	(21,597)
Present value of defined benefit obligations as at 31 December 2012	(201,391)	(187,646)

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at 31 December 2012

20. Pensions (continued)

The current recovery plan was agreed with the trustees of the scheme in February 2012 and stipulates a payment of £4m pa being made to the scheme by the company in monthly instalments from July 2013 onwards increasing by 3% on 1st January each year from 2014 onwards with the aim of reducing the deficit in the scheme by 31st December 2030 The company made a payment of £6m to the scheme in December 2011 representing pre-payment of all the contributions due in 2012 and half of those due in 2013

History of experience gains and losses

	2012 *£000*	*2011* *£000*	*2010* *£000*	*2009* *£000*	*2008* *£000*
Difference between actual and expected return on assets					
Amount (£000)	4,773	(6,341)	(274)	14,707	(43,912)
Percentage of scheme assets (%)	3 6%	(5 0%)	(0 2%)	12 8%	(47 1%)
Experience gains and losses on liabilities					
Amount (£000)	(1,650)	1,314	558	2,634	(171)
Percentage of scheme liabilities (%)	(0 8%)	0 7%	0 3%	1 7%	(0 1%)
Total amount recognised in the STRGL					
Amount (£000)	(4,657)	(26,625)	(1,217)	(17,713)	(10,726)
Percentage of scheme liabilities (%)	(2 3%)	(14 2%)	(0 8%)	(11 5%)	9 4%

The cumulative amount of actuarial gains and losses recognised in the statement of recognised gains and losses is a net loss of £70,564,000 (13 months ended 31 December 2011 – loss of £70,564,000)

21. Other financial commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases as set out below

		12 month Ended Dec 2012		*13 months Ended Dec 2011*
	Land and buildings *£000*	*Other* *£000*	*Land and buildings* *£000*	*Other* *£000*
Operating leases which expire				
Within one year	20	-	-	-
Between two to five years inclusive	444	552	979	-
After five years	1,050	1,294	1,056	1,784
	1,514	1,846	2,035	1,784

The majority of the company's leases for land and buildings are subject to rent review periods ranging between three and seven years At the end of the year, there was authorised capital expenditure not yet contracted of £nil (2011 – £nil)

Notes to the financial statements

at 31 December 2012

22. Related party transactions

The company has taken advantage of the exemption available to wholly owned subsidiaries under FRS 8 'Related Party Disclosures' not to disclose transactions with other Canon group companies There were no other related party transactions

23. Post Balance Sheet Events

The share capital of the company was acquired by Canon (UK) Ltd on the 31st December 2012 and as a consequence the company became a wholly owned subsidiary of Canon (UK) Limited on 31st December 2012 This was followed by the subsequent hive-up of Océ UK's business and assets which took place on 1st May 2013

24. Ultimate parent undertaking and controlling party

The largest Group into which the Company is consolidated is Canon Inc , a company incorporated in Japan, whose registered office is 30-2 Shimomatuko, 3-Chome, Ohta-Ku Tokyo, 146-8501, Japan The smallest Group into which the Company is consolidated is Canon Europa NV, a company incorporated in the Netherlands, whose registered address is Bovenkerkerweg 59-61, P O Box 22621180 EG Amstelveen, Netherlands The Company's immediate parent company is Canon Holdings (UK) Limited whose registered address is Woodhatch, Reigate, Surrey, RH2 8BF

The financial statements of these companies are available from their registered offices, as stated above