Konica Minolta Business Solutions (UK) Limited

Annual report and consolidated financial statements

Registered number 01132885

31st March 2016

Contents

Strategic Report

The directors present their Strategic report, Directors report and financial statements for the year ended 31 March 2016.

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 is taking steps to deliver a wider range of software solutions and services to our business customers as part of our Optimised Print Services and Optimised Business Services.

To this end, we completed the acquisition of ProcessFlows (UK) Limited on 31st May 2016, which is a provider of technology and services for the capture, processing, management and delivery of documents, information, voice and data.

Results

The Group's operating profit for the financial year was £25,805k (*2015: £18,073k*) and the Group has net assets of £52,329k (*2015: £27,805k*) at the year end.

Business review, key performance indicators and principal risks

Business Review

Turnover in the year reduced by 2% to £185.7m (*2015: £189.1m*). The operating profit increased from £18.1m to £25.8m in the current year. Our gross profit margin increased in the current year to 51.2% (*2015: 45.4%*), the drivers of this included upside from the relative strength of the pound against the euro. Our Distribution and Administration cost for the year was £69.3m (*2015: £67.8m*) and the Company continues to invest in the expansion of our Sales function, with a view to increase the value added services and office solutions offered to our customer base.

The business continues to offer a broad range of products and services to the UK market. Investment in products continued with further enhancements across the Office range, and in particular our A4 colour products were replaced in the year. There were significant developments in the Production Print sector and we have replaced the majority of our core colour products in this area along with the introduction of a new high speed 2250 black and white model.

Business Strategy

The business continues to drive for growth within the market by delivering Optimised Print Services (OPS) to our customers. 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. This investment in our ability to deliver improved value added services to our customers is a key part of our ongoing focus to expand the business.

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. To this end, we acquired 100% of ProcessFlows (UK) Limited on 31st May 2016, which is a provider of technology and services for the capture, processing, management and delivery of documents, information, voice and data. This acquisition will be immediately earnings positive.

The growth of our Professional Production Print sector continues to be one of our strategic aims and to support this activity investment in new devices has continued as indicated above. The Group continues to view this sector as a major growth opportunity and we are continuing to invest in the products, and the sales and service support teams needed to realise this.

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 and North Eastern Universities Purchasing Consortium.

Key Performance Indicators

The business uses a range of Key Performance Indictors 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. A colleague survey was conducted during the year to measure our performance in these areas and we have an ongoing plan to continue to develop this area within our business.

Financial risk management

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

Credit risk

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

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. This pricing method has removed the currency risk associated with payment of our liabilities. There is still a currency risk associated with the Sterling price but this is mitigated by having a 5% fluctuation corridor from the base rate before any rate change is implemented. This has provided a stable rate during the year. In FY16, post Brexit, we have seen a deterioration of the exchange rate which has impacted on our cost of sales which we are mitigating through tight cost controls, pricing measures and driving sales in less exposed areas such as solutions and services.

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.

By order of the board,

C Bland
Company Secretary

Date:

Konica House
Miles Gray Road
Basildon
Essex SS14 3AR

Directors' report

Proposed dividend

The directors do not propose the payment of a dividend for the year *(2015: £nil)*.

Employees

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

Disabled employees

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

Political and charitable donations

The Company made £25,000 of charitable donations during the year *(2015: £25,000)*. Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year *(2015: £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
M Tierney (appointed 1 April 2015)
T Murakami (appointed 1 April 2015)
E Green, Company Secretary (appointed 1 April 2015, resigned 11 Dec 2015)
C Bland, Company Secretary (appointed 26 February 2016)

Disclosure of information to auditors

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

Auditors

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

C Bland
Company Secretary
Date:

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, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*).

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 judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

KPMG LLP

Botanic House
100 Hills Road
Cambridge CB2 1AR
United Kingdom

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

We have audited the financial statements of Konica Minolta Business Solutions (UK) Limited for the year ended 31 March 2016 set out on pages 8 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland).*

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

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:

Consolidated Profit and Loss Account

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Turnover	2	185,710	189,124
Cost of sales		(90,567)	(103,284)
Gross profit		95,143	85,840
Distribution costs		(51,880)	(51,546)
Administrative expenses		(17,458)	(16,221)
Group operating profit		25,805	18,073
Loss on disposal of fixed assets		(213)	(202)
Other interest receivable and similar income	7	135	104
Other finance expenses	7,8	(587)	(378)
Interest payable and similar charges	8	-	(13)
Other operating expenses		(475)	-
Profit on ordinary activities before taxation	3	24,665	17,584
Tax on profit/(loss) on ordinary activities	9	(2,963)	(3,775)
Profit for the financial year		21,702	13,809
Profit or loss attributable to			
Shareholders of the parent company		21,702	13,809
Total profit or loss		21,702	13,809

The accompanying notes on pages 15 to 38 forms an integral part of these financial statements.

Consolidated Other Comprehensive Income
for year ended 31 March 2016

	Note	2016 £000	2015 £000
Profit for the year		**21,702**	13,809
Other comprehensive income			
Remeasurement of the net defined benefit liability (asset)	19	**4,212**	(11,481)
Income tax on other comprehensive income	15	**(1,413)**	2,202
Prior year tax adjustment		**23**	-
Other comprehensive income for the year, net of income tax		**2,779**	(9,279)
Total comprehensive income for the year		**24,524**	4,530
Total comprehensive income attributable to			
Shareholders of the parent company		**24,524**	4,530
		24,524	4,530

The accompanying notes on pages 15 to 38 forms an integral part of these financial statements.

Consolidated Balance Sheet
At 31 March 2016

	Note		**2016**		2015
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*11*		**190**		282
Tangible assets	*12*		**5,186**		5,801
			5,376		6,083
Current assets					
Stocks	*13*	**2,325**		2,862	
Debtors	*14*	**55,352**		55,160	
Deferred tax asset	*15*	**3,891**		3,968	
Cash at bank and in hand		**52,409**		30,267	
		113,977		92,257	
Creditors: amounts falling due within one year	*16*	**(51,214)**		(48,237)	
Net current assets			**62,763**		44,020
Total assets less current liabilities			**68,139**		50,103
Creditors: amounts falling due after more than one year	*17*	**(2,764)**		(2,764)	
Provisions for liabilities	*18*	**(638)**		(645)	
Pensions and similar obligations	*19*	**(12,408)**		(18,889)	
			(15,810)		(22,298)
Net assets			**52,329**		27,805
Capital and reserves					
Called up share capital			**21,000**		21,000
Profit and loss account			**31,329**		6,805
Equity attributable to the parent's shareholders			**52,329**		27,805
Shareholders' funds			**52,329**		27,805

The accompanying notes on pages 15 to 38 forms an integral part of these financial statements.

These financial statements were approved by the board of directors on 16th December 2016 and were signed on its behalf by:

M Tierney
Director
Company registered number: 1132885

Company Balance Sheet
At 31 March 2016

	Note		2016		2015
		£000	**£000**	£000	£000
Fixed assets					
Intangible Assets	*11*		**187**		277
Tangible Assets	*12*		**4,862**		5,362
Investments	*12*		**4,910**		4,910
			9,959		10,549
Current assets					
Stocks	*13*	**2,242**		2,800	
Debtors	*14*	**50,379**		50,576	
Deferred tax asset	*15*	**3,792**		3,956	
Cash at bank and in hand		**51,470**		29,844	
		107,883		87,176	
Creditors: amounts falling due within one year	*16*	**(53,675)**		(50,009)	
Net current assets			**54,208**		37,167
Total assets less current liabilities			**64,167**		47,716
Creditors: amounts falling due after more than one year	*17*	**(2,764)**		(2,764)	
Provisions for liabilities	*18*	**-**		(645)	
Pensions and similar obligations	*19*	**(12,408)**		(18,889)	
			(15,172)		(22,298)
Net assets			**48,995**		25,418
Capital and reserves					
Called up share capital			**21,000**		21,000
Profit and loss account			**27,995**		4,418
Equity attributable to the parent's shareholders			**48,995**		25,418
Shareholders' funds			**48,995**		25,418

The accompanying notes on pages 15 to 38 forms an integral part of these financial statements.

These financial statements were approved by the board of directors on 16th December and were signed on its behalf by:

M Tierney
Director
Company registered number: 1132885

Consolidated Statement of Changes in Equity

	Called up Share capital	Profit & loss account	Total equity
	£000	£000	£000
Balance at 1 April 2015	21,000	6,805	27,805
Effect of change in accounting policy	-	-	-
Balance at 1 April 2015 restated	21,000	6,805	27,805
Total comprehensive income for the period			
Profit or loss	-	21,702	21702
Other comprehensive income			
Remeasurement of the net defined benefit liability		2,799	2,799
Prior year tax adjustment		23	23
Total comprehensive income for the period	-	24,524	24,524
Balance at 31 March 2016	21,000	31,329	52,329
Balance at 1 April 2014	21,000	2,275	23,275
Effect of change in accounting policy	-	-	-
Balance at 1 April 2014 restated	21,000	2,275	23,275
Total comprehensive income for the period			
Profit or loss	-	13,809	13,809
Other comprehensive income			
Remeasurement of the net defined benefit liability		(9,279)	(9,279)
Total comprehensive income for the period	-	4,530	4,530
Balance at 31 March 2015	21,000	6,805	27,805

The accompanying notes on pages 15 to 38 forms an integral part of these financial statements.

Company Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 April 2015	**21,000**	**4,418**	**25,418**
Profit or loss	-	20,786	20,786
Other comprehensive income			
Remeasurement of the net defined benefit liability	-	2,799	2,799
Prior year tax adjustment	-	(8)	(8)
Total comprehensive income for the period	-	**23,577**	**23,577**
Balance at 31 March 2016	**21,000**	**27,995**	**48,995**
Balance at 1 April 2014	**21,000**	**3,266**	**24,266**
Effect of change in accounting policy	-	(7,880)	(7,880)
Balance at 1 April 2014 Restated	-	**(4,614)**	**(16,386)**
Profit or loss	-	9,763	9,763
Other comprehensive income			
Remeasurement of the net defined benefit liability	-	(7,231)	(7,231)
Prior year tax adjustment	-	-	-
Total comprehensive income for the period	-	**2,532**	**2,532**
Transactions recorded directly in equity			
Dividend received	-	6,500	6,500
Total contributions by and distributions to owners	-	**6,500**	**6,500**
Balance at 31 March 2015	**21,000**	**4,418**	**25,418**

The accompanying notes on pages 15 to 38 forms an integral part of these financial statements.

Consolidated Cash Flow Statement

for year ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit before tax		**24,665**	20,008
Adjustments for:			
Depreciation, amortisation and impairment	12	**2,483**	2,541
Loss on disposal of tangible fixed assets		**213**	204
DB Pension Deficit Contributions	20	**(2,856)**	(2,856)
Interest receivable and similar income		**587**	(2,046)
Movement in Deferred Tax Asset		**197**	(151)
Adjustment to loss on disposal of fixed assets		**23**	356
(Increase)/decrease in trade and other debtors		**2,029**	(2,582)
(Increase)/decrease in stocks		**537**	1,968
(Decrease)/increase in trade and other creditors		**563**	511
(Decrease)/increase in provisions and employee benefits		**(7)**	145
Tax paid		**(4,279)**	(2,586)
Net cash from operating activities		**24,155**	**15,512**
Cash flows from investing activities			
Acquisition of tangible fixed assets		**(2,011)**	(4,397)
Net cash from investing activities		**(2,011)**	(4,397)
Cash flows from financing activities			
Payment of finance lease liabilities		**(2)**	(28)
Net cash from financing activities		**(2)**	**(28)**
Net increase in cash and cash equivalents		**22,142**	11,087
Cash and cash equivalents at 1 April 2015		**30,267**	19,180
Cash and cash equivalents at 31 March 2016		**52,409**	**30,267**

The accompanying notes on pages 15 to 38 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.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 25.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 25.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease incentives – for leases commenced before 1st April 2015 the Group and Company continued to account for lease incentives under previous UK GAAP.

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 £21,702k (*2015: £16,809k*) and had net current assets of £62,763k (*2015: £44,020k*). 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 £52,409k (*2015: £30,267k*) 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 1 to 2, the directors have a reasonable expectation that the Company and Group will be able to continue in operational existence for the foreseeable future, continuing to operate within the current agreed facility and hence a going concern basis is appropriate.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016. 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)*
(forming part of the financial statements)

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.

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	5 years

Notes *(continued)*
(forming part of the financial statements)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

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 – 17years
Rental machines	1 – 5 years
Computer equipment	3 – 4 years
Plant and equipment	4 - 10 years
Motor vehicles	4 years

No depreciation is provided on freehold land.

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.

Notes *(continued)*
(forming part of the financial statements)

1 Accounting policies (continued)

Basic financial instruments (continued)

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.

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.

Notes *(continued)*

(forming part of the financial statements)

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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

Notes *(continued)*

2 Turnover

	2016 £000	2015 £000
Sale of goods	**81,366**	87,080
Rendering of services	**104,345**	102,044
Total turnover	**185,711**	189,124

All revenue is generated in the United Kingdom.

3 Profit on ordinary activities before taxation

This is stated after charging / (crediting)	2016 £000	2015 £000
Depreciation		
Depreciation of owned assets	**2,483**	2,541
Depreciation of assets held under finance leases and hire purchase contracts	**7**	23
Loss on disposal of tangible fixed assets	**213**	204
Operating lease rental payments		
Plant and machinery	**2,122**	2,269
Other	**1,601**	1,598
Rental receipts	**(5,004)**	(4,363)
FX gain/loss	**5**	3

4 Expenses and auditor's remuneration

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	**221**	200
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**19**	21
Taxation compliance services	**27**	22
	267	243

Notes *(continued)*

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	
	2016	2015
Management	**40**	33
Administration	**127**	117
Marketing and service	**761**	755
	928	905

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

	2016	2015
	£000	£000
Wages and salaries	**38,338**	35,116
Social security costs	**4,686**	4,301
Other pension costs	**1,326**	1,226
	44,350	40,643

Auto enrolment for the Group commenced in January 2014.

6 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	**483**	482
Amounts receivable under long term incentive schemes	-	-
Company contributions to money purchase pension plan	**10**	-
Excess retirement benefits over original entitlement	-	-
Compensation for loss of office	-	-
Amounts paid to third parties in respect of directors' services	-	-
	493	482

The aggregate of remunerations and amounts receivable under long term incentive schemes of the highest paid director was £306,569 (2014:£293,870), and company pension contributions of £NIL (2014:£NIL) were made to a money purchase scheme on his behalf.

Notes *(continued)*

7 Other interest receivable and similar income

	2016 £000	2015 £000
Other interest receivable	**134**	104
Interest income on pension scheme assets	**3,456**	6,469
	3,590	6,573

8 Interest payable and similar charges

	2016 £000	2015 £000
On finance leases and hire purchase contracts	-	2
Bank interest due within 5 years not by instalment	-	11
Interest on pension scheme liabilities	**4,042**	4,423
	4,042	4,436

9 Taxation

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

Analysis of charge in year

	2016 £000	2015 £000
UK corporation tax		
Current tax on income for the year	**4,551**	3,199
Adjustments in respect of prior periods – current tax	**(907)**	(5)
Current tax charge for the period	**3,644**	3,194
Deferred tax		
Origination of timing differences	**(696)**	594
Adjustments in respect of prior periods	**15**	(13)
Total deferred tax	**(681)**	581
Total tax	**2,963**	3,775

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate	**2016** **£000**	2015 £000
Profit for the year	**21,702**	13,809
Total tax expense	**2,963**	3,775
Profit excluding taxation	**24,665**	17,584
Tax using the UK corporation tax rate of 20% *(2015: 21 %)*	**4,933**	3,693
Effects of:		
Expenses not deductible for tax purposes	**120**	755
Amounts charged directly to equity or otherwise transferred	**-**	(579)
Adjustments in respect of prior periods – current tax	**(907)**	(5)
Adjustments in respect of prior periods – deferred tax	**15**	(13)
Deferred tax not recognised	**(1,715)**	(72)
Impact of change in corporate tax rate	**517**	(4)
Total tax expense included in profit or loss / Total current tax charge	**2,963**	3,775

Factors affecting the future tax charge

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 March 2016 has been calculated based on these rates.
An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

Notes *(continued)*

10 Deferred Taxation

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
At beginning of year	**3,968**	2,196	**3,956**	2,184
Charged to profit and loss account	**681**	581	**594**	519
Recognised through other comprehensive income	**(758)**	921	**(758)**	1,253
At end of year	**3,891**	3,968	**3,792**	3,956

11 Intangible fixed assets

Group

	Goodwill £000	Software £000	Total £000
Cost			
At beginning of year	8,465	1,354	**9,819**
Additions	-	21	**21**
Disposals	-	(211)	**(211)**
At end of year	8,465	1,164	**9,629**
Amortisation			
At beginning of year	8,465	1,071	**9,536**
Charge for year	-	114	**114**
On disposals	-	(211)	**(211)**
At end of year	8,465	974	**9,439**
Net book value			
At 31 March 2016	-	190	**190**
At 31 March 2015	-	282	**282**

Notes *(continued)*

11 Intangible fixed assets *(continued)*

Company

	Goodwill £000	Software £000	Total £000
Cost			
At beginning of year	1,865	1,219	**3,084**
Additions	-	22	**22**
Disposals	-	(192)	**(192)**
At end of year	1,865	1,049	**2,914**
Amortisation			
At beginning of year	1,865	942	**2,807**
Charge for year	-	112	**112**
On disposals	-	(192)	**(192)**
At end of year	1,865	862	**2,727**
Net book value			
At 31 March 2016	**-**	**187**	**187**
At 31 March 2015	-	277	277

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	124	3,308	5,976	7,409	16,817
Additions	-	172	542	1,407	2,117
Disposals	-	(101)	(451)	(788)	(1,340)
At end of year	**124**	**3,379**	**6,067**	**8,028**	**17,596**
Depreciation					
At beginning of year	49	2,253	4,595	4,120	11,017
Charge for year	3	278	718	1,370	2,369
On disposals	-	(100)	(438)	(436)	(975)
At end of year	**52**	**2,431**	**4,875**	**5,052**	**12,410**
Net book value **At 31 March 2016**	**73**	**948**	**1,192**	**2,973**	**5,186**
At 31 March 2015	75	1,055	1,381	3,289	5,800

Notes *(continued)*

12 Tangible fixed assets *(continued)*

	Freehold land and buildings £000	Short leasehold property and improvements £000	Plant and equipment £000	Rental machines £000	Total £000
Company					
Cost					
At beginning of year	124	2,703	5,491	7,056	15,375
Additions	-	134	486	1,373	1,993
Disposals	-	(94)	(395)	(733)	(1,222)
At end of year	**124**	**2,743**	**5,582**	**7,697**	**16,146**
Depreciation					
At beginning of year	49	1,762	4,251	3,951	10,013
Charge for year	3	257	624	1,290	2,174
On disposals	-	(94)	(385)	(423)	(902)
At end of year	**52**	**1,925**	**4,490**	**4,817**	**11,284**
Net book value **At 31 March 2016**	**72**	**818**	**1,092**	**2,8798**	**4,862**
At 31 March 2015	75	941	1,240	3,106	5,362

13 Fixed asset investments

	Total £000
Company	
Cost	
At beginning and end of year	**7,401**
Provisions	
At beginning and end of year	**2,491**
Net book value	
At 31 March 2016	**4,910**
At 31 March 2015	4,910

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:

Subsidiary undertakings	**Principal Activity**	**Class and percentage of shares held**
Konica Minolta Business Solutions East Limited	Business and marketing and servicing products distributed by the Company	100% ordinary "A" shares of £1 100% ordinary "B" shares of £1
Konica Minolta Business Solutions (Wales) Limited	Dormant	100% ordinary shares of £1
Ideal Reprographics Eastern Limited	Dormant	100% ordinary shares of £1

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

14 Stocks

	Group 2016 £000	2015 £000	**Company 2016 £000**	2015 £000
Finished goods and goods for resale	**2,325**	2,862	**2,242**	2,800

The value of inventory impairments recognised as an expense in the year is £113k (2015: £126k).

15 Debtors

	Group		**Company**	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Debtors:				
Trade debtors	**40,591**	43,217	**38,520**	40,131
Amounts owed by group undertakings:				
- Subsidiary undertakings	**2,535**	1,667	**667**	1,585
Other debtors	**355**	103	**355**	102
Prepayments and accrued income:	**11,871**	10,173	**10,837**	8,757
	55,352	55,160	**50,379**	50,576
Due within one year	**55,352**	54,919	**50,379**	50,335
Due after more than one year	**-**	241	**-**	240
	55,352	55,160	**50,379**	50,576

Notes *(continued)*

16 Creditors: amounts falling due within one year

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Obligations under finance leases and hire purchase contracts	-	2	-	-
Trade creditors	7,262	5,407	6,347	4,963
Amounts owed to group undertakings:				
- parent company and fellow group undertakings	15,741	18,952	15,611	17,885
- subsidiary undertakings	1,780	-	5,246	4,402
Corporation tax payable	1,846	1,944	1,832	1,346
Taxation and social security	7,441	7,986	7,311	7,420
Accruals and deferred income	17,048	13,946	17,328	13,993
	51,214	48,237	53,675	50,009

17 Creditors: amounts falling due after more than one year

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Obligations under hire purchase contracts	-	-	-	-
Amounts owed to fellow subsidiary undertaking	2,764	2,764	2,764	2,764
	2,764	2,764	2,764	2,764

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

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Within one year	-	2	-	2
In the second to fifth years	-	-	-	-
	-	2	-	2

Notes *(continued)*

18 Creditors: amounts falling due after more than one year *(continued)*

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

The Company has access to a rolling group loan facility of £11.9 million. As at 31 March 2016 there were no loans drawn under this facility but it is still available to the Company to support any future business needs. The interest rate payable on the loan is 0.45%

19 Provisions

Group	Dilapidation on Premises £000	Provision for restructuring £000	Total £000
Balance at 1 April 2015	0	645	645
Provisions made during the year	37	601	638
Provisions used during the year	0	(645)	(645)
Balance at 31 March 2016	**37**	**601**	**638**

The Company holds a provision for dilapidations on premises that are due to be vacated and for restructuring of group. The provisions are expected to be utilised within 12 months of the end of the accounting period.

Company	Dilapidation on Premises £000	Total £000
Balance at 1 April 2015	645	645
Provisions made during the year		
Provisions used during the year	(645)	(645)
Balance at 31 March 2016	**0**	**0**

20 Employee benefits

Group and Company

During the year ended 31 March 2016, 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.

Notes *(continued)*

20 Employee benefits *(continued)*

Net pension (liability)/asset

	2016 £000	2015 £000
Defined benefit obligation	**(115,377)**	(121,764)
Plan assets	**102,969**	102,875
Net pension (liability)/asset	**(12,408)**	(18,889)
Deferred taxation on net pension liability	**2,482**	3,778

Movements in present value of defined benefit obligation

	2016 £000	2015 £000
At 1 April	**121,764**	100,269
Interest expense	**4,043**	4,423
Remeasurement: actuarial gains/(losses)	**(7,508)**	19,313
Benefits paid	**(2,922)**	(2,241)
At 31 March	**115,377**	121,764

Movements in fair value of plan assets

	2016 £000	2015 £000
At 1 April	**102,875**	90,382
Interest income	**3,455**	4,045
Remeasurement: return on plan assets less interest income	**(3,296)**	7,833
Contributions by employer	**2,856**	2,856
Benefits paid	**(2,921)**	(2,241)
At 31 March	**102,969**	102,875

Expense recognised in the profit and loss account

	2016 £000	2015 £000
Current service cost	-	-
Net interest on net defined benefit liability	(587)	(378)
Total expense recognised in profit or loss	(587)	(378)

Notes *(continued)*

20 Employee benefits *(continued)*

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.

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

	2016 Fair value %	2015 Fair value %
Equities	**50**	52
Diversified growth funds	**19**	19
Corporate bonds	**14**	14
Property	**16**	15
Cash	**-**	1
Other		
Actual return on plan assets	**563**	(98)

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

	20 %	20 %
Discount rate	**3.60**	3.36
Future salary increases	**3.33**	3.47
Pension increase in payments rate	**2.97**	2.98
Inflation assumption after members' retirement (RPI)	**3.07**	3.03
Inflation assumption after members' retirement (CPI)	**2.07**	2.03
Inflation assumption before members' retirement (CPI)	**1.33**	1.47

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 2016 the value placed on these annuities was £1,461,685 (£1,352,421 at 31 March 2015). 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 £2,856k (*2015: £2,856k*). The actual return on scheme assets in the year was £159k (*2015: £11,878k*)

Notes *(continued)*

20 Employee benefits *(continued)*

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

	2016	2015
	£000	£000
Actual return less Interest income on scheme assets	**(3,296)**	7,833
Experience losses arising on scheme liabilities	**1,723**	(98)
Changes in assumptions underlying the present value of scheme liabilities	**5,785**	(19,216)
Actuarial loss recognised in statement of total recognised gains and losses	**4,212**	(11,481)

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

The Group made contributions of £2,856k (*2015: £2,856k*) 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 £587k *(2015: £2,046k).*

Defined contribution scheme

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

	2016	2015
	£000	£000
Defined contribution scheme	**1,237**	1,144
NEST contribution scheme	**89**	82
	1,326	1,226

Accrued and outstanding defined contribution costs at the period end amounted to £82k (*2015: £91k*). NEST contributions costs were £14k (*2015: £12k*)

Notes *(continued)*

21 Capital and reserves

Share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid		
21,000,000 ordinary shares of £1 each	**21,000**	21,000
	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

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group	**2016 Land and buildings £000**	**Other £000**	2015 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**1,341**	**1,503**	1,595	1,711
In the second to fifth years inclusive	**3,663**	**1,341**	3,515	1,082
Over five years	**1,753**	**-**	182	-
	6,757	**2,844**	5,292	2,793

Company	**2016 Land and buildings £000**	**Other £000**	2015 Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	**1,160**	**1,197**	1,419	1,497
In the second to fifth years inclusive	**3,088**	**1,039**	2,974	862
Over five years	**1,686**	**-**	8	-
	5,934	**2,236**	4,401	2,359

During the year £3,723k was recognised as an expense in the profit and loss account in respect of operating leases (2015: £3,867k).

Notes *(continued)*

22 Operating leases *(continued)*

Leases as lessor

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

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**938**	875	792	713
Between one and five years	**1,980**	1,182	1,726	933
More than five years	**-**	520	-	402
	2,918	2,577	2,518	2,047

23 Commitments

Capital commitments

There were no capital commitments at the end of the financial year (*2015: £nil*).

24 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.

25 Subsequent events

On 31st May 2016, the Company acquired 100% of the share capital of ProcessFlows Holdings Ltd. ProcessFlows is a provider of technology and services for the capture, processing, management and delivery of documents, information, voice and data. The share purchase price has not been disclosed due to commercial sensitivity reasons. This acquisition will be immediately earnings positive and is expected to increase group turnover by £14.5m per annum and to increase profits before tax by £0.5m per annum.

On 1st July 2016, the Company acquired 100% of the share capital of Capture Holdings Ltd. Capture is a supplier of in Aberdeen. Capture Imaging are a KM channel partner dedicated to meeting customers' document solution needs in and around Aberdeen. The share purchase price has not been disclosed due to commercial sensitivity reasons. The acquisition is expected to increase group turnover by £5.9m per annum and to increase profits before tax by £1.2m per annum.

26 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

26 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of equity

31

Group	*Note*	1 April 2014 Adopted UK GAAP £000	Effect of transition to FRS102 £000	1 April 2014 FRS 102 £000	**31 March 2015 Adopted UK GAAP £000**	**Effect of transition to FRS102 £000**	**31 March 2015 FRS 102 £000**
Fixed assets							
Intangible assets	*a*	-	-	-	**-**	**282**	**282**
Tangible fixed assets		4,787	-	4,787	**6,083**	**(282)**	**5,801**
		4,787	-	4,787	**6,083**	**-**	**6,083**
Current assets							
Stocks		4,830	-	4,830	**2,862**	**-**	**2,862**
Debtors	*b*	52,768	-	52,768	**55,350**	**(190)**	**55,160**
Deferred Tax Asset	*b,c*	-	2,006	2,006	**-**	**3,968**	**3,968**
Cash at bank and in hand		19,180	-	19,180	**30,267**	**-**	**30,267**
Creditors: amounts due within one year		(47,144)	-	(47,144)	**(48,237)**	**-**	**(48,237)**
Net current assets		29,634	2,006	31,640	**40,242**	**3,778**	**44,020**
Creditors: amounts falling due after more than one year		(2,766)	-	(2,766)	**(2,764)**	**-**	**(2,764)**
Provisions for liabilities							
Other provisions		(500)	-	(500)	**(645)**	**-**	**(645)**
Pension liability	*c*	(7,880)	(2,006)	(9,886)	**(15,111)**	**(3,778)**	**(18,889)**
To net assets		23,275	2,006	25,281	**(27,805)**	**-**	**(27,805)**
Capital and reserves							
Called up share capital		21,000	-	21,000	**21,000**	**-**	**21,000**
Profit and loss account		2,275	-	6,805	**6,805**	**-**	**6,805**
Shareholders' equity		23,275	-	23,275	**27,805**	**-**	**27,805**

Notes *(continued)*

26 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of profit/loss for 2015

	Note	Adopted UK GAAP £000	2015 Effect of transition to FRS 102 £000	FRS 102 £000
Turnover		189,124	-	189,124
Cost of sales		(103,284)	-	(103,284)
Gross profit		85,840	-	85,840
Administrative expenses		(51,546)	-	(51,546)
Administrative costs		(16,221)	-	(16,221)
Operating profit		18,073	-	18,073
Loss on disposal of fixed assets		(202)	-	(202)
Other interest receivable and similar income		104	-	104
Other finance income	*c*	2,046	(2,046)	-
Other financial expenses	*c*	-	(378)	(378)
Interest payable and similar charges		(13)	-	(13)
Profit/[loss] on ordinary activities before taxation		20,008	(2,424)	17,584
Taxation (excluding taxation on gain on sale of discontinued operation)		-	-	-
Taxation on sale of discontinued operation		-	-	-
Tax on profit/(loss) on ordinary activities		(3,775)	-	(3,775)
Profit/(loss) for the year		16,233	(2,424)	13,809

Notes to the reconciliation of equity

a) *Under FRS102, software is required to be shown as an intangible asset, and has therefore been transferred in 2016 and 2015 comparatives from tangible assets to Intangible Assets.*

b) *Under FRS102, deferred tax should be shown separately and not within the debtor balance, and has therefore been transferred in 2016 and 2015 comparatives from debtors to deferred tax asset.*

c) *Under FRS102, the pension liability should be shown gross rather than being netted off against the deferred tax asset associated with it and has been separated in 2016 and 2015 comparatives to show a gross deferred tax asset and a gross pension liability. Net interest under FRS102 is also different from FRS17 net interest and has been adjusted in the 2016 and 2015 comparative.*

Notes *(continued)*

26 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Company

In preparing their FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition following tables and the notes that accompany the tables.

Reconciliation of equity

Company	Note	1 April 2014 Adopted UK GAAP £000	Effect of transition to FRS102 £000	1 April 2014 FRS 102 £000	**31 March 2015 Adopted UK GAAP £000**	**Effect of transition to FRS102 £000**	**31 March 2015 FRS 102 £000**
Fixed assets							
Intangible assets	*a*	-	-	-	-	277	277
Tangible fixed assets		4,364	-	4,364	5,639	(277)	5,362
Investments		4,910		4,910	4,910	-	4,910
		9,274	-	9,274	10,549	-	10,549
Current assets							
Stocks		4,652	-	4,652	2,800	-	2,800
Debtors	*b*	47,322	-	47,322	50,754	(178)	50,576
Deferred Tax Asset	*b,c*	-	2,006	2,006	-	3,956	3,956
Cash at bank and in hand		18,856	-	18,856	29,844	-	29,844
Creditors: amounts due within one year		(52,574)	-	(52,573)	(50,009)	-	(50,009)
Net current assets		18,256	2,006	20,262	33,389	3,778	37,167
Creditors: amounts falling due after more than one year		(2,764)	-	(2,764)	(2,764)	-	(2,764)
Provisions for liabilities							
Other provisions		(500)	-	(500)	(645)	-	(645)
Pension liability	*c/d*	-	(9,886)	(9,880)	-	(18,889)	(18,889)
Total net assets		24,266	(7,880)	16,386	40,529	(15,111)	25,418
Capital and reserves							
Called up share capital		21,000	-	21,000	21,000	-	21,000
Profit and loss account		3,266	(7,880)	(4,614)	19,529	(15,111)	4,418
Shareholders' equity		24,266	(7,880)	16,386	40,529	(15,111)	25,418

Notes *(continued)*

26 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Notes to the reconciliation of equity

a) *Under FRS102, software is required to be shown as an intangible asset, and has therefore been transferred in 2016 and 2015 comparatives from tangible assets to intangible assets*

b) *Under FRS102, deferred tax should be shown separately and not within the debtor balance, and has therefore been transferred in 2016 and 2015 comparatives from debtors to deferred tax asset.*

c) *Under FRS102, the Pension liability should be shown gross rather than being netted off against the deferred tax asset associated with it and has been separated in 2016 and 2015 comparatives to show a gross deferred tax asset and a Gross pension liability.*

d) *Under FRS102, the pension liability should now be shown on the company balance sheet as well as on the consolidated balance sheet, therefore the pension liability has been accounted in 2016 and 2015 comparatives.*