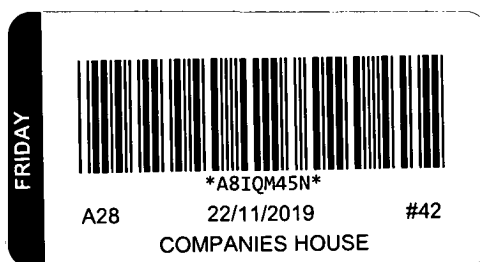


Ricoh UK Products Limited

**Annual report and financial
statements**

**Registered number 1763860
For the year ended 31 March 2019**



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Strategic report

Business review

Turnover for the year was £351,114,000 (2018: £341,686,000) resulting in a profit before taxation of £24,808,000 (2018: profit of £8,775,000). The profit after taxation for the year was £20,210,000 (2018: profit of £7,161,000).

Turnover growth was predominantly within the colour toner bottling business, due to both the introduction of new products and additional volumes of existing products. The Production Printing business showed a modest increase in turnover, supported by the on-site Customer Experience Centre which has continued to show growth in the levels of customer engagement. Investment in the development of new inkjet based industrial printing businesses has continued, and commercialisation of these new businesses has now commenced. The Additive Manufacturing business has been supported with additional capital investment to further underpin ambitious growth targets. The Digital Duplicator supplies business continues to show an expected steady decline in turnover, however profitability has been maintained through operational efficiency improvements. The company thrives on a culture of continuous improvement and employees are actively engaged in achieving high levels of operational efficiency in all of their processes. Operating profits were favourable against the prior year, largely due to improved direct labour efficiency, production process yield improvements, process automation and favourable exchange movements. The balance sheet and cash reserves remain strong and healthy enabling the Company to fund future capital investments and support its defined benefit pension obligation.

Principal risks and uncertainties facing the business

In response to the UK leaving the EU, the company has formed a working committee and completed a full risk assessment. The company is also collaborating with other European Ricoh entities to manage the associated risks. During this period of uncertainty the Company continues to monitor and manage developments accordingly.

The company trades predominantly in Euros, and hence the financial results are impacted by the prevailing Euro-Sterling exchange rate.

In response to the Sarbanes Oxley requirements of the group parent company in Japan, the company continually strives to further strengthen its internal financial control processes.

General factors

Employee relationships are both positive, strong and stable, and the company remains highly respected in the local community. The Local Works Council continues to be supported by the company and remains active. The company continues to proactively develop good relationships with all stakeholders.

The reduction of environmental impact remains a key focus for the company. The company continually strives to further reduce its CO2 emissions, and the 'zero waste to landfill' environmental policy remains firmly embedded.

During the year the company successfully retained its accreditation to management standards ISO27001 (Information Security Management), ISO18001 (Health and Safety Management), ISO14001 (Environmental Management) and ISO9001 (Quality Management). The company continues to have Investors in People accreditation (Gold Award).

By order of the board



R Baggott
Director

31 October 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

Principal activity

The principal activity of the company is the manufacture of printing equipment and related consumables almost exclusively for Ricoh sales companies. The company also has a commercial product recycling business, and provides a broad range of technical services to the wider Ricoh Group.

Dividends

An interim dividend amounting to £3,580,500 was paid during the year (2018: £9,078,500).

Directors

The directors who served during the year and up to the date of this report were as follows:

RW Baggott
T Tokura
C Weaver
H Yaguchi (resigned on 28 June 2019)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes 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 that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees' consultation

The company places considerable value on the involvement and engagement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company magazine and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political contributions

The company made no political contributions during the year.

Directors' report *(continued)*

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

By order of the board



R Baggott
Director

Priorslee
Telford
Shropshire
TF2 9NS

31 October 2019

Statement of directors' responsibilities in respect of the Strategic report, 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 financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Ricoh UK Products Limited

Opinion

We have audited the financial statements of Ricoh UK Products Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and loss account, Statement of other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent auditor's report to the members of Ricoh UK Products Limited *(continued)*

Going concern *(continued)*

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities


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

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

Independent auditor's report to the members of Ricoh UK Products Limited *(continued)*

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

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



Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

01 November 2019

Profit and loss account
for the year ended 31 March 2019

| | <i>Note</i> | 2019 £000 | 2018 £000 |
|--|-------------|----------------------------|----------------------------|
| Turnover | 2 | 351,114 | 341,686 |
| Cost of sales | | (313,827) | (319,872) |
| Gross profit | | 37,287 | 21,814 |
| Administrative expenses | | (11,649) | (12,067) |
| Operating profit | 5 | 25,638 | 9,747 |
| Interest receivable and similar income | 3 | 1,788 | 1,684 |
| Interest payable and similar charges | 4 | (2,618) | (2,656) |
| Profit before taxation | | 24,808 | 8,775 |
| Tax on profit | 8 | (4,598) | (1,614) |
| Profit for the year | | 20,210 | 7,161 |

All results are derived from continuing activities.

The notes on pages 12 to 30 form part of these financial statements.

Statement of other comprehensive income
for the year ended 31 March 2019

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Profit for the financial year | 20,210 | 7,161 |
| Other comprehensive income | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Remeasurement of defined benefit liability | 2,908 | (1,434) |
| Income tax on items that will not be reclassified to profit or loss | (494) | 244 |
| Other comprehensive income/ (expenses) for the year, net of income tax | 2,414 | (1,190) |
| Total comprehensive income for the year | 22,624 | 5,971 |

The notes on pages 12 to 30 form part of these financial statements.

Balance sheet
at 31 March 2019

| | Note | 2019 £000 | 2018 £000 |
|--|------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 10 | 18,513 | 18,990 |
| Deferred tax | 14 | 7,251 | 7,548 |
| | | <u>25,764</u> | <u>26,538</u> |
| Current assets | | | |
| Stocks | 11 | 46,523 | 48,819 |
| Debtors | 12 | 82,881 | 61,865 |
| Cash at bank and in hand | | 15,992 | 17,696 |
| | | <u>145,396</u> | <u>128,380</u> |
| Creditors: Amounts falling due within one year | 13 | (28,264) | (28,174) |
| Net current assets | | <u>117,132</u> | <u>100,206</u> |
| Total assets less current liabilities | | <u>142,896</u> | <u>126,744</u> |
| Provisions for liabilities | | | |
| Other provisions | | | |
| Pension liability | 17 | (35,698) | (38,590) |
| Net assets | | <u>107,198</u> | <u>88,154</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 5,500 | 5,500 |
| Profit and loss account | | 101,698 | 82,654 |
| Shareholders' equity | | <u>107,198</u> | <u>88,154</u> |

The notes on pages 12 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 31 October 2019 and were signed on its behalf by:



R Baggott
Director

Company registered number: 1763860

Statement of changes in equity

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|------------------------------------|-------------------------|
| Balance at 1 April 2017 | 5,500 | 85,762 | 91,262 |
| Total comprehensive income for the period | | | |
| Profit or loss | - | 7,161 | 7,161 |
| Other comprehensive income | - | (1,190) | (1,190) |
| Total comprehensive income for the period | - | 5,971 | 5,971 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | (9,079) | (9,079) |
| Total contributions by and distributions to owners | - | (9,079) | (9,079) |
| Balance at 31 March 2018 | 5,500 | 82,654 | 88,154 |
| Balance at 1 April 2018 | 5,500 | 82,654 | 88,154 |
| Total comprehensive income for the period | | | |
| Profit or loss | - | 20,210 | 20,210 |
| Other comprehensive income | - | 2,414 | 2,414 |
| Total comprehensive income for the period | - | 22,624 | 22,624 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | (3,580) | (3,580) |
| Total contributions by and distributions to owners | - | (3,580) | (3,580) |
| Balance at 31 March 2019 | 5,500 | 101,698 | 107,198 |

The notes on pages 12 to 30 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Ricoh UK Products Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 1763860 and the registered address is Priorslee, Telford, Shropshire TF2 9NS.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Ricoh Company Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Ricoh Company Limited are available to the public and may be obtained from 13-1 Ginza, 8 Chome, Chuo-Ku, Tokyo 104-8222, Japan.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Ricoh Company Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company has adopted the reduced disclosure framework of FRS 101 in its financial statements.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1 Changes in accounting policies

IFRS 15: Revenue from contracts with customers

The Company has applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18. However, there are no significant changes and hence quantitative impact of the changes are not disclosed.

Notes (continued)

1 Accounting policies (continued)

1.1 Changes in accounting policies (continued)

IFRS 9: Financial instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Company applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of 1 April 2018.

The Company has performed an assessment to understand the requirements of IFRS 9 and how these differ from IAS 39 and concluded there was no significant impact on the financial statements from the date of adoption. There were no differences between previous carrying amounts and consequently no adjustment has been made to opening retained earnings.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing these financial statements.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Financial Instruments (policy applicable from 1 April 2018)

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes (continued)

1 Accounting policies (continued)

1.5 Financial instruments (policy applicable from 1 April 2018) (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

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.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.5 Financial instruments (policy applicable from 1 April 2018) (continued)

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

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

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Impairment

The company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Notes (continued)

1 Accounting policies (continued)

1.5 Financial instruments (policy applicable from 1 April 2018) (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.6 Classification of financial instruments issued by the Company (policy applicable prior to 1 April 2018)

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

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

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

Notes (continued)

1 Accounting policies (continued)

1.7 Non-derivative financial instruments (policy applicable prior to 1 April 2018)

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 20 years
- Long leasehold buildings term of the lease
- Plant and machinery 2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

1.10 Impairment excluding stocks and deferred tax assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension 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, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Notes (continued)

1 Accounting policies (continued)

1.11 Employee benefits (continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.12 Provisions

A provision is recognised in the balance sheet when the Company 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised on despatch, which is when customer obtains control of goods transferred.

1.14 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.15 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 OCI, in which case it is recognised directly in equity or OCI.

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

2 Segment information

Turnover, all of which arose in the UK, relates to the Company's principal activity and may be analysed by geographical destination as follows:

| | 2019 £000 | 2018 £000 |
|----------------|----------------|----------------|
| UK | 4,967 | 1,658 |
| Rest of Europe | 327,576 | 324,769 |
| Other | 18,571 | 15,259 |
| | <u>351,114</u> | <u>341,686</u> |

3 Interest receivable and similar income

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Amounts payable by group undertakings | 193 | 59 |
| Net interest of defined benefit plan assets (see note 18) | 1,595 | 1,625 |
| | <u>1,788</u> | <u>1,684</u> |

4 Interest payable and similar charges

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Net interest on defined benefit pension plan liability (see note 18) | 2,618 | 2,656 |
| | <u>2,618</u> | <u>2,656</u> |

5 Expenses and auditor's remuneration

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| <i>Included in profit/loss are the following:</i> | | |
| Depreciation and amounts written off tangible fixed assets | 6,212 | 7,156 |
| Operating lease rentals: | | |
| Plant and machinery | 342 | 295 |
| Land and buildings | 10 | 83 |
| | <u>58</u> | <u>53</u> |
| Auditor's remuneration for audit of these financial statements | 58 | 53 |

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

| | Number of employees | |
|------------------------------|---------------------|------------|
| | 2019 | 2018 |
| Production | 215 | 234 |
| Technical and administration | 396 | 413 |
| | <u>611</u> | <u>647</u> |

The aggregate payroll costs of these persons were as follows:

| | £000 | £000 |
|---|---------------|---------------|
| Wages and salaries | 24,158 | 23,476 |
| Social security costs | 2,079 | 2,067 |
| Contributions to defined contribution plans | 2,010 | 2,051 |
| | <u>28,247</u> | <u>27,594</u> |

7 Directors' remuneration

| | 2019 £000 | 2018 £000 |
|-------------------------|--------------|--------------|
| Directors' remuneration | <u>772</u> | <u>775</u> |

Pensions

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

| | Number | |
|-------------------------|----------|----------|
| | 2019 | 2018 |
| Defined benefit schemes | <u>2</u> | <u>2</u> |

Highest paid director

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

| | 2019 £000 | 2018 £000 |
|-------------------------|--------------|--------------|
| Directors' remuneration | <u>262</u> | <u>278</u> |

Notes (continued)

8 Taxation

(i) Recognised in the profit and loss account

| | 2019 £000 | £000 | 2018 £000 | £000 |
|--|--------------|-------|--------------|-------|
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the year | 4,596 | | 1,894 | |
| Adjustment in respect of prior year | 199 | | 76 | |
| | <hr/> | | <hr/> | |
| Total current tax | | 4,795 | | 1,970 |
| <i>Deferred tax</i> | | | | |
| Origination and reversal of timing differences | (197) | | (356) | |
| Reduction in tax rate | - | | - | |
| | <hr/> | | <hr/> | |
| Total deferred tax (see note 14) | | (197) | | (356) |
| | | <hr/> | | <hr/> |
| Total tax on profit on ordinary activities | | 4,598 | | 1,614 |
| | | <hr/> | | <hr/> |

(ii) Recognised in other comprehensive income

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Remeasurement of defined benefit liability/asset | (494) | 244 |
| | <hr/> | <hr/> |

(iii) Reconciliation of effective tax rate

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Profit excluding taxation | 24,808 | 8,775 |
| | <hr/> | <hr/> |
| Tax using the UK corporation tax rate of 19% (2018: 19%) | 4,714 | 1,667 |
| | <hr/> | <hr/> |
| Income not taxable for tax purposes | - | (35) |
| Fixed asset differences | 97 | 70 |
| Changes in tax rate | (75) | 43 |
| R&D credit | (423) | (256) |
| Other differences | 86 | 49 |
| Adjustment in respect of prior years | 199 | 76 |
| Amounts charged directly to equity | - | - |
| | <hr/> | <hr/> |
| Total tax expense | 4,598 | 1,614 |
| | <hr/> | <hr/> |

(iv) Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2019 has been calculated based on these rates.

Notes (continued)

9 Dividends

| | 2019 £000 | 2018 £000 |
|---------------|--------------|--------------|
| Dividend paid | 3,580 | 9,079 |

10 Tangible fixed assets

| | Freehold land and buildings £000 | Long leasehold buildings £000 | Plant and machinery £000 | Total £000 |
|-----------------------|---|--|--------------------------------|---------------|
| <i>Cost</i> | | | | |
| At beginning of year | 21,713 | 3,097 | 61,290 | 86,100 |
| Additions | 20 | - | 5,726 | 5,746 |
| Disposals | (51) | - | (969) | (1,020) |
| At end of year | 21,682 | 3,097 | 66,047 | 90,826 |
| <i>Depreciation</i> | | | | |
| At beginning of year | 17,066 | 3,028 | 47,016 | 67,110 |
| Charge for the year | 107 | 69 | 6,036 | 6,212 |
| Disposals | (50) | - | (959) | (1,009) |
| At end of year | 17,123 | 3,097 | 52,093 | 72,313 |
| <i>Net book value</i> | | | | |
| At 31 March 2019 | 4,559 | - | 13,954 | 18,513 |
| At 31 March 2018 | 4,647 | 69 | 14,274 | 18,990 |

Included in the net book value of freehold land and buildings is land with a cost of £2,178,603 (2018: £2,178,603) which is not depreciated.

11 Stocks

| | 2019 £000 | 2018 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 43,546 | 47,215 |
| Work in progress | 1,741 | 890 |
| Finished goods | 1,236 | 714 |
| | 46,523 | 48,819 |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £277,943,799 (2018: £277,740,118). The write-down of stocks to net realisable value amounted to £120,091 (2018: £264,345).

Notes (continued)

12 Debtors

| | 2019 £000 | 2018 £000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 63 | 25 |
| Amounts owed by group undertakings | 78,392 | 56,726 |
| VAT recoverable | 3,945 | 4,704 |
| Prepayments and accrued income | 481 | 410 |
| | <u>82,881</u> | <u>61,865</u> |

Amounts owed by group undertakings are interest-free and repayable on demand.

13 Creditors: Amounts falling due within one year

| | 2019 £000 | 2018 £000 |
|--|---------------|---------------|
| Trade creditors | 2,436 | 3,112 |
| Amounts owed to group undertakings | 16,211 | 21,568 |
| Corporation tax | 6,560 | 2 |
| Other creditors including taxation and social security | 810 | 852 |
| Accruals and deferred income | 2,247 | 2,640 |
| | <u>28,264</u> | <u>28,174</u> |

Amounts owed to group undertakings are interest-free and repayable on demand.

Notes (continued)

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | 2019 £000 | 2018 £000 |
|-----------------------------|----------------|----------------|
| Tangible fixed assets | (1,182) | (988) |
| Employee benefits – Note 18 | (6,069) | (6,560) |
| Net deferred tax | <u>(7,251)</u> | <u>(7,548)</u> |

Movement in deferred tax during the current and prior year

| | 1 April 2018 £000 | Recognised in income £000 | Recognised in OCI £000 | 31 March 2019 £000 | 1 April 2017 £000 | Recognised in income £000 | Recognised in OCI £000 | 31 March 2018 £000 |
|-----------------------|-------------------------|---------------------------------|------------------------------|--------------------------|-------------------------|---------------------------------|------------------------------|--------------------------|
| Tangible fixed assets | (988) | (194) | - | (1,182) | (568) | (420) | - | (988) |
| Employee benefits | (6,560) | (3) | 494 | (6,069) | (6,380) | 64 | (244) | (6,560) |
| | <u>(7,548)</u> | <u>(197)</u> | <u>494</u> | <u>(7,251)</u> | <u>(6,948)</u> | <u>(356)</u> | <u>(244)</u> | <u>(7,548)</u> |

15 Called up share capital

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Allotted, called up and fully paid 55,000 ordinary shares of £100 each | <u>5,500</u> | <u>5,500</u> |

Notes (continued)

16 Financial commitments

(a) Capital commitments

Capital commitments as at 31 March 2019, for which no provision has been made, amounted to Nil (2018: £139,655).

(b) Lease commitments

Non-cancellable operating lease rentals are payable as follows:

| | 2019 Plant and machinery £000 | Other £000 | 2018 Plant and Machinery £000 | Other £000 |
|----------------------------|--|---------------|--|---------------|
| Less than one year | 290 | 10 | 293 | 10 |
| Between one and five years | 171 | 40 | 320 | 40 |
| Greater than five years | - | 110 | - | 120 |
| | <u>461</u> | <u>160</u> | <u>613</u> | <u>170</u> |

(c) Contingent liabilities

The Company has granted a counter-indemnity of £45,600 (2018: £45,600) to Barclays Bank in respect of deferred duty payments to HM Revenue and Customs.

17 Pension commitments

Defined contribution scheme

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The pension cost for the year in respect of this scheme amounted to £2,009,871 (2018: £2,051,146).

Defined benefit pension plan

The Company operates a defined benefit pension arrangement called the Ricoh UK Products Pension Plan ("the Scheme").

The Scheme provides benefits based on members' average earnings over their careers and length of service on retirement, or death. The Scheme closed to the future accrual of benefits on 31 October 2013.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met.

As part of the process the Company must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts.

Under the current Schedule of contributions the Company has agreed to pay the following amounts for the year to 31 March 2019:

Deficit reduction contributions - £1,400,000

Expenses - The Company meets Scheme expenses directly

The Scheme is managed by a Board of Trustees appointed in part by the Company and part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

Notes (continued)

17 Pension commitments (continued)

The Scheme exposes the Company to a number of risks:

- *Investment risk.* The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short-term volatility can cause additional funding to be required if a deficit emerges.
- *Interest rate risk.* The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
- *Inflation risk.* A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- *Mortality risk.* In the event that members live longer than assumed a deficit will emerge in the Scheme.

The Company and Trustees consider risk mitigation strategies including the investment strategy and governance procedures.

There were no plan amendments, curtailments or settlements during the period.

The information disclosed below is in respect of the whole of the plan for which the Company is the sponsoring employer.

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Total defined benefit asset | 63,038 | 58,891 |
| Total defined benefit liability | (98,736) | (97,481) |
| Net liability for defined benefit obligations (see following table) | (35,698) | (38,590) |
| Related deferred tax asset | 6,069 | 6,560 |
| Pension liability | (29,629) | (32,030) |

Notes (continued)

17 Pension commitments (continued)

Movements in net defined benefit liability

| | Defined benefit obligation | | Fair value of plan assets | | Net defined benefit liability | |
|---|----------------------------|--------------|---------------------------|--------------|-------------------------------|--------------|
| | 2019 £000 | 2018 £000 | 2019 £000 | 2018 £000 | 2019 £000 | 2018 £000 |
| Balance at 1 April | (97,481) | (95,273) | 58,891 | 57,748 | (38,590) | (37,525) |
| Included in profit or loss | | | | | | |
| Interest (cost)/income | (2,618) | (2,656) | 1,595 | 1,625 | (1,023) | (1,031) |
| | | | | | | |
| Included in OCI | | | | | | |
| Remeasurements loss/(gain): | | | | | | |
| Actuarial loss (gain) arising from: | | | | | | |
| - Changes in demographic assumptions | 3,101 | - | - | - | 3,101 | - |
| - Change in financial assumptions | (6,611) | (376) | - | - | (6,611) | (376) |
| Return on plan assets excluding interest income | - | - | 2,187 | (1,058) | 2,187 | (1,058) |
| Past service costs | (393) | - | - | - | (393) | - |
| Experience (gain) on liability | 4,231 | - | - | - | 4,231 | - |
| | | | | | | |
| Other: | | | | | | |
| Contributions paid by the employer | - | - | 1,400 | 1,400 | 1,400 | 1,400 |
| Benefits paid | 1,035 | 824 | (1,035) | (824) | - | - |
| | | | | | | |
| Balance at 31 March | (98,736) | (97,481) | 63,038 | 58,891 | (35,698) | (38,590) |

Plan assets

| | 2019 £000 | 2018 £000 |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | 20,210 | 15,834 |
| Equity instruments | 23,700 | 23,851 |
| Bonds | 3,160 | 3,283 |
| Real estate | 4,005 | 3,891 |
| Diversified funds | 11,963 | 12,032 |
| | | |
| Total | 63,038 | 58,891 |

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

| | 2019 | 2018 |
|--------------------------|------|------|
| Discount rate | 2.5% | 2.7% |
| Inflation assumption RPI | 3.4% | 3.3% |
| Inflation assumption CPI | 2.4% | 2.3% |

Notes (continued)

17 Pension commitments (continued)

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: 87.3 years (male), 89.3 years (female).
- Future retiree upon reaching 65: 89.3 years (male), 91.4 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions.

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Discount rate less 0.25% | | |
| Future salary increases | 6,200 | 6,300 |
| Life expectancy 90% of base table (increases life expectancy) | 2,100 | 2,000 |
| RPI CPI gap less 0.25% | 2,800 | 3,300 |
| Inflation (RPI, CPI) plus 0.25% | 4,700 | 5,300 |

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below. Adjusting the life expectancy assumption to 90% of the basic table represents approximately 1 year increase in life expectancy. Therefore, if members lived one year longer, all else being equal, the value of the liabilities will increase by approximately £2 million. The last full actuarial valuation was at 31 March 2018. The plan operates an asset – liability matching strategy.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2018 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company expects to pay £4.25 million in contributions to its defined benefit plans from 2019 onwards

18 Related party transactions

The Company has taken advantage of the exception available to wholly owned subsidiary undertakings to not disclose transactions with other subsidiaries of the group by virtue of being a wholly owned subsidiary of Ricoh Company Limited. The Company has entered into no other related party transactions.

Notes (continued)

19 Ultimate parent company and parent company of larger group

Ricoh Company Limited is the ultimate parent Company and controlling party, incorporated in Japan and is the largest group in which the results of the Company are consolidated. No other group financial statements includes the results of the company.

The consolidated financial statements of this group are available to the public and may be obtained from:

13-1 Ginza
8 Chome
Chuo-Ku
Tokyo 104-8222
Japan

20 Accounting estimates and judgements

Estimates and assumptions are reviewed on an ongoing basis. The key accounting estimates and judgements are considered to be as follows:

Debtors – Provisions are calculated for all debts considered to be non-collectable.

Deferred tax – Deferred tax assets are recognised in the financial statements when the company has reasonable expectation of the deferred tax being utilised in future years.

Pension – the Company's pension liability is based on certain key assumptions including discount rate, future salary increases, mortality rates and rates of inflation. Further details are set out in note 17.