Quadient UK Limited (formerly Neopost Ltd)

Report and Financial Statements

31 January 2020

Registered number: 2658324

Corporate Information

Directors
J-F. Labadie (Chairman)
D. Groom
G. Adam

Secretary
G. Adam

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
HSBC
69 Pall Mall
London SW1Y 5EY

Solicitors
Mills and Reeve
Francis House
112 Hills Road
Cambridge CB2 1PH

Registered Office
3rd Floor Press Centre
Here East
14 East Bay Lane
London E15 2GW

Contents

Strategic report

The directors present their strategic report for the year ended 31 January 2020.

On the 10th of February 2020 the Company changed name from Neopost Limited to Quadient UK Ltd.

Principal activities and business review

Development and performance of the business during the year

The principal activity of the Company continues to be the distribution and servicing of mailroom equipment. The Company forms part of a group headed by Quadient S.A., incorporated in France. The group is dedicated to a business focused on the mailroom market and seeks to maintain its worldwide market share by continuing to develop, manufacture and distribute innovative mailroom products in relation with Customer Experience Management, Business Process Automation and Parcel Locker.

The directors regard the following financial and other indicators as the key performance indicators for the business in relation to operations:

	2020 £'000	2019 £'000	Change
Turnover	52,703	54,284	-2.9%
Gross margin	30,327	30,655	-1.1%
Profit before tax and dividends	522	2,640	-80.2%
As % of turnover	1.0%	4.9%	-79.6%

Business review

During the year the Company has seen a decline in revenue of 2.9% reflecting the ongoing general decline in the mailroom market during the year although the rate of decline has again been less than expected. The slower rate of decline is due to growth in sales of software products but also due to increased focus on the legacy mailroom market primarily within the franking machine market. Gross margin levels have been maintained at comparable levels to 2019 as the impact of mix between software and hardware has been relatively consistent. Operating expenses have continued to be reduced with costs being £1,020,000 lower than 2019. Overall profits have reduced against prior year as last year included a one-off exceptional benefit with a profit impact of £2,546,000.

Position of the Company at the end of the year

At the end of the financial year the Company was in a stable financial position and remains a positive contributor to the overall Quadient group profitability.

Section 172 (1) Statement
The directors of Quadient UK Ltd act in the way they consider would be most likely to promote the success of the Company, for the benefit of its members as a whole, and in doing so have regard to the following:

People and Communities
Empowering a diverse workforce to achieve our strategy and drive positive change in our communities

- Provide great working conditions empowering all Quadient's employees to perform at their very best.
- Create a diverse and inclusive culture indicative of Quadient's equal opportunity employer philosophy.
- Give all employees the opportunity and the means for personal and career development and empower them to contribute to the Company's success.
- Encourage employees to support the communities that make sense for them.

This will be enabled through

- Ongoing Employee Engagement surveys
- Global Wellness and employee assistance program
- Agile working arrangements
- Extensive Learning and Development, e-program and online English classes
- Internal mobility for career development
- Diversity & Inclusion: Increase of gender parity at Senior Leadership level and increased recruitment of differently-abled, senior and millennial talents
- 'Empower Women' Leadership Program
- Community support for International Women's Day and ongoing charity outreach in all our regions

Solutions
Delivering the best customer experience by offering innovative, reliable and sustainable solutions

- Leverage digital technology and innovation to develop new functionalities for existing solutions and design tomorrow's solutions.
- Design cutting-edge solutions to help our customers fulfil their needs while contributing to sustainable development.
- Deliver high quality, reliable and secured products, solutions and services.

This will be enabled through

- Innovation events, such as 'Global Inspire Days' and 'Local Innovation Days'
- Investments in innovation and R&D (Quadient's group investing 4% turnover per year)
- Intellectual property management policy and patents
- Solutions which reduce CO2 emissions, such as our Standard Parcel Locker which avoids the energy spent by missed parcel deliveries to people's homes, and also CVP Automated

Section 172 (1) Statement (continued)

- Packaging Solutions which reduces the volume (and therefore materials) of packaging (plastic/cardboard etc) for parcels
- Solutions which support our customers' digital transformation

Ethics and Compliance
Enabling a culture of excellence and integrity

- Promote a culture of integrity and ethical conduct through Quadient's compliance program.
- Protect data entrusted to Quadient against internal and external threats.
- Engage with partners and suppliers who observe standards similar to those of the Company.

This will be enabled through

- Code of Ethics training and awareness, promoting ethical behaviour among employees and external stakeholders
- Regular operating reviews, risk management, internal audits and supplier assessments to ensure Code of Ethics compliance
- Corporate whistleblowing procedure to facilitate the reporting of any possible breach of our Code of Ethics
- Data protection and information security policies and governance:
- Responsible Procurement with suppliers assessed comply with Quadient's Suppliers' Code of Conduct

Environment
Continuously reducing our impact on the planet.

- Support the global transition to a low carbon economy by reducing the Company's greenhouse gas emissions.
- Foster circular economy principles in the Company's activities to lower Quadient's environmental footprint.

This will be enabled through

- Reduce consumption and improved energy efficiency
- Company being ISO 14001 certified.
- Replacement of obsolete equipment, investment in high performance equipment such as boilers, heat pumps, heat recovery compressors
- Factory renovation and insulation, together with installation of presence sensors, LED lighting.
- Virtualized operations for IT servers and equipment such as routers, switchers, UPS, communication equipment, storage equipment, cables, etc.
- Eco-design of products
- Optimized planning and procurement systems, monitoring transport methods and selection of carriers with eco-friendly logistics

Principal risks and uncertainties
The main risk to the Company's business is changes in postal regulation in the UK which impact the Company directly, however changes in the size of the global mail market are also considered a risk. The Company continues to have a strong relationship with the Royal Mail and works closely with them on new postal developments.

Covid 19 Risk
The risks associated with Covid-19 are under ongoing consideration with principal risks being credit and economic. The Company continues to take actions to minimise the potential impacts of these risks, however, given the uncertainty surrounding the future of Covid-19 the long term impact on the business is unclear. The business has set operating plans assuming a return to normal economic conditions within the next year however is re-evaluating this position on a regular basis and is prepared to take action dependent on the revised economic position.

Foreign currency risk
Foreign currency risk is considered low as all of the Company's sales, and the majority of the Company's purchases, are made in sterling. Where the Company does make purchases in foreign currencies it uses forward foreign currency contracts to minimise the exposure to the variability of foreign exchange rates by fixing the rate.

Credit risk
Credit risk with respect to trade receivables is limited due to the number of companies comprising the Company's customer base. Although the Company is directly affected by the financial condition of its customers, management does not believe significant credit risks exist at 31 January 2020. Generally, the Company does not require collateral or other securities to support its accounts receivable.

Price risk
Price risk is considered relatively low as the sales price of the Company's core products, franking machines, are relative inelastic to general economic conditions. The Company purchases the majority of goods for resale from other Quadient group companies, and the purchase price is set for a twelve month period.

Liquidity risk
The Company's cash flow requirements are funded by short term borrowings from Quadient S.A. which the directors consider has sufficient funds available to meet those requirements. As a result liquidity risk is considered low.

Principal risks and uncertainties (continued)

Brexit risk

The company has assessed the potential risks associated with Brexit and believe that there will be no material impacts or changes to the business' operations. The Company believes however there is a high level of uncertainty regarding Brexit and there is therefore potentially risk associated with the economic impact to wider UK economy however at this time the outcome of this is not certain.

By order of the Board

G. Adam
Director
26 January 2021

Directors' report

Registered No. 2658324
The directors present their report for the year ended 31 January 2020.

Directors
The directors of the company during the year and subsequently were:
J-F. Labadie Chairman
D. Groom
G. Adam

Results and dividends
The company made a profit after taxation of £790,000 for the year (2019: profit of £2,148,000). No dividends were paid in the year (2019: no dividends paid).

Future developments
The Company intends to continue operating in the areas of mailroom equipment and software, focussing on maintaining the core revenue from equipment sales whilst increasing revenues from software sales and entering the market of parcel lockers.

Financial instruments
The Company finances its activities through a combination of cash, and short term deposits and short term borrowings with and from its parent company, Quadient S.A. Other financial assets and liabilities such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Financial instruments give rise to foreign currency, credit, price and liquidity risk. Information on how these risks arise is set out below, as are the objectives, policies and processes for their management.

Use of derivatives
The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Events since the balance sheet date
As of 31 January 2020, a number of cases COVID-19 virus has been reported to the World Health Organisation (WHO). Following the subsequent spread of the virus, on 11 March 2020 the WHO declared the COVID-19 outbreak to be a pandemic.

Although, the pandemic exists at balance sheet date, this is considered as non-adjusting event.

Going concern
The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposure to foreign currency, price, liquidity and credit risk are described in the Strategic Report on pages 3 to 7.

The Company's contracts with customers are largely long term with a large number of customers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Directors' report (continued)

Going concern (continued)
Profit before tax for the year ended 31 January 2020 amounted to £522,000 (2019:£2,640,000). The Company has net current liabilities as at 31 January 2020 of £5,478,000 (2019:£6,900,000). Net assets as at 31 January 2020 amounted to £27,958,000 (2019:£26,187,000).

The Directors have received a letter of support from its ultimate parent company, Quadient S.A. The letter confirms that for a period of at least 12 months from the approval of the financial statements, Quadient S.A. will make available such funds as required to enable the Company to meet its currently maturing obligations as they fall due.

The directors have reviewed the available financial information for Quadient S.A and made enquiries based on this information they are confident that the parent company has the ability to provide financial support to the company for the foreseeable future if needs arise.
After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the 2020 financial statements.

Disabled employees
Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that employment continues in jobs which are appropriate to their skills and abilities. Special arrangements are made as necessary.
It is the policy of the Company that training, career development and promotion of disabled persons should, where applicable, be identical with that of other employees.
Close liaison is maintained with disablement resettlement officers of the Department of Employment by a member of staff who is the recognised contact for matters affecting the disabled.

Employee involvement
The Company operates an employee forum, the Quadient UK Employee Forum ("QUKEF"). The forum consists of 3 Management Members and 12 Employee Members representing all areas of the business. The main purpose of the forum is to provide effective two-way communication and feedback between management and employees. Specifically the forum aims to discuss new ideas, policy changes, and business matters affecting the joint interests of management and employees and to supplement the existing channels of communication within the Company. The forum meets at least twice a year.

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

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable UK law and regulations.

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

In preparing those 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;

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

G. Adam
Director
26 January 2021

Independent auditor's report
to the Members of Quadient UK Limited

Opinion
We have audited the financial statements of Quadient UK Limited for the year ended 31 January 2020 which comprise the income statement, the statement of other comprehensive income, the statement of changes in equity, the balance sheet and the related notes 1 to 24 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the company's affairs as at 31 January 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter
We draw your attention to Note 1 and 24 to the financial statements, which describes the economic and social consequences the Company is facing as a result of COVID-19 pandemic, which is impacting consumer demand, personnel available for work and being able to access the office. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report (Continued)

to the Members of Quadient UK Limited

Other information (continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report (Continued)
to the Members of Quadient UK Limited

Use of our report

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

Ernst & Young LLP

Stuart Darrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 January 2021

Income Statement
Year ended 31 January 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	52,703	54,284
Cost of sales		(22,376)	(23,629)
Gross profit		30,327	30,655
Operating expenses	4	(31,958)	(32,978)
Operating income	5	1,867	4,803
Operating profit		236	2,480
Interest receivable and similar income	8	581	210
Interest payable and similar charges	9	(295)	(50)
Profit from all operations before taxation		522	2,640
Tax expense/(credit)	10	268	(492)
Profit for the financial year		790	2,148

All operations are continuing.
The accompanying notes are an integral part of the financial statements.

Statement of other comprehensive income

Year ended 31 January 2020

	Notes	2020 £'000	2019 £'000
Profit for the financial year		790	2,148
Other comprehensive income:			
Items that cannot be reclassified to profit and loss:			
Re-measurement gain on defined benefit pension plans after tax	21	981	799
Lease IFRS16 transition	2.1	-	(586)
Other comprehensive income for the year, net of tax		981	213
Total comprehensive income for the year		1,771	2,361

Statement of changes in equity

Year ended 31 January 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total Equity £'000
At 1 February 2018	3,000	1,455	19,371	23,826
Profit for the financial year	-	-	2,148	2,148
Other comprehensive gain	-	-	213	213
Total comprehensive income for the year	**-**	**-**	**2,361**	**2,361**
At 31 January 2019	**3,000**	**1,455**	**21,732**	**26,187**
Profit for the financial year	-	-	790	790
Other comprehensive gain	-	-	981	981
Total comprehensive income for the year	**-**	**-**	**1,771**	**1,771**
At 31 January 2020	**3,000**	**1,455**	**23,503**	**27,958**

Balance sheet

As at 31 January 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	3,445	3,999
Investments	13	8,439	9,576
Goodwill	13	1,137	-
Right of use asset	17	5,001	6,121
Pension asset	21	22,602	21,205
		40,624	40,901
Current assets			
Stocks	14	830	798
Debtors	15	40,386	38,706
Cash at bank and in hand		91	516
		41,307	40,020
Creditors: amounts falling due within one year	16	(46,785)	(46,920)
Net current liabilities		(5,478)	(6,900)
Total assets less current liabilities		35,146	34,001
Creditors: amounts falling due after more than one year	16	(7,188)	(7,814)
Net assets		27,958	26,187
Capital and reserves			
Called-up share capital	18	3,000	3,000
Share premium account		1,455	1,455
Profit and loss account		23,503	21,732
Equity shareholders' funds		27,958	26,187

Balance sheet
As at 31 January 2016

G Adam
Director

26 January 2021

Notes to financial statements

31 January 2020

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Quadient UK Limited (the "Company") for the year ended 31 January 2020 were authorised by the board of directors on 26 January 2021 and the balance sheet was signed on the board's behalf by G Adam. Quadient UK Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Company has taken the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Quadient S.A., a company incorporated in France. The consolidated financial statements of Quadient S.A. are available from Resonance, 42-46 avenue Aristide Briand, 92220 Bagneux, France.

The principal accounting policies adopted by the Company are set out in note 2.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposure to foreign currency, price, liquidity and credit risk are described in the Strategic Report on pages 3 to 7.

The Company's contracts with customers are largely long term with a large number of customers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Profit before tax for the year ended 31 January 2020 amounted to £522,000 (2019:£2,640,000). The Company has net current liabilities as at 31 January 2020 of £5,478,000 (2019:£6,900,000). Net assets as at 31 January 2020 amounted to £27,958,000 (2019:£26,187,000).

The Directors have received a letter of support from its ultimate parent company, Quadient S.A. The letter confirms that for a period of at least 12 months from the approval of the financial statements, Quadient S.A. will make available such funds as required to enable the Company to meet its currently maturing obligations as they fall due.

The directors have reviewed the available financial information for Quadient S.A and made enquiries based on this information they are confident that the parent company has the ability to provide financial support to the company for the foreseeable future if needs arise.
After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the 2020 financial statements.

2 Accounting policies

2.1(a) Basis of accounting

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2020.

The Company has taken the following exemptions under FRS 101:

a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment*, because the share based payment arrangement concern the instruments of another group entity;

b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;

c) the requirements of IFRS 7 *Financial Instruments: Disclosures*;

d) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
   i. paragraph 79(a)(iv) of IAS 1;
   ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*
   iii. paragraph 118(e) of IAS 38 *Intangible Assets*;

e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134 to 136 of IAS 1 *Presentation of Financial Statements*

f) the requirements of IAS 7 *Statement of Cash Flows*;

g) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

h) the requirements of paragraph 17 of IAS 24 *Related Party Transactions*

i) the requirements in IAS 24 Related Party Transactions to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f), and 135(c) to 135(e) of IAS 36 *Impairment of Assets.*

2.1(b) New and amended standards and interpretations

The following standards have been issued in the financial year and have been applied where applicable.

a) IFRS 17 Insurance Contracts
The directors do not believe that the adoption of this standard has had a material impact on the Company's financial statements in the period of initial application.

b) IFRS 16 Leases
The standard requires the lessees to recognise a right of use asset and a lease obligation without differentiation between operating and finance leases.

Method and exemptions

The Company has applied IFRS16 on lease contracts starting from 1 February 2019 using the simplified retrospective approach. The assets right of use has therefore been estimated since the starting date of the lease. The Company has applied the exemptions allowed by IFRS16 not recognising contracts that cover a period less than twelve months and leases for which the underlying asset value is of a low value. For the Company the contracts within scope the lease agreements are mainly real estate leases.

2.1(b) New and amended standards and interpretations (continued)

Key assumptions

In order to assess the residual duration for real estate leases the Companies parent, Quadient S.A., has made an analysis of its sites. In addition, the parent of the Company called upon the services of an external company to determine the discount rates to be applied on leases reflecting the geographical area and remaining life of lease.

Impacts of first application

The impacts of the application of the application of IFRS16 at 1 February 2019 are as follows;

- Recognition of assets right of use for a net amount of £6,121,000
- Recognition of a lease obligation for an amount of £6,707,000 including £6,285,000 for long term leases corresponding to the future minimum payments due to the lessor at 1 February 2019 over the remaining life of the lease
- Recognition under equity without restatement to prior period for £586,000

2.1(b) New and amended standards and interpretations (continued)
a) IFRS 16 Leases (continued)

The transitional impact on the balance sheet is as follows;

	31 Jan 2019	Transition to IFRS16	1 Feb 2019
Fixed assets			
Intangible assets	-	-	-
Tangible assets	3,999	-	3,999
Investments	9,576	-	9,576
Right of use asset	-	6,121	6,121
Pension asset	21,205	-	21,205
	34,780	6,121	40,901
Current assets			
Stocks	798	-	798
Debtors	38,706	-	38,706
Cash at bank and in hand	516	-	516
	40,020	-	40,020
Creditors: amounts falling due within one year	(46,498)	(422)	(46,920)
Net current assets/liabilities	(6,478)	(422)	(6,900)
Total assets less current liabilities/assets	28,302	5,699	34,001
Creditors: amounts falling due after more than one year	(1,529)	(6,285)	(7,814)
Net assets	26,773	(586)	26,187
Capital and reserves			
Called-up share capital	3,000	-	3,000
Share premium account	1,455	-	1,455
Profit and loss account	22,318	(586)	21,732
Equity shareholders' funds	26,773	(586)	26,187

2.2 Significant accounting policies

a) Foreign currency translation

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions denominated in foreign currencies are recorded in sterling at the rates ruling at the dates of the transactions. Gains or losses arising from transactions are reported in the profit and loss account to reflect subsequent changes in exchange rates.

2.2 Significant accounting policies (continued)

a) Foreign currency translation (continued)

Monetary assets and liabilities which are denominated in foreign currencies at the year-end are translated at the rates of exchange ruling at the year-end, and resulting gains or losses are reported in the profit and loss account.

b) Intangible fixed assets

Intangible assets with finite lives, such as software, are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation methods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is de-recognised.

c) Tangible fixed assets

Plant and equipment is stated at cost less depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all plant and equipment on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	over lease term
Plant and equipment	over 2 to 10 years
Rental assets	over 3 to 5 years
Motor vehicles	over 4 years
Demonstration equipment	over 4 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

d) Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

e) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

2.2 Significant accounting policies (continued)

e) Impairment of non-financial assets (continued)

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in the income statement.

f) Leases

The Company has applied IFRS16 on lease contracts starting from 1 February 2019 using the simplified retrospective approach. The assets right of use has therefore been estimated since the starting date of the lease. The Company has applied the exemptions allowed by IFRS16 in particular not to recognise contracts that cover a period less than twelve months and leases for which the underlying asset value is of a low value. For the Company the contracts within scope are mainly real estate leases.

g) Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short term deposits, trade and other receivables and derivative financial instruments.

(ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedging

The Company uses forward currency contracts to hedge its risks associated with foreign currency. The fair value of forward currency contracts is calculated with reference to the current forward exchange rates for contracts with similar maturity profiles.

2.2 Significant accounting policies (continued)

h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Finished goods	-	cost of direct materials and labour plus attributable overheads based on normal levels of activity.

i) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

j) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits, or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise income tax is recognised in the income statement.

k) Pensions

The Company operates a defined benefit pension plan which requires contributions to be made into a separately administered fund. This scheme was closed to new members in October 2001 and closed to future accruals in June 2006 from which time membership of a defined contribution plan is available. The cost of providing benefits under the defined benefit plan is determined using the projected credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past services costs are recognised in profit or loss.

2.2 Significant accounting policies (continued)

k) Pensions (continued)

Net interest is calculated by applying the discount rate to the net defined liability or asset, both as determined at the start of the annual reporting period, taking into account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

l) Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Rendering of services

Turnover from service maintenance contracts, which are invoiced in advance, are deferred to the future period to which they relate.

Dividends

Dividend income is recognised when the Company's right to receive payment is established.

m) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model.

In valuing equity-settled transactions, no account is taken of any vesting conditions. No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

2.2 Significant accounting policies (continued)

m) Share-based payments (continued)

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

l) Goodwill

Goodwill is initially measured at cost as established at the acquisition date. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from the estimates.

The following estimates and judgements have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Pension and other post-employment benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

2.3 Judgements and key sources of estimation uncertainty (continued)

Pension and other post-employment benefits (continued)

The mortality rate is based on publicly available mortality tables specific to the United Kingdom. Future salary increases and pension increases are based on the expected future inflation rates for the United Kingdom. Further details are given on note 21.

3 Turnover

	2020	2019
	£'000	£'000
Sale of goods	33,721	34,377
Rendering of services	18,982	19,907
Turnover from continuing operations	52,703	54,284

In the opinion of the director's turnover is derived from the distribution and service of mailroom equipment and from digital services. All operations are classified as continuing and all turnover is derived from the United Kingdom.

4 Other operating expenses

This is stated after charging:

	2020	2019
	£'000	£'000
Depreciation of property, plant and equipment	685	527
Cost of stocks recognised as an expense (included in cost of sales)	21,342	22,709
Including: write down of stocks to net realisable value	1,198	1,148
Operating lease payments	351	389

5 Other operating income

This includes:

	2020	2019
	£'000	£'000
Release of aged credit balances	1,867	4,803

6 Auditor's renumeration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements:

	2020	2019
	£'000	£'000
Audit of the financial statements	96	99
	96	99

7 Staff costs and directors' remuneration

(a) Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	20,401	20,446
Social security costs	2,284	2,293
Other pension costs	1,340	1,332
	24,025	24,070

Included in wages and salaries is a total expense in respect of share-based payments of £9,000 (2019: £10,000).

Included in other pension costs are £308,000 (2019: £621,000 including past service costs) in respect of defined benefit schemes and £1,301,000 (2019: £1,239,000) in respect of defined contribution schemes.

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

	2020	2019
	Number	Number
Marketing and distribution	277	295
Administration	90	96
	367	391

(b) Directors' remuneration

The remuneration of directors was as follows:

	2020	2019
	£'000	£'000
Directors' remuneration	651	732
Number of director's accruing benefits under:		
Defined contribution schemes	2	2

One director had deferred benefits under defined benefit schemes during the year (2019: one director).

In respect of the highest paid director:

	2020	2019
	£'000	£'000
Aggregate remuneration	350	464
Contributions to defined contribution pension scheme	14	9
	364	473

7 Staff costs and directors' remuneration (continued)

(b) Directors' remuneration (continued)
The highest paid director did not accrue benefits under defined benefit schemes during the year. The highest paid director does not hold any share options.

8 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from group companies	49	114
Interest receivable and similar income	49	114
Net return on pension scheme (see note 21)	532	96
Total interest receivable and similar income	581	210

9 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable to group companies	-	3
Other interest	4	47
Lease obligations (see Note 17)	291	-
Total interest payable and similar charges	295	50

10 Taxation

(a) Tax charged in the income statement

	2020 £'000	2019 £'000
Current income tax:		
Current income tax charge	12	447
Amounts over provided in previous years	(377)	-
Total current income tax charge	(365)	447
Deferred tax:		
Origination and reversal of timing differences	97	45
Total deferred tax charge	97	45
Tax (credit)/expense in the income statement	(268)	492

The tax expense in the income statement relates wholly to continuing operations.

10 Taxation (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020	2019
	£'000	£'000
Profit from continuing operations before tax	522	2,640
Accounting profit before income tax	522	2,640
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19.%)	99	502
Expenses not deductible for tax purposes	(87)	(140)
Pension rate difference (35%)	-	85
Deferred tax movement	97	45
Amounts over provided in previous years	(377)	-
Total tax (credit)/charge for the year	(268)	492

(c) Change in Corporation Tax rate

At Budget 2020 the government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2020	2019
	£'000	£'000
Deferred tax asset		
Depreciation in excess of capital allowances	286	383
Tax tax losses carried forward	365	-
Total deferred tax asset disclosed on the balance sheet	651	383

11 Intangible fixed assets

The movement in the net book value of intangible fixed assets was as follows:

	Software £'000	Total £'000
Cost		
At 1 February 2019	3,707	3,707
At 31 January 2020	3,707	3,707
Depreciation		
At 1 February 2019	(3,707)	(3,707)
At 31 January 2020	(3,707)	(3,707)
Net book value		
At 1 February 2019	-	-
At 31 January 2020	-	-

12 Tangible fixed assets

The movement in the net book value of tangible fixed assets was as follows:

	Improvements to leasehold buildings £'000	Plant and equipment £'000	Demonstration equipment £'000	Rental assets £'000	Total £'000
Cost					
At 1 February 2019	60	4,446	622	36	5,164
Additions	-	458	-	98	556
Disposals	-	(858)	(3)	(11)	(872)
At 31 January 2020	60	4,046	619	123	4,848
Depreciation					
At 1 February 2019	26	712	400	27	1,165
Charge	11	661	-	13	685
Disposals	-	(369)	(67)	(11)	(447)
At 31 January 2020	37	1,004	333	29	1,403
Net book value					
At 1 February 2019	34	3,734	222	9	3,999
At 31 January 2020	23	3,042	286	94	3,445

13 Investments

	2020 £'000	2019 £'000
Investment in subsidiaries	8,439	9,576
Total investments	8,439	9,576

During the year, the Company reclassified Renaddress Ltd investment to goodwill amounting to £1,137k since the Company does no longer exist. However, the management has assessed that Renaddress business still has identifiable revenue and contribution to the Company.

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share are as follows:

Subsidiary	Country of incorporation	Principal activity	Proportion of shares held by the Company
Quadient Finance Limited	England	Leasing of mailroom products	100%
Quadient Data UK Limited	England	Sale of software	100%
The Ink People Limited	England	Dormant	100%
Data Capture Solutions Limited	England	Sale of information management solutions	100%
Quadient Solutions Limited	England	Parcel tracking solutions	100%

14 Stocks

The following are included in the net book value of stocks:

	2020 £'000	2019 £'000
Raw materials	261	241
Finished goods and goods for resale	569	557
	830	798

The replacement cost of stocks is not considered by the directors to be materially different from the balance sheet value.

15 Debtors

	2020 £'000	2019 £'000
Trade debtors	25,053	22,775
Amounts owed by subsidiaries and other group undertakings	7,010	3,923
Amounts owed by immediate and ultimate parent undertakings	1,875	6,078
Other debtors	1,094	968
Corporation tax recoverable	4,213	4,021
Deferred tax asset	651	383
Prepayments and accrued income	490	558
	40,386	38,706

Amounts due from intercompany are repayable on demand and carry no interest.

16 Creditors

	2020 £'000	2019 restated £'000	2019 £'000
Trade creditors	7,728	5,941	5,941
Amounts owed to subsidiaries and other group undertakings	-	1,245	1,245
Amounts owed to immediate and ultimate parent undertakings	2,219	-	-
Other creditors and accruals	29,682	32,432	32,432
Deferred income	6,403	6,880	6,880
Lease obligations	753	422	-
	46,785	46,920	46,498
Other creditors and accruals; amount falling due after one year	1,656	1,529	1,529
Lease obligations due after one year	5,532	6,285	-
	53,973	54,734	48,027

Amounts due to intercompany are repayable on demand and carry no interest.

17 Assets right of use and lease obligations

As at January 2020 the impacts of the application of IFRS16 on the balance sheet and the income statement are as follows;

	2020
	£'000
Impacts on the income statement	
Cancellation of rent expense	284
Amortization expenses	(692)
EBIT impact	(408)
Financial interests	(291)
Net income impact	**(699)**

Tables of variations of the assets right of use and the lease obligations
As at 31 January 2020, the net assets right of use amounts to £5,001,000.

	Buildings	Assets right of use
	£'000	£'000
Gross value at 1 February	7,633	7,633
New contracts/renewals	(428)	(428)
Gross value at 31 January	7,205	7,205
Amortization at 1 February	(1,512)	(1,512)
Charges	(692)	(692)
Amortization at 31 January	(2,204)	(2,204)
Net book value at 31 January	**5,001**	**5,001**

17 Assets right of use and lease obligations (continued)

At 31 January the lease obligations amount to £6,285,000 including £5,532,000 of long term portion.

	1 Feb 2019 £'000	Financial interests £'000	31 Jan 2020 £'000
Non lease current obligations	6,285	(753)	5,532
Current lease obligations	422	331	753
Lease obligations	**6,707**	**(422)**	**6,285**

18 Authorised, issued and called up share capital

	2020 £'000	2019 £'000
Authorised		
3,001,000 ordinary shares of £1 each	3,001	3,001
Allotted, called-up and fully paid		
3,000,100 ordinary shares of £1 each	3,000	3,000

19 Share based payments

Share options are granted to senior employees at the discretion of the Quadient UK Limited/Quadient S.A. Board of Directors and within the limits set forth in the plan. The exercise price of the options is equal to the greater of (i) the trading price of the shares on the trading day immediately preceding the date of grant of such option and (ii) ninety-five per cent (95%) of the average trading price of the shares as quoted over the twenty trading days preceding the date of grant of such option. Share options vest annually in equal tranches for each of the first five years of the scheme subject to the recipient being employed by the Company at the vest date.

An option remains exercisable for a ten-year period from its date of grant, subject to provisions for optionee death and incapacity. There are no cash settlement alternatives.

19 Share based payments (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2020	2020	2019	2019
	Number of shares	WAEP £	Number of shares	WAEP £
Outstanding as at 1 February	29,650	54.02	36,800	52.93
Granted during the year	-	-	-	-
Forfeited during the year	(15,150)	52.73	(7,150)	51.62
Exercised[1]	-	-	-	-
Expired during the year	-	-	-	-
Transfers to fellow group undertakings	-	-	-	-
Outstanding as at 31 January	14,500	54.60	29,650	54.02
Exercisable at 31 January	14,500	54.60	29,650	54.02

[1] The weighted average share price at the date of exercise for the options exercised was £nil (2019: £nil)

For the share options outstanding as at 31 January, the weighted average remaining contractual life is 1.30 years (2019: 1.38 years).

The weighted average fair value of the options granted during the year was £nil (2019: £nil). The range of exercise prices for options outstanding at the end of the year was £45.72 - £58.26 (2019: £45.20 - £52.93).

The estimated life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other features of options grants were incorporated into the measurement of fair value.

20 Capital commitments

At 31 January 2020, amounts contracted for but not provided in the financial statements for the acquisition of tangible fixed assets amounted to £201,000 (2019: £303,000).

21 Pensions and other post-employment benefits

Defined contribution scheme
The Company operates a defined contribution scheme in the UK, the Neopost Ltd Staff Retirement Benefits Scheme. The pension cost for the year was £1,301,000 (2019: £1,239,000). There were no outstanding contributions at 31 January 2020 (2019: £nil).

Defined benefit scheme

The Company also operates a UK defined benefit pension plan whereby benefits are determined with reference to an employee's final salary.

The pension expense charged to the income statement makes no allowance for actuarial gains and losses during the year. Actuarial gains and losses are recognised in the statement of other comprehensive income in the year that they occur. The measurement of the defined benefit obligation includes no allowance for any future discretionary increases to pensions in payment.

The assets and liabilities of the scheme at 31 January are:

	2020 £'000	2019 £'000
Scheme assets at fair value		
Equities	34,929	30,801
Bonds	-	16,226
Diversified Growth	38,985	36,253
Properties	5,425	5,586
Other	94,548	69,841
Fair value of scheme assets	173,887	158,707
Present value of scheme liabilities	(139,115)	(126,084)
Defined benefit pension plan surplus	34,772	32,623
Effect of the asset ceiling	(12,170)	(11,418)
Defined benefit pension plan surplus	22,602	21,205

The pension scheme has not directly invested in any of the Company's own financial instruments nor in properties of other assets used by the Company.

21 Pensions and other post-employment benefits (continued)

The amounts recognised in the income statement and in the statement of other comprehensive income for the year are analysed as follows:

	2020 £'000	2019 £'000
Recognised in the income statement		
Past service cost	-	450
Running costs	308	171
Recognised in arriving at operating profit	308	621
Net interest on defined benefit liability/(asset)	(855)	(778)
Interest on asset ceiling	15	61
Net return on pension scheme	(840)	(717)
Taken to the statement of other comprehensive income		
Return on plan assets (excluding amounts included in net interest expense)	(16,773)	1,200
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	16,164	(4,593)
Actuarial changes arising from experience adjustments on benefit obligations	(993)	2,079
Re-measurement of asset ceiling	621	515
Recognised in the statement of other comprehensive income	(981)	(799)

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

	2020 £'000	2019 £'000
Defined benefit obligation at 31 January 2019	126,084	129,468
Exceptional cost	-	450
Interest on benefit obligation	3,202	3,185
Benefits paid	(5,342)	(4,505)
Actuarial gains and losses	15,171	(2,514)
Defined benefit obligation at 31 January 2020	139,115	126,084

21 Pensions and other post-employment benefits (continued)

All of the defined benefit obligation of £139,115,000 (2019: £126,084,000) arises from plans that are wholly or partly funded. The Company estimates the present value of the duration of the scheme liabilities on average fall due over 15 years (2019: 14 years).

The reconciliation of the effect of the asset ceiling representing the IAS 19 irrecoverable surplus is set out below:

	2020 £'000	2019 £'000
Asset ceiling at 31 January 2019	11,418	10,903
Interest movement	15	61
Remeasurement	737	454
Asset ceiling at 31 January 2020	12,170	11,418

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

	2020 £'000	2019 £'000
Fair value of plan assets at 31 January 2019	158,257	160,620
Interest on scheme assets	4,057	3,963
Actual return less interest on scheme assets	16,773	(1,200)
Running costs	(308)	(621)
Benefits paid	(5,342)	(4,505)
Fair value of plan assets at 31 January 2020	173,437	158,257

Pension contributions are determined with the advice of independent qualified actuaries, Lane Clark & Peacock LLP, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published broker' forecasts to each category of scheme assets.

21 Pensions and other post-employment benefits (continued)

	2020	2019
	%	%
Main assumptions		
Rate of salary increases	n/a	n/a
Rate of increase in pensions in payment (5% LPI)	2.7	3.1
Discount rate	1.8	2.6
Inflation assumption	2.8	3.2
Post retirement mortality (in years)		
Current pensioners at 65 (male)	22.9	22.8
Current pensioners at 65 (female)	24.8	24.8
Future pensioners at 65 (male)	24.3	24.2
Future pensioners at 65 (female)	26.3	26.2

The discount rate is based on published indices for AA and Corporate bonds. Outlying items in the market population are ignored. The assumptions for inflation and for increases in pension costs are based on the yield gap between long-term index-linked and long-term fixed interest gilt securities. Mortality rates are based on S2NA tables, adjusted to reflect recent experience in the scheme. The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2036.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	*Change in assumption*	*Impact on scheme liabilities*
Discount rate	Increase/decrease by 0.1%	Decrease/increase by approximately £2.5m
Inflation assumption	Increase/decrease by 0.1%	Increase/decrease by approximately £1.9m
Post retirement mortality	Increase by 1 year	Increase by approximately £6.1m

The most recently completed actuarial valuation of the Company's defined benefit scheme was carried out as at 30 June 2017. Following the valuation which showed the scheme to be in surplus the Company is not required to make a contribution at this time. The next valuation is due to be completed as at 30 June 2020.

The total contributions to the defined benefit scheme in the year ending 31 January 2020 are expected to be £nil (2019: £nil).

22 Related party transactions

As a wholly owned subsidiary of Quadient S.A., the Company has taken the exemption available under FRS 101 from the requirements in IAS 24 – Related party disclosures, from disclosing transactions with other wholly owned members of the Quadient S.A. group.

Terms and conditions of transactions with related parties
Sales and purchases with fellow subsidiaries are made on an arm's length basis. Outstanding balances with fellow subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables.

23 Ultimate controlling party

The directors regard Quadient S.A., a company incorporated in France, as the ultimate parent company and the ultimate controlling party.
Quadient S.A. is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Quadient S.A., Resonance, 42-46 avenue Aristide Briand, 92220 Bagneux, France.

24 Events since the balance sheet date

As of 31 January 2020, a number of cases COVID-19 virus has been reported to the World Health Organisation (WHO). Following the subsequent spread of the virus, on 11 March 2020 the WHO declared the COVID-19 outbreak to be a pandemic.

Although, the pandemic exists at balance sheet date, this is considered as non-adjusting event.