Lyreco UK Limited

Directors' report and financial statements

Registered number 442696

For the year ended 31 December 2004

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activity and business review

The company's principal activity continues to be the distribution of office products.

During the year, the company continued its investment in salespeople. This contributed to sales growth for the year of 12.3% *(2003: 17.5%)* and the net profit margin improved to 10% in 2004 from 8% in 2003.

We anticipate that we will see our sales turnover exceed £270 million by 2005, with our stated goal to be not only the best supplier of office products in the UK but also the biggest. We expanded the Telford site during 2004.

Results and dividends

The directors do not recommend the payment of a dividend *(2003: £Nil)*.

During the year, FRS 17 has been adopted in full. Details are given in note 21.

Directors and directors' interests

The directors who served during the year were as follows:

SW Law
E Bigeard (French)

Mr E Bigeard is the holder of one £1 ordinary share in the company. None of the other directors have interests in the share capital of the company. With the exception of Mr E Bigeard, none of the directors have any interest in the shares of the ultimate holding company.

The directors' interests in the shares of the ultimate and immediate holding companies are disclosed in those companies' financial statements.

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.

Employee consultation

The company is committed to involving all employees in the performance and development of the company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the company.

Environmental Management System

The Environmental Management System was externally audited in January and August 2004 by SGS. Three minor non-conformities were raised in August and successfully closed out at the following visit in March 2005.

The Environmental Management System was also audited throughout the year internally and the audits covered procedures, risk assessments, the programme for improvement, the register of legislation, the register of significant impacts and document control.

The improvement programme still significantly features the disposal of waste. The reduction of waste to landfill target of 60% continues to be exceeded with 78% of waste either recycled or sent away for recycling. Other improvement targets include the reduction of emissions from the fleet, encouraging our suppliers to become more environmentally friendly, the introduction of a permit to work for visiting contractors, the introduction of a trial for the use of LPG Fuelled delivery vehicles and continued waste segregation. A 1.3 million Euro investment was made in box-making and sealing machine to reduce the amount of packaging sent to the customer base.

The revised ISO 14001 to 2004 requirements has been achieved and the business is certified to ISO 14001-2004. SGS will continue to audit our system externally as members of UKAS for both The Environment and Quality.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on its behalf by:

SW Law
Director

Deer Park Court
Donnington Wood
Telford
Shropshire
TF2 7NB

26 May 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. 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 accounting standards have been followed, subject to any material departures in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the shareholders of Lyreco UK Limited

We have audited the financial statements on pages 5 to 20.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 May 2005

Profit and loss account
for the year ended 31 December 2004

	Note	2004	2003 (restated*)
		£000	£000
Turnover	*2*	**231,456**	206,195
Net operating costs	*3*	**(207,254)**	(189,349)
Operating profit		**24,202**	16,846
Net interest receivable/(payable) and similar income/(charges)	*4*	**330**	(173)
Other finance charges	*5*	**(60)**	(62)
Profit on ordinary activities before taxation	*6*	**24,472**	16,611
Tax on profit on ordinary activities	*9*	**(7,843)**	(5,459)
Retained profit for the financial year	*19*	**16,629**	11,152

All amounts above relate to continuing activities.

(* see notes 2 and 21)

The notes on pages 8 to 20 form part of these financial statements.

Balance sheet
at 31 December 2004

	Note	2004		2003 (* restated – see note 21)	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*10*		-		-
Tangible assets	*11*		30,914		24,326
Investments	*12*		-		-
			30,914		24,326
Current assets					
Stocks	*13*	11,239		11,151	
Debtors	*14*	62,064		47,394	
Cash at bank and in hand		2,877		32	
		76,180		58,577	
Creditors: Amounts falling due within one year	*15*	(40,790)		(32,095)	
Net current assets			35,390		26,482
Total assets less current liabilities			66,304		50,808
Creditors: Amounts falling due after more than one year	*16*		(14,103)		(15,611)
Provisions for liabilities and charges	*17*		(625)		(284)
Net assets excluding pension liability			51,576		34,913
Pension liability	*21*		(2,100)		(1,710)
Net assets including pension liability			49,476		33,203
Capital and reserves					
Called up share capital	*18*		14,841		14,841
Share premium account	*19*		6,634		6,634
Revaluation reserve	*19*		79		79
Profit and loss account	*19*		27,922		11,649
Shareholders' funds	*20*		49,476		33,203
Shareholders' funds may be analysed as:					
Equity interests			34,691		18,418
Non-equity interests			14,785		14,785
			49,476		33,203

These financial statements were approved by the board of directors on 26 May 2005 and were signed on its behalf by:

SW Law
Director

Statement of total recognised gains and losses
For the year ended 31 December 2004

	2004	2003 (*restated)
	£000	£000
Profit for the financial year	**16,629**	11,152
Actuarial loss recognised in the pension scheme (see note 21)	**(509)**	(442)
Deferred tax arising on losses in the pension scheme	**153**	133
Total recognised gains and losses relating to the financial year	**16,273**	10,843
Prior year adjustment (see note 19)	**(1,710)**	
Total gains and (losses)	**14,563**	

Reconciliation of movement in shareholders' funds
For the year ended 31 December 2004

	2004	2003 (*restated)
	£000	£000
Total recognised gains relating to the year and net movement in shareholders' funds	**16,273**	10,843
At 1 January (originally £34,913,000 *(2003: £23,726,000)* restated for prior year adjustment of £1,710,000 *(2003: £1,366,000)*)	**33,203**	22,360
At 31 December	**49,476**	33,203

* see note 21

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 17 'Retirement Benefits' in these financial statements. The comparative figures have been restated accordingly. Further details are given in note 21.

Basis of preparation

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

The company is exempt from the requirement of FRS 1 (Revised) to present a cash flow statement on the basis that it is a wholly owned subsidiary of Lyreco UK Holdings Limited, which prepares consolidated financial statements which are publicly available.

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.

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess on the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Tangible fixed assets

Fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	-	2%-5% per annum
Leasehold properties and improvements	-	10% per annum
Plant and machinery	-	20% per annum
Furniture and office equipment	-	20% per annum
Motor vehicles	-	20%-25% per annum
Computers	-	20%-33.33% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation balances.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

Pension costs and other post retirement benefits

The Company operates a defined benefit scheme in the UK. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement of the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. The assets of the scheme are held separately from those of the company.

For the defined contributions scheme, the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

2 Turnover

In the opinion of the directors, there is only one class of business, which is the distribution of office products. All turnover was derived in the United Kingdom. Customer rebates previously included in net operating costs are now included in turnover. Comparative amounts for customer rebates totalling £2,325,293 have been restated accordingly.

3 Net operating costs

	2004	2003 (restated)
	£000	£000
Changes in stock of finished goods	**(88)**	(2,351)
Purchases	**145,436**	134,397
Staff costs:		
Wages and salaries	**33,593**	31,012
Social security costs	**3,373**	2,984
Other pension costs	**261**	232
Depreciation and other amounts written off tangible and intangible fixed assets	**2,743**	2,671
Other operating charges	**21,936**	20,404
	207,254	189,349

Notes *(continued)*

4 Net interest (receivable)/payable and similar (income)/charges

	2004	2003
	£000	£000
Interest payable and similar charges:		
On bank loans and overdrafts	**548**	488
Other interest receivable and similar income:		
Bank interest	**(57)**	(94)
Interest on amounts owed by parent	**(821)**	(221)
	(878)	(315)
Net interest (receivable)/payable and similar (income)/charges	**(330)**	173

5 Other finance charges

	2004	2003 (restated)
	£000	£000
Expected return on pension scheme assets	**(285)**	(231)
Interest on pension scheme liabilities	**345**	293
	60	62

6 Profit on ordinary activities before taxation

	2004	2003
	£000	£000
Profit on ordinary activities before taxation is stated		
after charging		
Depreciation of owned fixed assets	**2,743**	2,671
Operating lease rentals:		
Plant and machinery	**1,215**	887
Other	**3,570**	3,062
Auditors' remuneration:		
Audit fees	**35**	35

7 Directors' remuneration

	2004	2003
	£000	£000
Emoluments	**137**	173
Pension contributions	**9**	12
	146	185

The number of directors who are members of pension schemes at the end of the year is as follows:

	Number	
Defined benefit schemes	**1**	1

Notes *(continued)*

8 Staff numbers and costs

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

	Number of employees	
	2004	2003
Management and administration	**238**	228
Distribution and sales	**1,369**	1,248
	1,607	1,476

Their aggregate remuneration is disclosed in note 3.

9 Tax on profit on ordinary activities

Analysis of charge in period

	2004	2003 (restated)
	£000	£000
Current tax		
UK corporation tax on income for the period	**7,534**	5,417
Adjustment in respect of prior period	**(18)**	(6)
Total current tax	**7,516**	5,411
Deferred tax		
Current year	**290**	62
Adjustment in respect of prior period	**37**	(14)
Total deferred tax (see note 17)	**327**	48
Tax on profit on ordinary activities	**7,843**	5,459

Notes *(continued)*

9 Tax on profit on ordinary activities *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2003: higher)* than the 30% standard rate of corporation tax in the UK *(2003: 30%)*. The differences are explained below.

	2004	2003 (as restated – see note 21)
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**24,472**	16,611
Current tax at 30% *(2003: 30%)*	**7,342**	4,983
Effects of:		
Expenses not deductible for tax purposes	**157**	99
Capital allowances for period in excess of depreciation	**(308)**	(78)
Adjustments in respect of prior periods	**(18)**	(6)
Depreciation on assets not qualifying for capital allowances	**407**	397
Contaminated land relief	**(78)**	-
Movements in pension deficit	**14**	16
Total current tax charge (see above)	**7,516**	5,411

10 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of year	450
Amortisation	
At beginning and end of year	450
Net book value	
At 31 December 2004 and at 31 December 2003	-

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is amortised over 10 years.

Notes *(continued)*

11 Tangible fixed assets

	Land and buildings	Plant, machinery and computers	Motor vehicles, fixtures, and fittings	Total
	£000	£000	£000	£000
Cost				
At beginning of year	27,222	6,508	2,433	36,163
Additions	6,581	2,305	465	9,351
Disposals	(2)	(2)	(526)	(530)
At end of year	33,801	8,811	2,372	44,984
Depreciation				
At beginning of year	6,396	3,617	1,824	11,837
Charge for the year	1,357	1,090	296	2,743
Disposals	-	(1)	(509)	(510)
At end of year	7,753	4,706	1,611	14,070
Net book value				
At 31 December 2004	**26,048**	**4,105**	**761**	**30,914**
At 31 December 2003	20,826	2,891	609	24,326

The net book value of land and buildings comprises:

	2004	2003
	£000	£000
Freehold land and buildings	**26,024**	20,818
Short leasehold improvements	**24**	8
	26,048	20,826

Freehold land and buildings includes non-depreciable land of £2,790,000 *(2003: £2,790,000)*.

Notes *(continued)*

12 Investments

	Subsidiary undertakings £000
Cost	
At beginning and end of year	504
Provisions	
At beginning and end of year	504
Net book value	
At 31 December 2004 and 31 December 2003	-

The subsidiary companies at 31 December 2004 were:

	Principal activity	Country of incorporation	Holding %
Copyless Limited	Dormant	England and Wales	100
Ace Stationery Limited	Dormant	England and Wales	100
European Print Limited	Dormant	England and Wales	100

All the investments are holdings of ordinary shares and are directly held by the company.

13 Stocks

	2004 £000	2003 £000
Goods for resale	**11,239**	11,151

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 Debtors

	2004 £000	2003 £000
Amounts falling due within one year:		
Trade debtors	**36,550**	35,642
Amounts owed by group undertakings	**21,986**	8,612
Prepayments and accrued income	**3,528**	3,140
	64,064	47,394

Notes *(continued)*

15 Creditors: Amounts falling due within one year

	2004 £000	2003 £000
Bank loan and overdraft	**1,500**	2,047
Trade creditors	**25,686**	20,068
Amount owed to group undertakings	**1,748**	329
Corporation tax	**3,727**	2,757
Other taxation and social security	**5,604**	2,659
Accruals and deferred income	**2,525**	4,235
	40,790	32,095

The bank overdraft is secured by a fixed and floating charge over the assets of the company and its subsidiaries.

16 Creditors: Amounts falling due after more than one year

	2004 £000	2003 £000
Bank loan	**7,200**	8,700
Amounts owed to group undertakings	**6,903**	6,911
	14,103	15,611

The amounts owed to group undertakings have no set repayment date, however, the group undertakings involved have indicated that repayment of this amount will not be sought within one year from the balance sheet date.

The bank loan is secured by a first legal mortgage over the freehold property. Interest is charged as the aggregate of the Bank's margin of 0.6% per annum, the cost of sterling deposits and the mandatory cost rate.

Borrowings are repayable as follows:

	2004 £000	2003 £000
Bank loan:		
Within one year	**1,500**	1,200
Between two and five years	**6,000**	4,800
Greater than five years	**1,200**	3,900
	8,700	9,900
Bank overdraft:		
Within one year	**-**	847
Total borrowings	**8,700**	10,747

The bank overdraft is repayable on demand.

Notes *(continued)*

17 Provisions for liabilities and charges

	Deferred taxation (restated) £000
At 1 January 2004	284
Prior year adjustment	(733)
	(449)
Charge to profit and loss account	327
Credit for the year in the statement of total recognised gains and losses	(153)
At 31 December 2004	**(275)**

Deferred tax is provided at 30% as follows:

	2004 **£000**	2003 (restated) £000
Accelerated capital allowances	**625**	299
Other timing differences	-	(15)
Deferred tax liability excluding deferred tax on pension deficit included in provisions for liabilities and charges	**625**	284
Deferred tax asset on pension deficit – included in pension liability	**(900)**	(733)
	(275)	(449)

18 Called up share capital

	2004 **£000**	2003 £000
Authorised:		
100,000 ordinary shares of £1 each	**100**	100
21,235,000 redeemable preference shares of £1 each	**21,235**	21,235
	21,335	21,335
Allotted, called up and fully paid:		
56,000 ordinary shares of £1 each	**56**	56
14,785,000 redeemable preference shares of £1 each	**14,785**	14,785
	14,841	14,841

The company has the right to redeem, at par, the whole or any part of the redeemable preference shares upon giving not less than 30 days notice in writing to the shareholder.

The shareholder has the right to require the company to redeem, at par, the whole or any part of the redeemable preference shares upon giving not less than 30 days notice in writing to the company.

Notes *(continued)*

18 Called up share capital *(continued)*

In any event, the company shall redeem, at par, the whole of the redeemable preference shares issued and not previously redeemed, as at 31 December 2100, on that date.

The holders of the redeemable preference shares shall be entitled to a dividend in respect of each preference share of an amount equal to that declared by the company in respect of the ordinary shares, such amount to be paid at the same time as any dividend in respect of the ordinary shares is paid.

On winding up, the assets available for distribution among members shall be repaid first to the holders of redeemable preference shares of the amounts paid up on such shares, together with a sum equal to any arrears of the dividends thereon. The holders shall not be entitled to any further or other right of participation in the assets of the company.

The holders of redeemable preference shares are not entitled to vote.

19 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2004 as previously reported	6,634	79	13,359	20,072
Prior year adjustment	-	-	(1,710)	(1,710)
At 1 January 2004 (restated)	6,634	79	11,649	18,362
Retained profit for year	-	-	16,629	16,629
Actuarial loss recognised in the pension scheme	-	-	(509)	(509)
Deferred tax arising on losses in the pension scheme	-	-	153	153
At 31 December 2004	**6,634**	**79**	**27,922**	**34,635**

	2004 £000	2003 £000
Profit and loss account excluding pension liability	**30,022**	13,359
Pension liability	**(2,100)**	(1,710)
Profit and loss account including pension liability	**27,922**	11,649

Prior year adjustment relates to the implementation of FRS 17 'Retirement Benefits'. The adoption of FRS 17 has resulted in a decrease in the reported profit before tax for the year ended 31 December 2004 of £48,000 *(2003: £50,000)*.

Notes *(continued)*

20 Contingent liabilities and other financial commitments

Financial commitments

There were no capital commitments at the year end.

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Leases expiring:				
Within one year	**267**	140	**1,029**	292
Between two and five years	**355**	597	**2,265**	2,381
	623	737	**3,294**	2,673

21 Pension arrangements

The company provides pension arrangements to the majority of full time employees through a funded defined contribution scheme. The company also operates a defined benefit scheme which was closed to new members in April 1997. The assets of the pension arrangements are held in a separate trustee administered fund, which incorporates the defined contribution and the defined benefit assets and liabilities. The related costs of the benefits are assessed in accordance with the advice of an independent, professionally qualified actuary, on the basis of triennial valuations.

The costs of the defined contribution scheme are charged to the profit and loss account in the period in which they are incurred.

The pension cost charge for the year for defined contribution scheme was £261,000 *(2003: £232,000).*

FRS 17

The company has adopted FRS 17 'Retirement Benefits' in these financial statements. Scheme valuations have been updated by a qualified independent actuary on an FRS 17 basis as at 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001. The major assumptions used in this valuation were:

Main assumptions:

	2004	**2003**	**2002**	**2001**
	Per annum	**Per annum**	**Per annum**	**Per annum**
	%	%	%	%
Rate of increase in salaries	3.80	3.75	3.75	4.00
Rate of increase in pensions in payment	2.65	2.50	2.25	2.25
Rate used to discount scheme liabilities	5.40	5.50	5.75	6.00
Inflation assumption	2.80	2.75	2.25	2.50

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

21 Pension arrangements *(continued)*

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and this inherently uncertain, were:

	Fair value at 31 December 2004 £000	**Long term expected rate of return %**	Fair value at 31 December 2003 £000	Long term expected rate of return £000	Fair value at 31 December 2002 £000	Long term expected rate of return £000	Fair value at 31 December 2001 £000	Long term expected rate of return %
Equities	**3,493**	**8.0**	3,075	8.0	2,339	8.0	2,836	8.0
Bonds	**423**	**5.10**	428	5.25	489	5.0	387	5.5
Cash	**363**	**4.75**	238	4.0	192	5.0	638	5.5
Total market value of scheme assets	**4,279**		3,741		3,020		3,861	
Present value of scheme liabilities	**(7,279)**		(6,184)		(4,971)		(4,594)	
Deficit in the scheme	**(3,000)**		(2,443)		(1,951)		(733)	
Associated deferred tax asset	**900**		733		585		220	
Net deficit in scheme	**(2,100)**		(1,710)		(1,366)		(513)	

Movement in deficit during the year

	2004 £000	2003 £000
Deficit in scheme at beginning of year	**(2,443)**	(1,951)
Current service cost	**(251)**	(235)
Contributions	**263**	247
Other finance income	**(60)**	(62)
Actuarial loss	**(509)**	(442)
Deficit in scheme at end of year	**(3,000)**	**(2,443)**

Analysis of actuarial loss recognised in the statement of total recognised gains and losses

	2004 £000	2003 £000
Actual return less expected return on assets	**89**	336
Experience gains and losses arising on liabilities	**70**	119
Assumption changes regarding present value of liabilities	**(668)**	(897)
Actuarial loss recognised in consolidated statement of total recognised gains and losses	**(509)**	(442)

Notes *(continued)*

21 Pension arrangements *(continued)*

History of actuarial experience gains and losses

	2004	2003
(Gain)/loss on scheme assets		
Amount (£000)	**(89)**	(336)
% of scheme assets at end of year	**2.1%**	9.0%
Experience gain on scheme liabilities		
Amount (£000)	**(70)**	(119)
% of scheme liabilities at end of year	**1.0%**	1.9%
Total actuarial loss recognised in the statement of total recognised gains and losses		
Amount (£000)	**509**	442
% of scheme liabilities at end of year	**7.0%**	7.1%

22 Related party disclosures

The company is controlled by Lyreco UK Holdings Limited. The ultimate controlling party is G Gaspard, who controls Lyreco SA.

Under the exemption in Financial Reporting Standard No. 8, transactions with group entities are not disclosed as the company is a wholly owned subsidiary of Lyreco UK Holdings Limited, which produces consolidated financial statements that are publicly available.

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent company is Lyreco UK Holdings Limited. Copies of Lyreco UK Holdings Limited consolidated financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The largest group into which the results of the company are consolidated is that of Lyreco SA, a company incorporated in France. The smallest group into which the results are consolidated is that of Lyreco UK Holdings Limited.