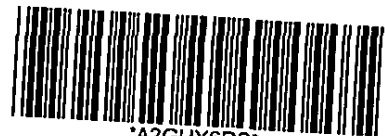


Registered No: 442696

Lyreco UK Limited
Directors' report and financial statements
for the year ended 31 December 2012

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**Directors' report and financial statements
for the year ended 31 December 2012**

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Lyreco UK Limited

Directors' report and financial statements for the year ended 31 December 2012

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

Principal activities

The company's principal activity continues to be the sale and distribution of office products and workplace solutions

Business review

Background

Lyreco UK Limited distributes office products and workplace solutions within the UK & Ireland to a diverse customer base. Brand image means that the company is well placed within the marketplace and it has maintained its market share during 2012

Objectives and strategies

The company's main objectives and strategies are focused on sales and margin growth and the continued focus on sustainability and eco-future targets

The company's mission statement is to delight customers, be proud of what we do and grow like crazy. The company aims to position itself as the biggest and best contract stationer in the UK

Principal risks and uncertainties

Financial Risk

In its operations, Lyreco is exposed to various types of financial risks. Centrally agreed Group-wide Lyreco policies form the basis under which each of the Lyreco subsidiaries manages these risks. The objectives of the Lyreco Group's policies for management of financial risks are to optimize Lyreco Group's product purchasing costs by utilizing economies of scale, to minimize negative effects on income as a result of changes in currency or interest rates, to optimize risk exposure and to clarify areas of responsibility

Various aspects of financial risk are described briefly in the following paragraphs,

Currency related risk

Lyreco UK purchases certain products in foreign currency which could lead to currency related risk. Lyreco UK's foreign currency supplier payments are made via Lyreco Group's centralized in-house bank, the Lyreco Group Treasury payment factory, that uses techniques such as hedging to minimize currency exposure and loss

Credit risk

Lyreco UK sells to a large number of B2B customers per month and hence needs to constantly monitor the level of credit granted to each customer and the associated potential bad debt risk. Credit risks are managed by Lyreco UK's in-house Credit Analyst team

Lyreco UK Limited

Directors' report and financial statements for the year ended 31 December 2012 (continued)

Business review (continued)

Liquidity risk

Lyreco UK deals with a high volume of debtors, creditors and product stock lines and any adverse trends in any of these areas could lead to pressure on liquidity. Lyreco UK therefore constantly monitors its working capital balance aimed towards ensuring that the optimum amount of cash can be generated from profits.

Product risk

Lyreco's long-term growth target performance depends on the Company's ability to successfully identify changing customer requirements and develop and sell new products and services to match these needs. Lyreco has constantly monitored the market place to ensure that it keeps abreast of customers requirements and in response to this during 2012 it launched its new global vision for expansion "to become the single provider for all workplace needs" to ensure that it brings its services to a wider range of customers and becomes a unique solutions provider for businesses nationwide. Lyreco's new slogan "Office and Work Solutions" is a step towards becoming a globally recognized workplace solutions provider with an expanded product portfolio aimed to fully supply businesses with competitively priced, ecologically friendly products, with free next day delivery.

Measurement

The company's key performance indicators to ensure its strategies for meeting objectives are working effectively include turnover, profit before tax, margins and net assets.

The company monitors sales and margin performance on a daily basis and at each monthly Board meeting where a full review of all key operational indicators takes place relating to areas such as departmental productivity, average order value, lines per order, staff turnover and cost control.

Regular benchmarking is conducted against the company's main competitors and other Lyreco subsidiaries to compare performance and proposition to ensure that the company remains the market leader.

Key performance indicators, performance during year ended 31 December 2012 and future developments

The company uses turnover, profit before tax and net assets as its key performance indicators.

Turnover for 2012 exceeded £227,000,000 (2011 £254,000,000) and was in line with the company's expectations. Profit before tax was £15,629,000 or 6.9% of turnover (2011 £14,586,000), which represents an excellent return during a challenging economic period. The company maintained strong controls over its operating expenses and continued to focus on driving efficiencies and maximising working capital opportunities.

During the year the company continued its on-going investment in both its Corporate Accounts and Field Sales divisions as well as actively pursuing a number of new revenue streams, for example, confidential shredding and personalised products.

Net assets increased year on year from £76,000,000 in 2011 to £88,000,000 in 2012 following the profit after tax achieved in 2012. Dun & Bradstreet have issued Lyreco with a certificate commending its financial status with a D&B rating of 1 which denotes the highest level of creditworthiness and minimum risk of failure.

Directors' report and financial statements for the year ended 31 December 2012 (continued)

Business review (continued)

The turnover for the next financial year is anticipated to exceed £235,000,000 again, in an environment showing increased controls on expenditure by clients

The company maintained its Investor in People status throughout 2012 following a full triennial review in 2009

The company is accredited for ISO9002 2000 (quality system) and ISO14001 (environment) and will continue to be externally audited for both during 2013

The company has a well established and robust computer system, a storage and distribution facility with the capacity for future growth and an own-vehicle fleet that performs 96% of the company's deliveries, these will assist it to achieve its objectives and strategies in the future

Dividends

The directors recommend that no final ordinary dividend be paid for 2012 (2011 Nil)

Directors and directors' interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were

E Bigeard	(French)
DJ Walmsley	(resigned November 1st 2012)
P Hradsky	(Slovak – appointed November 1st 2012)

None of the directors have interests in the share capital of the company (2011 None)

The directors' interests in the shares of the ultimate holding company are disclosed in those 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. This is formally facilitated via the company's employee forum – the "Voice of Lyreco"

Charitable donations

During the course of the year Lyreco UK made charitable donations to Lyreco For Education which is a separate entity and made total donations of £18,637 (2011 £14,396)

Directors' report and financial statements for the year ended 31 December 2012 (continued)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of information to auditors

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

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

**Directors' report and financial statements
for the year ended 31 December 2012 (continued)**

Independent auditors

It has been elected, by a resolution passed in accordance with Section 489 of the Companies Act 2006 and dated 29 October 1990, to dispense with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP were appointed as auditors for year ended December 31st 2012.

Approved by the Board and signed by its order by



F Hradisky
Director

Deer Park Court
Donnington Wood
Telford
Shropshire
TF2 7NB

29 May 2013

Registered number 442696

Independent Auditors' Report to the Members of Lyreco UK Limited

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Lyreco UK Limited

Independent auditors' report to the members of Lyreco UK Limited (continued)

Matters on which we are required to report by exception

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

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

David Martin

David Martin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

14 June 2013

Lyreco UK Limited

Profit and loss account for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	227,129	254,616
Cost of sales		(145,014)	(169,808)
Gross profit		82,115	84,739
Administrative expenses		(63,351)	(65,972)
Distribution costs		(3,891)	(5,021)
Operating profit		14,873	13,815
Net interest receivable and similar charges	3	805	784
Other finance costs	4	(49)	(13)
Profit on ordinary activities before taxation	5	15,629	14,586
Tax on profit on ordinary activities	8	(3,806)	(4,166)
Profit for the financial year	17	11,823	10,420

Amounts above relate to continuing activities

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

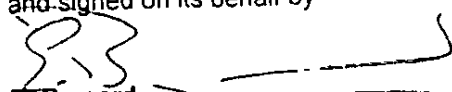
The notes on pages 14 to 32 form part of these financial statements

Lyreco UK Limited

Balance Sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	10	15,576	16,653
		15,576	16,653
Current assets			
Stocks	11	10,551	11,606
Debtors	12	102,608	91,223
Cash at bank and in hand		255	237
		113,414	103,066
Creditors: amounts falling due within one year	13	(38,711)	(40,973)
Net current assets		74,703	62,093
Total assets less current liabilities		90,279	78,746
Provisions for liabilities	14	(301)	(267)
Net assets excluding pension deficit		89,978	78,479
Pensions deficit	20	(1,953)	(2,276)
Net assets including pension deficit		88,025	76,203
Capital and reserves			
Called-up share capital	16	14,841	14,841
Share premium account	17	6,634	6,634
Revaluation reserve	17	79	79
Profit and loss account	17	66,471	54,649
Total shareholders' funds		88,025	76,203

The financial statements on pages 10 to 32 were approved by the Board of Directors on 29 May 2013 and signed on its behalf by


E. Bigeard
 Director
 Registered number 442696

Lyreco UK Limited

Cash flow statement for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	19a	3,569	33,922
Returns on investment and servicing of finance	19b	805	(29,216)
Taxation	19b	(3,776)	(4,574)
Capital expenditure and financial investment	19b	(580)	(527)
Increase/(decrease) in cash in the year	19c	18	(395)

Lyreco UK Limited

Statement of total recognised gains and losses for the year ended 31 December 2012

	2012	2011
	£'000	£'000
Profit for the financial year	11,824	10,420
Actuarial loss recognised in the pension scheme	(1)	(1,474)
Deferred tax arising on actuarial loss in the pension scheme	-	348
Total recognised gains and losses relating to the financial year	11,823	9,294

Reconciliation of movements in shareholders' funds for the year ended 31 December 2012

	2012	2011
	£'000	£'000
Profit for the financial year	11,824	10,420
Other recognised gains and losses relating to the year (net)	(1)	(1,126)
Net increase in shareholders' funds	11,823	9,294
Shareholders' funds at the beginning of the year	76,202	96,909
Dividend paid in the financial year	-	(30,000)
Shareholders' funds at the end of the year	88,025	76,203

The notes on pages 13 to 32 form part of these financial statements

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, customer rebates, VAT and other sales related taxes.

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of 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	-	over the life of the lease
Plant and machinery	-	4% - 20% per annum
Fixtures and fittings	-	10% - 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.

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 sell. Provision is made for obsolete, slow moving or defective items where appropriate.

Related party disclosures

As permitted by FRS 8, the company has not disclosed related party transactions with other group undertakings.

**Notes to the financial statements
for the year ended 31 December 2012 (continued)**

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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 (for quoted securities the current bid-price is taken as market value). 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.

A 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 company also operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Assets of each of the schemes are held separately from those of the company.

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.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

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 and Ireland.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 Net interest receivable and similar income

	2012	2011
	£'000	£'000
Interest receivable and similar income		
Bank and similar interest	-	2
Inter-company interest	805	823
	805	825
Interest payable and similar charges		
Inter-company interest	-	(41)
	-	(41)
Net interest receivable	805	784

4 Other finance costs

	2012	2011
	£'000	£'000
Expected return on pension scheme assets	(512)	(565)
Interest on pension scheme liabilities	561	578
	49	13

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging

	2012	2011
	£'000	£'000
Depreciation of own fixed assets	1,649	1,874
Operating lease rentals		
- plant and machinery	9	4
- other	3,548	3,695
Services provided by the company's auditors		
- fees payable for the audit	27	30

6 Directors' emoluments

The remuneration of the directors was as follows

	2012	2011
	£'000	£'000
Emoluments	179	168
Pension contributions	15	13
	194	181

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

	2012	2011
	Number	Number
Money Purchase Schemes	1	1

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Staff numbers and costs

The monthly average number of persons employed by the company during the year, analysed by category, was as follows

	2012	2011
	Number	Number
Sales force & Customer Services	716	740
Distribution & Logistics	591	677
Head office & Other	105	102
	1,412	1,519

Their aggregate remuneration comprised

	2012	2011
	£'000	£'000
Wages and salaries	34,604	35,902
Social security costs	3,433	3,637
Other pension costs	1,151	1,142
	39,188	40,681

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Tax on profit on ordinary activities

Analysis of charge in the years

	2012	2011
	£'000	£'000
Current tax		
UK corporation tax on income for the year	3,907	4,229
Adjustment in respect of prior periods	(234)	(35)
Total current tax	3,673	4,194
Deferred tax charge/(credit)	133	(28)
Total deferred tax (see note 15)	133	(28)
Tax on profit on ordinary activities	3,806	4,166

The current tax charge for the year is lower (2011 higher) than the current charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2012 of 24.5% (2011 26.5%). The differences are explained below

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget. These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions to the main rate of corporation tax are both expected to be enacted as part of Finance Act 2013. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax liability by an additional £10,620.

	2012	2011
	£'000	£'000
Factors affecting the tax charge for the current year		
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	15,629	14,586
Current tax at 24.50% (2011: 26.50%)	3,829	3,865

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Tax on profit on ordinary activities (continued)

	2012	2011
	£'000	£'000
<i>Effects of</i>		
Expenses not deductible for tax purposes	27	78
Capital allowances for year less than depreciation	40	61
Adjustments in respect of prior periods	(234)	(35)
Depreciation on assets not qualifying for capital allowance	136	119
Pension scheme and other timing differences	(126)	106
Total current tax charge	3,672	4,194

9 Intangible fixed assets

	Goodwill
Cost	£'000
At 1 January 2011 and 31 December 2011	450
At 1 January 2012	450
Disposal during the year	(450)
As at 31 December 2012	-
Accumulated amortisation	
At 1 January 2011 and 31 December 2011	450
At 1 January 2012	(450)
Depreciation eliminated on disposal	450
As at 31 December 2012	-
Net book value	
At 31 December 2012 and at 31 December 2011	-

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill related to a previous business acquisition and has been fully disposed of in the year.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Tangible fixed assets

	Land and buildings £'000	Plant, machinery and computers £'000	Motor vehicles, fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2012	24,647	10,128	3,010	37,785
Additions	333	256	3	592
Disposals	(35)	(5)	(86)	(126)
Reclassified assets	(101)	-	101	-
At 31 December 2012	24,844	10,379	3,028	38,251
Accumulated depreciation				
At beginning of year	11,670	7,885	1,577	21,132
Charge for the year	844	512	293	1,649
Eliminated on disposal	(28)	(2)	(76)	(106)
Reclassified depreciation	-	(151)	151	-
At 31 December 2012	12,486	8,244	1,945	22,675
Net book value				
At 31 December 2012	12,358	2,135	1,083	15,576
At 31 December 2011	12,876	2,249	1,526	16,652

The net book value of land and buildings comprises	2012	2011
	£'000	£'000
Freehold land and buildings	12,306	12,865
Short leasehold improvements	54	11
	12,360	12,876

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2011 £2,790,000)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Stocks

	2012	2011
	£'000	£'000
Goods for resale	10,551	11,606

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

12 Debtors

	2012	2011
	£'000	£'000
<i>Amounts falling due within one year</i>		
Trade debtors	36,474	37,600
Amounts owed by group undertakings	62,784	49,812
Prepayments and accrued income	3,350	3,811
	102,608	91,223

Interest of 1.69% is charged on £45m due from group undertakings

13 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	28,115	32,277
Amounts owed to group undertakings	1,699	1,446
Corporation Tax	1,524	1,630
Other taxation and social security	2,026	1,799
Accruals and deferred income	5,347	3,821
	38,711	40,973

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Provisions for liabilities

	2012	2011
	£'000	£'000
Deferred tax	219	228
Other provisions	82	39
	301	267

15 Deferred taxation

	2012
	£'000
At beginning of year	(531)
Credit to the profit and loss account for the year (see note 8)	133
Credit to the statement of total recognised gains and losses for the year	-
At end of year	(397)

Analysis of deferred tax balances:

	2012	2011
	£'000	£'000
Deferred tax liability, excluding deferred tax on pension deficit, included in provisions for liabilities	219	228
Deferred tax on pension deficit – included in pension liability	(616)	(759)
	(397)	(531)

	2012	2011
	£'000	£'000
Accelerated capital allowances	219	228
	219	228

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Called up share capital

	2012	2011
	£'000	£'000
Allotted, called up and fully paid		
14,841,100 ordinary shares of £1 each (2011 14,841,100)	14,841	14,841

17 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At beginning of year	6,634	79	54,649
Profit for the financial year	-	-	11,823
Actuarial loss recognised in the pension scheme	-	-	(1)
At end of year	6,634	79	66,471

	2012	2011
	£'000	£'000
Profit and loss account excluding pension deficit	68,424	56,925
Pension deficit	(1,953)	(2,276)
Profit and loss account including pension deficit	66,471	54,649

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Contingent liabilities and other financial commitments

- (a) There were capital commitments at the year-end totalling £nil (2011 £27,000)
- (b) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
On leases which expire:				
Within one year	374	238	189	427
Within two to five years	592	767	2,403	2,152
After five years	-	115	-	-
At end of year	966	1,120	2,592	2,579

19 Cash flow information

- (a) Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£'000	£'000
Operating profit	14,873	13,815
Depreciation and amortisation charges	1,649	1,874
Decrease in stocks	1,055	1,162
(Increase)/decrease in debtors	(10,802)	24,235
Decrease in creditors less corporation tax movement	(2,739)	(6,635)
Cash funding in excess of pension charge	(467)	(529)
Net cash inflow from operating activities	3,569	33,922

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Notes to the financial statements for the year ended 31 December 2012 (continued)

19 Cash flow information (continued)

(b) Analysis of cash flow

	2012	2011
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	805	825
Interest paid	-	(41)
Dividends paid	-	(30,000)
Net cash inflow/(outflow) from returns on investments and servicing of finance	805	(29,216)

Taxation	2012	2011
	£'000	£'000
UK Corporation Tax paid	(3,776)	(4,574)

	2012	2011
	£'000	£'000
Capital expenditure and financial investment		
Sale of tangible fixed assets	12	-
Purchase of tangible fixed assets	(592)	(527)
Net cash outflow for capital expenditure and financial investment	(580)	(527)

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Notes to the financial statements for the year ended 31 December 2012 (continued)

19 Cash flow information (continued)

(c) Analysis and reconciliation of cash

	1 January 2012	Cash flow	31 December 2012
	£'000	£'000	£'000
Cash at bank and in hand	237	18	255
	237	18	255

	2012	2011
	£'000	£'000
Increase/(decrease) in cash in the year	18	(394)
Net funds at beginning of year	237	632
Net funds at end of year	255	237

20 Pension scheme

The company provides pension arrangements to the majority of full time employees through a funded defined contribution scheme. This changed from an occupational trust based arrangement to a Group Personal Pension Plan (GPP) on 1st December 2012. The occupational trust based arrangement also has a defined benefit section which was closed to new members in April 1997 and to existing members on 28 February 2006.

The assets of the occupational trust based arrangement are held in a separate trustee administered fund, which incorporates both 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 arrangements are charged to the profit and loss account in the period in which they are incurred. The pension cost charge for the year for the defined contribution arrangements was £684,000 (2011 £626,000). There are no outstanding or prepaid contributions at either the beginning or end of the financial year.

The last formal valuation of the occupational trust based scheme was carried out with an effective date of 1 January 2012. The current FRS 17 calculations are based on the valuation results as at 31st December 2012 and were prepared by a qualified independent actuary.

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Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Pension scheme (continued)

	2012	2011
	£'000	£'000
Pension deficit at end of year	(2,569)	(3,035)
Related deferred tax asset	616	759
Net pension deficit	(1,953)	(2,276)

Relationship between the reporting entity and the Trustees (managers) of the defined benefit scheme

The pension assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the Trustees to the Scheme is determined by the Scheme's trust documentation. The Company has a policy that one-third of all trustees should be nominated by members of the Scheme.

The information disclosed below is in respect of defined benefit section of the scheme for which the Company is the sponsoring employer.

	2012	2011
	£'000	£'000
Present value of funded defined benefit obligations	(12,335)	(11,637)
Fair value of plan assets	9,766	8,602
Deficit	(2,569)	(3,035)
Related deferred tax asset	616	759
Net pension deficit	(1,953)	(2,276)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Pension scheme (continued)

Movements in present value of defined benefit obligations

	2012	2011
	£'000	£'000
At 1 January	11,637	10,304
Interest cost	561	578
Actuarial losses	351	931
Benefits paid	(214)	(176)
At 31 December	12,335	11,637

Movements in fair value of plan assets

	2012	2011
	£'000	£'000
At 1 January	8,602	8,240
Expected return on plan assets	512	565
Actuarial gains	350	(543)
Contributions by employer	516	516
Benefits paid	(214)	(176)
At 31 December	9,766	8,602

Expense recognised in the profit and loss account

	2012	2011
	£'000	£'000
Interest on defined benefit pension plan obligation	561	578
Return on defined benefit pension plan assets	(512)	(565)
Total	49	13

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Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Pension scheme (continued)

The expense is recognised in the following line in the profit and loss account

	2012	2011
	£'000	£'000
Other finance costs	49	13

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £1,000 (2011 loss of £1,474,000)

Cumulative actuarial gains reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently, included by prior year adjustment under paragraph 96 of FRS 17, is a loss of £1,336,000 (2011 £1,335,000)

The fair values of the plan assets (defined benefit section) and the returns on those assets were as follows

	2012 Fair value		2011 Fair value	
	£'000	%	£'000	%
Equities	7,313	75%	6,422	75%
Corporate Bonds	2,273	23%	1,980	23%
Property	171	2%	167	2%
Other	9	0%	33	0%
	9,766	100%	8,602	100%
Actual return on assets	862		22	

At 31 December 2012 the Scheme assets were invested in a diversified portfolio that consisted primarily of equities and debt securities. The fair value of the Scheme assets as a percentage of total Scheme assets and target allocations is set out above

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is the sum of the return on risk free gilts plus an equity risk premium. The expected return on gilts and bonds is the current market yield on long term gilts and bonds

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Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Pension scheme (continued)

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

	2012	2011
	%	%
Discount rate	4.40%	4.85%
Expected rate of return on plan assets	5.85%	5.85%
Inflation (RPI)	3.00%	3.10%
LPI increases to pensions in payment	2.90%	3.00%

On 8 July 2010, the government announced that it would change the inflation index used for statutory pension increases that would apply to private sector pension schemes to Consumer Price Index ("CPI") where previously it was based on the Retail Prices Index ("RPI"). RPI is stipulated in the pension scheme rules for the vast majority of the benefits with a small element of the benefits linked to CPI. The calculations at 31 December 2012 take account of the relevant indices for the relevant benefits.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65 - 22 years (male), 24 years (female)
- Future retiree (currently aged 45) upon reaching 65 - 23 years (male), 25 years (female)

History of plans

The history of plans for the current and prior years is as follows

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(12,335)	(11,637)	(10,304)	(9,447)	(7,986)
Fair value of scheme assets	9,766	8,602	8,240	6,838	5,674
Deficit	(2,569)	(3,035)	(2,064)	(2,609)	(2,312)

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Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Pension scheme (continued)

	2012	2011	2010	2009	2008
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience adjustments on scheme liabilities	-	(931)	613	(137)	32
	0.00%	8.00%	(5.95%)	1.45%	(0.40%)
Experience adjustments on scheme assets	350	(543)	726	600	(1,468)
	3.58%	(6.31%)	8.81%	8.77%	(25.87%)
	350	(1,474)	1,339	463	(1,436)

The Company expects to contribute approximately £816,000 to its defined benefit plans in the next financial year

The most recently completed triennial actuarial valuation of the Scheme was performed by an independent actuary for the Trustees of the Scheme and was carried out as at 1 January 2012. The results contained in this disclosure are based on the actuarial valuation as at 1 January 2012, adjusted to allow for the estimated impact of market movement and membership movements between 1 January 2012 and 31 December 2012.

For the valuation as at 1 January 2012, the Trustees of the Scheme have decided, with the Company's agreement, that the long-term funding objective is to be fully funded on the ongoing basis. In particular, the assets of the Scheme and the future investment return on these assets should be expected to cover the total value of the benefits in full in respect of service already completed.

A secondary funding objective is to improve the funding level on a solvency basis over time.

21 Ultimate parent company

Lyreco UK Limited is a wholly owned subsidiary of Holding Lyreco Internationale S A S, a Company incorporated and registered in France.

The ultimate parent undertaking and controlling party is Lyreco S A S which is the parent undertaking of the smallest and largest group to consolidate these financial statements.