

Registered No' 442696

**Lyreco UK Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2013**

TUESDAY



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**Annual report and financial statements  
for the year ended 31 December 2013**

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## **Directors' report for the year ended 31 December 2013**

The directors present their report and the audited financial statements for the year ended 31 December 2013

### **Principal activities**

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

### **Dividends**

The directors recommend that no final ordinary dividend be paid for 2013 (2012 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)

P Hradisky (Slovak)

None of the directors have interests in the share capital of the company (2012 None)

The directors' interests in the shares of the ultimate holding company are disclosed in those financial statements

### **Disabled employees**

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

### **Employee consultation**

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining it. The company encourages the involvement of employees by means of the company's employee forum – the "Voice of Lyreco".

## **Directors' report for the year ended 31 December 2013 (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 the 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.

### **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 31<sup>st</sup> December 2013.

# Lyreco UK Limited

## **Directors' report for the year ended 31 December 2013 (continued)**

Approved by the Board and signed on its behalf



**J. Hradisky**  
Director

Deer Park Court  
Donnington Wood  
Telford  
Shropshire  
TF2 7NB

27<sup>th</sup> May 2014

Registered number 442696

## Strategic report for the year ended 31 December 2013

### Review of the business

Lyreco UK Limited provides office and work solutions within the UK to a large and diverse customer base. Brand image means that the company is well placed and has a long established and strong reputation within the UK marketplace.

The company's main objectives and strategies are focused on sales and profit 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 office and work solutions provider in the UK.

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.

Turnover for 2013 was £228,796,000 (2012 £227,129,000) and was in line with the company's expectations. Profit before tax was £13,215,000 or 5.8% of turnover (2012 £15,629,000), which represents an excellent return during a challenging but gradually improving 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 of its Corporate Accounts and Field Sales divisions as well as actively pursuing a number of new revenue streams and additional routes to market.

Net assets increased year on year from £88,025,000k in 2012 to £97,763,000 in 2013 following the profit after tax achieved in 2013. 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.

The turnover for the next financial year is anticipated to exceed £230,000,000, again, in an environment showing on-going controls on expenditure by clients.

The company maintained its Investor in People status throughout 2013.

The company is accredited for ISO9002 2000 (quality system) and ISO14001 (environment) and will continue to be externally audited for both during 2014.

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.

## **Lyreco UK Limited**

### **Strategic report for the year ended 31 December 2013 (continued)**

#### **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 manage these risks. The objectives of the Lyreco Group's policies for management of financial risks are to obtain best value in terms of Lyreco Groups product purchasing costs by utilizing economies of scale, to minimize negative effects on income and profitability as a result of changes in currency or interest rates, to limit 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 in France, 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 each 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.

##### ***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 liquidity pressures. Lyreco UK therefore constantly monitors its working capital balance to ensure that the optimum amount of cash can be generated from profits.

##### ***Product risk***

Lyreco's long-term growth target performance depends upon the Company's ability to successfully identify changing customer requirements and develop and sell new products and services to match these customer centric needs. Lyreco has constantly monitored the market place to ensure that it keeps abreast of customers' requirements and in response to this it launched its global vision for expansion "to become the single provider for all office and work solutions" 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 at fully supplying businesses with competitively priced, ecologically friendly products and services.

## Lyreco UK Limited

### Strategic report for the year ended 31 December 2013 (continued)

#### Diversity

The company takes its corporate social responsibilities and diversity very seriously. For the year ended 31 December 2013, the company's gender split was,

	<u>Male</u>	<u>Female</u>
Directors	2	-
Senior Managers	7	2
Employees	914	452

By order of the board



P Hradisky  
Director

27<sup>th</sup> May 2014



## **Independent auditors' report to the members of Lyreco UK Limited**

### **Report on the financial statements**

#### ***Our opinion***

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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

This opinion is to be read in the context of what we say in the remainder of this report

#### ***What we have audited***

The financial statements, which are prepared by Lyreco UK Limited, comprise

- the balance sheet as at 31 December 2013,
- the profit and loss account and statement of total recognised gains and losses for the year then ended,
- the cash flow statement for the year then ended,
- the reconciliation of movements in shareholders' funds for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

#### ***What an audit of financial statements involves***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

## **Independent auditors' report to the members of Lyreco UK Limited**

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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

### **Other matters on which we are required to report by exception**

#### ***Adequacy of accounting records and information and explanations received***

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

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

#### ***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

### **Responsibilities for the financial statements and the audit**

#### ***Our responsibilities and those of the directors***

As explained more fully in the Statement of the Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

*David Martin*

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

*13 June 2014*

## Lyreco UK Limited

### Profit and loss account for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
<b>Turnover</b>	2	<b>228,796</b>	227,129
Cost of sales		(148,104)	(145,014)
<b>Gross profit</b>		<b>80,692</b>	82,115
Distribution costs		(3,881)	(3,891)
Administrative expenses		(64,024)	(63,351)
<b>Operating profit</b>		<b>12,787</b>	14,873
Net interest receivable and similar income	3	378	805
Other finance income/(costs)	4	50	(49)
<b>Profit on ordinary activities before taxation</b>	5	<b>13,215</b>	15,629
Tax on profit on ordinary activities	8	(3,350)	(3,806)
<b>Profit for the financial year</b>	16	<b>9,865</b>	11,823

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

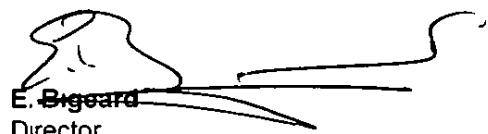
The notes on pages 15 to 33 form part of these financial statements

# Lyreco UK Limited

## Balance Sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible assets	9	14,284	15,576
<b>Current assets</b>			
Stocks	10	11,449	10,551
Debtors	11	114,686	102,608
Cash at bank and in hand		222	255
		126,357	113,414
<b>Creditors: amounts falling due within one year</b>	12	(41,129)	(38,711)
<b>Net current assets</b>		85,228	74,703
<b>Total assets less current liabilities</b>		99,512	90,279
Provisions for liabilities	13	(239)	(301)
<b>Net assets excluding pension deficit</b>		99,273	89,978
Pensions deficit	19	(1,510)	(1,953)
<b>Net assets including pension deficit</b>		97,763	88,025
<b>Capital and reserves</b>			
Called up share capital	15	14,841	14,841
Share premium account	16	6,634	6,634
Revaluation reserve	16	79	79
Profit and loss account	16	76,209	66,471
<b>Total shareholders' funds</b>		97,763	88,025

The financial statements on pages 11 to 33 were approved by the Board of Directors on 27<sup>th</sup> May 2014 and signed on its behalf by

  
E. Bigard  
Director  
Registered number 442696

## **Lyreco UK Limited**

### **Cash flow statement for the year ended 31 December 2013**

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	18a	3,570	3,569
Returns on investment and servicing of finance	18b	378	805
Taxation	18b	(3,440)	(3,776)
Capital expenditure and financial investment	18b	(541)	(580)
<b>(Decrease)/increase in cash in the year</b>	18c	<b>(33)</b>	<b>18</b>

## Lyreco UK Limited

### Statement of total recognised gains and losses for the year ended 31 December 2013

	2013	2012
	£'000	£'000
Profit for the financial year	9,865	11,824
Actuarial loss recognised in the pension scheme	(159)	(1)
Deferred tax arising on actuarial loss in the pension scheme	32	-
<b>Total recognised gains and losses relating to the financial year</b>	<b>9,738</b>	<b>11,823</b>

### Reconciliation of movements in shareholders' funds for the year ended 31 December 2013

	2013	2012
	£'000	£'000
Profit for the financial year	9,865	11,824
Other recognised gains and losses relating to the year (net)	(127)	(1)
<b>Net increase in shareholders' funds</b>	<b>9,738</b>	<b>11,823</b>
Shareholders' funds at the beginning of the year	88,025	76,202
<b>Shareholders' funds at the end of the year</b>	<b>97,763</b>	<b>88,025</b>

The notes on pages 15 to 33 form part of these financial statements

**Notes to the financial statements  
for the year ended 31 December 2013**

**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.

**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.

# **Lyreco UK Limited**

## **Notes to the financial statements for the year ended 31 December 2013 (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 2013 (continued)

#### 3 Net interest receivable and similar income

	2013	2012
	£'000	£'000
<b>Interest receivable and similar income</b>		
Bank and similar interest	2	-
Inter-company interest	462	805
	464	805
<b>Interest payable and similar charges</b>		
Bank and similar interest	(86)	-
	(86)	-
<b>Net interest receivable</b>	<b>378</b>	<b>805</b>

#### 4 Other finance income/(costs)

	2013	2012
	£'000	£'000
Expected return on pension scheme assets	589	512
Interest on pension scheme liabilities	(539)	(561)
	50	(49)

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 5 Profit on ordinary activities before taxation

*Profit on ordinary activities is stated after charging*

	2013	2012
	£'000	£'000
Depreciation of own fixed assets	1,830	1,649
Operating lease rentals		
- plant and machinery	9	9
- other	4,403	3,548
<hr/>		
Services provided by the company's auditors		
- fees payable for the audit	36	27

#### 6 Directors' emoluments

*The remuneration of the directors was as follows*

	2013	2012
	£'000	£'000
Emoluments	170	179
Pension contributions	13	15
	183	194

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

	2013	2012
	Number	Number
Money Purchase Schemes	1	1

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2013 (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

	2013	2012
	Number	Number
Sales force & Customer Services	720	716
Distribution & Logistics	553	591
Head office & Other	102	105
	<b>1,375</b>	<b>1,412</b>

	2013	2012
	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	34,710	34,604
Social security costs	3,545	3,433
Other pension costs	1,727	1,151
	<b>39,982</b>	<b>39,188</b>

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 8 Tax on profit on ordinary activities

Analysis of charge in the years

	2013	2012
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on income for the year	3,112	3,907
Adjustment in respect of prior periods	36	(234)
<b>Total current tax</b>	<b>3,148</b>	<b>3,673</b>
Deferred tax charge	202	133
<b>Total deferred tax (Note 14)</b>	<b>202</b>	<b>133</b>
<b>Tax on profit on ordinary activities</b>	<b>3,350</b>	<b>3,806</b>

The current tax charge for the year is higher (2012 lower) than the current charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2012 of 23.25% (2012 24.5%). The differences are explained below.

In the Chancellor's Budget of 21 March 2012 it was announced that the rate of Corporation tax was to be reduced from 24% to 23% on 1 April 2013. Therefore, the company's profits for the accounting period are taxed at an effective rate of 23.25% (2012 24.5%).

On 17 July 2013, Finance Bill 2013 was given Royal Assent, which stated that the main rate of Corporation tax was to be further reduced to 21% from 1 April 2014 and to 20% from 1 April 2015. As a result of the above, the deferred tax balances at 31 December 2013 have been measured at 20%.

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 8 Tax on profit on ordinary activities (continued)

	2013	2012
Factors affecting the tax charge for the current year	£'000	£'000
Profit on ordinary activities before taxation	13,215	15,629
<b>Current tax at 23 25% (2012: 24 50%)</b>	<b>3,072</b>	<b>3,829</b>
<i>Effects of</i>		
Expenses not deductible for tax purposes	27	27
Capital allowances for year less than depreciation	64	40
Adjustments in respect of prior periods	36	(233)
Depreciation on assets not qualifying for capital allowance	124	136
Pension scheme and other timing differences	(175)	(126)
<b>Total current tax charge</b>	<b>3,148</b>	<b>3,673</b>

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 9 Tangible fixed assets

	Land and buildings £'000	Plant, machinery and computers £'000	Motor vehicles, fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 January 2013	24,844	10,379	3,028	38,251
Additions	222	256	65	543
Disposals	(176)	(928)	(411)	(1,515)
<b>At 31 December 2013</b>	<b>24,890</b>	<b>9,707</b>	<b>2,682</b>	<b>37,279</b>
<b>Accumulated depreciation</b>				
At 1 <sup>st</sup> January 2013	(12,486)	(8,244)	(1,945)	(22,675)
Charge for the year	(866)	(523)	(441)	(1,830)
Disposals	174	926	410	1,510
<b>At 31 December 2013</b>	<b>(13,178)</b>	<b>(7,841)</b>	<b>(1,976)</b>	<b>(22,995)</b>
<b>Net book value</b>				
<b>At 31 December 2013</b>	<b>11,712</b>	<b>1,866</b>	<b>706</b>	<b>14,284</b>
At 31 December 2012	12,358	2,135	1,083	15,576

The net book value of land and buildings comprises	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Freehold land and buildings	<b>11,663</b>	12,304
Short leasehold improvements	<b>49</b>	54
	<b>11,712</b>	12,358

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2012 £2,790,000)

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 10 Stocks

	2013	2012
	£'000	£'000
Goods for resale	11,449	10,551

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

#### 11 Debtors

	2013	2012
	£'000	£'000
<i>Amounts falling due within one year</i>		
Trade debtors	36,885	36,474
Amounts owed by group undertakings	75,110	62,784
Prepayments and accrued income	2,691	3,350
	114,686	102,608

Interest of 0.814% is charged on £50,000,000 due from group undertakings. The loans are repayable on demand.

#### 12 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	29,818	28,115
Amounts owed to group undertakings	2,025	1,699
Corporation tax	1,231	1,524
Other taxation and social security	2,427	2,026
Accruals and deferred income	5,628	5,347
	41,129	38,711

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 13 Provisions for liabilities

	2013	2012
	£'000	£'000
Deferred tax	150	219
Other provisions	89	82
	<b>239</b>	<b>301</b>

### 14 Deferred taxation

	2013
	£'000
At 1 <sup>st</sup> January 2013	(397)
Debit to the profit and loss account for the year (see note 8)	202
Credit to the statement of total recognised gains and losses for the year	(32)
<b>At 31<sup>st</sup> December 2013</b>	<b>(227)</b>

#### *Analysis of deferred tax balances.*

	2013	2012
	£'000	£'000
Deferred tax liability, excluding deferred tax on pension deficit, included in provisions for liabilities	150	219
Deferred tax on pension deficit – included in pension liability ( <b>Note 19</b> )	(377)	(616)
	<b>(227)</b>	<b>(397)</b>

	2013	2012
	£'000	£'000
Accelerated capital allowances	150	219
	<b>150</b>	<b>219</b>



# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 15 Called up share capital

	2013	2012
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
14,841,100 ordinary shares of £1 each (2012 14,841,100)	<b>14,841</b>	14,841

### 16 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
<b>At 1<sup>st</sup> January 2013</b>	<b>6,634</b>	<b>79</b>	<b>66,471</b>
Profit for the financial year	-	-	9,865
Actuarial loss recognised in the pension scheme	-	-	(159)
Deferred tax arising on actuarial loss in the pension scheme	-	-	32
<b>At 31<sup>st</sup> December 2013</b>	<b>6,634</b>	<b>79</b>	<b>76,209</b>

	2013	2012
	£'000	£'000
Profit and loss account excluding pension deficit	<b>77,719</b>	68,424
Pension deficit	<b>(1,510)</b>	(1,953)
<b>Profit and loss account including pension deficit</b>	<b>76,209</b>	66,471

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 17 Contingent liabilities and other financial commitments

(a) There were capital commitments at the year-end totalling £nil (2012 £nil)

e(b) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
<b>On leases which expire:</b>				
Within one year	152	374	552	189
Within two to five years	644	592	2,066	2,403
After five years	-	-	-	-
At end of year	796	966	2,618	2,592

### 18 Cash flow information

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

	2013	2012
	£'000	£'000
Operating profit	12,787	14,873
Depreciation and amortisation charges	1,830	1,649
Loss on tangible assets	3	-
(Increase)/decrease in stocks	(898)	1,055
Increase in debtors	(12,078)	(10,802)
Increase/(decrease) in creditors less corporation tax movement	2,711	(2,739)
Cash funding in excess of pension charge	(791)	(467)
Increase of creditor included in provisions for liabilities	6	-
<b>Net cash inflow from operating activities</b>	<b>3,570</b>	<b>3,569</b>

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 18 Cash flow information (continued)

#### (b) Analysis of cash flow

	2013	2012
	£'000	£'000
<b>Returns on investments and servicing of finance</b>		
Interest received	464	805
Interest paid	(86)	-
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>	<b>378</b>	<b>805</b>
<b>Taxation</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>UK Corporation tax paid</b>	<b>(3,440)</b>	<b>(3,776)</b>
	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital expenditure and financial investment</b>		
Sale of tangible fixed assets	2	12
Purchase of tangible fixed assets	(543)	(592)
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(541)</b>	<b>(580)</b>

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**18 Cash flow information (continued)**

(c) Analysis and reconciliation of cash

	1 January 2013	Cash flow	31 December 2013
	£'000	£'000	£'000
Cash at bank and in hand	255	(33)	222
	255	(33)	222

	2013	2012
	£'000	£'000
(Decrease)/increase in cash in the year	(33)	18
Net funds at beginning of year	255	237
<b>Net funds at end of year</b>	<b>222</b>	<b>255</b>

## 19 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 1<sup>st</sup> 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 £911,000 (2012: £684,000). 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 2013. The current FRS 17 calculations are based on the valuation results as at 31<sup>st</sup> December 2013 and were prepared by a qualified independent actuary.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 19 Pension scheme (continued)

	2013	2012
	£'000	£'000
Pension deficit at end of year	(1,887)	(2,569)
Related deferred tax asset	377	616
<b>Net pension deficit</b>	<b>(1,510)</b>	<b>(1,953)</b>

#### 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.

	2013	2012
	£'000	£'000
Present value of funded defined benefit obligations	(13,064)	(12,335)
Fair value of plan assets	11,177	9,766
<b>Deficit</b>	<b>(1,887)</b>	<b>(2,569)</b>
Related deferred tax asset	377	616
<b>Net pension deficit</b>	<b>(1,510)</b>	<b>(1,953)</b>

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 19 Pension scheme (continued)

#### *Movements in present value of defined benefit obligations*

	2013	2012
	£'000	£'000
At 1 January	12,335	11,637
Interest cost	539	561
Actuarial losses	362	351
Benefits paid	(172)	(214)
<b>At 31 December</b>	<b>13,064</b>	<b>12,335</b>

#### *Movements in fair value of plan assets*

	2013	2012
	£'000	£'000
At 1 January	9,766	8,602
Expected return on plan assets	589	512
Actuarial gains	203	350
Contributions by employer	791	516
Benefits paid	(172)	(214)
<b>At 31 December</b>	<b>11,177</b>	<b>9,766</b>

#### *Income/(expense) recognised in the profit and loss account*

	2013	2012
	£'000	£'000
Interest on defined benefit pension plan obligation	(539)	(561)
Return on defined benefit pension plan assets	589	512
<b>Total</b>	<b>50</b>	<b>(49)</b>

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 19 Pension scheme (continued)

*The income/(expense) is recognised in the following line in the profit and loss account*

	2013	2012
	£'000	£'000
Other finance income/(costs)	50	(49)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £159,000 (2012 loss of £1,000)

The cumulative amount of actuarial losses 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 £1,495,000 (2012 £1,336,000)

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

	2013 Fair value		2012 Fair value	
	£'000	%	£'000	%
Equities	8,360	75%	7,313	75%
Corporate Bonds	2,524	23%	2,273	23%
Property	225	2%	171	2%
Other	68	0%	9	0%
	11,177	100%	9,766	100%

#### Actual return on assets

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

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 19 Pension scheme (continued)

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

	2013	2012
	%	%
Discount rate	4.60%	4.40%
Expected rate of return on plan assets	6.65%	5.85%
Inflation (RPI)	3.45%	3.00%
LPI increases to pensions in payment	3.30%	2.90%

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 2014 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:

- Future retiree (currently aged 45) upon reaching 65 - 23 years (male), 26 years (female)

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation of the Fund.

### History of plans

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

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(13,064)	(12,335)	(11,637)	(10,304)	(9,447)
Fair value of scheme assets	11,177	9,766	8,602	8,240	6,838
<b>Deficit</b>	<b>(1,887)</b>	<b>(2,569)</b>	<b>(3,035)</b>	<b>(2,064)</b>	<b>(2,609)</b>



## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 19 Pension scheme (continued)

	2013	2012	2011	2010	2009
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience adjustments on scheme liabilities	(22)	(931)	613	(137)	32
	0.00%	8.00%	-5.95%	1.45%	-0.40%
Experience adjustments on scheme assets	203	350	(543)	726	600
	0.00%	3.58%	-6.31%	8.81%	8.77%
	181	(581)	70	589	632

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 2013. The results contained in this disclosure are based on the actuarial valuation as at 1 January 2013, adjusted to allow for the estimated impact of market movement and membership movements between 1 January 2013 and 31 December 2013.

For the valuation as at 1 January 2013, 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.

#### 20 Ultimate parent company

Lyreco UK Limited is a wholly owned subsidiary of Holding Lyreco Internationale S A S (registered address: Rue du 19 mars 1962, 59770 Marly), 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.