

Registered No: 00442696

Lyreco UK Limited
Annual report and financial statements
for the year ended 31 December 2014



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Lyreco UK Limited

Annual report and financial statements for the year ended 31 December 2014

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Lyreco UK Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report on the company for the year ended 31 December 2014

Principal activities

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

Review of the business

Lyreco UK Limited provides office and workplace 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 simplify life at work". The company aims to position itself as the biggest and best office and workplace solutions provider in the UK.

The company's key performance indicators help ensure its strategies for meeting objectives is working effectively including 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 2014 was £229,718,000 (2013 £228,796,000) and was in line with the company's expectations. Profit before tax was £14,717,000 or 6.41% of turnover (2013 £13,215,000 or 5.78% of turnover), 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 decreased year on year from £97,763,000 in 2013 to £48,049,000 in 2014 following the profit after tax achieved for 2014 and the dividend paid in 2014. 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 company maintained its Investor in People status throughout 2014. The company is accredited for ISO9002:2000 (quality system) and ISO14001 (environment) and will continue to be externally audited for both during 2015.

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 92% 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 2014 (continued)

Future Developments

The turnover for the next financial year is anticipated to exceed £234,000,000, in an environment showing on-going controls on expenditure by clients and with a general decline in the market for traditional product ranges such as IT consumables and paper

The company recognizes the on-going and continuing challenge linked to the UK market decline of the traditional office supplies product ranges such as IT consumables and paper. Future company developments will be aimed at maximising our opportunities to protect and grow our market share in these traditional product ranges whilst also focusing on the continued expansion into new ranges such as PPE (Personal Protective Equipment, Catering and Hygiene). The future will also see the Company further enhance its IT platforms and tools and the use of social media and most importantly, continue to keep the customer as totally centric to everything that we do.

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 the Lyreco Group's 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 against annual targets to ensure that the optimum amount of cash can be generated from profits.

Lyreco UK Limited

Strategic report for the year ended 31 December 2014 (continued)

Principal risks and uncertainties (continued)

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.

Diversity

The company takes its corporate social responsibilities and diversity very seriously. For the year ended 31 December 2014, the company's gender split was,

	<u>Male</u>	<u>Female</u>
Directors	2	-
Senior Managers	7	2
Employees	875	449

By order of the board


P. Hradisky
Director

27th May 2015

Lyreco UK Limited

Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements for the year ended 31 December 2014

A review of the operations, future prospects and financial risk management of the company is given in the Strategic Report on page 3

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 a final ordinary dividend be paid for 2014 £60,000,000 (2013 Nil) which was paid in full during the 2014 year

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 (2013 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 its. The company encourages the involvement of employee's by means of the company's employee forum – the "Voice of Lyreco"

Lyreco UK Limited

Directors' report for the year ended 31 December 2014 (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 Strategic Report, 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.

Lyreco UK Limited

Directors' report for the year ended 31 December 2014 (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 31st December 2014.

Approved by the Board and signed on its behalf



P. Hradisky
Director

Deer Park Court
Donnington Wood
Telford
Shropshire
TF2 7NB

27th May 2015

Registered number 00442696

Lyreco UK Limited

Independent auditors' report to the members of Lyreco UK Limited

Report on the financial statements

Our opinion

In our opinion, Lyreco UK Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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

What we have audited

Lyreco UK Limited's financial statements comprise

- the balance sheet as at 31 December 2014,
- the 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 the preparation of the financial statements 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.

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.

Lyreco UK Limited

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 7, 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) ("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

What an audit of financial statements involves

We conducted our audit in accordance with 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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual report and financial statements 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



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

10 June 2015

Lyreco UK Limited

Profit and loss account for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	229,718	228,796
Cost of sales		(145,913)	(148,104)
Gross profit		83,805	80,692
Distribution costs		(4,220)	(3,881)
Administrative expenses		(65,215)	(64,024)
Operating profit		14,370	12,787
Net interest receivable and similar income	3	180	378
Other finance income	4	167	50
Profit on ordinary activities before taxation	5	14,717	13,215
Tax on profit on ordinary activities	8	(3,269)	(3,350)
Profit for the financial year	16	11,448	9,865

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 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	9	13,176	14,284
Current assets			
Stocks	10	12,964	11,449
Debtors	11	65,172	114,686
Cash at bank and in hand		147	222
		78,283	126,357
Creditors: amounts falling due within one year	12	(41,329)	(41,129)
Net current assets		36,954	85,228
Total assets less current liabilities		50,130	99,512
Provisions for liabilities	13	(195)	(239)
Net assets excluding pension deficit		49,935	99,273
Pensions deficit	19	(1,886)	(1,510)
Net assets including pension deficit		48,049	97,763
Capital and reserves			
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	26,495	76,209
Total shareholders' funds		48,049	97,763

The financial statements on pages 11 to 33 were approved by the Board of Directors on the 27th May 2015 and signed on its behalf by


E. Bigeard
 Director
 Registered number 00442696

Lyreco UK Limited

Cash flow statement for the year ended 31 December 2014

	Note	2014 £'000	2014 £'000
Net cash inflow from operating activities	18a	63,176	3,570
Net cash (outflow)/inflow from returns on investment and servicing of finance	18b	(59,820)	378
Taxation	18b	(2,940)	(3,440)
Capital expenditure and financial investment	18b	(491)	(541)
Decrease in cash in the year	18c	(75)	(33)

Lyreco UK Limited

Statement of total recognised gains and losses for the year ended 31 December 2014

		2014	2013
		£'000	£'000
Profit for the financial year		11,448	9,865
Actuarial loss recognised in the pension scheme	19	(1,453)	(159)
Deferred tax arising on actuarial loss in the pension scheme		291	32
Total recognised gains and losses relating to the financial year		10,286	9,738

Reconciliation of movements in shareholders' funds for the year ended 31 December 2014

	2014	2013
	£'000	£'000
Profit for the financial year	11,448	9,865
Other recognised gains and losses relating to the year (net)	(1,162)	(127)
Net increase in shareholders' funds	10,286	9,738
Shareholders' funds at the beginning of the year	97,763	88,025
Dividends paid during the year	(60,000)	-
Shareholders' funds at the end of the year	48,049	97,763

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

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014

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. Accruals for sales discounts and rebates are based upon the terms of customer contracts and are recorded in the same period as the related sales as a deduction from revenue.

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 2014 (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'

Purchase and advertising rebates

The Company enters into supplier arrangements which include incentives for the Company. Amounts expected to be received from vendors are estimated and recognised as a reduction of stock costs and are then recorded in the same period as the related sales as a deduction from cost of goods sold.

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 2014 (continued)

3 Net interest receivable and similar income

	2014	2013
	£'000	£'000
Interest receivable and similar income		
Bank and similar interest	86	2
Inter-company interest	94	462
	180	464
Interest payable and similar charges		
Bank and similar interest	-	(86)
	-	(86)
Net interest receivable	180	378

4 Other finance income

	2014	2013
	£'000	£'000
Expected return on pension scheme assets	764	589
Interest on pension scheme liabilities	(597)	(539)
	167	50

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

5 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging

	2014	2013
	£'000	£'000
Depreciation of own fixed assets	1,611	1,830
Operating lease rentals		
- plant and machinery	7	9
- other	4,549	4,403
Services provided by the company's auditors		
- fees payable for the audit	45	36

6 Directors' emoluments

The remuneration of the directors was as follows

	2014	2013
	£'000	£'000
Emoluments	166	170
Pension contributions	14	13
	180	183

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

	2014	2013
	Number	Number
Money Purchase Schemes	1	1

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (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

	2014	2013
	Number	Number
Sales force & Customer Services	668	720
Distribution & Logistics	565	553
Head office & Other	102	102
	1,335	1,375

	2014	2013
	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	34,719	34,710
Social security costs	3,538	3,545
Other pension costs	2,018	1,727
	40,275	39,982

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Tax on profit on ordinary activities

Analysis of charge in the years

	2014	2013
	£'000	£'000
Current tax		
UK corporation tax on income for the year	3,104	3,112
Adjustment in respect of prior years	(20)	36
Total current tax	3,084	3,148
 Deferred tax charge	 185	 202
Total deferred tax (Note 14)	185	202
 Tax on profit on ordinary activities	 3,269	 3,350

The current tax charge for the year is lower (2013 lower) than the current charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2014 of 21.50% (2013 23.25%). The differences are explained below.

In the Chancellor's Budget of 20 March 2013 it was announced that the rate of Corporation tax was to be reduced from 23% to 21% on 1 April 2013. Therefore, the company's profits for the accounting period are taxed at an effective rate of 21.50% (2013 23.25%).

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 2014 have been measured at 20%.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Tax on profit on ordinary activities (continued)

	2014	2013
Factors affecting the tax charge for the current year	£'000	£'000
Profit on ordinary activities before taxation	14,717	13,215
Current tax at 21.50% (2013: 23.25%)	3,164	3,072
<i>Effects of</i>		
Expenses not deductible for tax purposes	25	27
Capital allowances for year less than depreciation	6	64
Adjustments in respect of prior years	(20)	36
Depreciation on assets not qualifying for capital allowance	120	124
Pension scheme and other timing differences	(211)	(175)
Total current tax charge	3,084	3,148

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

9 Tangible fixed assets

	Land and buildings £'000	Plant, machinery and computers £'000	Motor vehicles, fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2014	24,890	9,707	2,682	37,279
Additions	27	201	282	510
Disposals	(21)	(466)	(104)	(591)
At 31 December 2014	24,896	9,442	2,860	37,198
Accumulated depreciation				
At 1 January 2014	(13,178)	(7,841)	(1,976)	(22,995)
Charge for the year	(858)	(316)	(437)	(1,611)
Disposals	18	466	100	584
At 31 December 2014	(14,018)	(7,691)	(2,313)	(24,022)
Net book value				
At 31 December 2014	10,878	1,751	547	13,176
At 31 December 2013	11,712	1,866	706	14,284
The net book value of land and buildings comprises				
			2014	2013
			£'000	£'000
Freehold land and buildings			10,838	11,663
Short leasehold improvements			40	49
			10,878	11,712

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2013 £2,790,000)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

10 Stocks

	2014	2013
	£'000	£'000
Goods for resale	12,964	11,449

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

11 Debtors

	2014	2013
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade debtors	38,771	36,885
Amounts owed by group undertakings	24,946	75,110
Prepayments and accrued income	1,455	2,691
	65,172	114,686

12 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	30,554	29,818
Amounts owed to group undertakings	2,341	2,025
Corporation tax	1,375	1,231
Other taxation and social security	2,667	2,427
Accruals and deferred income	4,392	5,628
	41,329	41,129

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

13 Provisions for liabilities

	2014	2013
	£'000	£'000
Deferred tax	138	150
Other provisions	57	89
	195	239

14 Deferred taxation

	2014
	£'000
At 1 January 2014	(227)
Debit to the profit and loss account for the year (see note 8)	185
Credit to the statement of total recognised gains and losses for the year	(291)
At 31 December 2014	(333)

Analysis of deferred tax balances:

	2014	2013
	£'000	£'000
Deferred tax liability, excluding deferred tax on pension deficit, included in provisions for liabilities	138	150
Deferred tax on pension deficit – included in pension liability (Note 19)	(471)	(377)
	(333)	(227)

	2014	2013
	£'000	£'000
Accelerated capital allowances	138	150
	138	150

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

15 Called up share capital

	2014	2013
	£'000	£'000
Allotted, called up and fully paid		
14,841,100 ordinary shares of £1 each (2013 14,841,100)	14,841	14,841

16 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 January 2014	6,634	79	76,209
Profit for the financial year	-	-	11,448
Actuarial loss recognised in the pension scheme	-	-	(1,453)
Deferred tax arising on actuarial loss in the pension scheme	-	-	291
Dividends paid	-	-	(60,000)
At 31 December 2014	6,634	79	26,495
		2014	2013
		£'000	£'000
Profit and loss account excluding pension deficit		24,610	77,719
Pension deficit		1,886	(1,510)
Profit and loss account including pension deficit		26,496	76,209

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Notes to the financial statements for the year ended 31 December 2014 (continued)

17 Contingent liabilities and other financial commitments

- (a) There were capital commitments at the year-end totalling £nil (2013 £nil)
- (b) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
On leases which expire:				
Within one year	160	152	500	552
Within two to five years	903	644	1,140	2,066
After five years	-	-	-	-
At end of year	1,063	796	1,640	2,618

18 Cash flow information

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

	2014	2013
	£'000	£'000
Operating profit	14,370	12,787
Depreciation charges	1,611	1,830
(Profit)/loss on tangible assets	(12)	3
Decrease in stocks	(1,515)	(898)
(Decrease)/increase in debtors	49,514	(12,078)
Increase in creditors less corporation tax movement	56	2,711
Cash funding in excess of pension charge	(816)	(791)
(Decrease)/increase of creditor included in provisions for liabilities	(32)	6
Net cash inflow from operating activities	63,176	3,570

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Notes to the financial statements for the year ended 31 December 2014 (continued)

18 Cash flow information (continued)

(b) Analysis of cash flow

	2014	2013
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	180	464
Interest paid	-	(86)
Dividend paid out	(60,000)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance	(59,820)	378
Taxation		
	2014	2013
	£'000	£'000
UK Corporation tax paid	(2,940)	(3,440)
Capital expenditure and financial investment		
	2014	2013
	£'000	£'000
Sale of tangible fixed assets	19	2
Purchase of tangible fixed assets	(510)	(543)
Net cash outflow for capital expenditure and financial investment	(491)	(541)

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Notes to the financial statements for the year ended 31 December 2014 (continued)

18 Cash flow information (continued)

(c) Analysis and reconciliation of cash

	1 January 2014	Cash flow	31 December 2014
	£'000	£'000	£'000
Cash at bank and in hand	222	(75)	147
	222	(75)	147

	2014	2013
	£'000	£'000
Decrease in cash in the year	(75)	(33)
Net funds at beginning of year	222	255
Net funds at end of year	147	222

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 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 £1,201,000 (2013: £911,000). 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 31 December 2013 and were prepared by a qualified independent actuary.

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Notes to the financial statements for the year ended 31 December 2014 (continued)

19 Pension scheme (continued)

	2014	2013
	£'000	£'000
Pension deficit at end of year	(2,357)	(1,887)
Related deferred tax asset	471	377
Net pension deficit	(1,886)	(1,510)

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.

	2014	2013
	£'000	£'000
Present value of funded defined benefit obligations	(15,046)	(13,064)
Fair value of plan assets	12,689	11,177
Deficit	(2,357)	(1,887)
Related deferred tax asset	471	377
Net pension deficit	(1,886)	(1,510)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

19 Pension scheme (continued)

Movements in present value of defined benefit obligations

	2014	2013
	£'000	£'000
At 1 January	13,064	12,335
Interest cost	597	539
Actuarial losses	1,604	362
Benefits paid	(219)	(172)
At 31 December	15,046	13,064

Movements in fair value of plan assets

	2014	2013
	£'000	£'000
At 1 January	11,177	9,766
Expected return on plan assets	764	589
Actuarial gains	151	203
Contributions by employer	816	791
Benefits paid	(219)	(172)
At 31 December	12,689	11,177

Income recognised in the profit and loss account

	2014	2013
	£'000	£'000
Interest on defined benefit pension plan obligation	(597)	(539)
Return on defined benefit pension plan assets	764	589
Total	167	50

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Notes to the financial statements for the year ended 31 December 2014 (continued)

19 Pension scheme (continued)

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

	2014	2013
	£'000	£'000
Other finance income	167	50

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £1,453,000 (2013 loss of £159,000)

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 £2,948,000 (2013 £1,495,000)

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

	2014 Fair value		2013 Fair value	
	£'000	%	£'000	%
Equities	9,364	74%	8,360	75%
Corporate Bonds	3,001	23%	2,524	23%
Property	257	2%	225	2%
Other	67	1%	68	0%
	12,689	100%	11,177	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 2014 (continued)

19 Pension scheme (continued)

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

	2014	2013
	%	%
Discount rate	3.65%	4.60%
Expected rate of return on plan assets	6.65%	6.65%
Inflation (RPI)	3.00%	3.45%
LPI increases to pensions in payment	2.90%	3.30%

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 51) upon reaching 65 - 22 years (male), 24 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:

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(15,046)	(13,064)	(12,335)	(11,637)	(10,304)
Fair value of scheme assets	12,689	11,177	9,766	8,602	8,240
Deficit	(2,357)	(1,887)	(2,569)	(3,035)	(2,064)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

19 Pension scheme (continued)

	2014	2013	2012	2011	2010
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience adjustments on scheme liabilities	113 (0.75%)	(22) 0.17%	(931) 7.55%	613 (5.27%)	(137) 1.33%
Experience adjustments on scheme assets	151 1.19%	203 1.82%	350 3.58%	(543) (6.31%)	726 8.81%
	264	181	(581)	70	589

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 2014. The results contained in this disclosure are based on the actuarial valuation as at 1 January 2014, adjusted to allow for the estimated impact of market movement and membership movements between 1 January 2014 and 31 December 2014.

For the valuation as at 1 January 2014, 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.