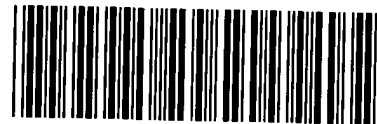


Registered No: 00442696

Lyreco UK Limited  
Annual report and financial statements  
for the year ended 31 December 2018

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# **Lyreco UK Limited**

## **Annual report and financial statements for the year ended 31 December 2018**

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## **Lyreco UK Limited**

### **Strategic report for the year ended 31 December 2018**

The directors present their strategic report on the company for the year ended 31 December 2018.

#### **Review of the business**

Lyreco UK Limited provides office and workplace solutions within the UK to a large and diverse B2B 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 "working together for tomorrow". 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 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 2018 was £270,182,000 (2017: £261,786,000) and exceeded the company's expectations. Profit before taxation was £8,157,000 or 3.01% of turnover (2017: £12,230,000 and 4.67% respectively), which represents an acceptable return during a challenging economic year. Profit before taxation in 2018 was impacted by the costs associated with an enhanced transfer value project to de-risk the company's defined benefit pension scheme. The company maintained strong controls over its operating expenses, continued to focus on driving efficiencies and maximising working capital opportunities but was adversely impacted during 2018 due to the on-going weak position of sterling versus the Euro.

During the year the company continued its on-going investment in its Corporate Accounts and SMB divisions as well as actively pursuing a number of new revenue streams and additional routes to market including the go-live of the Lyreco Print Solutions team.

Net assets increased from £41,984,000 in 2017 to £48,108,000 in 2018 primarily due to the profit after tax achieved in 2018. Dun & Bradstreet have issued Lyreco UK Limited 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 achieved "ones to watch" status in the Sunday Times Best Companies accreditation in 2018.

The company is accredited for ISO9001 (quality system), ISO14001 (environment) and OHSAS18001 (health and safety), and will continue to be externally audited for each during 2019 whilst also working towards the ISO22301 accreditation in business continuity management.

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 90% 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 2018 (continued)**

#### **Future Developments**

The turnover for the next reporting year is anticipated to exceed that of 2018 financial year, 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, paper and filing products.

The company recognises the on-going and continuing challenge linked to the UK market decline of the traditional office supplies product ranges and future company developments will be aimed at maximising our opportunities to protect and grow our market share in these traditional product ranges whilst also focussing on the continued expansion into newer ranges such as PPE (Personal Protective Equipment), Catering, Hygiene and Print. The future will also see the company further enhance its IT platforms and tools via its Transformation project together with the use of social media and most importantly, continue to keep the customer as totally centric to everything that it does.

#### **Principal risks and uncertainties**

##### ***Financial Risk***

In its operations, the company 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 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***

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

##### ***Credit risk***

The company 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 the company's in-house Credit Analyst team.

##### ***Liquidity risk***

The company deals with a high volume of receivables, payables and product stock lines and any adverse trends in any of these areas could lead to liquidity pressures. The company 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 2018 (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 proposition covers "Office and Work Solutions" and is targeted at becoming a globally recognised workplace solutions provider with an expanded product portfolio aimed at fully supplying businesses with competitively priced, ecologically friendly products and services.

#### Key performance indicators

##### *Diversity*

The company places importance upon diversity and its corporate social responsibilities, and monitors them closely. For the year ended 31 December 2018, the company's gender split was;

	<u>Male</u>	<u>Female</u>
Directors	2	1
Senior Managers	5	2
Employees	971	439

On behalf of the board:



**G Gibelli**  
Director

28<sup>th</sup> August 2019

## **Lyreco UK Limited**

### **Directors' report for the year ended 31 December 2018**

The directors present their report and the audited financial statements for the year ended 31 December 2018.

#### **Principal activities**

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

#### **Further developments**

The future developments of the company are disclosed within the strategic report.

#### **Dividends**

The directors have recommended a payment of a dividend for the year ended 31 December 2018 of £nil (2017: £20,000,000).

#### **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:

P Hradisky	(Slovak)
N Gaspard-Bourgain	(French)
G Gibelli	(Italian)

None of the directors have interests in the share capital of the company (2017: 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 position. 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 2018 (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.

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

**Directors' confirmations**

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.

**Directors' report  
for the year ended 31 December 2018 (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 are the auditors for year ended 31<sup>st</sup> December 2018.

Approved by the Board and signed on its behalf:

A handwritten signature in black ink, appearing to be 'G Gibelli', written over a horizontal line.

**G Gibelli**  
Director

Deer Park Court  
Donnington Wood  
Telford  
Shropshire  
TF2 7NB

28<sup>th</sup> August 2019

Registered number: 00442696



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

### **Report on the audit of financial statements**

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#### **Opinion**

In our opinion, Lyreco UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters:

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

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

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

***Auditors' responsibilities for the audit of the financial statements (continued)***

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

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.

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**Other required reporting**

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**Companies Act 2006 exception reporting**

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

We have no exceptions to report arising from this responsibility.

*David Martin*

David Martin (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
24 September 2019

**Lyreco UK Limited****Income statement  
for the year ended 31 December 2018**

	Note	2018 £'000	2017 £'000
<b>Revenue</b>	5	<b>270,182</b>	261,786
Cost of sales		<b>(175,911)</b>	(170,508)
<b>Gross profit</b>		<b>94,271</b>	91,278
Distribution costs		<b>(7,143)</b>	(6,610)
Administrative expenses		<b>(78,766)</b>	(72,483)
<b>Operating profit</b>		<b>8,362</b>	12,185
Finance income	6	<b>98</b>	85
Finance costs	7	<b>(303)</b>	(40)
Net interest (expense)/income		<b>(205)</b>	45
<b>Profit before taxation</b>	8	<b>8,157</b>	12,230
Tax on profit	10	<b>(1,604)</b>	(2,520)
<b>Profit for the financial year</b>		<b>6,553</b>	9,710

**Statement of comprehensive income  
for the year ended 31 December 2018**

	Note	2018 £'000	2017 £'000
Profit for the financial year		<b>6,553</b>	9,710
<b>Other comprehensive (expense)/income:</b>			
Re-measurements of net defined benefit obligation	18	<b>(695)</b>	717
Movement on deferred tax relating to pension deficit		<b>118</b>	(122)
Movement in cash flow hedge reserve		<b>148</b>	-
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<b>(429)</b>	595
<b>Total comprehensive income for the year</b>		<b>6,124</b>	10,305

# Lyreco UK Limited

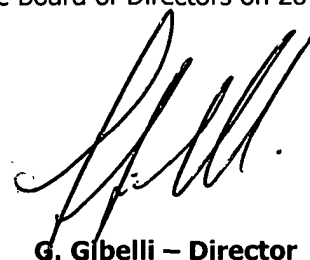
## Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	11	53	15
Tangible assets	12	12,662	12,363
		<b>12,715</b>	12,378
<b>Current assets</b>			
Inventories	13	20,183	18,235
Trade and other receivables	14	59,917	60,618
Cash at bank and in hand		10,174	242
		<b>90,274</b>	79,095
<b>Trade and other payables: amounts falling due within one year</b>	15	<b>(53,985)</b>	(48,747)
<b>Net current assets</b>		<b>36,289</b>	30,348
		<b>49,004</b>	42,726
<b>Total assets less current liabilities</b>			
Post-employment benefits	18	(488)	(306)
Provisions for liabilities	16	(408)	(436)
<b>Net assets</b>		<b>48,108</b>	41,984
<b>Equity</b>			
Called up share capital	19	14,841	14,841
Share premium account		6,634	6,634
Revaluation reserve		79	79
Cash flow hedge reserve		148	-
Retained earnings		26,406	20,430
<b>Total equity</b>		<b>48,108</b>	41,984

The notes on pages 13 to 36 are an integral part of these financial statements.

The financial statements on pages 10 to 36 were approved by the Board of Directors on 28<sup>th</sup> August 2019 and signed on its behalf by

  
P. Hradisky – Director

  
G. Gibelli – Director

## Lyreco UK Limited

### Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Share premium account	Re- valuation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2017	14,841	6,634	79	-	30,125	51,679
Profit for the financial year	-	-	-	-	9,710	9,710
Other comprehensive income for the year	-	-	-	-	595	595
Total comprehensive income for the year	-	-	-	-	10,305	10,305
Dividends paid	-	-	-	-	(20,000)	(20,000)
Total transactions with owners, recognised directly in equity	-	-	-	-	(20,000)	(20,000)
<b>Balance as at 31 December 2017</b>	<b>14,841</b>	<b>6,634</b>	<b>79</b>	<b>-</b>	<b>20,430</b>	<b>41,984</b>
Profit for the financial year	-	-	-	-	6,553	6,553
Other comprehensive expense for the year	-	-	-	148	(577)	(429)
Total comprehensive income for the year	-	-	-	148	5,976	6,124
Dividends paid	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>14,841</b>	<b>6,634</b>	<b>79</b>	<b>148</b>	<b>26,406</b>	<b>48,108</b>

**Notes to the financial statements  
for the year ended 31 December 2018**

**1 General information**

The company's principal activity continues to be the sale and distribution of office products and workplace solutions. The company sells primarily to the UK and British Isles.

The company is a private company limited by shares and is incorporated and domiciled in the UK and registered in England. The address of its registered office is Deer Park Court, Donnington Wood, Telford, Shropshire, TF2 7NB.

**2 Statement of compliance**

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 (SI 2008/410).

**3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

**Exemptions for qualifying entities under FRS 102**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- a) The requirement to prepare a statement of cash flows
- b) The non-disclosure of key management personnel compensation in total

**Cash flow statement**

The company is a wholly owned subsidiary of Lyreco SAS and is included in the consolidated financial statements of that company, which are publicly available. The company has therefore taken advantage of the exemption from preparing a cash flow statement under the terms of FRS102 paragraph 1.12(b).

**Key management personnel compensation**

The Company has taken advantage of the exemption in its individual financial statements from disclosing the Company's key management personnel compensation, as required by FRS 102 paragraph 33.7

**Going concern**

The company meets its day-to-day working capital requirements through its bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current facilities.

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**3 Summary of significant accounting policies (continued)**

**Going concern (continued)**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**Revenue**

Revenue 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.

**Intangible assets**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its useful life of one year or licence term whichever is shorter on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

**Tangible fixed assets**

Fixed assets are stated at cost, net of depreciation and any accumulated impairment losses. 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:

**Land and buildings**

Freehold buildings	-	2% - 5% per annum
Leasehold properties and improvements	-	over the life of the lease

**Plant, machinery and fixtures and fittings**

Plant and machinery	-	4% - 20% per annum
Fixtures and fittings	-	10% - 20% per annum

**Other**

Motor vehicles	-	20% - 25% per annum
Computers	-	20% - 33.33% per annum

Residual value is calculated based on prices prevailing at the date of this accounting year end.



**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**3 Summary of significant accounting policies (continued)**

**Leases**

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the lease period.

The company has taken advantage of the exemption in respect of leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

**Inventories**

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period which the related revenue is recognised.

Cost is determined on the most recent purchase price method. Cost includes the purchase price including taxes and duties attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised, the impairment charge is reversed up to the original impairment loss, and is recognised as a credit in the income statement.

**Related party disclosures**

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned as per FRS102 para 4.3.

**Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current and deferred taxation assets and liabilities are not discounted.

*Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**3 Summary of significant accounting policies (continued)**

*Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

**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 inventory cost and are then recorded in the same period as the related sales as a deduction from cost of goods sold.

**Pension costs**

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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on plan assets, less amounts included in net interest, are disclosed as "Re-measurement of net defined benefit obligation".

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as "other finance costs".

The cost of the defined benefit scheme, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:

- a) The increase in the net defined benefit liability arising from employee service during the financial year; and
- b) The cost of plan introductions, benefit changes, curtailments and settlements.

The company also operates a defined contribution scheme. The amount charged to the income statement in respect of these pension costs 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 statement of financial position.

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

# **Lyreco UK Limited**

## **Notes to the financial statements for the year ended 31 December 2018 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Foreign currencies**

##### **(i) Functional and presentation currency**

The company's functional and presentation currency is the pound sterling.

##### **(ii) Transactions and balances**

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 statement of financial position 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 income statement

#### **Cash and liquid resources**

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

#### **Financial instrument**

The company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

##### **(i) Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when; (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownerships of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**3 Summary of significant accounting policies (continued)**

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(iv) Hedging arrangements**

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of foreign currency translation. Foreign currency options are held to manage the foreign currency translation exposures.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, or the hedging instrument is terminated.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

**Distributions to equity holders**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**4 Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical accounting judgements.

**Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the financial year are addressed below.

**(i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values. These are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

**(ii) Inventory provisioning**

The company buys and sells workplace products and is subject to changing customer demands whom are in turn affected by consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of products. See note 13 for the net carrying amount of inventories and the associated provision.

**(iii) Impairment of receivables**

The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the current credit rating of the receivables and historical experience. See note 14 for the net carrying amount of the receivables and associated impairment provision.

**(iv) Defined benefit pension scheme**

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 18 for the disclosures relating to the defined benefit pension scheme.

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**5 Revenue**

In the opinion of the Directors, there is only one class of business, which is the distribution of office products.

All revenue was derived in the United Kingdom 2018: £260,688,000 (2017: £252,932,000) and Ireland 2018: £9,494,000 (2017: £8,854,000).

**6 Finance income**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest receivable and similar income</b>		
Inter-company interest	<b>68</b>	-
Bank and similar interest	<b>30</b>	85
<b>Finance income</b>	<b>98</b>	85

**7 Finance costs**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Net interest on net defined benefit	<b>1</b>	(40)
Past service cost (including curtailments)	<b>(304)</b>	-
<b>Finance costs</b>	<b>(303)</b>	(40)

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 8 Profit before taxation

*Profit is stated after (crediting)/charging:*

	2018	2017
	£'000	£'000
Foreign exchange gains	(88)	(181)
Foreign exchange losses	65	183
Impairment/(reversal of impairment) of receivables recognised in Income statement	110	(17)
Inventory recognised as expense during the year	180,001	174,682
(Reversal of impairment)/impairment of inventory included in cost of sales	(56)	138
Operating lease charges	5,013	4,757
Amortisation of intangible assets	13	7
Depreciation of tangible assets	1,670	1,284
Profit on disposal of tangible assets	(24)	(34)
<b>Services provided by the company's auditors</b>		
- fees payable for the audit	33	46

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)****9 Employees and directors****Employees**

The average monthly number of persons (including executive directors and senior management) employed by the company during the year was:

	<b>2018</b>	2017
	<b>Number</b>	Number
<b>By activity</b>		
Sales Force & Customer Services	<b>629</b>	630
Distribution & Logistics	<b>654</b>	649
Head Office & Other	<b>137</b>	118
	<b>1,420</b>	1,397

Their aggregate remuneration comprised:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Wages and salaries	<b>40,947</b>	39,333
Social security costs	<b>3,974</b>	3,893
Other pension costs	<b>4,110</b>	1,845
	<b>49,031</b>	45,071

The aggregate remuneration disclosed above is included within administrative expenses.



## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 9 Employees and directors (continued)

##### Directors

The directors' emoluments are as follows:

	2018	2017
	£'000	£'000
Aggregate remuneration	252	209
Pension contributions	16	15
	268	224

There is only one director who is remunerated by the company and the above represents the total of that remuneration.

The emoluments of the other directors are paid by another entity within the Lyreco Group. These directors were remunerated for their services to the Lyreco Group as a whole, including Lyreco UK Limited and it is not possible to allocate their emoluments to the Company. Accordingly, the above details include no emoluments in respect of these directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Lyreco SAS.

No directors (2017: none) were members of the defined benefit schemes.

Retirement benefits are accruing under a money purchase scheme for one (2017: one) director.

No directors (2017: none) received shares under a long-term incentive scheme.

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**10 Tax on profit**

**a) Tax expense included in the income statement**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK corporation tax on income for the year	<b>1,546</b>	2,354
Adjustments in respect of prior years	<b>(12)</b>	5
<b>Total current tax</b>	<b>1,534</b>	2,359
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>78</b>	182
Impact of change in tax rate	<b>(8)</b>	(21)
<b>Total deferred tax (Note 17)</b>	<b>70</b>	161
<b>Total tax expense</b>	<b>1,604</b>	2,520

**b) Tax expense included in other comprehensive (expense)/income**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>(132)</b>	138
Impact of change in tax rate	<b>14</b>	(16)
<b>Total tax (credit)/expense included in other comprehensive (expense)/income</b>	<b>(118)</b>	122

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**10 Tax on profit (continued)**

**c) Reconciliation of tax charge**

The total tax charge for the year is higher (2017: higher) than the charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Profit before taxation	<b>8,157</b>	12,230
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2017:19.25%)	<b>1,550</b>	2,354
<b>Effects of:</b>		
Unrecognised deferred tax	<b>(60)</b>	15
Expenses not deductible for tax purposes	<b>118</b>	125
Adjustments in respect of prior years	<b>(12)</b>	5
Re-measurement of deferred tax – change in UK rate	<b>8</b>	21
<b>Tax charge for the year</b>	<b>1,604</b>	2,520

**d) Tax rate changes**

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 26 October 2016) and the Finance Bill 2017 (on 7 September 2017). These included reductions to the main tax rate to reduce the rate to 19% from 1 April 2017 and 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## Lyreco UK Limited

### Notes to the financial statements year ended 31 December 2018 (continued)

#### 11 Intangible assets

	<b>Software</b> <b>£'000</b>
<b>Cost</b>	
At 1 January 2018	<b>49</b>
Additions	<b>51</b>
Disposals	<b>-</b>
<b>At 31 December 2018</b>	<b>100</b>
<b>Accumulated amortisation</b>	
At 1 January 2018	<b>(34)</b>
Charge for the year	<b>(13)</b>
Disposals	<b>-</b>
<b>At 31 December 2018</b>	<b>(47)</b>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<b>53</b>
At 31 December 2017	<b>15</b>

**Lyreco UK Limited**

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**12 Tangible assets**

	<b>Land and buildings £'000</b>	<b>Plant, machinery and fixtures and fitting £'000</b>	<b>Assets under con- struction £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2018	18,024	17,668	-	2,725	38,417
Additions	23	903	-	1,081	2,007
Disposals	(1)	(588)	-	(560)	(1,149)
<b>At 31 December 2018</b>	<b>18,046</b>	<b>17,983</b>	<b>-</b>	<b>3,246</b>	<b>39,275</b>
<b>Accumulated depreciation</b>					
At 1 January 2018	(9,677)	(14,512)	-	(1,865)	(26,054)
Charge for the year	(563)	(506)	-	(601)	(1,670)
Disposals	1	556	-	554	1,111
<b>At 31 December 2018</b>	<b>(10,239)</b>	<b>(14,462)</b>	<b>-</b>	<b>(1,912)</b>	<b>(26,613)</b>
<b>Net book value</b>					
<b>At 31 December 2018</b>	<b>7,807</b>	<b>3,521</b>	<b>-</b>	<b>1,334</b>	<b>12,662</b>
At 31 December 2017	8,347	3,156	-	860	12,363

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 12 Tangible assets (continued)

	<b>2018</b>	2017
	<b>£'000</b>	£'000
The net book value of land and buildings comprises:		
Freehold land and buildings	<b>7,768</b>	8,324
Short leasehold improvements	<b>39</b>	23
	<b>7,807</b>	8,347

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2017: £2,790,000).

#### 13 Inventories

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Goods for resale	<b>20,183</b>	18,235

There is no material difference between the statement of financial position value of inventories and their replacement cost.

Inventories are stated after provisions for impairment of £257,000 (2017: £314,000).

#### 14 Trade and other receivables

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Trade receivables	<b>42,994</b>	43,167
Amounts owed by group undertakings	<b>11,942</b>	14,535
Prepayments and accrued income	<b>3,636</b>	2,916
Derivative financial asset	<b>1,345</b>	-
	<b>59,917</b>	60,618

Amounts owed by group undertakings are unsecured and are repayable on demand. Interest is received at 0.06% which represents the interest received on the group cash pooling arrangement.

Trade receivables are stated after provisions for impairment of £326,000 (2017: £216,000).

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 15 Trade and other payables: amounts falling due within one year

	2018 £'000	2017 £'000
Trade payables	42,398	38,108
Amounts owed to group undertakings	2,894	2,703
Corporation tax	452	1,021
Other taxation and social security	4,171	2,692
Accruals and deferred income	4,070	4,223
	<b>53,985</b>	<b>48,747</b>

Amounts owed to group undertakings are unsecured, interest free, and are due to be paid within 2 months of the accounting year-end date.

#### 16 Provisions for liabilities

The company had the following provisions during the year:

	Pending litigation £'000	Deferred tax £'000	Other employment benefits £'000	Total £'000
<b>Cost</b>				
Balance at 1 January 2018	17	159	260	<b>436</b>
Additions dealt with in income statement	20	70	28	<b>118</b>
Amounts utilised	(28)	(118)	-	<b>(146)</b>
<b>Balance at 31 December 2018</b>	<b>9</b>	<b>111</b>	<b>288</b>	<b>408</b>

The provision for other employment benefits relates to a long term bonus which is payable between 2019 and 2020.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 17 Deferred taxation

	<b>£'000</b>	
<b>Deferred tax liability:</b>		
At 1 January 2018		<b>159</b>
Charged to the income statement for the year (see note 10)		<b>70</b>
Credited to the statement of other comprehensive income		<b>(118)</b>
<b>At 31 December 2018</b>		<b>111</b>
<b><i>Analysis of deferred tax balances:</i></b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	<b>194</b>	211
Deferred tax asset on pension deficit	<b>(83)</b>	(52)
<b>At 31 December 2018</b>	<b>111</b>	159



**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**18 Post-employment benefits**

The company sponsors a pension plan, the Lyreco (UK) Pension Fund ("the Fund"). The Fund is a funded arrangement that provides benefits on a defined benefit basis. The disclosures below have been provided in relation to benefits payable from the defined benefit section of the Fund.

The level of benefits provided by the defined benefit section of the Fund depends on a member's length of service and their final salary at their date of leaving the Fund. With effect from 28 February 2006, the scheme closed to future benefit accrual.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 January 2018 and contributions of £2,372,000 were paid by the Company to the Scheme during the year ended 31 December 2018.

The results of the latest funding valuation at 1 January 2018 have been adjusted to the balance sheet date of 31 December 2018 taking account of changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Method.

The Fund carried out an Enhanced Transfer Value ("ETV") exercise during 2018, with the majority of transfer payments being made during December 2018. The exercise decreased the liability by £6,223,000 and assets by £7,779,000. In 2019, the Company will pay a contribution to the Fund of £1,556,000 to cover the costs of the enhancements paid to the members and has included a provision for this amount in the company financial statements.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 18 Post-employment benefits (continued)

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

	2018	2017
	% pa	%pa
RPI Inflation	3.25	3.25
CPI Inflation	2.15	2.15
Pension increases in payment (RPI max 5%)	3.10	3.10
Discount rate	3.00	2.60

	2018	2017
Mortality	SAPS S2 tables with a scaling factor of 102% (92%) for male (female) deferred members and 98% (100%) for males (female) pensioners, and improvements in line with the CMI_2016_S7.5 projections and a long-term rate of improvement of 1.25% p.a.	SAPS S2 tables with a scaling factor of 102% (90%) for male (female) deferred members and 98% (100%) for males (female) pensioners, and improvements in line with the CMI_2016_S7.5 projections and a long-term rate of improvement of 1.25% p.a.
Life expectancy for male currently aged 65	22 years	22 years
Life expectancy at 65 for male currently aged 45	22 years	23 years
Life expectancy for female currently aged 65	24 years	24 years
Life expectancy at 65 for female currently aged 45	25 years	26 years

	2018	2018	2017	2017
	£'000	%	£'000	%
Fund asset allocation				
Equities	8,641	72.46	13,897	74.87
Government and corporate bonds	3,023	25.35	4,221	22.74
Property	262	2.20	368	1.98
Other	-	-	76	0.41
<b>Total</b>	<b>11,926</b>	<b>100.00</b>	<b>18,562</b>	<b>100.00</b>

None of the Fund assets are invested in the company's financial instruments or in property occupied by, or other assets used by, the company.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 18 Post-employment benefits (continued)

The return on the Fund assets was:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Interest income on the Fund assets	<b>477</b>	472
Return on the Fund assets less interest income	<b>(1,186)</b>	1,421
<b>Total return on Fund assets</b>	<b>(709)</b>	1,893

#### Net defined benefit obligation

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Fair value of assets	<b>11,926</b>	18,562
Present value of funded defined benefit obligations	<b>(12,414)</b>	(18,868)
<b>Net defined benefit obligation</b>	<b>(488)</b>	(306)

#### Reconciliation of the fair value of the Fund assets:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Changes to the fair value of the Fund assets during the year:		
Opening fair value of the Fund assets	<b>18,562</b>	16,269
Interest income on the Fund assets	<b>477</b>	472
(Loss)/gain on the Fund assets	<b>(1,186)</b>	1,421
Contributions by the employer	<b>2,372</b>	816
Net benefits paid out	<b>(520)</b>	(416)
Settlements	<b>(7,779)</b>	-
<b>Closing fair value of the Fund assets</b>	<b>11,926</b>	18,562

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 18 Post-employment benefits (continued)

#### Reconciliation of the defined benefit obligation:

	2018 £'000	2017 £'000
Opening defined benefit obligation (DBO)	18,868	18,068
Interest expense on DBO	476	512
Actuarial (gains)/losses on the Fund liabilities	(491)	704
Net benefits paid	(520)	(416)
Past service cost (including curtailments)	304	-
Settlements	(6,223)	-
<b>Closing defined benefit obligation</b>	<b>12,414</b>	<b>18,868</b>

#### Total cost recognised as an expense:

	2018 £'000	2017 £'000
Operating cost:		
Past service cost (incl. Curtailments)	304	-
Settlement cost	1,556	-
Interest on net defined benefit liability	(1)	40
<b>Pension expense recognised in the income statement</b>	<b>1,859</b>	<b>40</b>

#### Amounts recognised in other comprehensive (expense)/income:

	2018 £'000	2017 £'000
Asset losses/(gains) arising during the year	1,186	(1,421)
Liability (gains)/losses arising during the year	(491)	704
<b>Re-measurement of net defined benefit obligation</b>	<b>695</b>	<b>(717)</b>

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 19 Called up share capital

	2018 £'000	2017 £'000
<b>Allotted, called up and fully paid</b>		
14,841,100 ordinary shares of £1 each (2017: 14,841,100)	<b>14,841</b>	14,841

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The directors do not recommend that a final ordinary dividend be paid for 2018 (2017: £20,000,000).

### 20 Financial instruments

The company has the following financial instruments:

	Note	2018 £'000	2017 £'000
Financial assets at fair value through profit or loss			
- Derivative financial instruments		<b>1,345</b>	-
Financial assets that are debt instruments measured at amortised cost			
- Trade receivables	14	<b>42,994</b>	43,167
- Amounts owed by group undertakings	14	<b>11,942</b>	14,535
		<b>54,936</b>	57,702
Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities measured at fair value through profit or loss		-	-
Financial liabilities measured at amortised cost			
- Trade payables	15	<b>42,398</b>	38,108
- Amounts owed to group undertakings	15	<b>2,894</b>	2,703
- Other payables	15	<b>8,241</b>	6,915
		<b>53,533</b>	47,726

**Notes to the financial statements  
for the year ended 31 December 2018 (continued)**

**20 Financial instruments (continued)**

**Derivative financial instruments**

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2018, the outstanding contracts all mature within 12 months (2017: none) of the year end. The company has the option to buy €42,667,000 for a fixed sterling amount. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs.

**21 Contingent liabilities and other financial commitments**

- (a) There were no capital commitments at the year-end totalling £nil (2017: £nil).
- (b) Total future commitments under non-cancellable operating leases are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>On leases which expire:</b>		
Within one year	<b>4,278</b>	4,766
Within two to five years	<b>5,208</b>	6,190
<b>Total</b>	<b>9,486</b>	10,956

The company had no other off-balance sheet arrangements.

**22 Controlling parties**

The immediate parent company and the smallest group to consolidate these financial statements is Lyreco SAS, a company registered in France.

The ultimate parent undertaking and largest group to consolidate these financial statements is Corely SAS, a company registered in France. Copies of these financial statements are publicly available and can be obtained from 100 rue d'Estreux, 59264 Onnaing, France.

The ultimate controlling party is Georges André Daniel Gaspard.