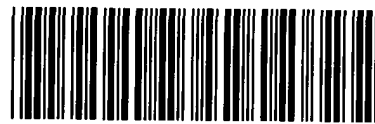


Registered No: 00442696

Lyreco UK Limited
Annual report and financial statements
for the year ended 31 December 2019

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Lyreco UK Limited

Annual report and financial statements for the year ended 31 December 2019

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Lyreco UK Limited

Strategic report for the year ended 31 December 2019

The directors present their strategic report on the company for the year ended 31 December 2019.

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 are 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 2019 was £274,715,000 (2018: £270,182,000) and was in line with the company's expectations. Profit before taxation was £5,010,000 or 1.82% of turnover (2018: £8,157,000 and 3.02% respectively), which represents an acceptable return during a challenging economic year. Profit before taxation in 2019 was impacted by the costs associated with the preparations for the UK leaving the EU ("Brexit") which included the costs of additional storage facilities. 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 2019 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 Small to Medium Business divisions as well as actively pursuing a number of new revenue streams and additional routes to market, including the extension of our Nespresso B2B coffee proposition in England and Wales.

Net assets decreased from £48,108,000 in 2018 to £38,757,000 in 2019 primarily due to the payment of a £12m interim dividend in June 2019. 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 2019.

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 2020. In September 2019 the company was also awarded accreditation to ISO22301 (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 more than 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 2019 (continued)

Future developments

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 and Hygiene. 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.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires directors of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly between members of the company.

In discharging our Section 172 duties we have regard to the matters set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our employees and our relationship with customers, suppliers and the local communities in which we operate. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we do, however, aim to make sure that our decisions are consistent and predictable.

Lyreco UK Limited rewards and recognises high performance. The approach to compensation consists of base salary, benefits and incentives, which are determined by Lyreco UK, general agreements, the level of the position and individual performance. Gender, age, ethnic origin and nationality play no role in determining salaries and wages. Intangible recognition is included in the total reward portfolio, which means that Lyreco UK Limited provides, for instance, a safe and healthy working environment, interesting and meaningful work and good leadership and career opportunities.

Delegation of authority for aspects of day to day management of the Company is given to its senior management team who then work with the management in setting, approving and overseeing execution of the business strategy and related policies.

The Board meets regularly and reviews matters including safety and security performance, financial and operational performance, sales and marketing and new business developments. Over the course of the financial year, the Board also reviews other matters including the Company's business strategy, key risks, stakeholder related matters and governance, compliance and legal matters.

The Company's key stakeholders include its workforce, customers, suppliers, shareholders/investors, the local communities in which it operates and regulators. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions.

This combination of engagements with stakeholders allows us to understand the nature of the stakeholders' concerns and to comply with our Section 172 duty to promote the success of the Company.

Lyreco UK Limited

Strategic report for the year ended 31 December 2019 (continued)

Going concern

The company continues to adopt the going concern basis in preparing its financial statements.

Subsequent to the year-end Covid-19, which emerged in China during 2019, has developed into a pandemic. Efforts to slow the spread of the virus have resulted in Governments across the world taking measures to limit interactions between individuals which has had a consequential effect on the global economy resulting in further significant interventions made by Governments to support national and global economies.

During this period the company has continued to meet its day-to-day working capital requirements through its bank facilities. The bank facilities in place include a cash pooling arrangement held between Lyreco UK Limited and its parent company Lyreco SAS. The cash pooling arrangement between Lyreco UK and Lyreco SAS will balance Lyreco UK Limited's bank account each day to ensure funding is always available.

The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. The company's forecasts and projections, taking account of changes in trading performance due to the Covid-19 pandemic, show that the company should be able to operate within the level of its current facilities. In addition, the immediate parent company, Lyreco SAS, has formally indicated it will provide sufficient funding to the company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements, thus 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.

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. The company also purchased credit insurance for 2019 to help offset credit risk.

Lyreco UK Limited

Strategic report for the year ended 31 December 2019 (continued)

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.

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. The company's gender split was at 31st December;

	<u>Male</u>	<u>Female</u>
Directors	1	1
Senior Managers	5	2
Employees	958	414

On behalf of the board:



G Gibelli
Director

21 December 2020

Lyreco UK Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

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 paid an interim dividend for the year ended 31 December 2019 of £12,000,000 (2018: £nil).

Post balance sheet events

Subsequent to the year-end Covid-19, which emerged in China during 2019, has developed into a pandemic. Efforts to slow the spread of the virus have resulted in Governments across the world taking measures to limit interactions between individuals which has had a consequential effect on the global economy resulting in further significant interventions made by Governments to support national and global economies. During this period the company has continued to meet its day-to-day working capital requirements through its bank facilities. The bank facilities in place include a composite account held between Lyreco UK Limited and its immediate parent company Lyreco SAS. The composite account will balance Lyreco UK Limited's bank account each day to ensure funding is always available.

The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. The company's forecasts and projections, taking account of changes in trading performance due to the Covid-19 pandemic, show that the company should be able to operate within the level of its current facilities. In addition, the ultimate parent company, Corely SAS, has formally indicated it will provide sufficient funding to the company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements, thus 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 these financial statements.

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, unless otherwise stated, were:

P Hradisky	(Slovak) - resigned 18 May 2020
N Gaspard-Bourgain	(French)
G. Gibelli	(Italian)

Lyreco UK Limited

Directors' report for the year ended 31 December 2019 (continued)

Employee engagement statement

The Board regards employee engagement as a matter of great importance. The Board ensure that it engages with and understands the views of the workforce through a number of different channels, including communication boards, an intranet, in-house emails and audio-visual presentations from the senior management team. The Board believes that the diversity of perspectives enables the directors to make better decisions based on the well-informed feedback received.

Engagements with suppliers, customers and other stakeholders

Understanding the views of the Company's stakeholders is a key priority for the Board and the Group as a whole. It helps to focus the Company's resources, engagement and reporting activities by addressing those issues that matter most to the business and its wider stakeholders. Encouraging strong business relationships is an intrinsic part of the Company's strategy and a key consideration in all decision making.

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 from 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' 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.

Lyreco UK Limited

Directors' report for the year ended 31 December 2019 (continued).

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

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

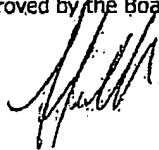
Lyreco UK Limited

**Directors' report
for the year ended 31 December 2019 (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 31st December 2019.

Approved by the Board and signed on its behalf:



G Gibelli
Director

Deer Park Court
Donnington Wood
Telford
Shropshire
TF2 7NB

21 December 2020

Registered number: 00442696

Lyreco UK Limited

Independent auditors' report to the members of Lyreco UK Limited

Report on the audit of the financial statements

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 2019 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 2019; the Income statement; the Statement of comprehensive income; and 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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.

Lyreco UK Limited

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

Reporting on other information (continued)

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 2019 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, 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.

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. This description forms part of our auditors' report.

Lyreco UK Limited

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

Responsibilities for the financial statements and the audit (continued)

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.

Other required reporting

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
19 January 2021

Lyreco UK Limited

**Income statement
for the year ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Revenue	5	274,715	270,182
Cost of sales		(184,442)	(175,911)
Gross profit		90,273	94,271
Distribution costs		(6,808)	(7,143)
Administrative expenses		(78,512)	(78,766)
Operating profit		4,953	8,362
Finance income	6	80	98
Finance cost	7	(23)	(303)
Net interest income/(expense)		57	(205)
Profit before taxation	8	5,010	8,157
Tax on profit	10	(1,466)	(1,604)
Profit for the financial year		3,544	6,553

**Statement of comprehensive income
for the year ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Profit for the financial year		3,544	6,553
Other comprehensive (expense)/income:			
Re-measurements of net defined benefit obligation	18	(900)	(695)
Movement on deferred tax relating to pension deficit		153	118
Movement in cash flow hedge reserve		(148)	148
Other comprehensive (expense)/income for the year, net of tax		(895)	(429)
Total comprehensive income for the year		2,649	6,124

Lyréco UK Limited

**Statement of financial position
as at 31 December 2019**

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	38	53
Tangible assets	12	12,607	12,662
		12,645	12,715
Current assets			
Inventories	13	21,235	20,183
Trade and other debtors	14	47,079	59,917
Cash at bank and in hand		10,127	10,174
		78,441	90,274
Creditors: amounts falling due within one year	15	(50,840)	(53,985)
Net current assets		27,601	36,289
Total assets less current liabilities		40,246	49,004
Provisions for liabilities	16	(499)	(408)
Post-employment benefits	18	(990)	(488)
Net assets		38,757	48,108
Capital and reserves			
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		17,203	26,406
Total equity		38,757	48,108

The notes on pages 15 to 40 are an integral part of these financial statements.

The financial statements on pages 12 to 40 were approved by the Board of Directors on 21 December 2020 and signed on its behalf by;



N. Gaspard – Director



G. Gibelli – Director

Lyreco UK Limited

**Statement of changes in equity
for the year ended 31 December 2019**

	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 2018	14,841	6,634	79	-	20,430	41,984
Profit for the financial year	-	-	-	-	6,553	6,553
Other comprehensive income 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	-	-	-	-	-	-
Balance as at 31 December 2018	14,841	6,634	79	148	26,406	48,108
Profit for the financial year	-	-	-	-	3,544	3,544
Other comprehensive expense for the year	-	-	-	(148)	(747)	(895)
Total comprehensive income for the year	-	-	-	(148)	2,797	2,649
Dividends paid (note 19)	-	-	-	-	(12,000)	(12,000)
Total transactions with owners, recognised directly in equity	-	-	-	-	(12,000)	(12,000)
Balance as at 31 December 2019	14,841	6,634	79	-	17,203	38,757

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019

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; and
- 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).

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Going concern

Subsequent to the year-end Covid-19, which emerged in China during 2019, has developed into a pandemic. Efforts to slow the spread of the virus have resulted in Governments across the world taking measures to limit interactions between individuals which has had a consequential effect on the global economy resulting in further significant interventions made by Governments to support national and global economies. During this period the company has continued to meet its day-to-day working capital requirements through its bank facilities. The bank facilities in place include a cash pooling arrangement held between Lyreco UK Limited and its parent company, Lyreco SAS. The cash pooling arrangement will balance Lyreco UK Limited's bank account each day to ensure funding is always available.

The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. The company's forecasts and projections, taking account of changes in trading performance due to the Covid-19 pandemic, show that the company should be able to operate within the level of its current facilities. In addition, the immediate parent company, Lyreco SAS, has formally indicated it will provide sufficient funding to the company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements, thus 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.

The company recognises turnover when the significant risks and rewards of ownership of the goods have been transferred to the buyer, typically this occurs on delivery of the goods to the customer.

Cost of sales

Cost of sales includes all costs relating to inventory.

Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software licences are amortised over its useful life of five years or 1 year if an annual licence 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 is 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.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

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 the directors best estimate of market values.

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.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

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.

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.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Pension costs (continued)

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 "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.

Long term incentive plans

The group operates cash-settled long-term incentive plans at an operating business level, for the Managing Director and Commercial Directors of the business.

The plans are based on the business's sales revenue, gross profit and operating profit performance over a three-year period.

The plans require all three measures to be in growth over the three-year period, either by Sales Division or the business as a whole.

A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.

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.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

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.

Financial instrument (continued)

(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 ownership 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.

(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.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

Financial instrument (continued)

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.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (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.

(i) Inventory provisioning

The company buys and sells workplace products and is subject to changing customer demands which 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.

(ii) 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.

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 2019: £263,244,000 (2018: £260,688,000) and Ireland 2019: £11,471,000 (2018: £9,494,000).

6 Finance income

	2019	2018
	£'000	£'000
Interest receivable and similar income		
Inter-company interest	-	68
Bank and similar interest	80	30
Finance income	80	98

Lyreco UK Limited

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

7 Finance cost

	2019	2018
	£'000	£'000
Bank and similar interest	(21)	-
Net interest on defined benefit scheme	(2)	1
Past service cost (including curtailments)	-	(304)
Finance cost	(23)	(303)

8 Profit before taxation

Profit is stated after (crediting)/charging:

	2019	2018
	£'000	£'000
Foreign exchange gains	(263)	(88)
Foreign exchange losses	405	65
(Reversal of impairment)/impairment of trade receivables recognised in income statement	(75)	110
Inventory recognised as expense during the year	188,288	180,001
Impairment/(reversal of impairment) of inventory included in cost of sales	804	(56)
Operating lease charges	4,933	5,013
Amortisation of intangible assets	17	13
Depreciation of tangible assets	1,791	1,670
Profit on disposal of tangible assets	(6)	(24)
Services provided by the company's auditors:		
- fees payable for the audit	40	33

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (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:

	2019	2018
	Number	Number
By activity		
Sales Force & Customer Services	590	629
Distribution & Logistics	675	654
Head Office & Other	131	137
	1,396	1,420

Their aggregate remuneration comprised:

	2019	2018
	£'000	£'000
Wages and salaries	39,882	40,947
Social security costs	3,797	3,974
Other pension costs	1,512	1,235
	45,191	46,156

The aggregate remuneration disclosed above is included within administrative expenses.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Employees and directors (continued)

Directors

The directors' emoluments are as follows:

	2019	2018
	£'000	£'000
Aggregate remuneration	243	252
Pension contributions	16	16
	259	268

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 (2018: none) were members of the defined benefit schemes.

Retirement benefits are accruing under a money purchase scheme for one (2018: one) director.

No directors (2018: none) received shares under a long-term incentive scheme.

Lyreco UK Limited

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

10 Tax on profit

a) Tax expense included in the income statement

	2019	2018
	£'000	£'000
Current tax:		
UK corporation tax on income for the year	1,039	1,546
Adjustments in respect of prior years	278	(12)
Total current tax	1,317	1,534
Deferred tax:		
Origination and reversal of timing differences	167	78
Impact of change in tax rate	(18)	(8)
Total deferred tax (Note 17)	149	70
Total tax expense	1,466	1,604

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

	2019	2018
	£'000	£'000
Deferred tax:		
Origination and reversal of timing differences	(171)	(132)
Impact of change in tax rate	18	14
Total tax (credit)/expense included in other comprehensive (expense)/income	(153)	(118)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Tax on profit (continued)

c) Reconciliation of tax charge

The total tax charge for the year is higher (2018: higher) than the charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	2019	2018
	£'000	£'000
Profit before taxation	5,010	8,157
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2018: 19%)	951	1,550
Effects of:		
Unrecognised deferred tax	94	(60)
Expenses not deductible for tax purposes	125	118
Adjustments in respect of prior years	278	(12)
Re-measurement of deferred tax – change in UK rate	18	8
Tax charge for the year	1,466	1,604

d) Tax rate changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £12,000 and to increase the deferred tax liability by £12,000.

Lyreco UK Limited

**Notes to the financial statements
year ended 31 December 2019 (continued)**

11 Intangible fixed assets

	Software £'000
Cost	
At 1 January 2019	100
Additions	2
Disposals	(12)
At 31 December 2019	90
Accumulated amortisation	
At 1 January 2019	(47)
Charge for the year	(17)
Disposals	12
At 31 December 2019	(52)
Net book amount	
At 31 December 2019	38
At 31 December 2018	53

Lyreco UK Limited

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

12 Tangible fixed assets

	Land and buildings £'000	Plant, machinery and fixtures and fitting £'000	Motor vehicles and computers £'000	Total £'000
Cost				
At 1 January 2019	18,046	17,983	3,246	39,275
Additions	133	1,298	354	1,785
Disposals	(5)	(268)	(192)	(465)
At 31 December 2019	18,174	19,013	3,408	40,595
Accumulated depreciation				
At 1 January 2019	(10,239)	(14,462)	(1,912)	(26,613)
Charge for the year	(566)	(622)	(603)	(1,791)
Disposals	54	185	177	416
At 31 December 2019	(10,751)	(14,899)	(2,338)	(27,988)
Net book amount				
At 31 December 2019	7,423	4,114	1,070	12,607
At 31 December 2018	7,807	3,521	1,334	12,662

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Tangible assets (continued)

	2019	2018
	£'000	£'000
The net book amount of land and buildings comprises:		
Freehold land and buildings	7,388	7,768
Short leasehold improvements	35	39
	7,423	7,807

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2018: £2,790,000).

13 Inventories

	2019	2018
	£'000	£'000
Goods for resale	21,235	20,183

There is no material difference between the carrying amount of inventories and their replacement cost.

Inventories are stated after provisions for impairment of £1,086,000 (2018: £257,000).

14 Trade and other debtors

	2019	2018
	£'000	£'000
Trade debtors	42,836	42,994
Amounts owed by group undertakings	1,940	11,942
Derivative financial asset		1,345
Prepayments and accrued income	2,303	3,636
	47,079	59,917

Amounts owed by group undertakings are unsecured and are repayable on demand. Interest is received at 0.63% which represents the interest received on the group cash pooling arrangement.

Trade receivables are stated after provisions for impairment of £251,000 (2018: £326,000).

Lyreco UK Limited

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

15 Trade and other creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	36,279	42,398
Amounts owed to group undertakings	8,598	2,894
Corporation tax	120	452
Other taxation and social security	2,672	4,171
Accruals and deferred income	3,171	4,070
	50,840	53,985

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

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

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
Cost				
Balance at 1 January 2019	9	111	288	408
Additions dealt with in income statement	34	149	70	253
Amounts utilised	(9)	(153)	-	(162)
Balance at 31 December 2019	34	107	358	499

The provision for other employment benefits relates to a long-term bonus which is payable between 2020 and 2021.

The group operates cash-settled long-term incentive plans at an operating business level, for the Managing Director and Commercial Directors of the business.

The plans are based on the business's sales revenue, gross profit and operating profit performance over a three-year period.

The plans require all three measures to be in growth over the three-year period, either by Sales Division or the business as a whole.

A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.

Lyreco UK Limited

**Notes to the financial statements
for the year ended 31 December 2019 (continued)**

17 Deferred taxation

	£'000	
Deferred tax liability:		
At 1 January 2019		111
Charged to the Income statement for the year (see note 10)		149
Credited to the statement of other comprehensive income		(153)
At 31 December 2019		107
<i>Analysis of deferred tax balances:</i>	2019	2018
	£'000	£'000
Accelerated capital allowances	275	194
Deferred tax asset on pension deficit	(168)	(83)
At 31 December 2019	107	111

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (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 company now runs two schemes; defined benefit scheme and defined contribution scheme.

The Fund carried out an Enhanced Transfer Value ("ETV") exercise during 2018, which was extended into January 2019. The majority of transfer values were paid during December 2018 and were accounted for in the Company's accounts for the year ended 31 December 2018. There were a small number of additional transfer payments made in January 2019. The company paid an additional £400,000 in February 2019 to cover the costs of the enhancements paid to the members.

The last funding valuation of the Fund was carried out by a qualified actuary as at 1 January 2018 and showed an ongoing deficit of £1.7 million. The Company is paying deficit contributions of £600,000 per annum from 1 January 2020 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 28 February 2022. A contribution of £600,000 is expected to be paid by the Company during the year ending on 31 December 2020.

The accounting results as at 31 December 2019 have been based on the results and membership data for the valuation as at 1 January 2018. These have been adjusted to the new balance sheet date, taking account of experience over the period since 1 January 2019, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019. (continued)

18. Post-employment benefits (continued)

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

	2019	2018
	% pa	%pa
RPI Inflation	2.85	3.25
CPI Inflation	1.85	2.15
Pension increases in payment (RPI max 5%)	2.75	3.10
Discount rate	2.10	3.00
	2019	2018
Mortality	SAPS S2 tables with a scaling factor of 105%/95% for male/female deferreds and 100%/101% for male/female pensioners, and improvements in CMI_2018_S7.0_A0.50 projections and a long-term rate of improvement of 1.25% p.a.	SAPS S2 tables with a scaling factor of 102%/92% for male/female deferreds and 97%/98% for male/female pensioners, and improvements in line with the CMI_2017_S7.0 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	23 years	22 years
Life expectancy for female currently aged 65	24 years	24 years
Life expectancy at 65 for female currently aged 45	26 years	25 years

	2019	2019	2018	2018
	£'000	%	£'000	%
Fund asset allocation				
Equities	5,888	52.97	8,641	72.45
Government and corporate bonds	-	-	3,023	25.35
Property	-	-	262	2.20
Other	5,227	47.03	-	-
Total	11,115	100.00	11,926	100.00

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 2019 (continued)**

18 Post-employment benefits (continued)

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 amount recognised as an expense for the defined benefit scheme was:

	2019	2018
	£'000	£'000
Enhanced Transfer Value ("ETV")	400	1,556
Administration costs	26	198
Pension deficit payment	68	816
Total expense	493	2,570

The return on the Fund assets was:

	2019	2018
	£'000	£'000
Interest income on the Fund assets	367	477
Return on the Fund assets less Interest Income	373	(1,186)
Total return on Fund assets	740	(709)

Net defined benefit obligation

	2019	2018
	£'000	£'000
Fair value of assets	11,115	11,926
Present value of funded defined benefit obligations	(12,105)	(12,414)
Net defined benefit obligation	(990)	(488)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

Reconciliation of the fair value of the Fund assets:

	2019 £'000	2018 £'000
Changes to the fair value of the Fund assets during the year:		
Opening fair value of the Fund assets	11,926	18,562
Interest income on the Fund assets	367	477
(Loss)/gain on the Fund assets	373	(1,186)
Contributions by the employer	400	2,372
Net benefits paid out	(1,951)	(520)
Settlements	-	(7,779)
Closing fair value of the Fund assets	11,115	11,926

Reconciliation of the defined benefit obligation:

	2019 £'000	2018 £'000
Opening defined benefit obligation (DBO)	12,414	18,868
Interest expense on DBO	369	476
Actuarial losses/(gains) on the Fund liabilities	1,273	(491)
Net benefits paid	(1,951)	(520)
Past service cost (including curtailments)	-	304
Settlements	-	(6,223)
Closing defined benefit obligation	12,105	12,414

Lyreco UK Limited**Notes to the financial statements
for the year ended 31 December 2019 (continued)****18. Post-employment benefits (continued)****Total cost recognised as an expense:**

	2019	2018
	£'000	£'000
Operating cost:		
Past service cost (incl. Curtailments)	-	304
Settlement cost	-	1,556
Interest on net defined benefit liability	2	(1)
Pension expense recognised in the income statement	2	1,859

Amounts recognised in other comprehensive (expense)/income:

	2019	2018
	£'000	£'000
Asset (gains)/losses arising during the year	(373)	1,186
Liability losses/(gains) arising during the year	1,273	(491)
Re-measurement of net defined benefit obligation	900	695

Defined contribution scheme:

The amount recognised as an expense for the defined contribution scheme was:

	2019	2018
	£'000	£'000
Current year contributions	9	1,235

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
14,841,100 ordinary shares of £1 each (2018: 14,841,100)	14,841	14,841

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

Dividends

The directors paid an interim dividend to be paid for 2019: £12,000,000 (2018: £nil).

20 Financial instruments

The company has the following financial instruments:

	Note	2019 £'000	2018 £'000
Financial assets at fair value through profit or loss			
- Derivative financial instruments		-	1,345
Financial assets that are debt instruments measured at amortised cost			
- Trade receivables	14	42,836	42,994
- Amounts owed by group undertakings	14	1,940	11,942
		44,776	54,936
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	36,279	42,398
- Amounts owed to group undertakings	15	8,598	2,894
- Other payables	15	1,777	1,778
		46,654	47,070

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

21 Contingent liabilities and other financial commitments

(a) There were no capital commitments at the year-end totalling £nil (2018: £nil).

(b) Total future commitments under non-cancellable operating leases are as follows:

	2019	2018
	£'000	£'000
On leases which expire:		
Within one year	2,961	4,278
Within two to five years	4,127	5,208
Total	7,088	9,486

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 Onnialing, France.

The ultimate controlling party is Georges André Daniel Gaspard.

23 Post balance sheet events

Subsequent to the year-end Covid-19, which emerged in China during 2019, has developed into a pandemic. Efforts to slow the spread of the virus have resulted in governments across the world taking measures to limit interactions between individuals which has had a consequential effect on the global economy resulting in further significant interventions made by governments to support national and global economies. During the period the company has continued to meet its day-to-day working-capital requirements through its bank facilities. The bank facilities in place include a cash pooling arrangement held between Lyreco UK Limited and its immediate company Lyreco SAS. The cash pooling arrangement between Lyreco UK and Lyreco SAS will balance Lyreco UK Limited's bank account each day to ensure funding is always available.

The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. The company's forecasts and projections, taking account of changes in trading performance due to the Covid-19 pandemic, show that the company should be able to operate within the level of its current facilities. In addition, the ultimate parent company, Lyreco SAS, has formally indicated it will provide sufficient funding to the company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements, thus 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 these financial statements.