

Registered No: 00442696

Lyreco UK Limited
Annual report and financial statements
for the year ended 31 December 2017

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Lyreco UK Limited

Annual report and financial statements for the year ended 31 December 2017

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Lyreco UK Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

Review of the business

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

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

The company's mission statement is "to simplify life at work". The company aims to position itself as the biggest and best office and workplace solutions provider in the UK.

The company's key performance indicators 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 2017 was £261,786,000 (2016: £244,423,000) and exceeded the company's expectations. Profit before taxation was £12,230,000 or 4.67% of turnover (2016: £13,656,000), which represents an excellent return during a challenging economic period. 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 2017 due to the significant weakening 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 expansion of the Nespresso Business Solution B2B division in Scotland.

Net assets decreased from £51,679,000 in 2016 to £41,984,000 in 2017 following the profit after tax achieved in 2017 and the fact that a dividend of £20,000,000 was paid during 2017. 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 maintained its Investor in People status throughout 2017.

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 2018.

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 2017 (continued)

Future Developments

The turnover for the next reporting year is anticipated to exceed that of 2017 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 and paper.

The company recognizes the on-going and continuing challenge linked to the UK market decline of the traditional office supplies product ranges such as IT consumables and paper. Future company developments will be aimed at maximising our opportunities to protect and grow our market share in these traditional product ranges whilst also focussing on the continued expansion into new 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 we do.

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 Groups product purchasing costs by utilizing economies of scale, to minimize negative effects on income and profitability as a result of changes in currency or interest rates, to limit risk exposure and to clarify areas of responsibility.

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

Currency related risk

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, 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.

Strategic report for the year ended 31 December 2017 (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 recognized workplace solutions provider with an expanded product portfolio aimed at fully supplying businesses with competitively priced, ecologically friendly products and services.

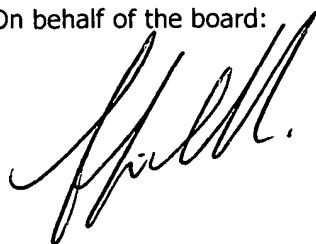
Key performance indicators

Diversity

The company places importance upon diversity and its corporate social responsibilities, and monitors them closely. For the year ended 31 December 2017, the company's gender split was;

	<u>Male</u>	<u>Female</u>
Directors	1	-
Senior Managers	6	1
Employees	965	419

On behalf of the board:



G Gibelli
Director

24th May 2018

Lyreco UK Limited

Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

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 2017 of £20,000,000 (2016: Nil).

Directors and directors' interests

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

P Hradisky	(Slovak)	
N Gaspard-Bourgain	(French)	Appointed on 19 January 2017
G Gibelli	(Italian)	Appointed on 19 January 2017
E Bigeard	(French)	Resigned on 19 January 2017

None of the directors have interests in the share capital of the company (2016: None).

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

Disabled employees

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

Employee consultation

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

**Directors' report
for the year ended 31 December 2017 (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

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

Company law required the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements on 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 estimated 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 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.

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.

Disclosure of information to auditors

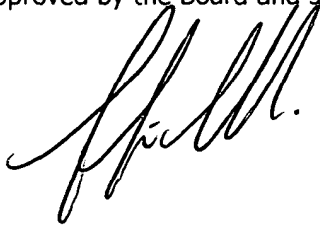
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make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

**Directors' report
for the year ended 31 December 2017 (continued)**

Independent auditors

It has been elected, by a resolution passed in accordance with Section 489 of the Companies Act 2006 and dated 29 October 1990, to dispense with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP were appointed as auditors for year ended 31st December 2017.

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

24th May 2018

Registered number: 00442696

Independent auditors' report to the members of Lyreco UK Limited

Report on 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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 2017; the income statement, the statement of comprehensive income, the cash flow statement, 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 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.

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.

Independent auditors' report to the members of Lyreco UK Limited (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 2017 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.

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.

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

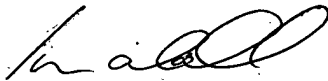
Other required reporting

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.



Ian Wall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
4 June 2018

Lyreco UK Limited

Income statement for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	5	261,786	244,423
Cost of sales		(170,508)	(157,354)
Gross profit		91,278	87,069
Distribution costs		(6,610)	(5,698)
Administrative expenses		(72,483)	(67,737)
Operating profit		12,185	13,634
Finance income	6	85	107
Finance costs	7	(40)	(85)
Net interest income		45	22
Profit before taxation	8	12,230	13,656
Tax on profit	10	(2,520)	(2,917)
Profit for the financial year		9,710	10,739

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the financial year		9,710	10,739
Other comprehensive income/(expense):			
Remeasurements of net defined benefit obligation	19	717	19
Movement on deferred tax relating to pension deficit		(122)	(3)
Other comprehensive income for the year, net of tax		595	16
Total comprehensive income for the year		10,305	10,755


Lyreco UK Limited

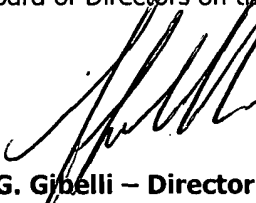
Statement of financial position as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	11	15	15
Tangible assets	12	12,363	12,216
Current assets			
Inventories	13	18,235	18,871
Receivables	14	60,618	68,379
Cash at bank and in hand		242	197
		79,095	87,447
Payables: amounts falling due within one year	15	(48,747)	(46,048)
Net current assets		30,348	41,399
Total assets less current liabilities		42,726	53,630
Post-employment benefits	19	(306)	(1,799)
Provision for other liabilities	16	(436)	(152)
Net assets		41,984	51,679
Equity			
Called up share capital	20	14,841	14,841
Share premium account		6,634	6,634
Revaluation reserve		79	79
Retained earnings		20,430	30,125
Total equity		41,984	51,679

The notes on pages 14 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 the 24th May 2018 and signed on its behalf by


P. Hradisky – Director


G. Giobelli – Director

Lyreco UK Limited

Statement of changes in equity for the year ended 31 December 2017

	Note	Called up share capital	Share premium account	Re- valuation reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2016		14,841	6,634	79	19,370	40,924
Profit for the financial year		-	-	-	10,739	10,739
Other comprehensive income for the year		-	-	-	16	16
Total comprehensive income for the year		-	-	-	10,755	10,755
Dividends paid		-	-	-	-	-
Total transactions with owners, recognised directly in equity		-	-	-	-	-
Balance as at 31 December 2016		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)
Balance as at 31 December 2017		14,841	6,634	79	20,430	41,984

Lyreco UK Limited

Cash flow statement for the year ended 31 December 2017

	Note	2017	2016
		£'000	£'000
Net cash inflow from operating activities	18	23,986	3,723
Taxation paid		(2,622)	(3,085)
Net cash generated from operating activities		21,364	638
Cash flow from investing activities			
Purchase of intangible assets		(7)	-
Purchase of tangible assets		(1,426)	(806)
Proceeds from tangible assets		29	71
Interest received		85	107
Net cash used in investing activities		(1,319)	(628)
Cash flow from financing activities			
Dividends paid		(20,000)	-
Interest paid		-	-
Net cash used in financing activities		(20,000)	-
Net increase in cash		45	10
Cash and cash equivalents at the beginning of the year		197	187
Cash and cash equivalents at the end of the year		242	197

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

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.

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 should be able to operate within the level of its current facilities.

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.

Due to the nature of the company no consideration received is deferred and therefore no transaction constitutes as a financing transaction. Should this type of transaction arise the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

**Notes to the financial statements
for the year ended 31 December 2017 (continued)**

3 Summary of significant accounting policies (continued)

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 most appropriate 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 on prices prevailing to the date of this accounting year.

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.

**Notes to the financial statements
for the year ended 31 December 2017 (continued)**

3 Summary of significant accounting policies (continued)

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 profit and loss account. 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 profit and loss account.

Related party disclosures

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

Taxation

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

Current of 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.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

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 and other post retirement benefits

The company operates a defined benefit scheme in the UK. Pension scheme assets are measured using market values (for quoted securities the current bid-price is taken as market value). Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

A pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. Actuarial gains and losses arising from experience adjustments and changed 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 income statement as employee costs, except where included in the cost of an asset, comprises:

- a) The increase in 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 pension costs and other post-retirement benefits is the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

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

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 2017 (continued)

3 Summary of significant accounting policies (continued)

Cash and liquid resources

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

Financial instrument

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

(iii) *Financial assets*

Basic financial assets, including trade and other receivable, 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.

(iv) *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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligation 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.

**Notes to the financial statements
for the year ended 31 December 2017 (continued)**

3 Summary of significant accounting policies (continued)

(v) 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.

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.

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.

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 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 the inventory and associated provision.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

(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 19 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 2017: £252,932,000 (2016: £235,656,000) and Ireland 2017: £8,854,000 (2016: £8,767,000).

6 Finance income

	2017	2016
	£'000	£'000
Interest receivable and similar income		
Inter-company interest	-	1
Bank and similar interest	85	106
Finance income	85	107

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

7 Finance costs

	2017	2016
	£'000	£'000
Net interest on net defined benefit	(40)	(85)

8 Profit before taxation

Profit is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Foreign exchange gains	(181)	(457)
Foreign exchange losses	183	265
Impairment of receivables recognised in Income statement	(17)	(45)
Inventory recognised as expense during the period	181,278	170,568
Impairment of inventory included in cost of sales	138	26
Operating lease charges	4,757	4,520
Profit on disposal of tangible assets	(34)	(42)
Services provided by the company's auditors		
- fees payable for the audit	46	41

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (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:

	2017	2016
	Number	Number
By activity		
Sales Force & Customer Services	630	657
Distribution & Logistics	649	610
Head Office & Other	116	114
	1,395	1,381

Their aggregate remuneration comprised:

	2017	2016
	£'000	£'000
Wages and salaries	39,333	37,638
Social security costs	3,893	3,701
Other pension costs	1,845	2,072
	45,071	43,411

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

9 Employees and directors (continued)

Directors

The director emoluments are as follows:

	2017	2016
	£'000	£'000
Aggregate remuneration	209	178
Pension contributions	15	15
	224	193

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

No directors (2016: none) were members of the defined benefit schemes.

Retirement benefits are accruing under a money purchase scheme for one (2016: one) director.

Key management compensation

Key management includes the directors and members of the senior management. The compensation paid or payable to key management for employee services is shown below:

	2017	2016
	£'000	£'000
Salaries and other short term benefits	802	774
Post-employment benefits	54	52
	856	826

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Tax on profit

a) Tax expense included in income statement

	2017	2016
	£'000	£'000
Current tax:		
UK corporation tax on income for the year	2,354	2,737
Adjustments in respect of prior years	5	29
Total current tax	2,359	2,766
Deferred tax:		
Origination and reversal of timing differences	182	159
Impact of change in tax rate	(21)	(8)
Total deferred tax (Note 17)	161	151
Total tax expense	2,520	2,917

b) Tax expense included in other comprehensive income

	2017	2016
	£'000	£'000
Current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	138	4
Impact of change in tax rate	(16)	(1)
Total tax expense included in other comprehensive income	122	3

**Notes to the financial statements
for the year ended 31 December 2017 (continued)**

10 Tax on Profit (continued)

c) Reconciliation of tax charge

The current tax charge for the year is higher (2016: higher) than the current charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2017 of 19.25% (2016: 20.00%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit before taxation	12,230	13,656
Profit multiplied by the standard rate of tax in the UK of 19.25% (2016:20.00%)	2,354	2,731
Effects of:		
Unrecognised deferred tax	15	19
Expenses not deductible for tax purposes	125	130
Adjustments to tax charge in respect of prior years	5	29
Re-measurement of deferred tax – change in UK rate	21	8
Tax charge for the year	2,520	2,917

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 include 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 on these financial statements.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

11 Intangible assets

	Software £'000
Cost	
At 1 January 2017	42
Additions	7
Disposals	-
At 31 December 2017	49
Accumulated amortisation	
At 1 January 2017	(27)
Charge for the year	(7)
Disposals	-
At 31 December 2017	(34)
Net book value	
At 31 December 2017	15
At 31 December 2016	15

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Tangible assets

	Land and buildings £'000	Plant, machinery and fixtures and fitting £'000	Assets under con- struction £'000	Other £'000	Total £'000
Cost					
At 1 January 2017	18,009	16,732	31	2,755	37,527
Additions	15	1,030	-	381	1,426
Transfers	-	31	(31)	-	-
Disposals	-	(125)	-	(411)	(536)
At 31 December 2017	18,024	17,668	-	2,725	38,417
Accumulated depreciation					
At 1 January 2017	(9,116)	(14,210)	-	(1,985)	(25,311)
Charge for the year	(561)	(427)	-	(291)	(1,279)
Disposals	-	125	-	411	536
At 31 December 2017	(9,677)	(14,512)	-	(1,865)	(26,054)
Net book value					
At 31 December 2017	8,347	3,156	-	860	12,363
At 31 December 2016	8,893	2,522	31	770	12,216

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Tangible Assets (Continued)

	2017	2016
	£'000	£'000
The net book value of land and buildings comprises:		
Freehold land and buildings	8,324	8,865
Short leasehold improvements	23	28
	8,347	8,893

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2016: £2,790,000)

13 Inventories

	2017	2016
	£'000	£'000
Goods for resale	18,235	18,871

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 £314,000 (2016: £176,000).

14 Receivables

	2017	2016
	£'000	£'000
Trade receivables	43,167	41,823
Amounts owed by group undertakings	14,535	24,212
Prepayments and accrued income	2,916	2,220
Deferred tax (note 17)	-	124
	60,618	68,379

Amounts owed by group undertakings are unsecured and are repayable on demand. Interest is received at 0.06%.

Trade receivables are stated after provisions for impairment of £216,000 (2016: £232,000).

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Payables: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade payables	38,108	35,054
Amounts owed to group undertakings	2,703	3,492
Corporation tax	1,021	1,284
Other taxation and social security	2,692	2,393
Accruals and deferred income	4,223	3,825
	48,747	46,048

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 other 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 2017	-	-	152	152
Additions dealt with in income statement	17	159	108	284
Balance at 31 December 2017	17	159	260	436

The provision for other employment benefits relates to a long term bonus which is payable between 2017 and 2020.

At the 31st December 2017 the company had one open employee litigation case; a provision of £17,000 has been recognised for this. The claim is expected to be fully resolved in 2018.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

17 Deferred taxation

	2017
	£'000
Deferred tax (asset)/liability:	
At 1 January 2017	(124)
Charged to the income statement for the year (see note 10)	161
Charged to the statement of other comprehensive income	122
At 31 December 2017	159

<i>Analysis of deferred tax balances:</i>	2017	2016
	£'000	£'000
Accelerated capital allowances	211	182
Deferred tax on pension deficit	(52)	(306)
At 31 December	159	(124)

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

18 Net cash inflow from operating activities

	2017 £'000	2016 £'000
Profit for the financial year	9,710	10,739
Tax on profit	2,520	2,917
Net interest income	(45)	(22)
Operating profit	12,185	13,634
Amortisation of intangible assets	7	8
Depreciation of tangible assets	1,279	1,169
Profit on disposal of tangible assets	(29)	(42)
Post-employment benefits less payments	(816)	(816)
Other provisions less payments	125	27
Working capital movements:		
Decrease/(increase) in inventories	636	(3,609)
Decrease/(increase) in receivables	7,637	(10,065)
Increase in payables	2,962	3,418
Cash flow from operating activities	23,986	3,724

19 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 2015 and contributions of £816,000 were paid by the Company to the Scheme during the year ended 31 December 2017.

The results of the latest funding valuation at 1 January 2015 have been adjusted to the balance sheet date of 31 December 2017 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 scheme was closed to new members on 1 January 1997. With effect from 28 February 2006, the scheme closed to future benefit accrual.

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

19 Post-employment benefits (continued)

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

	2017	2016
	% pa	%pa
RPI Inflation	3.25	3.30
CPI Inflation	2.15	2.20
Pension increases in payment (RPI max 5%)	3.10	3.15
Discount rate	2.60	2.85

	2017	2016
Mortality	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.	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_Proposed 2015 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	23 years
Life expectancy for female currently aged 65	24 years	24 years
Life expectancy at 65 for female currently aged 45	26 years	27 years

	2017	2017	2016	2016
	£'000	%	£'000	%
Scheme asset allocation				
Equities	13,897	75.00	12,200	75.00
Government and corporate bonds	4,221	23.00	3,703	23.00
Property	368	2.00	322	2.00
Other	76	-	44	-
Total	18,562	100.00	16,269	100.00

None of the Scheme 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 2017 (continued)

19 Post-employment benefits (continued)

The return on the scheme assets was:

	2017	2016
	£'000	£'000
Interest income on scheme assets	472	513
Return on scheme assets less interest income	1,421	2,499
Total return on scheme assets	1,893	3,012

Net defined benefit obligation

	2017	2016
	£'000	£'000
Fair value of assets	18,562	16,269
Present value of funded defined benefit obligations	(18,868)	(18,068)
Net defined benefit obligation	(306)	(1,799)

Reconciliation of the fair value of scheme assets:

	2017	2016
	£'000	£'000
Changes to the fair value of scheme assets during the year		
Opening fair value of scheme assets	16,269	12,668
Interest income on scheme assets	472	513
Gain on scheme assets	1,421	2,499
Contributions by the employer	816	816
Net benefits paid out	(416)	(227)
Closing fair value of scheme assets	18,562	16,269

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

19 Post-employment benefits (continued)

Reconciliation of the defined benefit obligation:

	2017	2016
	£'000	£'000
Opening defined benefit obligation (DBO)	18,068	15,217
Interest expense on DBO	512	598
Actuarial losses/(gains) on Scheme liabilities	704	2,480
Net benefits paid out	(416)	(227)
Closed defined benefit obligation	18,868	18,068

Total cost recognised as an expense:

	2017	2016
	£'000	£'000
Operating cost:		
Interest on net defined benefit liability	40	85
Pension expense recognised in income statement	40	85

Amounts recognised in other comprehensive income:

	2017	2016
	£'000	£'000
Asset gains arising during the year	1,421	2,499
Liability losses arising during the year	(704)	(2,480)
Re-measurement of net defined benefit obligation	717	19

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

20 Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
14,841,100 ordinary shares of £1 each (2016: 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.

The directors recommend that a final ordinary dividend be paid for 2017: £20,000,000 (2016: Nil) which was paid in full during the 2017 year.

21 Financial Instruments

The company has the following financial instruments:

	Note	2017 £'000	2016 £'000
Financial assets at fair value through profit or loss		-	-
Financial assets that are debt instruments measured at amortised cost			
- Trade Receivables	14	43,167	41,823
- Amounts owed by group undertakings	14	14,535	24,212
		57,702	66,035
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	38,108	35,054
- Amounts owed to group undertakings	15	2,703	3,492
- Other payables	15	6,915	6,218
		47,726	44,764

Lyreco UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

22 Contingent liabilities and other financial commitments

- (a) There were no capital commitments at the year-end totalling £nil (2016:£nil).
- (b) Total future commitments under non-cancellable operating leases are as follows:

	2017	2016
	£'000	£'000
On leases which expire:		
Within one year	4,766	4,248
Within two to five years	6,190	7,303
After five years	-	-
Total	10,956	11,551

The company had no other off-balance sheet arrangements.

23 Controlling parties

The immediate parent undertaking is Lyreco SAS.

Lyreco UK Limited is a wholly owned subsidiary of Lyreco SAS (registered address: Rue du 19 mars 1962, 59770 Marly), a Company incorporated and registered in France.

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