

# **ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

Registered Number 2142066

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
for the year ended 30 November 2004



**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**DIRECTORS' REPORT**  
**for the year ended 30 November 2004**

The Directors present their annual report and audited financial statements for the year ended 30 November 2004.

**PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The principal activity of the group is the design, procurement, manufacture, marketing and distribution of office products. The company is a holding company for the subsidiaries.

Turnover with third party customers rose 2% in the year with increases of 4% in Europe and 7% in Australia, being offset by a 1% decline in the UK. Demand in the market softened in the second half of the year and this has continued during 2005. Profitability was significantly higher during 2004, principally as a result of lower UK restructuring charges.

**RESULTS AND DIVIDENDS**

There was a consolidated profit before tax for the year of £18,756,000 (2003: £10,226,000) which will be transferred to reserves.

The directors have proposed a dividend on the ordinary share capital of the company of £11,482,844. (2003: £Nil).

**DIRECTORS' AND THEIR INTERESTS**

Directors who served during the year, and at the date of signing this report, were as follows:

Mr. B.P. Cole	Resigned 28 February 2005
Mr P Chapman	Appointed 1 October 2004
Mr. N.H. Wesley	Resigned 7 July 2005
Mr. C.J. Pettican	Resigned 31 March 2005
Mr. A.S. Page	

The directors do not have any interests in the shares of the company or any other body corporate in the group that are required to be disclosed under Schedule 7 of the Companies Act 1985.

**DONATIONS**

During the year the group made charitable contributions in the United Kingdom amounting to £5,551 (2003: £5,672). These donations were to charities including Cancer Research, Make a Wish foundation, Children in Need and the Children's Society.

**OVERSEAS BRANCHES**

The group has overseas branches in the Czech Republic, Sweden and Spain.

**RESEARCH AND DEVELOPMENT COSTS**

During the year the group incurred research and development costs amounting to £323,000 (2003: £786,000).

**POST BALANCE SHEET EVENTS**

Fortune Brands Inc, the ultimate parent undertaking of Acco Europe Limited (formerly Acco Europe plc) as at 30 November 2004, announced on 16 March 2005 that one of their subsidiary holdings, Acco World Corporation, would be spun-off and would merge with another company, General Binding Corporation. This took place on 16 August 2005. The new ultimate parent undertaking of Acco Europe Limited (formerly Acco Europe plc) is Acco Brands Corporation.

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**DIRECTORS' REPORT (continued)  
for the year ended 30 November 2004**

**DISABLED EMPLOYEES**

The group maintains a positive policy towards the employment of disabled people. It endeavours to offer equal opportunities in employment, training, career development and promotion wherever possible, both to newly disabled employees and to disabled job applicants.

**EMPLOYEE CONSULTATION**

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and various factors affecting the performance of the group. This is achieved through consultation with employees' representatives.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

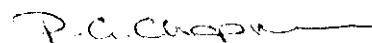
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company and the group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 November 2004 and that applicable accounting standards have been followed. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Oxford House  
Oxford Road  
Aylesbury  
Buckinghamshire  
HP21 8SZ



P Chapman  
Director

27 October 2005

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

We have audited the financial statements which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, the balance sheets and related notes.

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions is not disclosed.

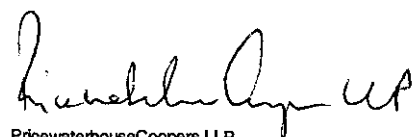
## **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 November 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
West London

27 October 2005

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 30 November 2004**

	Notes	2004 £'000	2003 £'000
<b>TURNOVER</b>	2	234,647	227,497
Exceptional cost of sales	4	(9,141)	(5,516)
Other cost of sales		(141,854)	(141,758)
Total cost of sales	3	(150,995)	(147,274)
<b>Gross Profit</b>		83,652	80,223
Distribution costs	3	(30,081)	(33,183)
Exceptional administrative expenses	4	(137)	(722)
Other administrative expenses		(35,632)	(36,889)
Total administrative expenses	3	(35,769)	(37,611)
<b>OPERATING PROFIT</b>	7	17,802	9,429
Interest receivable and similar income	5	1,284	1,221
Interest payable and similar charges	6	(330)	(424)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		18,756	10,226
Tax charge on profit on ordinary activities	10	(7,128)	(3,934)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		11,628	6,292
Minority interests - equity	23	(366)	(258)
<b>Profit for the financial year</b>		11,262	6,034
Dividends	11	(11,483)	-
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	21	(221)	6,034

The results from the year arose from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**  
**STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES**  
**for the year ended 30 November 2004**

	Notes	2004 £'000	2003 £'000
Profit for the financial year		(221)	6,034
Translation differences on foreign currency net investments	22	<u>(2,264)</u>	<u>5,267</u>
Total gains recognised since last annual report		<u>(2,485)</u>	<u>11,301</u>

ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)

BALANCE SHEETS  
at 30 November 2004

	Notes	Group		Company	
		2004 £'000	2003 £'000	2004 £'000	2003 £'000
<b>FIXED ASSETS</b>					
Intangible assets	12	18,028	21,484	-	-
Tangible assets	13	34,734	41,198	-	-
Investments	14	-	-	93,131	93,131
		<b>52,762</b>	<b>62,682</b>	<b>93,131</b>	<b>93,131</b>
<b>CURRENT ASSETS</b>					
Stocks	15	31,868	33,177	-	-
Debtors - due within one year	16	64,265	61,816	5,077	5,077
Debtors - due after more than one year	16	19,292	4,826	-	-
Cash at bank and in hand		59,431	54,158	19	19
		<b>174,856</b>	<b>153,977</b>	<b>5,096</b>	<b>5,096</b>
<b>CREDITORS: amounts falling due within one year</b>	17	<b>(95,734)</b>	<b>(80,150)</b>	<b>(4)</b>	<b>(51)</b>
<b>NET CURRENT ASSETS</b>		<b>79,122</b>	<b>73,827</b>	<b>5,092</b>	<b>5,045</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>131,884</b>	<b>136,509</b>	<b>98,223</b>	<b>98,176</b>
Provisions for liabilities and charges	19	(15,149)	(17,666)	-	-
<b>NET ASSETS</b>		<b>116,735</b>	<b>118,843</b>	<b>98,223</b>	<b>98,176</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20	301	301	301	301
Share premium account	21	79,004	79,004	79,004	79,004
Other reserves	21	3,745	3,745	2,543	2,543
Profit and loss account	21	32,214	34,699	16,375	16,328
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	22	<b>115,264</b>	<b>117,749</b>	<b>98,223</b>	<b>98,176</b>
Minority interests - equity	23	1,471	1,094	-	-
<b>CAPITAL EMPLOYED</b>		<b>116,735</b>	<b>118,843</b>	<b>98,223</b>	<b>98,176</b>

The financial statements on pages 5 to 22 were approved by the board of directors on 27 October 2005 and were signed on its behalf by:



A S Page  
Director

ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)

Notes to the financial statements for the year ended 30 November 2004

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 1985. These policies have been applied consistently, throughout the year. A summary of the more important accounting policies is set out below.

a) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 November 2004. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales are eliminated fully on consolidation.

In the company's financial statements all investments are stated at purchase cost, less any provisions for diminution in value, with the exception of the additional investment in ACCO-Rexel Group Services Limited which was acquired on 29 November 1992 and which is valued at the nominal value of shares issued.

Consolidation has taken place using the equity method of accounting.

b) Cash flow statement

Under FRS 1 (revised 1996) 'Cash Flow Statements', subsidiary undertakings are not required to present a cash flow statement where 90% or more of the voting rights are controlled within a group, provided that consolidated financial statements in which those subsidiary undertakings are included are publicly available. Accordingly, the company has not produced a cash flow statement as the cashflows are included in the financial statements of the ultimate parent company as at 30 November 2004, Fortune Brands Inc (note 29).

c) Goodwill

Goodwill on consolidation is amortised at a rate calculated to write off its value on a straight line basis over its estimated useful economic life. The directors consider that the useful economic life of goodwill is 20 years except where it is assessed that there is an impairment of goodwill and additional amortisation is recognised in the profit and loss account in the year of assessment.

Goodwill is the excess of the fair value of the consideration over the fair value of the net assets acquired.

d) Investments

Investments are stated at purchase cost less amounts written off to reflect any impairment of the carrying value.

Impairment reviews are performed annually.

e) Tangible fixed assets and depreciation

Tangible fixed assets are shown at historical cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over the estimated useful economic lives as follows:

Freehold property	- 25 - 50 years
Short term leasehold property	- term of lease
Equipment, plant and machinery	- 3 - 15 years
Office equipment and fittings	- 2 - 15 years
Motor vehicles	- 2.5 - 4 years

f) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials and purchased goods	- purchase cost on a first-in, first-out basis, including transport costs
Work-in-progress and manufactured goods	- cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Included within the stock number is a provision for slow-moving and obsolete stock.

g) Taxation

Current and deferred tax is based on the profit for the year and includes all taxation liabilities accruing to the date of the financial statements. Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only when on the basis of all available evidence, it is more likely than not that they will be recoverable.



ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)

Notes to the financial statements for the year ended 30 November 2004 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

h) Pensions and other post-retirement benefits

It is the policy of the group to fund pension liabilities on the advice of external actuaries who perform valuations every three years, where appropriate.

Defined contribution schemes:

Contributions are charged to the profit and loss account as and when they become payable to the pension scheme.

Defined benefit schemes:

The regular cost of providing pensions is charged to operating profit over the employees' service lives. Variations from regular cost are allocated to operating profit over the expected remaining service lives of current employees.

The transitional disclosure requirements of Financial Reporting Standard 17 (Retirement Benefits) are made in the notes to the financial statements.

The company provides health care on beneficial terms to eligible retired employees. Costs of these benefits are charged in the financial statements over the period that eligible employees are expected to render service, in accordance with UITF 6.

i) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated at average rates of exchange for the financial year. Gains and losses on exchange on transactions in foreign currencies are dealt with in the profit and loss account.

Exchange differences arising from the retranslation at the closing rate of the opening net investment in overseas subsidiaries and of their results for the year are taken directly to retained profits and are reported in the statement of total recognised gains and losses.

Financial commitments in relation to forward exchange contracts are measured at the rate prevailing at the balance sheet date and disclosed accordingly in note 24. Gains and losses on such contracts are recognised as they crystallise.

j) Turnover

Turnover is stated net of VAT, customer rebates, discounts and credit notes, at the fair value of the right to consideration for goods supplied to customers in the normal course of business.

The directors consider that the right to consideration vests when the goods are packed and despatched to the customer, as such revenue is recognised at this point.

k) Leases

The definition of a finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee.

Assets held under finance leases are reported at cost, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease period or its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and the reduction of the liability, and depreciation is charged to administration and other operating expenses as appropriate.

Rentals under operating leases are charged directly to the profit and loss account on a straight line basis over the term of the lease.

l) Research and development

Research and development expenditure is written off as incurred, with the exception of limited expenditure on new product development where the directors are satisfied as to the technical, commercial and financial viability of such products. Such expenditure is carried forward and amortised over the period expected to benefit up to a maximum of three years.

m) Stock options

Share options in the shares of the ultimate parent undertaking are awarded to key employees, the related cost is recharged from the parent to the company when the liabilities crystallise. Provisions are made for the liability relating to all options at year-end, valued at the difference between the market value of the shares at the balance sheet date and the option exercise price.

n) Provisions

Provisions have been recognised in accordance with FRS 12 when:

- there is a present obligation as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

Notes to the financial statements for the year ended 30 November 2004 (continued)

**2. SEGMENTAL INFORMATION**

The group is considered to carry on one class of business, being the design, procurement, manufacture, marketing and distribution of office stationery and related products.

Turnover by geographical destination was as follows:

	2004 £'000	2003 £'000
United Kingdom	100,385	101,163
Rest of Europe	71,016	65,905
Africa	3,613	3,765
Asia	2,371	2,861
Australia	54,060	49,121
Americas	3,202	4,682
	<u>234,647</u>	<u>227,497</u>

The group has operating subsidiaries in Europe and Australia. Turnover, profit/(loss) before tax and net assets by geographical origin are as follows:

Turnover	Total		Inter-segment		Third parties	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
United Kingdom	115,058	114,929	5,251	4,367	109,807	110,562
Rest of Europe	66,857	63,456	5,900	4,757	60,957	58,699
Australia	52,732	49,112	-	-	52,732	49,112
	<u>234,647</u>	<u>227,497</u>	<u>11,151</u>	<u>9,124</u>	<u>223,496</u>	<u>218,373</u>

Other	Profit/(loss) before tax		Net assets	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
United Kingdom	8,215	409	73,370	71,608
Rest of Europe	(1,087)	146	13,152	11,855
Australia	11,638	9,671	30,214	35,380
	<u>18,756</u>	<u>10,226</u>	<u>116,736</u>	<u>118,843</u>

**3. COST OF SALES AND NET OPERATING EXPENSES**

2004	Continuing £'000
Exceptional cost of sales (note 4)	9,141
Other cost of sales	<u>141,854</u>
Total cost of sales	<u>150,995</u>
Distribution costs	30,081
Exceptional administrative expenses (note 4)	137
Other administrative expenses	<u>35,632</u>
Total administrative expenses	<u>35,769</u>
	<u>65,850</u>

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

Notes to the financial statements for the year ended 30 November 2004 (continued)

**3. COST OF SALES AND NET OPERATING EXPENSES (Continued)**

<u>2003</u>	<u>Continuing £'000</u>
Exceptional cost of sales (note 4)	5,516
Other cost of sales	<u>141,758</u>
Total cost of sales	<u>147,274</u>
Distribution costs	33,183
Exceptional administrative expenses (note 4)	722
Other administrative expenses	<u>36,889</u>
Total administrative expenses	<u>37,611</u>
	<u>70,794</u>

**4. EXCEPTIONAL ITEMS AND AMOUNTS WRITTEN OFF GOODWILL**

Over the last six years the Board has implemented a wide ranging review of the group's manufacturing facilities and associated organisation. This has resulted in significant rationalisation, including the closure of a number of the existing facilities. During the year the group incurred exceptional administrative expenses of £137,000 (2003: £722,000) and exceptional cost of sales of £9,141,000 (2003: £5,516,000) relating to this review. Of this total P&L charge of £9,278,000, £389,000 was in relation to the restructuring provision (see note 19).

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2004 £'000</u>	<u>2003 £'000</u>
Interest receivable from bank accounts	1,060	1,028
Interest receivable from group undertakings	<u>224</u>	<u>193</u>
	<u>1,284</u>	<u>1,221</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2004 £'000</u>	<u>2003 £'000</u>
Bank overdrafts	53	89
Interest on group loans	<u>277</u>	<u>335</u>
	<u>330</u>	<u>424</u>

**7. OPERATING PROFIT**

	<u>2004 £'000</u>	<u>2003 £'000</u>
Operating profit is stated after charging:		
Research and development write-off	323	786
Loss on disposal of tangible fixed assets	1,042	2,566
Amortisation of goodwill	3,492	3,965
Depreciation of tangible fixed assets	7,755	7,973
	- owned	- 44
	- held under finance lease	- 758
Operating lease rentals	683	758
	- other	2,273
Auditors' remuneration - audit	278	250
	- group	12
Auditors' remuneration - other services	112	153
	- company	- group

Other services performed by the auditors relate, principally, to taxation compliance and taxation advisory services.

**8. DIRECTORS' EMOLUMENTS**

	<u>2004 £</u>	<u>2003 £</u>
Aggregate emoluments	<u>1,165,182</u>	<u>1,406,402</u>
Borne by:		
Acco UK Limited	<u>1,153,713</u>	<u>1,079,309</u>

Included above are long term incentive scheme amounts, which represent incentive bonus payments accounted for on a cash basis.

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

**8. DIRECTORS' EMOLUMENTS (Continued)**

Retirement benefits are accruing to 4 directors (2003: 3) under defined benefit schemes. During the year 2 (2003: 2) directors exercised share option

<u>Highest paid director</u>	2004 £	2003 £
Aggregate emoluments (including amounts received under long term incentive schemes)	529,689	527,579
Company contributions to defined benefit schemes	28,730	27,651
<u>Defined benefit pension scheme:</u>		
Accrued pension at end of year	14,308	12,238
Accrued lump sum at end of year	32,194	27,534

**9. STAFF COSTS**

Particulars of employee costs (including executive directors):

	2004 £'000	2003 £'000
Wages and salaries	39,880	42,700
Social security costs	5,419	5,815
Other pension costs (note 26)	4,219	4,736
	49,518	53,251

The average monthly number of persons (including directors) employed by the group during the year, split by activity, was as follows:

	2004 Number	2003 Number
Manufacture	755	951
Distribution	457	468
Marketing	62	66
Administration	312	372
	1,586	1,857

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**a) Analysis of charge in period**

	2004 £'000	2003 £'000
U.K. corporation tax at 30% (2003: 30%)	5,627	3,068
Total current tax	8,983	5,369
Deferred tax:		
Origination and reversal of timing differences	1,344	(770)
Adjustments in respect of prior years	(3,199)	(665)
Total deferred tax (note 19)	(1,855)	(1,435)
Total tax on profit on ordinary activities	7,128	3,934

**b) Factors affecting the tax charge for the period**

The tax assessed for the year is higher (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	18,756	10,226
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	5,627	3,068
Effects of:		
Permanent differences	3,991	1,490
Accelerated capital allowances	300	215
Short term timing differences	(1,663)	586
UK corporation tax on profits for the year	8,255	5,359
Foreign tax:		
Higher/(lower) taxes on overseas earnings	(305)	(66)
Foreign property taxes	-	19
Unrecognised losses carried forward	859	52
Adjustments in respect of prior years	8,809	5,364
	174	5
Total current tax charge	8,983	5,369

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

<b>11. DIVIDENDS</b>	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<u>Equity ordinary shares of £38.15 each</u>		
Dividend paid	11,483	-

**12. INTANGIBLE FIXED ASSETS**

<u>Group</u>			
<u>Cost</u>	<u>Goodwill</u>	<u>Patents</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1st December 2003 and 30th November 2004	70,847	324	71,171
<u>Amortisation</u>			
At 1st December 2003	49,363	324	49,687
Provided during year	3,492	-	3,492
Exchange adjustment	(36)	-	(36)
At 30th November 2004	52,819	324	53,143
<u>Net book value</u>			
At 30th November 2004	18,028	-	18,028
At 1st December 2003	21,484	-	21,484

**13. TANGIBLE FIXED ASSETS**

<u>Group</u>	<u>Freehold</u>	<u>Short</u>	<u>Equipment</u>	<u>Office</u>	<u>Motor</u>	<u>Total</u>
	<u>Property</u>	<u>Leasehold</u>	<u>Plant &amp;</u>	<u>Equipment</u>	<u>Vehicles</u>	<u></u>
	<u>£'000</u>	<u>Property</u>	<u>Machinery</u>	<u>&amp; Fittings</u>	<u>£'000</u>	<u>£'000</u>
<u>Cost</u>						
At 1st December 2003	22,797	8,681	54,332	23,723	3,780	113,313
Additions during year	111	86	2,126	845	599	3,767
Inter group transfers	-	-	445	-	-	445
Disposals	(2,195)	(109)	(10,370)	(1,280)	(892)	(14,846)
Reclassifications	93	26	(221)	81	21	-
Exchange adjustments	(155)	(271)	3	(70)	(25)	(518)
At 30th November 2004	20,651	8,413	46,315	23,299	3,483	102,161
<u>Depreciation</u>						
At 1st December 2003	8,285	1,874	41,845	18,486	1,625	72,115
Charge in year	621	179	3,882	2,313	760	7,755
Inter group transfers	-	-	73	-	-	73
Disposals	(1,497)	(68)	(9,093)	(1,040)	(657)	(12,355)
Exchange adjustments	(47)	(13)	(30)	(66)	(5)	(161)
At 30th November 2004	7,362	1,972	36,677	19,693	1,723	67,427
<u>Net book value</u>						
At 30th November 2004	13,289	6,441	9,638	3,606	1,760	34,734
At 1st December 2003	14,512	6,807	12,487	5,237	2,155	41,198

The above asset reclassifications were made to correct misclassifications from prior years.

As at 30 November 2004, the net book value of assets held under finance leases was £nil (2003: £574,612).

Included in the net book value for Freehold Property are assets held for resale amounting to £nil (2003: £261,000).

**14. FIXED ASSET INVESTMENTS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<u>Investment in Subsidiaries - Company</u>		
Cost at 1st December 2003 and 30th November 2004	93,131	93,131

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

**14. FIXED ASSET INVESTMENTS (Continued)**

Principal Group Investments

The company has interests in the following companies. All trading subsidiaries are engaged in the manufacture and distribution of office products and all subsidiaries are wholly owned (where the company owns 100% of the ordinary share capital) unless otherwise stated.

Directly owned:

Incorporated in the United Kingdom

Trading:

Day-Timers Europe Limited

Non-trading:

ACCO-Rexel Group Services Limited

Indirectly owned:

Incorporated in the United Kingdom

Trading:

ACCO UK Limited

ACCO Eastlight Limited

ACCO-Rexel (Northern Ireland) Limited

Non-trading:

Nobo Group Limited

Nobo UK Limited

Elite Optics Limited

Velos- Perforex Limited

Incorporated overseas

Ireland

ACCO-Rexel Limited (66.67%)

Australia

ACCO Australia Pty Limited

France

ACCO France SAS

Artois SA

Germany

ACCO Deutschland GmbH & Co KG

Belgium

Apollo Audio Visual SA

Switzerland

Hetzel GmbH

Czechoslovakia

ACCO Czech AS (99%)

**15. STOCKS**

The following are included in the net book value of stocks :

Raw materials and consumables

Work-in-progress

Finished goods and goods for resale

	Group	
	2004	2003
	£'000	£'000
Raw materials and consumables	4,941	5,301
Work-in-progress	1,208	1,963
Finished goods and goods for resale	25,719	25,913
	<u>31,868</u>	<u>33,177</u>

**16. DEBTORS**

Amounts falling due within one year

Trade debtors

Amounts due from group undertakings

Other debtors

Prepayments and accrued income

	Group	Company	
	2004	2003	2004
	£'000	£'000	£'000
Trade debtors	51,408	50,770	-
Amounts due from group undertakings	8,364	6,664	5,077
Other debtors	1,921	1,929	-
Prepayments and accrued income	2,572	2,453	-
	<u>64,265</u>	<u>61,816</u>	<u>5,077</u>

Amounts falling due after more than one year

Pension asset

Deferred tax asset - UK (note 19)

Deferred tax asset - overseas (note 19)

	Group	Company	
	2004	2003	2004
	£'000	£'000	£'000
Pension asset	16,096	3,485	-
Deferred tax asset - UK (note 19)	(555)	374	-
Deferred tax asset - overseas (note 19)	3,751	967	-
	<u>19,292</u>	<u>4,826</u>	<u>-</u>

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Notes to the financial statements for the year ended 30 November 2004 (continued)

**17. CREDITORS: amounts falling due within one year**

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank overdrafts	8,752	10,883	-	-
Obligations under finance leases	-	179	-	-
Trade creditors	24,145	23,735	-	-
Amounts due to group undertakings:				
Due to Fortune Brands Finance Ltd	14,100	10,680	-	-
Other	15,765	1,897	-	-
Corporation tax	3,226	1,877	-	-
Taxation and social security	3,397	3,409	4	4
Accruals and deferred income	26,349	27,490	-	47
	<b>95,734</b>	<b>80,150</b>	<b>4</b>	<b>51</b>

Amounts due to Fortune Brands Finance Ltd included above relate to unsecured, short-term loans that were made in the form of revolving credit advances, with interest being charged at the market rate. Other amounts due to group undertakings predominantly relate to unsecured trading balances.

Bank overdrafts are unsecured with interest being charged at the base rate plus 1% and are repayable on demand.

**18. CREDITORS: amounts falling due after more than one year**

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
<u>Maturity of debt</u>				
Bank overdrafts and group loans:				
Within one year or on demand	22,852	21,563	-	-
Obligations under finance leases:				
Within one year or on demand	-	179	-	-
Between one and two years	-	-	-	-
	-	179	-	-

**19. PROVISIONS FOR LIABILITIES AND CHARGES**

Group	Unexercised share options (see below) £'000	Pensions (Note 26) £'000	Other post- retirement benefits (Note 25) £'000	Restructuring provisions (see below) £'000	Deferred taxation (see below) £'000	Total £'000
At 1st December 2003	4,303	2,579	7,325	3,459	-	17,666
Reclassification from debtors (note 16)	-	-	-	-	(1,341)	(1,341)
Profit and loss Account	(213)	206	(592)	369	(1,855)	(2,085)
Utilised	-	(170)	(132)	(2,035)	-	(2,337)
Exchange adjustment	-	50	-	-	-	50
	4,090	2,665	6,601	1,793	(3,196)	11,953
Reclassification to debtors (note 16)	-	-	-	-	3,196	3,196
At 30 November 2004	4,090	2,665	6,601	1,793	-	15,149
	2004	2004	2004	2003	2003	2003
	UK	Overseas	Total	UK	Overseas	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Deferred taxation</u>						
<u>Amounts provided</u>						
Capital allowances	1,233	-	1,233	2,044	-	2,044
Short term timing differences	(678)	(3,751)	(4,429)	(2,418)	(967)	(3,385)
Deferred tax (asset)/liability	555	(3,751)	(3,196)	(374)	(967)	(1,341)

Unexercised share options

Share options in the shares of the ultimate parent undertaking are awarded to key employees, the cost of which is recharged from the parent to the relevant subsidiary when the liabilities crystallise. Accordingly, the group has provided for the related liability, being the difference between the market value of the shares at the balance sheet date and the option exercise price.

Restructuring provisions

The obligations included in the year end restructuring provisions predominantly relate to the downsizing of UK manufacturing, including the closure of a warehouse announced during 2002 and the reorganisation of business units within ACCO UK Limited. A significant proportion of the year end provisions relate to onerous leasing commitments resulting from the closure of the warehouse, with the balance mainly relating to redundancy programmes.

Provisions brought forward at the start of this year predominantly related to onerous leasing commitments, some redundancy programmes and ongoing costs of the head office reorganisation. The brought forward provisions relating to redundancy programmes and head office reorganisation costs have mostly been written back as provisions crystallised during the year. The onerous leasing commitments are still ongoing.

The charge to the profit and loss account relating to restructuring provisions comprises new provisions made in the year amounting to £713,000 (2003: £4,952,000) and the release of provisions not required amounting to £344,369 (2003: £84,000).

With the exception of any property provisions held, as disclosed above, it is anticipated that all other restructuring provisions will be utilised during the following financial year.

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

**20. CALLED UP SHARE CAPITAL**

	2004 £'000	2003 £'000
<u>Authorised</u>		
100,000,000 Ordinary shares of £1 each	100,000	100,000
<u>Allotted, called-up and fully paid</u>		
300,988 (2003: 300,988) Ordinary shares of £1 each	301	301

**21. RESERVES**

<u>Group</u>	Share Premium £'000	Other Reserves £'000	Profit and loss £'000
At 1st December 2003	79,004	3,745	34,699
Translation difference on foreign currency net investments	-	-	(2,264)
Retained profit for the financial year	-	-	(221)
At 30 November 2004	79,004	3,745	32,214
<u>Company</u>			
At beginning of year	79,004	2,543	16,328
Retained profit for the financial year	-	-	47
At end of year	79,004	2,543	16,375

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company made a profit for the financial year after tax and dividends amounting to £46,671 (2003: loss of £12,060).

Other group reserves arose on the acquisition of subsidiary companies and represent the excess of net assets over the consideration given. The other reserve in the company represents the revaluation of the company's investment in a subsidiary on acquisition.

**22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	Group 2004 £'000	2003 £'000	Company 2004 £'000	2003 £'000
Shareholders' funds at 1st December 2003	117,749	106,448	98,176	98,188
Profit for the financial year	(221)	6,034	47	(12)
Translation difference on foreign currency net investments	(2,264)	5,267	-	-
Shareholders' funds at 30 November 2004	115,264	117,749	98,223	98,176

**23. MINORITY INTEREST**

	2004 £'000	2003 £'000
At beginning of year	1,094	927
Charge for the year	366	258
Translation difference on foreign currency net investments	11	(91)
At end of year	1,471	1,094



**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

Notes to the financial statements for the year ended 30 November 2004 (continued)

**24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

a) <u>Capital commitments</u>		2004 £'000	2003 £'000
At the end of the year the capital commitments of the group were :			
Expenditure contracted for but not provided for in the financial statements.		73	54
b) <u>Financial commitments</u>			
Forward exchange contracts outstanding at the year end		12,833	13,811
c) <u>Operating lease commitments</u>			
Operating lease payments payable within one year of the balance sheet in respect of leases expiring:		2004 £'000	2003 £'000
<u>Land &amp; Buildings</u>	- within 1 year	81	63
	- within 2 - 5 years	1,142	1,177
	- after 5 years	846	1,154
		2,069	2,394
<u>Other</u>	- within 1 year	107	102
	- within 2 - 5 years	551	531
	- after 5 years	79	46
		737	679
d) <u>Guarantees</u>			

A right of set-off has been agreed in favour of the banker in respect of balances against bank overdrafts of the holding company and fellow subsidiaries. At 30 November 2004, the company was contingently liable under that arrangement in respect of bank overdrafts of all group companies amounting to £nil (2003: £nil).

At 30 November 2004, there were guarantees in favour of H.M. Customs and Excise amounting to £785,000 (2003: £880,000).

**25. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS**

The group operates a health care benefit scheme for eligible retired employees, which is an unfunded scheme. The liability for post-retirement benefits other than pensions relates to the provision of health care to eligible retired employees. The liability has been ascertained from independent actuarial valuations which adopt the principal assumptions that, over the long term, the annual rate of increase in the cost of benefit arrangements will be 5%. The cost of these benefits attract tax relief when charged. This is an unfunded defined benefit scheme. The group's liability at 30 November 2004 is valued at £6,601,000 (2003: £7,325,000), using a discount rate of 5.6%.

In addition, ACCO France operates an unfunded scheme whereby eligible employees are entitled to a fixed sum on retirement. The liabilities of this scheme as at 30 November 2004 are estimated at £188,664 (2003: £332,095) in accordance with French GAAP. Full provision has been made in the financial statements for this liability, the directors consider that the differences between the treatment under French GAAP and under UK GAAP are not material. There is no deferred tax on this provision.

**FRS 17 transitional arrangements disclosure**

The group post-retirement benefit scheme is an unfunded and closed scheme. Accordingly, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement. A valuation was performed as at 30 November 2004 by independent qualified actuaries under FRS 17 assumptions. The assumptions used were as follows:

Discount rate - 5.6% (2003: 5.5%)

Medical cost trend - 8% a year reducing gradually to 5% a year over a 5 year period

With regards to the French scheme, the directors consider that the differences between the treatment under French GAAP and under FRS 17 are not material, as such, the related FRS 17 disclosures are not provided separately.

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

**26. PENSIONS**

**SSAP 24**

The UK group operates one defined contribution money purchase scheme, the ACCO Europe Retirement Savings Plan, the assets of which are held as units in an independently administered fund. The 2004 pension cost represents contributions payable by the company to the fund and amounted to £242,718 (2003: £279,483). As at 30 November 2004 instalments amounting to £20,034 (2003: £19,659) were outstanding in respect of the company's contribution to the fund for November 2004, which was paid over in the following month. ACCO Australia participates in a defined contribution scheme for its employees operated by an independent fund manager, the 2004 profit and loss charge for which was £294,000 (2003: £247,204).

The group operates defined benefit pension schemes throughout the UK, Ireland and Germany. The total pension cost for the group in respect of these schemes was accounted for in accordance with local GAAP, as is acceptable under SSAP 24, where it is impractical to obtain local valuations.

In the UK, the group operates one defined benefit pension scheme, the ACCO Europe Pension Plan, which is funded by contributions from employees and the group. The latest valuation of the ACCO Europe Pension Plan was made by an independent, qualified actuary as at 5 April 2003, using the projected unit method. At that date the deficit was £36.4 million giving a funding level of 63%. For the UK plan, the funding policy differs to the accounting policy to the extent that surpluses are recognised at different paces. The employer's Regular Cost in respect of the schemes was calculated in accordance with Statement of Standard Accounting Practice No. 24 (SSAP 24) "Accounting for Pension costs" to be 14.0% of pensionable earnings using the projected unit method. Owing to a pension deficit a total rate of 36.9% of pensionable earnings was charged excluding notional interest on the group's balance sheet provision at the beginning of the year. The overall assumptions include the use of a 2.45% rate of return in excess of pay growth and 1.2% in excess of pension increases.

In view of the funding deficit the sponsoring companies are making supplemental contributions to the fund which, if continued, will fund the scheme up to the agreed funding target, as determined by the actuary and the trustees, over the next five to ten years (depending on market factors). During the year the company made special pension contributions amounting to £12,720,000 (2003: £11,150,000). New legislation took effect on 11 June 2003, making the company legally liable for the funding deficit in the event that the pension plan is discontinued. As at 30 November 2004 the funding deficit amounted to approximately £8.3 million (2003: £18.1 million) on an actuarial going concern basis; the buy-out deficit amounted to £51.0 million (2003: £38.0 million), which represents the group's liability in the event that the plan is terminated (assuming that future liabilities are matched with bond investments).

The most recent valuation of the Irish pension scheme was made by an independent, qualified actuary on 1 June 2004 using the projected unit method. At that date the market value of the assets of the scheme was £2,582,914, which represented 87.4% of the benefits that accrued for members after allowing for expected future increases in earnings. The overall assumptions include investment returns of 6% per annum and average increases in pensionable salaries of 4% per annum over the long term.

The 2004 pension cost for the UK group was £3,609,044 (2003: £3,644,177). The 2004 pension cost for the Ireland and Germany schemes were £182,000 (2003: £406,000) and £206,000 (2003: £160,000) respectively.

As at 30 November 2004 there was a pension asset of £16,096,604 (2003: £3,485,000) in respect of the UK defined benefit scheme. The overseas defined benefit pension liability amounted to £2,257,000 (2003: £2,579,000).

**FRS 17**

The following disclosures are required under the transitional arrangements of FRS 17:

The group has three defined benefit schemes being the ACCO Europe Pension Plan, the Irish plan and the German plan. The ACCO Europe scheme and the Irish scheme were valued by independent qualified actuaries as at 30 November 2004 under the provisions of FRS 17. The unfunded German scheme was valued by an independent qualified actuary as at 30 November 2004 following the Teilwert method.

The German plan is an unfunded defined benefit pension scheme operated by Acco Deutschland GmbH & Co KG. As at 30 November 2004 there was an unfunded liability of £3,797,665 (2003: £2,578,089). In previous years, the accounting for the German pension plan followed local German GAAP (Teilwert method) as the directors considered that the differences between the treatment under German GAAP and under FRS 17 were not material. As at 1 December 2003 there was a change in estimation technique to value the liabilities for this plan and the liabilities were subsequently remeasured in accordance with the projected unit method as required by FRS 17, and on the following assumptions: discount rate 5.5%, salary increases 3.0% and pension increase rate of 2.0%. The impact of this remeasurement was to increase the plan liabilities by £785,000. This increase in liabilities on account of the change in estimation technique has been allowed for as a loss on change in assumptions in the STRGL. The amounts included below for the German plan in 2004 have been determined in accordance with the projected unit method as required by FRS 17.

The financial assumptions used to calculate scheme liabilities under FRS 17 as at 30 November 2004 are:

	Europe Pension Plan			Irish Pension Plan			German Pension Plan		
VALUATION METHOD	Projected unit			Projected unit			Teilwert method		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Discount rate	5.20%	5.50%	5.50%	4.75%	5.50%	5.50%	4.75%	6.00%	6.00%
Inflation rate	2.75%	2.50%	2.50%	2.25%	2.50%	2.50%	N/A	N/A	-
Salary increases	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%	3.00%	3.00%	-
Pension increase rate	Nil pre 1997, 2.75% post 1997	Nil pre 1997, 2.5% post 1997	Nil pre 1997, 2.5% post 1997	3.00%	2.25%	2.50%	2.00%	2.00%	-

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

**26. PENSIONS (Continued)**

The fair value of the assets in the scheme as at 30 November 2004 and the future expected rate of return are as follows (note the German scheme is unfunded)

	Europe Pension Plan		Irish Pension Plan	
	Value at 30 November 2004 £'000	Long term rate of return expected	Value at 30 November 2004 £'000	Long term rate of return expected
<b>2004</b>				
Equities	65,200	7.50%	2,112	8.25%
Bonds	-	-	1,158	4.50%
Fixed interest	28,200	4.80%	-	-
Cash	5,600	4.00%	20	1.75%
Other	-	-	178	8.25%
	<u>99,000</u>	<u>6.53%</u>	<u>3,468</u>	<u>6.96%</u>

	Europe Pension Plan		Irish Pension Plan	
	Value at 30 November 2003 £'000	Long term rate of return expected	Value at 30 November 2003 £'000	Long term rate of return expected
<b>2003</b>				
Equities	60,000	7.50%	1,479	6.00%
Bonds	-	-	987	5.00%
Fixed interest	15,700	5.20%	-	-
Cash	3,700	4.00%	51	3.00%
Other	-	-	116	6.00%
	<u>79,400</u>	<u>6.88%</u>	<u>2,633</u>	<u>5.57%</u>

	Europe Pension Plan		Irish Pension Plan	
	Value at 30 November 2002 £'000	Long term rate of return expected	Value at 30 November 2002 £'000	Long term rate of return expected
<b>2002</b>				
Equities	50,300	7.50%	1,142	6.00%
Bonds	-	-	341	5.25%
Fixed interest	14,400	5.20%	-	-
Cash	1,600	4.00%	47	3.00%
Other	-	-	272	6.00%
	<u>66,300</u>	<u>6.92%</u>	<u>1,802</u>	<u>5.78%</u>

	Europe Pension Plan £'000	Irish Pension Plan £'000	German Pension Plan £'000	Post Retirement Benefit Scheme £'000	Total £'000
The total liabilities as at 30 November 2004 are					
The total market value of assets	99,000	3,468	-	-	102,468
Present value of scheme liabilities	(107,300)	(4,870)	(3,798)	(3,260)	(119,228)
Deficit in scheme	(8,300)	(1,402)	(3,798)	(3,260)	(16,760)
Related deferred tax asset	2,490	175	-	-	2,665
Net pension liability	<u>(5,810)</u>	<u>(1,227)</u>	<u>(3,798)</u>	<u>(3,260)</u>	<u>(14,095)</u>
The total liabilities as at 30 November 2003 are					
The total market value of assets	79,400	2,633	-	-	82,033
Present value of scheme liabilities	(98,200)	(3,424)	(2,643)	(3,688)	(107,955)
Deficit in scheme	(18,800)	(791)	(2,643)	(3,688)	(25,922)
Related deferred tax asset	5,640	99	-	-	5,739
Net pension liability	<u>(13,160)</u>	<u>(692)</u>	<u>(2,643)</u>	<u>(3,688)</u>	<u>(20,183)</u>

The profit and loss charge under FRS 17 is as follows

	Europe Pension Plan £'000	Irish Pension Plan £'000	German Pension Plan £'000	Post Retirement Benefit Scheme £'000	Total £'000
<b>2004</b>					
Operating costs:					
Current service cost	1,500	182	184	63	1,929
Past service cost	1,000	-	-	-	1,000
Total operating charge	<u>2,500</u>	<u>182</u>	<u>184</u>	<u>63</u>	<u>2,748</u>
Finance (income)/costs:					
Interest on pension scheme liabilities	5,300	189	N/A	203	5,692
Return on assets	(5,900)	(156)	N/A	-	(6,056)
Total other finance (income)/costs	<u>(600)</u>	<u>33</u>	<u>N/A</u>	<u>203</u>	<u>(364)</u>

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

**26. PENSIONS (continued)**

	Europe Pension Plan £'000	Irish Pension Plan £'000	German Pension Plan £'000	Post Retirement Benefit Scheme £'000	Total £'000
<b>2003</b>					
Operating costs:					
Current service cost	1,700	183	N/A	93	1,976
Past service cost	-	-	N/A	-	-
<b>Total operating charge</b>	<b>1,700</b>	<b>183</b>	<b>N/A</b>	<b>93</b>	<b>1,976</b>
Finance (income)/costs:					
Interest on pension scheme liabilities	4,900	155	N/A	249	5,304
Return on assets	(4,600)	(121)	N/A	-	(4,721)
<b>Total other finance (income)/costs</b>	<b>300</b>	<b>34</b>	<b>N/A</b>	<b>249</b>	<b>583</b>
Gain on settlement and curtailment	-	-	N/A	493	493

The movement in deficit can be recognised as follows:

<b>2004</b>					
Deficit as at 1 December 2003	(18,800)	(791)	(2,643)	(3,688)	(25,922)
Current year service cost	(1,500)	(182)	(58)	(63)	(1,803)
Past service cost	(1,000)	-	-	-	(1,000)
Contributions	16,100	632	178	132	17,042
Other finance costs	600	(33)	(179)	(203)	185
Gain on settlement and curtailment	-	-	-	313	313
Actuarial (loss)/gain in STRGL	(3,700)	(1,030)	(1,071)	249	(5,552)
Exchange differences	-	2	(25)	-	(23)
<b>Deficit as at 30 November 2004</b>	<b>(8,300)</b>	<b>(1,402)</b>	<b>(3,798)</b>	<b>(3,260)</b>	<b>(16,760)</b>

<b>2003</b>					
Deficit as at 1 December 2002	(22,300)	(792)	(2,449)	(4,535)	(30,076)
Current year service cost	(1,700)	(183)	N/A	(93)	(1,976)
Past service cost	-	-	N/A	-	-
Contributions	12,500	532	N/A	134	13,166
Other finance income/(costs)	(300)	(34)	N/A	(249)	(583)
Gain on settlement and curtailment	-	-	N/A	493	493
Actuarial (loss)/gain in STRGL	(7,000)	(247)	N/A	562	(6,685)
Exchange differences	-	(67)	N/A	-	(67)
<b>Deficit as at 30 November 2003</b>	<b>(18,800)</b>	<b>(791)</b>	<b>(2,643)</b>	<b>(3,688)</b>	<b>(25,922)</b>

The actuarial (loss)/gain can be recognised as follows:

<b>2004</b>					
Actual Return less Expected Return on pension scheme assets	2,100	28	-	-	2,128
Change in assumptions	(8,800)	(1,089)	(1,107)	37	(10,959)
Experience gains/(losses) arising on plan liabilities	3,000	31	36	212	3,279
<b>Actuarial (loss)/gain in STRGL</b>	<b>(3,700)</b>	<b>(1,030)</b>	<b>(1,071)</b>	<b>249</b>	<b>(5,552)</b>

<b>2003</b>					
Actual Return less Expected Return on pension scheme assets	(200)	12	N/A	-	(188)
Change in assumptions	(2,800)	55	N/A	(71)	(2,816)
Experience gains/(losses) arising on plan liabilities	(4,000)	(314)	N/A	633	(3,681)
<b>Actuarial (loss)/gain in STRGL</b>	<b>(7,000)</b>	<b>(247)</b>	<b>-</b>	<b>562</b>	<b>(6,685)</b>

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

Notes to the financial statements for the year ended 30 November 2004 (continued)

**26. PENSIONS (continued)**

The difference between the expected and actual return as a percentage of scheme assets can be expressed as follows:

	Europe Pension Plan	Irish Pension Plan	German Pension Plan	Post Retirement Benefit Scheme	Total
The actual return less expected return on pension scheme assets were as follows:					
<u>2004</u>					
Amount £'000	2,100	28	-	-	2,128
% scheme assets	2.12%	0.80%	-	N/A	2.08%
<u>2003</u>					
Amount £'000	(200)	12	N/A	-	(188)
% scheme assets	(0.25%)	0.45%	N/A	N/A	(0.23%)
<u>2002</u>					
Amount £'000	(13,400)	(341)	N/A	-	(13,741)
% scheme assets	(20.21%)	(18.94%)	N/A	N/A	(20.18%)

The experience gains and losses as a percentage of scheme liabilities are as follows:

<u>2004</u>					
Amount £'000	3,000	31	36	212	3,279
% scheme liabilities	2.80%	0.64%	0.95%	6.50%	2.75%
<u>2003</u>					
Amount £'000	(4,000)	(314)	N/A	633	(3,681)
% scheme liabilities	(4.07%)	(9.17%)	N/A	17.16%	(3.41%)
<u>2002</u>					
Amount £'000	(49)	(53)	N/A	1,502	1,400
% scheme liabilities	(0.06%)	(2.04%)	N/A	33.12%	1.43%

The actuarial gain/(loss) to be recognised in the STRGL as a percentage of scheme liabilities are as follows:

<u>2004</u>					
Amount £'000	(3,700)	(1,030)	(1,071)	249	(5,552)
% scheme liabilities	(3.45%)	(21.15%)	(28.20%)	7.64%	(4.66%)
<u>2003</u>					
Amount £'000	(7,000)	(247)	N/A	562	(6,685)
% scheme liabilities	(7.13%)	(7.21%)	N/A	15.24%	(6.19%)
<u>2002</u>					
Amount £'000	(17,249)	(834)	N/A	1,278	(16,805)
% scheme liabilities	(19.47%)	(32.14%)	N/A	28.18%	(17.12%)

FRS 17 disclosures for net assets:

	2004 £'000	2003 £'000	2002 £'000
Net assets excluding SSAP 24 pension asset, the overseas schemes and the post retirement benefit liability	114,375	126,347	121,033
FRS 17 pension liabilities and post retirement liability	(14,095)	(20,183)	(23,291)
Net assets including FRS 17 pension liabilities and post retirement benefit liability	100,280	106,164	97,742

FRS 17 disclosures for reserves:

	2004 £'000	2003 £'000	2002 £'000
Profit & loss reserve excluding SSAP 24 pension asset, the overseas schemes and the post retirement benefit liability	29,854	42,202	37,056
FRS 17 pension liabilities and post retirement benefit liability	(14,095)	(20,183)	(23,291)
Profit & loss reserve including FRS 17 pension liabilities and post retirement benefit liability	15,759	22,019	13,765

**ACCO EUROPE LIMITED (FORMERLY ACCO EUROPE PLC)**

**Notes to the financial statements for the year ended 30 November 2004 (continued)**

**27. RELATED PARTY TRANSACTIONS**

Under FRS 8 'Related Party Disclosures', the company has taken advantage of the exemption for subsidiary undertakings 90% or more of whose voting rights are controlled within the group. Accordingly, transactions with group companies are not disclosed separately.

**28. POST BALANCE SHEET EVENTS**

Fortune Brands Inc, the ultimate parent undertaking of Acco Europe Limited (formerly Acco Europe plc) as at 30 November 2004, announced on 16 March 2005 that one of their subsidiary holdings, Acco World Corporation, would be spun-off and would merge with another company, General Binding Corporation. This took place on 16 August 2005. The new ultimate parent undertaking of Acco Europe Limited (formerly Acco Europe plc) is Acco Brands Corporation.

**29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is ACCO World Inc, a company incorporated in the USA. The ultimate holding company and controlling party up until 16th August 2005 was Fortune Brands Inc, a company incorporated in the State of Delaware in the USA. From 16th August 2005 onwards, it was Acco Brands Corporation, a company incorporated in the USA.

Fortune Brands Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements. The consolidated financial statements of Fortune Brands Inc. are publicly available and may be obtained from their offices at 300 Tower Parkway, Lincolnshire, Illinois, IL 60069-3640, USA.

ACCO World Inc. is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of ACCO World Inc. can be obtained from their offices at 300 Tower Parkway, Lincolnshire, Illinois, IL 60069-3640, USA.