ACCO UK LIMITED

Registered Number 197754

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2009

ACCO UK LIMITED
Directors' report and financial statements
for the year ended 31 December 2009

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Directors

E Davies
S Tempest
P Monaghan
E Moseley

Secretary and Registered Office

R Geddie, Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ

Company Number
197754

Auditors
KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Bankers
Bank of America
2 Kind Edward Street
London
EC1A 1HQ

ACCO UK LIMITED
Directors' report
for the year ended 31 December 2009

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009

Principal activities, business review and future developments

ACCO UK Limited ("the company") continues to be a manufacturer and distributor of office products
The results for the company show a pre-tax profit of **£3 6 million** (2008 pre-tax profit of £19 4 million) for the year and sales of **£72 8 million** (2008 £95 6 million) The profit in 2008 was favourably impacted by £12 6 million on the full adoption of FRS17 Retirement benefits

Business environment

The office products market in the UK remains highly competitive and in recent years consolidation in the retail and wholesale chain has increased the pressure on manufacturers' and distributors' margins Additionally, the rapid growth in Far Eastern manufacturing has led to further reductions in price and pressure on margins, *particularly in the high-volume own-branded office products business*

In light of the growth in the power of customers and increased competition in high volume, low margin manufacturing, the company has sought to differentiate from the competition by investing heavily in its brands and developing new innovative products and solutions The company is committed to research and development in order to meet the needs of the changing office environment with exciting new product offerings

On 30 September 2009 the company entered into a Debenture with Deutsche Bank AG New York Branch to provide working capital finance by way of an Asset Backed Loan secured on the inventory and accounts receivable of the company At the same date a charge on the company's assets held by Citibank was released and replaced by a registered charge by Deutsche Bank AG and filed at Companies House on 8th October 2009 The security provided is cross guaranteed by the company and fellow Group subsidiaries in Canada, Australia and the Netherlands

Strategy

The company's key strategy is to develop and maximise its core brands in the office products market The company is focussed on 5 key brands in the European market.

- REXEL
- NOBO
- GBC
- KENSINGTON
- DERWENT

As part of the rationalisation following the merger the company has moved away from the manufacturing of own branded products and has invested in high quality, innovative products The company is committed to becoming a *marketing led, brand focussed organisation*

Research and development

As mentioned above research and development are critical in the strategy of the company During the year the company spent **£88,000** on the research and development of Derwent products The company also incurred costs of **£1,214,000** on other products These costs were recharged to the company's parent ACCO Brands Corporation as part of a new research and development company policy (2008 £2 0 million)

Future outlook
Going forward the directors plan to further reduce costs while introducing innovative new products and strengthening the company's key brands, to compensate for a period of lower demand These actions are expected to position the company strongly for the future

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key identified business risks affecting the company are set out below

Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company

Competition / key customers

Due to consolidation within the industry there are now a few major Pan-European customers who comprise a large proportion of the company's sales The loss of these major customers would have a detrimental impact on the business of the company In order to ensure that these customers' needs are met and exceeded, the company is investing heavily in new product development, to continue to offer market leading products and also in the supply chain to ensure customer orders are processed in good time The company has dedicated sales and customer service teams to ensure that performance to these targets is achieved

Achievement of the above, with particular focus on research and development should also ensure that the company consistently delivers products that are above the level of those developed by competitors This continual development and investment in the brands is critical in ensuring the company remains a strong force in the market.

Supply chain

Given the company's focus on innovative and high quality branded products it is important that the quality of all products and components sourced is maximised The company has dedicated purchasing managers and quality inspectors to ensure products meet the required specifications Another aspect of the supply chain is ensuring customer orders are completed on time The company continues to ensure that stock levels are maintained and customer service levels are as high as possible

Employees

The company's performance depends largely on the skills of its employees The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the company's results To mitigate these issues the company is committed to maintaining competitive remuneration for employees and offering training and development opportunities to staff

Key performance indicators (KPIs)

The KPIs show that the adverse market conditions and the decision to exit certain unbranded lines have negatively impacted sales but good progress has been made in the year in inventory efficiency and cost control

	2009	2008	Definition, method of calculation and analysis
Growth rate (%)	(24%)	(16%)	Year on year sales growth, expressed as a percentage The contraction in sales in the year reflects the continuation of the company's decision to move out of lower margin unbranded product lines along with a softening of market demand
Gross margin (%)	34%	36%	Gross margin is the ratio of gross profit before exceptional items to sales expressed as a percentage Performance is consistent year on year
Go to market expenses (%)	9%	13%	Go to market expense is a measure of selling, marketing and advertising expenses as a percentage of total sales An decrease in these costs follows the company's decision to maximise cost control in 2009
Inventory days	59	73	Inventory turns is a measure of the success of the business in turning stock into sales It is measured by dividing stock by cost of sales excluding exceptional cost of sales and multiplying by 365 The decrease in the ratio is partially attributable to the alignment of procurement with an affiliated company

Results and dividends

The results for the year ended 31 December 2009 are set out in the profit and loss account on page 7 The profit before taxation for the period was **£3 6 million** (2008 £19 4 million)

The directors do not recommend the payment of a dividend (2008 £Nil)

Directors

Directors who served during the year, and up to the date of signing these financial statements, were as follows

R A Jones	(resigned 31 March 2009)
P Monaghan	
P O'Neill	(resigned 30 September 2009)
S Wells	(resigned 1 April 2010)
E Davies	
P Munk	(resigned 28th July 2010)
S Tempest	
E Moseley	(appointed 10 February 2010)

Charitable donations

During the year the company made a number of charitable donations to various charities amounting to **£3,000** (2008 £12,000) These donations supported initiatives put forward by the company's staff, customers and other stakeholders

Disabled employees

The company 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 company 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 company During a period of change for the company every effort has been made to keep the employees aware of the financial and economic factors affecting the business, as well as the wider business strategy The company makes regular communications to staff on such issues and the views of employees are taken into account when making decisions that are likely to affect their interests through consultation with employees' representatives

Key employees involvement in the company's performance is encouraged through employee share schemes and other initiatives

The company does not follow any code or standard on payment practice as it is the company's policy to settle creditors promptly on mutually agreed terms The terms will vary from supplier to supplier and the suppliers will be aware of the terms of payment. Average creditor days for the year were **38 days** (2008 62 days)

Management of financial risks

The company's operations expose it to a variety of financial risks that include in price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs

The company continually monitors its cash flows in order to effectively manage its borrowings The company does not use derivative financial instruments to manage interest rate costs

The directors have the responsibility of monitoring the financial risk to the company but utilise the expertise of the treasury department of the ultimate parent company, ACCO Brands Corporation The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these

Management of financial risks (continued)

Price risk

The company is exposed to commodity price risk as a result of its operations However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits The directors will revisit the appropriateness of this policy should the company's operations, change in size or nature The company has no exposure to equity securities price risk as it holds no listed equity investments

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions

Interest rate cash flow risk

The rate of interest earned/paid on the company's cash balances/loans and overdrafts are monitored on an ongoing basis by continuous review of rates available in the market. Deposits, loans and overdrafts are made with reference to these rates, in conjunction with projections of future cash requirements The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

Foreign exchange risk

The company operates in the global market, both buying and selling products on a global basis Where appropriate, the company buys forward foreign currency in order to mitigate the impact of movements in foreign exchange rates

Qualifying third party indemnity provision

A qualifying third party indemnity provision was in place for all directors during the financial year

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 are aware of that information

Auditors

During the year PricewaterhouseCoopers LLP resigned as auditors of the company and KPMG LLP were appointed
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board

Richard Geddie

R Geddie
Company Secretary
23 September 2010

ACCO UK LIMITED
Statement of directors' responsibilities in respect of the annual report and the financial statements
for the year ended 31 December 2009

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

• select suitable accounting policies and then apply them consistently;

• make judgments and estimates that are reasonable and prudent,

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACCO UK LIMITED

We have audited the financial statements of ACCO UK Limited for the year ended 31st December 2009 set out on pages 7 to 24 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company s members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company s members as a body for our audit work, for this report or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2009 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

Matt Lewis
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants

23 SEPTEMBER 2010

ACCO UK LIMITED
Profit and Loss account
for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
TURNOVER			
Continuing operations	2	72,778	95,559
Exceptional cost of sales	3		(134)
Other cost of sales	3	(48,278)	(61,499)
Cost of sales	3	(48,278)	(61,633)
GROSS PROFIT		24,500	33,926
Distribution costs	3	(3,993)	(4,794)
Exceptional administrative expenses	3	(532)	(2,330)
Other administrative expenses	3	(14,904)	(21,750)
Pension surplus - impact of initial recognition	24	-	12,600
Total administrative costs	3	(15,436)	(11,480)
TOTAL OPERATING PROFIT	6	5,071	17,652
Interest receivable and similar income	4	26	57
Interest payable and similar charges	5	(818)	(2,120)
Other finance (expense) / income	5	(611)	2,000
(Loss) / profit on sale of fixed assets		(22)	1,857
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,646	19,446
Tax credit on ordinary activities	9	2,610	167
PROFIT FOR THE FINANCIAL YEAR	21	6,256	19 613

There are no differences between the profit on ordinary activities before taxation and the retained profit for the financial years stated above and their historical cost equivalents

ACCO UK LIMITED
Balance sheet
as at 31 December 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Intangible assets	10	1,672	1,871
Tangible assets	11	16,684	18,299
Investments	12	33,618	24,188
		51,974	44,358
CURRENT ASSETS			
Stocks	13	7,850	12,350
Debtors (including £9,344,000 (2008 £3,299,000) falling due after more than on year)	14	37,591	34,223
Asset held for resale	11	1,700	1,900
Cash at bank and in hand		5,228	1,234
		52,369	49,707
CREDITORS: amounts falling due within one year	15	(60,210)	(64,455)
NET CURRENT LIABILITIES		(7,841)	(14,748)
TOTAL ASSETS LESS NET CURRENT LIABILITIES		44,133	29,610
Provisions for liabilities and charges	16	(3,441)	(4,290)
Long term deferred income	17	(391)	(414)
NET ASSETS EXCLUDING PENSION DEFICIT		40,301	24,906
Pension deficit	24	(11,900)	(500)
NET ASSETS INCLUDING PENSION DEFICIT		28,401	24,406
CAPITAL AND RESERVES			
Called up share capital	18	206	206
Share premium account	19	20,304	13,951
Profit and loss account	19	7,891	10,249
TOTAL SHAREHOLDERS' FUNDS	20	28,401	24,406

The financial statements on pages 7 to 24 were approved by the board of directors on 23rd September 2010 and were signed on its behalf by:

E Davies
Director

23 . 9 10

Registered Number 197754

ACCO UK LIMITED
Statement of total recognised gains and losses
for the year ended 31 December 2009

		2009 £'000	2008 £'000
Profit for the financial year	19	6,256	19,613
Actuarial (loss)/gain on post retirement medical benefits	23	(104)	918
Deferred tax on actuarial loss on pension retirement medical benefits		29	-
Actuarial loss on pension benefits	24	(12,300)	(15,000)
Deferred tax on actuarial loss on pensions		3,444	-
Share options	8	317	365
Total recognised (losses)/gains relating to the year		(2,358)	5,896

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

The following amendments to standards have been adopted in these financial statements for the first time and have had no material impact on the results on the company

The amendment to FRS 8 Related Parties Disclosures (mandatory for periods beginning on/after 6 April 2008) The amendment has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in parent company's own financial statements

The amendment to FRS 21 Events after the balance sheet date (mandatory for periods starting on/after 1 January 2009) to confirm no obligation exists at the balance sheet date for dividends declared after that date

a) Going concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reason The company is reliant for its working capital on funds provided to it by the Company's ultimate parent undertaking, which has provided the company with an undertaking that it will, for at least 12 months from the date of approval of these financial statements, continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

b) Pension and other post-retirement benefits

The company operates two separate pension schemes, a defined contribution scheme and a defined benefit scheme It is the policy of the ACCO Europe 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 company contributes to a defined benefit scheme, the ACCO Europe Pension Plan This is accounted for in accordance with FRS 17 The assets of the scheme are held separately from those of the company in an independently administered fund Prior to 2008, the company was unable to identify its share of the underlying assets and liabilities as it was a multi scheme employer with the assets and liabilities being shared by the company and ACCO Eastlight Ltd On 31 December 2008, the company purchased the net assets of ACCO Eastlight Ltd and is now a single scheme employer and fully discloses the assets and liabilities of the scheme in note 24

The company provides health care on beneficial terms to eligible retired employees The liability is measured on an actuarial basis using the projected unit method discounted appropriately The net liability is presented within provisions and liabilities The current service costs and costs from settlements / curtailments are charged against operating profit Interest on the liability is included in other finance costs Actuarial gains and losses are reported in the statement of recognised gains and losses

Pension scheme assets are measured using market value Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit The expected return on the schemes assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income Actuarial gains and losses are recognised in the statement of total recognised gains and losses The full impact of the initial recognition to the reserves is shown in note 19

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

c) Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

d) Tangible fixed assets and depreciation

Tangible fixed assets are shown at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

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	- 50 years
Short leasehold property	- term of lease
Plant and machinery	- 3-10 years
Office equipment and fittings	- 3-10 years
Motor vehicles	- 2 5-4 years

1 **Principal accounting policies (continued)**

e) **Investments**

Investments are stated at cost less amounts written off to reflect impairment of the fair value Investments are reviewed on an annual basis by management to ensure that no diminution in value has occurred An impairment would be charged where the fair value per the review has fallen below the book value

The financial statements contain information about ACCO UK Limited as an individual company and do not contain consolidated financial information as the parent of a group The company is exempt under section s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the publicly available consolidated financial statements of its ultimate parent, ACCO Brands Corporation, a company incorporated in the United States of America

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 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

Net realisable value is based on estimated normal selling price less further cost expected to be incurred to completion and sale Provision is made for obsolete, slow-moving or defective items where appropriate

g) **Taxation and deferred tax**

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 tax 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 when it is more likely than not that they will be recoverable

h) **Foreign currencies**

Transactions denominated in foreign currencies are recorded in sterling at the exchange rates prevailing at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the year-end Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Financial commitments in relation to forward exchange contracts are measured at the rate prevailing at the balance sheet date and disclosed accordingly in note 22 Gains and losses on such contracts are recognised as they crystallise

i) **Turnover**

Turnover is stated net of value added tax (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 products have been received by the customer as such revenue is recognised at this point

j) **Leases**

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

k) **Research and development**

Research and development expenditure is written off to the profit and loss account as incurred

l) **Goodwill**

Goodwill, arising on the transfer of trade and assets from subsidiaries, is amortised at a rate calculated to write off its value on a straight line basis over its estimated useful economic life which is considered to be 20 years Management reviews goodwill on an annual basis and impairments are charged where the carrying value has fallen below the net book value

1 **Principal accounting policies (continued)**

m) **Share options**

In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the company's estimate of shares or options that will eventually vest At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any , in the profit and loss account, with a corresponding adjustment to equity In the case of options granted, fair value is measured by a Black-Scholes pricing model Further details are set out in note 8

n) **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders

o) **Royalties**

Royalty payments are calculated on a paid basis based on the level of sales of the respective products Royalty rates are agreed on a periodic basis

p) **Financial instruments**

The company has not fully adopted the requirements of FRS 27 as it has elected not to adopt the fair value accounting rules

q) **Long term deferred income**

Long term deferred income is treated in accordance with FRS 5 where the revenue is spread over the life of the contract and recognised in the relevant period

2 **Turnover**

The company is considered to carry on one class of business, the manufacture and distribution of office products

Turnover by geographical destination was as follows

	2009 £'000	2008 £'000
United Kingdom	60,818	63,259
Rest of Europe	2,845	16,968
Africa	4,474	8,048
Asia	2,918	4,185
Australia	209	844
Americas	1,514	2,255
	72,778	95,559

3 **Cost of sales and net operating expenses**

	2009 £'000	2008 £'000
Exceptional cost of sales	-	134
Other cost of sales	48,278	61,499
Cost of sales	48,278	61,633
Distribution costs	3,993	4,794
Exceptional administrative expenses	532	2,330
Other administrative expenses	14,904	21,750
Total administrative expenses	15,436	24,080
Operating expenses	19,429	28,874

The Board has implemented a wide-ranging review of the manufacturing, distribution and administrative facilities and this has resulted in significant rationalisation Exceptional cost of sales are the remaining costs relating to the closure of the Peterborough site

Exceptional administrative expenses relate to various restructuring projects Further details of the provisions relating to the above costs are given in note 16

4 Interest receivable and similar income	2009 £'000	2008 £'000
Bank interest	7	31
Other interest receivable	19	26
	26	57

5 Interest payable and similar charges	2009 £'000	2008 £'000
Interest on bank overdrafts	21	38
Interest on group loans	797	2,082
Interest payable	818	2 120
Pension finance cost	300	
Pension finance income		(2,000)
Post retirement medical benefits finance cost	191	
Debt issuance cost	120	
Other finance expenses	611	(2,000)
	1,429	120

6 Operating profit		2009 £'000	2008 £'000
Operating profit is stated after charging / (crediting)			
Research and development		88	2,036
Amortisation of goodwill		199	199
Depreciation of tangible fixed assets	- Owned	2,830	2,110
Impairment of fixed asset		-	70
Net foreign exchange losses		228	238
Loss / (profit) on disposal of tangible fixed assets		22	(1,857)
Auditors' remuneration	- audit	200	263
	- other services	-	-
Royalties to parent company		1,564	510
Rentals under operating leases	- land and buildings	891	858
	- plant and machinery	351	434
	- other	2	35

7 Directors' emoluments	2009 £	2008 £
All directors		
Aggregate emoluments	1,168,210	1,368 692

Long term incentive scheme amounts included above represent incentive bonus payments and are accounted for on a cash basis
Retirement benefits in 2009 are accruing to 6 directors (2008 7 directors) under defined benefit schemes
During the year 6 (2008 2) directors exercised share options in the parent company; this included the highest paid director

Highest paid director	2009 £	2008 £
Aggregate emoluments (including amounts received under long term incentive schemes)	304,855	274,284
Defined benefit pension scheme Accrued pension at the end of the year	8,068	5,717

8 Employee information	2009 £'000	2008 £'000
Particulars of employee costs (including executive directors)		
Wages and salaries	12,333	13,649
Social security costs	1,166	1,416
Other pension costs (note 24)	1,009	1,590
Share based payments	317	402
	14,825	17,057

8 Employee information (continued)

The average monthly number of persons (including executive directors) employed by the company during the year was as follows

	2009 Number	2008 Number
Production	**124**	172
Distribution	**81**	121
Sales	**36**	96
Administration	**186**	248
	427	637

The company's equity-settled share based payments comprise the ACCO Brands Share Plan Under this plan the company may award employees a combination of restricted shares, performance shares, share options and stock settled share appreciation rights based on shares of the parent company The amount of shares held in this plan and details of shares and share options subject to equity-settled share based payments are set out below

Options are granted with a fixed exercise price equal to the market value of the shares under options at the date of grant. The contractual life of an option is 10 years Awards under the ACCO Brands Share Plan are generally reserved for employees at senior management level and above

With regard to grants of share options, the company expenses an estimate of how many options are likely to vest, spread over the vesting period Options vest over a 3 year period from the date of grant, with one third of options vesting each year The maximum term within which the options must be exercised is 10 years from the date of grant. The company makes grants at various points during the year and details of all recent grants are shown in the table below Options granted under the ACCO Brands Share Plan will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment

Following the merger with GBC and spin-off from Fortune Brands, the company converted existing unvested Fortune Brands shares into ACCO Brands shares The conversion was made in such a way that the value of the old options was equal to that of the new options created All terms and conditions of the options remained materially the same, with the exception of the maximum exercise period which was reduced to 7 years from original grant date

Restricted shares ("RSU's") and performance shares ("PSU's") are expensed based on the fair value of the shares at the date of grant spread over the relevant period Both RSU's and PSU's allow key employees to receive an amount of shares 3 or 4 years after the grant of the RSU or PSU

Stock-settled stock appreciation rights ("SSAR's") provide key executives an incentive award based on the appreciation of the parent company's stock price over 3 years from grant date The award is settled by the issue of shares in the parent company, to the value (based on the stock price at settlement) of the appreciation in the stock price over the vesting period

During the year the company has made awards of SSARs to key executives These SSARs are valued using a Black-Scholes model based on the following assumptions

ACCO Brands Share Plan	**26 February 2009**	**19 March 2008**
Share price at date of grant	**£0 47**	£7 06
Exercise price	**£0 57**	£7 06
Expected option life in years (maximum 10)	**4 50**	4 50
Risk-free interest rate over the life of the option	**2 09%**	2 18%
Expected volatility	**41 45%**	33 62%
Expected dividend yield	**0 00%**	0 00%
Fair value per option	**£0 15**	£2 22

The expected volatility is based on historical volatility over the past 4 5 years The expected life is the expected period to exercise The risk free rate of return is the yield on zero-coupon bonds of term consistent with the assumed option life

8 **Employee Information (continued)**

Reconciliation of option movements

Acco Brands Share Plan - Options

	2009 Number (000s)	2009 Weighted average exercise price (£)	2008 Number (000s)	2008 Weighted average exercise price (£)
Outstanding at 1 January	359	10 65	282	10 76
Transfers	(3)	10 65	49	10 76
Granted	-	0 00	50	7 06
Forfeited	(8)	8 67	(8)	11 40
Exercised	-	0 00	-	
Lapsed	(57)	11 83	(14)	11 01
Outstanding at 31 December	291	10 50	359	10 65
Exercisable at 31 December	254	10 88	281	11 16

Acco Brands Share Plan - Restricted shares

	2009 Number (000s)	2009 Weighted average exercise price (£)	2008 Number (000s)	2008 Weighted average exercise price (£)
Outstanding at 1 January	96	-	65	-
Transfers	2	-	(5)	-
Granted	-	-	44	-
Forfeited	(12)	-	(7)	-
Exercised	(40)	-	(1)	-
Outstanding at 31 December	46	-	96	-
Exercisable at 31 December	-	-	24	-

Acco Brands Share Plan - Performance shares

	2009 Number (000s)	2009 Weighted average exercise price (£)	2008 Number (000s)	2008 Weighted average exercise price (£)
Outstanding at 1 January	105	-	70	-
Transfers	(6)	-	(11)	-
Granted	-	-	50	-
Forfeited	(36)	-	(4)	-
Outstanding at 31 December	63	-	105	-
Exercisable at 31 December	-	-	26	-

Acco Brands Share Plan - Stock-settled stock appreciation rights

	2009 Number (000s)	2009 Weighted average exercise price (£)	2008 Number (000s)	2008 Weighted average exercise price (£)
Outstanding at 1 January	-	-	-	-
Granted	370	-	-	-
Forfeited	(25)	-	-	-
Outstanding at 31 December	345	-	-	-
Exercisable at 31 December	-	-	-	-

The fair value of SSARs granted in the year was £86,000 (2008 options £108,000 and restricted or performance shares £983,000)

Range of exercise prices	2009 Weighted average exercise price	2009 Number of shares ('000)	2009 Contractual weighted average remaining life	2008 Weighted average exercise price	2008 Number of shares ('000)	2008 Contractual weighted average remaining life
	£		(YRS)	£		(YRS)
£nil	0 00	108	1 4	-	201	1 4
£0 01-£4 99	0 73	345	0 0	-	-	0 0
£5 00-£9 99	8 56	101	4 2	9 26	70	4 2
£10 00-£14 99	13 13	190	3 7	12 17	145	3 7
£15 00-£19 99	0 00	-	0 0	15 59	145	0 0

The average Acco Brands Corp share price during the year was £2 54 (2008 £5 29) The total charge for the year relating to employee share based payment plans was £317,000 (2008 £402,000), all of which related to equity-settled share based payment transactions

There was no deferred tax impact on share based payments

9 **Tax charge on profit on ordinary activities**

a) **Analysis of credit in year**

	2009 £'000	2008 £'000
Current tax		
UK corporation tax at **28%** on profit for year (2008 28 5%)	-	-
Adjustment in respect of prior years	(547)	49
Total current tax	(547)	49
Deferred tax		
Origination and reversal of timing differences	(2,063)	(216)
Total deferred tax	(2,063)	(216)
Total tax credit on profit on ordinary activities	(2,610)	(167)

The tax assessed on the profit / (loss) on ordinary activities for the period is lower that the standard rate of corporation tax in the UK of 28% (2008 28 5%) The differences are reconciled below

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

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	3,646	19,446
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of **28%** (2008 28 5%)	1,021	5,542
Effects of		
Permanent differences	306	(122)
Accelerated capital allowances	622	528
Short term timing differences	(230)	(4,094)
Group relief received for nil payment	-	(23)
Utilisation of brought forward tax losses	(1,719)	(1,831)
Adjustment in respect of prior years	(547)	49
Total current tax credit for the year	(547)	49

10 **Intangible assets**

	Goodwill £'000
Cost	
At the beginning and end of the year	4,005
Accumulated amortisation	
At the beginning of the year	2,134
Charged during the year	199
At the end of the year	2,333
At the end of the year	1,672
At the beginning of the year	1,871

10 Intangible assets (continued)

Goodwill of £271,474 arose on the purchase of the trade and assets of Apollo Presentation Products Limited during 1998 Goodwill of £3,700,000 arose on the transfer of assets from Nobo UK to Acco UK during 1998 The directors consider the useful economic life to be 20 years Goodwill is amortised in accordance with these estimates Goodwill of £33,880 arose on the purchase of the customer base of Apollo Audio Visual SA in 1998, which was amortised fully during 2000

11 Tangible assets

	Freehold property £'000	Short leasehold property £'000	Plant and machinery £'000	Office equipment and fittings £'000	Motor vehicles £'000	2009 Total £'000
Cost						
At the beginning of the year	11,198	2,074	17,392	17,868	2,297	**50,829**
Additions	-	-	774	628	-	**1,402**
Disposals	-	-	(139)	(7,128)	(748)	**(8,015)**
Reclassification	(1,051)	-	3	931	117	-
At the end of the year	**10,147**	**2,074**	**18,030**	**12,299**	**1,666**	**44,216**
Accumulated depreciation						
At the beginning of the year	2,867	1,565	13,468	13,533	1,097	**32,530**
Charge for year	222	65	1,183	973	387	**2,830**
Disposals	-	-	(138)	(7,128)	(562)	**(7,828)**
Reallocation	28	-	232	(328)	68	-
At the end of the year	**3,117**	**1,630**	**14,745**	**7,050**	**990**	**27,532**
Net book value						
At the end of the year	**7,030**	**444**	**3,285**	**5,249**	**676**	**16,684**
At the beginning of the year	8,331	509	3,924	4,335	1,200	18,299

Freehold property included land with a net book value of **£404,000** (2008 £404,000)

The net book value of plant and machinery held under finance leases and hire purchase contracts at 31 December 2009 was **£Nil** (2008 £Nil)

The asset held for sale is a freehold property at the Peterborough site which was closed in February 2008 The net book value at 31st December 2009 was **£1,700,000** which was based on a surveyors valuation (2008 £1,900,000)

12 Investments

	2009 £'000	2008 £'000
Financial investments		
Debentures		
Cost		
At the beginning of the year	13	13
Provision for diminution		
During the year	(1)	-
Net investment		
At the end of the year	12	13
Investment in subsidiaries		
Cost		
At the beginning of the year	49,577	49 577
Increase in investment in NOBO Group Limited	6,353	-
Increase in investment in ACCO Deutschland Gmbh & Co KG	3,078	-
At the end of the year	59,008	49,577
Provision for diminution		
At beginning of year	25,402	24 855
Impairment	-	547
At the end of the year	25,402	25,402
Net investment		
At beginning of year	24,175	24,722
At the end of the year	33,606	24,175
Total Investments	33,618	24,188

During the year, as part of a company reorganisation the company made a further investment in NOBO Group Limited, a subsidiary company The increase in the investment of the subsidiary was carried out in order to fund the investment in ACCO Brands France made by NOBO Group Limited This was carried out in order to facilitate a merger of the French business

The company holds 100% of the ordinary share capital of the following companies

Dormant companies registered in Great Britain
ACCO-Rexel Group Nominee Company Limited (formerly Rexel Limited)
Dacor (UK) Limited
Rexel Business Machines Limited
Rexel Engineering Limited
The Cumberland Pencil Company Limited
Apollo Presentation Products Limited

Businesses registered in Great Britain - Holding company
Nobo Group Limited

Businesses registered in Czech Republic - Property holding company
ACCO Czech AS

Businesses registered in Germany, engaged in the manufacture and distribution of office products
ACCO Deutschland Vermogensverwaltungs GmbH

Businesses registered in Germany, engaged in the manufacture and distribution of office products
ACCO Deutschland GmbH & Co KG

The directors believe that the book value of investments is not less that the value of the underlying assets

13 Stocks

	2009 £'000	2008 £'000
Raw materials and consumables	1,216	863
Raw materials and consumables - Acquisition (ACCO Eastlight Ltd)	-	854
Work-in-progress	899	504
Work-in-progress - Acquisition (ACCO Eastlight Ltd)	-	215
Finished goods and goods for resale	5,735	9,758
Finished goods and goods for resale - Acquisition (ACCO Eastlight Ltd)	-	156
	7,850	12,350

There is no material difference between the purchase price / production cost of raw materials held to that of the replenishment cost

14 Debtors

	2009 £'000	2008 £'000
amounts falling due within one year		
Trade debtors	13,744	19,013
Amounts from group undertakings	12,608	10,250
Other debtors	610	657
Prepayments and accrued income	1,285	1,004
	28,247	30,924
amounts falling due after more than one year		
Debt issuance prepayment	508	-
Deferred tax asset (note 16)	8,836	3 299
	9,344	3,299
	37,591	34,223

15 Creditors amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft	-	813
Trade creditors	5,050	10,426
Amounts due to group undertakings	48,530	41,633
Other taxation and social security	978	1,151
Accruals and deferred income	5,652	10,432
	60,210	64,455

Amounts owed to group undertakings are unsecured, repayable to demand and interest is charged at 2 61% (2008 5 88%)

16 Provisions for liabilities and charges

	Other post-retirement benefits (Note 23) £'000	Restructuring Provisions (see below) £'000	2009 Total £'000
			-
At the beginning of the year	2,896	1,394	4,290
New provisions	-	-	-
Utilisation	(146)	(3,860)	(4,006)
Profit and loss account	214	2,839	3,053
Actuarial loss	104	-	104
At the end of the year	**3,068**	**373**	**3,441**

Restructuring provisions

Provisions brought forward at the start of this year that predominantly relate to the downsizing of UK manufacturing expenses, including the closure of a warehouse and the reorganisation of business units within ACCO UK Limited These have mostly been spent as expense crystallised during the year These costs are the not seen to be exceptional These expenses are allowable for corporation tax purposes

Deferred taxation - movement in year	2009 £'000
Deferred tax asset at the beginning of the year	3,299
Profit and loss account	2,063
Statement of recognised gains and losses	3,474
Deferred tax asset at the end of the year	8,836

Deferred taxation - recognised	2009 £'000	2008 £'000
Accelerated capital allowances	2,958	2,335
Short term timing differences	4,207	964
Trading losses	1,671	-
Deferred tax asset	8,836	3,299

17 Long term deferred income

	2009 £	2008 £
	391	414

Long term deferred income relates to a grant on the Lillyhall property and has been spread over the life of the grant

18 Called up share capital

	2009 £	2008 £
Allotted, called-up and fully paid		
206,093 (2008 206 092) Ordinary shares of £1 each	**206,093**	206,092

During the year, the company issued 1 share as part of the additional investment on the company's indirect French business (see note 12) for a consideration of £6,353,200

19 Movements on reserves

	Share premium account £'000	Profit and loss account £'000	2009 Total £'000
At the beginning of the year	13,951	10,249	24,200
Profit for the financial year	-	6,256	6,256
Sale of share to ACCO Rexel Group Services Limited	6,353	-	6,353
Actuarial loss on pension fund	-	(12 300)	(12,300)
Deferred tax on actuarial loss on pension fund	-	3,444	3,444
Actuarial loss on pension retirement medical benefits	-	(104)	(104)
Deferred tax on actuarial loss on pension retirement medical benefits	-	29	29
Share based payments	-	317	317
At the end of the year	**20,304**	**7,891**	**28,195**

20 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Shareholders' funds at the beginning of the year	24,406	18,510
Profit for the financial year	6,256	19,613
New capital share subscription	6,353	-
Credit in respect of share based payments	317	365
Actuarial loss on pension fund	(12,300)	(15,000)
Deferred tax on actuarial loss on pension fund	3,444	-
Actuarial (loss) / gain on post retirement medical benefits	(104)	918
Deferred tax on actuarial loss on pension retirement medical benefits	29	-
Shareholders' funds at the end of the year	28,401	24,406

As at 31 December 2009 shareholders' funds included a cumulative exchange loss of **£228,000** (2008 loss of £235,000) in respect of long-term foreign investments which has been offset in reserves against the corresponding exchange gain on foreign currency borrowings

21 Guarantees and other financial commitments

	2009 £'000	2008 £'000
a) Guarantees		
HM Revenue & Customs	135	135
b) Capital commitments		
Expenditure contracted but not provided for	497	661
c) Financial commitments		
Forward exchange contracts outstanding at the year end	6,990	8,547

d) Lease commitments
The minimum annual rentals under non-cancellable operating leases are as follows

Operating leases which expire	Land and Buildings		Other	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Within 1 year	-	229	186	153
Within 2 - 5 years inclusive	247	72	169	184
After 5 years	502	567	39	39
	749	868	394	376

Lease commitments in respect of land and buildings are all in the name of the parent company, ACCO-Rexel Group Services Limited

22 Contingent liabilities

ACCO UK Limited has given unlimited multilateral guarantees to its bankers in respect of ACCO Brands Europe Limited, Acco Europe Limited, Acco Eastlight Limited and Day-Timers Europe Limited to cover overdrawn balances by these group companies At 31 December 2009 the maximum liability would have been **£Nil** (2008 £Nil)

23 Post-retirement benefits other than pensions

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 assumption that, over the long term, the annual rate of increase in the cost of medical arrangements will be 5 45% (2008 4 50%)

This is an unfunded defined benefit scheme

The latest actuarial valuation under FRS 17 assumptions was carried out at 31 December 2009 The assumptions used are as follows

Discount rate - **5 8%** (2008 6 6%,2007 5 8%, 2006 5 0%, 2005 4 7%, 2004 5 6%)
Medical cost trend - **5 45%** (2008 4 50%, 2007 5 25%, 2006 8 15% a year reducing gradually to 5 15% over a 5 year period)
Mortality - **PCxA00 Medium cohort**
Average retirement age - **63**

23 Post-retirement benefits other than pensions (continued)

Under FRS 17 the liabilities of the scheme are as follows	2009 £'000	2008 £'000	2007 £'000
Present value of scheme liabilities	3,068	2,837	2,714
	3,068	2 837	2 714

The profit and loss charge under FRS 17 is as follows	2009 £'000	2008 £'000
Operating charge		
Current service cost	26	44
Other finance costs		
Interest on liabilities	191	211

The movement in deficit can be reconciled as follows	2009 £'000	2008 £'000
Deficit as at 31 December 2008	(2,893)	(2 714)
Current service cost	(26)	(44)
Contributions	146	155
Other finance costs	(191)	(211)
Gain on settlement and curtailments	-	-
Actuarial (loss) / profit in STRGL	(104)	861
Actuarial gain in STRGL - ACCO Eastlight	-	57
ACCO Eastlight deficit at 31st December 2008	-	(997)
Deficit as at 31 December 2009	(3,068)	(2 893)

The deferred tax effect on of the £3 1m deficit is £0 86m

The actuarial loss has been recognised as follows	% of scheme liabilities 2009	2008	2007	2009 £'000	2008 £'000	2007 £'000
Change in assumptions				(700)	607	(41)
Experience gains arising on plan liabilities	19%	10%	(5%)	596	311	(41)
Actuarial gain in STRGL	(3%)	30%	(7%)	(104)	918	(82)

The actuarial gain has been recognised as follows	% of scheme liabilities 2006	2005	2004	2006 £'000	2005 £'000	2004 £'000
Change in assumptions				(62)	(346)	78
Experience gains arising on plan liabilities	(5%)	(7%)	20%	(131)	(204)	447
Actuarial gain in STRGL	(7%)	(19%)	23%	(193)	(550)	525

FRS 17 disclosures for net assets	2009 £'000	2008 £'000
Net assets excluding post retirement benefit liability	31,459	27,119
FRS 17 post retirement benefit liability (including pensions)	(3 068)	(2,837)
Net assets including FRS 17 post retirement benefit liability	28,391	24 282
FRS 17 disclosures for reserves		
Profit and loss reserve excluding post retirement benefit liability	10,959	14 196
FRS 17 post retirement benefit liability	(3 068)	(2 837)
Profit and loss reserve including FRS 17 post retirement benefit liability	7,891	11,359

Contributions of approximately **£146,000** are expected to be paid to the scheme during 2010

24 Pensions

Defined benefit scheme

The company participates in a funded defined benefit scheme, the ACCO Europe Pension Plan The scheme is funded by contributions from employees and the company

The company is now a single scheme employer and fully discloses the assets and liabilities of the scheme below In 2008 the company adopted FRS17 and the initial impact resulted in the surplus of £12 600,000 being credited to the profit and loss account

The related 2009 pension cost for the company was **£600,000** (2008 £1 400,000) As at the year end the company had **£75,000** (2008 £96,000) outstanding in respect of the company's contribution to the fund Contributions of approximately **£2,700,000** are expected to be paid to the scheme during 2010

The last full actuarial valuation as carried out by a qualified, independent actuary, took place on 5 April 2009, using the projected unit actuarial cost method

The defined benefit pension scheme currently has a funding deficit The company has made supplemental contributions to the fund in order to fund the scheme up to the agreed funding target as determined by the actuary and the trustees During the year the company made special pension contributions of £848,740 (2008 £126,100) In 2009 the company remains committed to the defined benefit pension scheme

24 Pensions (continued)

	2009	2008
Rate of increase in salaries	4 7%	3 8%
Rate of increase in pensions in payment		
- on benefit earned prior to 1 January 1997	nil	nil
- on benefits earned on or after 1 January 1997	3 5%	2 5%
Discount Rate	5.8%	6 6%
Inflation assumption	3 5%	2 5%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were

	2009 %	2009 £m	2008 %	2008 £m
Equities	8 0	64 5	7 5	52 1
Fixed Interest Bonds	5 1	44 5	5 0	40 3
Cash	0 5	1 6	2 0	3 6
Property	8 0	5 4	7 5	6 1
Other	5 8	0 6	6 6	0 6
	6 9	116 6	6 3	102 7
Total fair value of assets		116 6		102 7
Present value of scheme liabilities		128 5		103 2
Deficit in the scheme		(11 9)		(0 5)

Mortality	2009	2008
Pensioners	PCxA00 Base Tables with Medium Cohort YoB	PCxA00 Base Tables with Medium Cohort YoB
Non pensioners	PCxA00 Base Tables with Medium Cohort YoB	PCxA00 Base Tables with Medium Cohort YoB

Analysis of the amount charged to operating profit	2009 £m	2008 £m
Service costs	0 6	1 4

Analysis of amount charged to other finance costs	2009 £m	2008 £m
Expected return on pension scheme assets	(6 4)	(8 8)
Interest on pension liabilities	6 6	6 8
Net charge / (income)	0 2	(2 0)

The expected return on assets is determined on the basis of averaged returns likely on the proportion of scheme assets invested in equities, bonds, property and cash

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2009 £m	2008 £m
Actual return less expected return on pension scheme assets	11 1	(32 6)
Experience losses arising on the scheme liabilities	0 2	(0 3)
Changes in assumptions underlying the scheme liabilities	(23 6)	17 9
Actuarial loss recognised in the STRGL	(12 3)	(15 0)

Movement in deficit during the year	2009 £m	2008 £m
Surplus in scheme at the beginning of the year	(0 5)	-
(Deficit) / surplus in scheme brought forward from initial impact of FRS17 adoption	-	12 6
Current service costs	(0 6)	(1 4)
Contributions	1 8	1 3
Other finance income	(0 3)	2 0
Actuarial loss	(12 3)	(15 0)
Deficit in scheme at the end of the year	(11 9)	(0 5)

24 **Pensions (continued)**

Reconciliation of scheme asset	**2009 £m**	2008 £m
Assets at the beginning of the year	**-**	-
Assets brought forward from initial impact of FRS17 adoption	**102 7**	130 2
Expected return on assets	**6 4**	8 8
Actual return less expected	**11 1**	(32 6)
Contribution by employer	**1 8**	1 3
Contribution by scheme participants	**0 5**	0 7
Benefits	**(6 0)**	(5 7)
Other	**0 1**	-
Assets at the end of the year	**116 6**	102 7

Reconciliation of scheme liabilities	**2009 £m**	2008 £m
Liabilities at the beginning of the year	**(103 2)**	(117 6)
Service cost	**(0 6)**	(1 4)
Interest cost	**(6 6)**	(6 8)
Change in assumption	**(23 6)**	17 9
Experience gains/ losses	**(0 2)**	(0 3)
Contribution by scheme participants	**(0 5)**	(0 7)
Benefits	**6 0**	5 7
Other	**0 2**	-
Liabilities at the end of the year	**(128 5)**	(103 2)

The deferred tax effect of the **£11 9m** deficit is **£3 3m**

History of experience gains and losses

	2009	2008
Difference between expected and actual return on scheme assets		
Amount (£m)	**11 1**	(32 6)
Percentage of scheme assets	**9 5%**	(31 7%)
Experience gains and losses on scheme liabilities		
Amount (£m)	**(0 2)**	(0 3)
Percentage of scheme liabilities	**0 2%**	0 3%
Total actuarial loss recognised in statement of total recognised gains and losses		
Amount (£m)	**(12 3)**	(15 0)
Percentage of scheme liabilities	**9 6%**	14 5%

The total recognised actuarial loss since adoption of FRS17 is **£27 3m** (2008 £15 0m being the first year of adoption)

Defined contribution scheme

The company also participates in a 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 2009 pension cost represents contributions payable by the company to the fund and amounted to **£147,000** (2008 £190,000) As at the end of the year there was **£10,000** (2008 £15 000) outstanding in respect of the company's contribution to the fund Contributions of approximately **£122,000** are expected to be paid to the scheme during 2010

25 **Related party transactions**

As the company is a wholly owned subsidiary of ACCO Brands Corporation, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

26 **Ultimate parent undertaking and controlling party**

The immediate parent undertaking is ACCO Rexel Group Services Limited, a company registered in England and Wales

The ultimate parent and controlling party is ACCO Brands Corporation, a company incorporated in the State of Delaware in the USA The consolidated financial statements of ACCO Brands Corp may be obtained from their offices at 300 Tower Parkway, Lincolnshire Illinois 60069 3640, USA and are publicly available