
ACCO UK LIMITED

Registered Number 197754

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017



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

Contents

Page:

3	Strategic report
5	Directors' report
6	Statement of Directors' Responsibilities in respect of the Annual Report and Financial statements
7	Independent Auditor's Report to the Members of Acco UK Limited
8	Income Statement
9	Statement of Financial Position
10	Statement of Changes in Equity
11	Notes forming part of the Financial Statements

Directors

G Foot
C Hopkinson
M Stranders
M Wilkinson
W Thomas

Secretary and Registered Office

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

Company Number
197754

Auditor
KPMG LLP
1 North Fourth Street
Milton Keynes
MK9 1NE

Banker
Bank of America
2 King Edward Street
London
EC1A 1HQ

**Strategic report
for the year ended 31 December 2017**

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

Principal activities

ACCO UK Limited ("the company") continues to be a manufacturer and distributor of office products.

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

- REXEL
- NOBO
- GBC
- KENSINGTON
- DERWENT

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

Review of business and outlook

The results for the company show a pre-tax loss of £6.1 million (2016: pre-tax profit of £1.7 million) for the year and sales of £47.8 million (2016: £54.8 million).

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.

Review of operations

Research and development

As mentioned above research and development are critical in the strategy of the company. The company incurred costs of £759,961 in 2017 (2016: £932,977). The majority of these costs were recharged to the company's parent ACCO Brands Corporation as part of a research and development company policy.

Future outlook

In 2017 the directors have reviewed and adjusted pricing to reflect product cost changes - these being impacted by exchange rates - and will continue to react according to the environment in 2018 and beyond. In addition, a continued review of channel strategy will allow focus on key customers. Going forward the directors plan to further reduce administration and support 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.

Key performance indicators (KPIs)

The 2017 year showed year-on-year decline due to market pressures, in some cases with lost listings but also with some customers adopting revised strategies. Notable examples of this were Staples and Office Depot, whose European operations were ultimately sold to private equity firms.

	2017	2016	Definition, method of calculations and analysis
Growth rate (%)	-13%	-10%	Sales were impacted by declines in both Derwent and the Office Products business. For Derwent, the adult colouring-in trend ended during 2016 so sales fell back through 2017. For office products, reduced wholesaler inventory levels combined with competitive pressures to cause the sales decline.
Gross margin (%)	29%	38%	Gross margin is the ratio of gross profit before exceptional items to sales expressed as a percentage. The company was adversely impacted during 2017 by Asian sourcing pressures (pricing and exchange rates), as well as the reduced sales levels. Additionally, the sales declines meant we were not able to leverage the fixed cost base and incurred operating inefficiencies, especially within the manufacturing operation.
Go to market expenses (%)	21%	18%	Go to market expense is a measure of selling, marketing and advertising expenses as a percentage of total sales. ACCO UK continues to invest in these activities so the ratio is similar each year, any ratio increase being driven by sales decline whilst spend is stable.
Inventory days	86	85	Inventory days 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 inventory level has been kept stable between years.

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

Risks

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

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.

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

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 in conjunction with its global partners in and outside of the group. This will allow the company to continue to offer market leading products and will also ensure that the supply chain can process customer orders in good time. The company has dedicated sales and customer service teams to ensure that performance to these targets are 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 quality inspectors to ensure products meet the required specifications. Another aspect of the supply chain is ensuring customer orders are completed on time.

Management of financial risks

The company's operations expose it to a variety of financial risks that include 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 and 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.

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 planned operations.

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.

By order of the Board



R Geddie

Company Secretary

Date: 15/09/2018

Office address:

Oxford House,

Oxford Road,

Aylesbury, UK, HP21 8SZ

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

Results and dividends

The results for the year ended 31 December 2017 are set out in the income statement on page 8. The loss before taxation for the period was £6.1 million (2016: profit £1.7 million).

The directors do not recommend the payment of a dividend (2016: £Nil)

Directors

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

G Foot
C Hopkinson
M Stranders
W Thomas (appointed 1 February 2017)
S Wells (resigned 14 March 2017)
M Wilkinson

Political contributions

The company made no political donations or incurred any political expenditure during the year.

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.

Creditor payment policy

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.

Disclosure of information to auditor

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 auditor is 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



R Geddie
Company Secretary
Office address:
Oxford House,
Oxford Road
Aylesbury
Buckinghamshire
HP21 8SZ

Date: 25/09/2018

**Statement of directors' responsibilities in respect of the Strategic report, the Director's report and the Financial Statements
for the year ended 31 December 2017**

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 LLP

1 North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCO UK LIMITED

Opinion

We have audited the financial statements of ACCO UK Limited ("the company") for the year ended 31 December 2017 which comprise of the Income Statement and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

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 auditor's 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.



Mark Matthewman (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom
[Date]

27/9/18

ACCO UK LIMITED

INCOME STATEMENT
for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
TURNOVER			
Continuing operations	2	47,751	54,751
		<u>47,751</u>	<u>54,751</u>
Cost of sales		<u>(33,722)</u>	<u>(33,959)</u>
GROSS PROFIT		14,029	20,792
Distribution costs		(3,836)	(3,884)
Impairment of investment		-	-
Other administrative expenses		<u>(15,411)</u>	<u>(14,719)</u>
Total administrative expenses	3	<u>(15,411)</u>	<u>(14,719)</u>
TOTAL OPERATING (LOSS) / PROFIT	3	(5,218)	2,189
Interest receivable and similar income	4	121	45
Interest payable and similar charges	6	(333)	(314)
Other finance expense	5	(644)	(432)
Dividend income		-	-
Profit/ (Loss) on disposal of investment		-	260
Profit/ (Loss) on sale of fixed assets		-	(19)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,074)	1,729
Tax charge on ordinary activities	9	<u>22</u>	<u>(251)</u>
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		<u>(6,052)</u>	<u>1,478</u>

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
(Loss) / Profit for the year		(6,052)	1,478
Other comprehensive (loss)/ income			
Actuarial gain on post retirement medical benefits	21	95	(297)
Actuarial gain / (loss) on pension benefits	22	5	(14,822)
Movement in deferred tax	9	(17)	2,432
Total comprehensive loss for the year		<u>(5,969)</u>	<u>(11,209)</u>

All amounts relate to continuing operations.


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.

The accompanying notes on pages 11 to 27 form part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible assets	10	17,389	19,969
Tangible assets	11	6,661	6,507
Investments	12	14,027	14,161
		38,077	40,637
CURRENT ASSETS			
Stocks	13	7,902	7,871
Debtors	14	30,590	28,033
Cash at bank and in hand	20	16	4,087
		38,508	39,991
CREDITORS: amounts falling due within one year	15	(37,094)	(34,633)
NET CURRENT ASSETS		1,414	5,358
TOTAL ASSETS LESS NET CURRENT LIABILITIES		39,490	45,995
Creditors: amounts falling due after one year	15	(9)	-
Provisions for liabilities and charges	21	(1,586)	(1,742)
Long term deferred income	17	(86)	(135)
NET ASSETS EXCLUDING PENSION DEFICIT		37,810	44,118
Pension deficit	22	(24,907)	(25,991)
NET ASSETS INCLUDING PENSION DEFICIT		12,903	18,127
CAPITAL AND RESERVES			
Called up share capital	18	206	206
Share premium account		28,304	28,304
Profit and loss account		(15,607)	(10,383)
TOTAL SHAREHOLDERS' FUNDS		12,903	18,127

The financial statements on pages 8 to 27 were approved by the Board of Directors on 25/09/18 and were signed on its behalf by:



W Thomas
Director

The accompanying notes on pages 11 to 27 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 1 January 2017	206	28,304	(10,383)	18,127
Total comprehensive loss for the year	-	-	(5,969)	(5,969)
Capital contribution	-	-	745	745
At 31 December 2017	206	28,304	(15,607)	12,903

The accompanying notes on pages 11 to 27 form part of the financial statements.

**Notes forming part of the financial statements
for the year ended 31 December 2017**

1. Accounting policies**Basis of preparation**

ACCO UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The financial statements have been prepared on a historical cost basis.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in July 2015. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent, ACCO Brands Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of ACCO Brands Corporation are prepared in accordance with US GAAP as adopted in the US and are available to the public and may be obtained from their offices at 4 Corporate Drive, Lake Zurich, Illinois 60047 - 8997, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

The following exemptions have been taken in these financial statements:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes
- Key Management Personnel compensation.

As the consolidated financial statements of ACCO Brands Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates are discussed in the accounting policies below:

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.

a) Going concern

The financial statements have been prepared on the going concern basis, taking into account net current assets of £1,414,000 (2016: net current assets of £5,358,000). The directors believe these to be appropriate having considered the factors that impact the company's future development, performance, cash flows and financial position along with the company's current liquidity.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Pension and other post-retirement benefits

The company operates two separate pension schemes, a defined contribution scheme and a closed 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 102.

The assets of this scheme is held separately from those of the company in an independently administered fund.

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 changes in equity.

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 changes in equity.

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.

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

Principal accounting policies (continued)**c) 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

d) 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.

e) 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

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.

f) 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 and 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.

g) 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. Gains and losses on such contracts are recognised as they crystallise.

h) 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.

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

Principal accounting policies (continued)**i) 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.

j) Research and development

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

k) Goodwill and other intangible assets

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. Goodwill and other intangible assets are tested for impairment in accordance with section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired. From the date of adoption of FRS 102, remaining balances are amortised over no longer than 10 years. The amendments to FRS 102 issued in July 2015 have been applied.

Intangible assets are shown at purchase cost less accumulated amortisation. 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. Software is amortised over between 5 and 7 years.

l) Share options

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.

m) Dividends

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

n) Long term deferred income

Long term deferred income is spread over the life of the contract and recognised in the relevant period.

o) Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss

p) Basic financial instruments**Trade and other debtors / creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

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:

	2017 £'000	2016 £'000
United Kingdom	35,585	40,994
Rest of Europe	3,241	3,212
Africa	3,547	3,929
Asia	3,429	3,498
Australia	161	327
Americas	1,788	2,791
	<u>47,751</u>	<u>54,751</u>

3. Expenses and auditor's remuneration

Included on the profit/loss are the following:

	2017 £'000	2016 £'000
Impairment of investment in subsidiaries	-	-
Research and development	760	933
Auditor's remuneration:		
Fees payable to the company's auditor in respect of audit of the financial statements of the company	<u>190</u>	<u>187</u>

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

4. Interest receivable and similar income	2017	2016
	£'000	£'000
Bank interest	-	-
Other interest receivable	121	45
Interest receivable	121	45
5. Other finance expenses	2017	2016
	£'000	£'000
Pension finance expense	(604)	(382)
Post retirement medical benefits finance cost	(40)	(50)
Other finance expense	(644)	(432)
6. Interest payable and similar charges	2017	2016
	£'000	£'000
Interest on bank overdrafts	-	-
Interest on group loans	(333)	(314)
Interest payable	(333)	(314)
7. Directors' remuneration	2017	2016
	£'000	£'000
<u>All directors</u>		
Aggregate emoluments	1,276	1,884
Long term incentive scheme amounts included above represent incentive bonus payments and are accounted for on a cash basis.		
During the year 3 (2016: 5) directors exercised share options in the parent company; this included the highest paid director.		
<u>Highest paid director</u>	2017	2016
	£'000	£'000
Aggregate emoluments (including amounts received under long term incentive schemes)	259	431
Defined benefit pension scheme:		
Accrued pension at the end of the year	-	-
	259	431
8. Staff numbers and costs	2017	2016
	£'000	£'000
Particulars of employee costs (including executive directors):		
Wages and salaries	14,958	15,328
Social security costs	1,520	1,639
Other pension costs	953	931
Share based payments	526	713
	17,957	18,611

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

8. Staff numbers and costs (continued)

	2017	2016
	Number	Number
The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:		
Production	52	60
Distribution	54	61
Sales	43	45
Administration	183	213
	<u>332</u>	<u>379</u>

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 2011 the company has made awards of PSUs to key executives. These PSUs are valued at the share price on a grant date. The SSARs are valued using a Black-Scholes model.

	08-Mar-17	02-Mar-16
ACCO Brands Share Plan:	Options / Performance shares	Options / Performance shares
Share price at date of grant	£10.49	£5.44
Exercise price	£0.00	£0.00
Fair value per option	£10.49	£5.44

The expected volatility for 2017 Stock Options 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.

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

8. Staff numbers and costs (continued)

Reconciliation of option movements

Acco Brands Share Plan - Options

	2017		2016	
	Number (000s)	Weighted average exercise price (£)	Number (000s)	Weighted average exercise price (£)
Outstanding at 1 January	128	5	230	5
Transfers	-	-	-	-
Granted	32	-	-	-
Forfeited	-	-	(62)	-
Exercised	(54)	-	(40)	-
Lapsed	-	-	-	-
Outstanding at 31 December	106	5	128	5

Exercisable at 31 December

58

70

Acco Brands Share Plan - Restricted shares

Outstanding at 1 January	95	-	125	-
Transfers	-	-	-	-
Granted	22	-	25	-
Forfeited	(3)	-	(5)	-
Exercised	(39)	-	(50)	-
Lapsed	-	-	-	-
Outstanding at 31 December	75	-	95	-

Exercisable at 31 December

-

-

Acco Brands Share Plan - Performance shares

Outstanding at 1 January	162	-	149	-
Transfers	-	-	-	-
Granted	28	-	60	-
Forfeited	-	-	(11)	-
Exercised	(61)	-	(36)	-
Lapsed	-	-	-	-
Outstanding at 31 December	129	-	162	-

Exercisable at 31 December

-

-

Acco Brands Share Plan - Stock-settled stock appreciation rights

Outstanding at 1 January	-	-	8	-
Transfers	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	(8)	-
Lapsed	-	-	-	-
Outstanding at 31 December	-	-	-	-

Exercisable at 31 December

-

-

The fair value of RSU's and PSUs granted in the year was £856,000 (2016: £461,000)

Range of exercise prices	2017			2016		
	Weighted average exercise price	Number of shares ('000)	Contractual weighted average remaining life	Weighted average exercise price	Number of shares ('000)	Contractual weighted average remaining life
	£		(YRS)	£		(YRS)
£nil	-	204	0.0	-	258	0.0
£0.01-£4.99	5.13	74	2.3	6.03	35	2
£5.00-£9.99	8.63	32	4.2	3.70	37	4.2
£10.00-£14.99	-	-	-	-	-	-
£15.00-£19.99	-	-	-	-	-	-

The average Acco Brands Corp share price during the year was £10.49 (2016: £5.44). The total charge for the year relating to employee share based payment plans was £745,000 (2016: £859,000), all of which related to equity-settled share based payment transactions." There was no deferred tax impact on share based payments.

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

9. Tax charge on profit on ordinary activities**a) Analysis of Tax**

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	-	-
Prior year adjustment	-	-
Overseas tax	6	3
Total current tax	6	3
Deferred tax:		
Origination and reversal of timing differences	(28)	115
Impact of change in tax rate	-	133
Total deferred tax	(28)	248
Total tax charge/ (credit)	(22)	251

b) Tax included in statement of total other comprehensive income

	2017 £'000	2016 £'000
The tax charge/(credit) is made up as follows		
Deferred tax:		
Deferred tax on actuarial loss/(gain) on pension scheme	1	(2,520)
Impact of change in tax rate on pension scheme	-	123
Deferred tax on actuarial loss/(gain) on PRMB	16	(50)
Impact of change in tax rate on PRMB	-	15
Total tax charge/ (credit)	17	(2,432)

c) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (19.25%). In 2016, the tax was lower than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit for the year	(6,052)	1,478
Total tax expense	22	(251)
Profit excluding tax expense	(6,074)	1,729
Profit on ordinary activities before tax	(6,074)	1,729
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(1,169)	346
Effects of:		
Expenses not deductible for tax purposes	203	(174)
Dividend income not taxable	-	-
Imputed interest	-	-
Group relief surrendered free of charge	275	-
Adjustments to the tax charge in respect of previous periods	583	(30)
Overseas tax at a different rate	5	3
Unrecognised deferred tax	-	-
Tax rate changes during period	81	107
Total tax charge for the year	(22)	251

c) Factors affecting future tax charges

The UK corporation tax rate was 20% from 1 April 2015. The 2015 Finance Bill reduced the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The 2016 Finance Bill further reduced the rate to 17% from 1 April 2020, and since this change was enacted during 2016 the impact of these rate reductions has already been effected in the prior year financial statements.

10. Intangible assets

	Software £'000	Goodwill £'000	Total £'000
<u>Cost</u>			
At the beginning of the year	23,663	7,426	31,089
Additions during the year	71	-	71
At end of year	23,734	7,426	31,160
<u>Accumulated amortisation</u>			
At the beginning of the year	6,147	4,973	11,120
Charged during the year	2,281	370	2,651
At the end of the year	8,428	5,343	13,771
<u>Net book value</u>			
At the end of the year	15,306	2,083	17,389
At the beginning of the year	17,516	2,453	19,969

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

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.

Goodwill of £3,154,570 arose on the purchase of the trade, assets and liabilities of GBC UK Limited in 2012.

The company has adopted FRS102 from 1 January 2015, therefore the remaining goodwill at the date of adoption has been amortised over no longer than 10 years.

11. Tangible assets

	Freehold property £'000	Short leasehold property £'000	Plant and machinery £'000	Office equipment and fittings £'000	Motor vehicles £'000	2017 Total £'000
<u>Cost</u>						
At the beginning of the year	9,282	780	7,196	7,151	41	24,450
Additions	273	581	101	55	-	1,010
Disposals			(284)	(245)	-	(529)
At the end of the year	9,555	1,361	7,013	6,961	41	24,931
<u>Accumulated depreciation</u>						
At the beginning of the year	4,276	568	6,453	6,608	38	17,943
Charge for year	170	53	215	418	-	856
Disposals			(284)	(245)	-	(529)
At the end of the year	4,446	621	6,384	6,781	38	18,270
<u>Net book value</u>						
At the end of the year	5,109	740	629	180	3	6,661
At the beginning of the year	5,006	212	743	543	3	6,507

Freehold property included land with a net book value of £404,000 (2016: £404,000).

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

12. Investments

	2017 £'000	2016 £'000
<u>Financial investments</u>		
Debentures		
<u>Cost</u>		
At the beginning of the year	10	10
<u>Provision for diminution</u>		
During the year	-	-
<u>Carrying value</u>		
At the end of the year	10	10
<u>Investment in subsidiaries</u>		
<u>Cost</u>		
At the beginning of the year	59,496	60,402
Disposal of Dacor UK	(134)	(906)
At the end of year	59,362	59,496
<u>Provision for diminution</u>		
At beginning of year and end of year	45,345	45,345
At the end of the year	45,345	45,345
<u>Carrying value</u>		
At the end of year	14,151	15,057
Total Investments	14,027	14,161

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

Dormant companies registered in Great Britain
GBC (United Kingdom) Limited

Registered address
Oxford House, Oxford Road, Aylesbury HP21 8SZ

Businesses registered in Great Britain - Holding company
Nobo Group Limited

Registered address
Oxford House, Oxford Road, Aylesbury HP21 8SZ

Businesses registered in Germany, engaged in the marketing of office products
ACCO Deutschland Vermögensverwaltungs GmbH
ACCO Deutschland GmbH & Co. KG (69% holding)

Registered address
Siemensstraße 64, 70469 Stuttgart, Germany
Siemensstraße 64, 70469 Stuttgart, Germany

Indirect holdings
ACCO Brands France SAS
Esselte SAS
Rapid SAS
Colt Staplers Limited
NOBO Office supplies Limited
Leit Holding GmbH
Leitz Deutschland GmbH
Leitz ACCO Brands GmbH & Co KG

Registered address
9 Avenue Edouard Belin, 92500 Rueil-Malmaison, Paris, France
9 Avenue Edouard Belin, 92500 Rueil-Malmaison, Paris, France
Le Syndicat, 88120 Saint-Ame, France
Oxford House, Oxford Road, Aylesbury, UK HP21 8SZ
Oxford House, Oxford Road, Aylesbury, UK HP21 8SZ
Siemensstraße 64, 70469 Stuttgart, Germany
Siemensstraße 64, 70469 Stuttgart, Germany
Siemensstraße 64, 70469 Stuttgart, Germany

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

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

13. Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	1,112	1,319
Work-in-progress	766	660
Finished goods and goods for resale	6,024	5,892
	<u>7,902</u>	<u>7,871</u>

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

14. Debtors

	2017 £'000	2016 £'000
<u>Amounts falling due within one year</u>		
Trade debtors	12,493	14,069
Amounts from group undertakings	9,748	5,430
Other debtors	468	404
Prepayments and accrued income	802	1,062
	<u>23,511</u>	<u>20,965</u>
<u>Amounts falling due after more than one year</u>		
Deferred tax asset (note 16)	7,079	7,068
	<u>7,079</u>	<u>7,068</u>
Total Debtors	<u>30,590</u>	<u>28,033</u>

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank overdraft	242	-
Trade creditors	4,620	5,083
Amounts due to group undertakings	24,129	23,307
Other taxation and social security	1,452	1,640
Accruals and deferred income	6,651	4,603
	<u>37,094</u>	<u>34,633</u>
<u>Amounts falling due after more than one year</u>		
Capital lease obligations	9	-
	<u>9</u>	<u>-</u>
	<u>37,103</u>	<u>34,633</u>

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

16. Deferred taxation

The movement in the deferred taxation asset during the year was:

	2017 £'000	2016 £'000
At 31 December 2016	7,068	4,883
Deferred tax credit/(debit) in profit and loss account	28	(247)
Deferred tax credit/(debit) in other comprehensive income	(17)	2,432
At 31 December 2017	<u>7,079</u>	<u>7,068</u>
	2017 £'000	2016 £'000
Accelerated capital allowances	862	993
Employee benefits	4,503	4,714
Short term timing differences	9	10
Share based payments	239	362
Tax losses	<u>1,466</u>	<u>989</u>
	<u>7,079</u>	<u>7,068</u>

The deferred tax asset of £7.08m (2016: £7.07m) includes £230k (2016: £10k) expected to reverse within one year.

The company has losses carried forward of £18m (2016: £15m) that are available indefinitely for offset against future taxable profits.

A deferred tax asset has not been recognised in relation to £9m (2016: £9m) of these losses due to uncertainty over the availability of future profits against which the losses could be used.

17. Long term deferred income

	2017 £'000	2016 £'000
Long term deferred income relates to a grant on the Lillyhall property and has been spread over the life of the grant.	<u>86</u>	<u>135</u>

18. Called up share capital

	2017 £'000	2016 £'000
206,094 (2016: 206,094) Ordinary shares of £1 each	<u>206</u>	<u>206</u>

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

19. Guarantees and other financial commitments**a) Guarantees**

HM Revenue & Customs

2017	2016
£'000	£'000

200	200
-----	-----

b) Capital commitments

Expenditure contracted but not provided for

400	400
-----	-----

c) Operating leases

Non-cancellable operating lease rentals are payable as follows:

Less than 1 year
Between 1 and 5 years
More than 5 years

2017	2016
£'000	£'000

246	93
199	411
602	565

1,047	1,069
-------	-------

During the year £1,047,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £1,069,000)

20. Cash at bank

ACCO UK Limited is part of a Zero Balance sweep arrangement with its bank and monies are swept daily (sterling amounts only) to concentration accounts held in the name of the company and a fellow group company, ACCO Brands Benelux BV (euro and U.S dollar amounts). Amounts due to or from related parties as a result of the sweeps are disclosed in amounts due to/from group undertakings (Notes 14 and 15).

21. 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 7.0% (2016: 7.0%).

This is an unfunded defined benefit scheme.

The latest actuarial valuation under FRS 102 assumptions was carried out at 31 December 2017. The assumptions used are as follows:

Main financial assumptions

Inflation
Medical cost inflation - initial
Medical cost inflation - ultimate
Year ultimate rate reached
Discount rate for scheme liabilities
Discount rate for interest cost

31 December 2017

3.2% p.a.
7.0%
4.7% p.a.
2020
2.5% p.a.
2.1% p.a.

31 December 2016

3.2% p.a.
7.0%
4.7% p.a.
2019
2.7% p.a.
2.4% p.a.

Mortality post retirement

In line with standard S2
SAPS tables. Future
improvements use the
CMI 2017 projection with
a long term rate of
improvement of 1.25%
p.a.

In line with standard S2
SAPS tables. Future
improvements use the CMI
2016 projection with a long
term rate of improvement of
1.25% p.a.

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

21. Post-retirement benefits other than pensions (continued)

Reconciliation to financial position

	2017 £'000	2016 £'000
Total market value of assets	-	-
Present value of funded defined benefit obligations	-	-
Funded status	-	-
Present value of unfunded defined benefit obligations	(1,586)	(1,742)
Past service costs not recognised in the financial position	-	-
Surplus/(deficit) recognised on the financial position	(1,586)	(1,742)

Analysis of amount charged / (credited) to operating profit

	2017 £'000	2016 £'000
Current service cost	-	-
Past service cost	-	-
Curtailement cost	-	-
Settlement cost	-	-

Total operating charge / (credit)

-	-
---	---

Analysis of amount credited to other finance income

	2017 £'000	2016 £'000
Interest on liabilities	(40)	(50)
Expected return on plan assets	-	-

Net return to other finance income

(40)	(50)
------	------

Analysis of amount recognised in Statement of Other Comprehensive Income

	2017 £'000	2016 £'000
Actual return less expected return on assets	-	-
Experience gains/(losses) arising on the liabilities	128	(81)
Changes in assumptions underlying the present value of the liabilities	(33)	(216)
Actuarial (loss)/ gain recognised in Statement of Other Comprehensive Income	95	(297)

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

21. Post-retirement benefits other than pensions (continued)

Analysis of movement in surplus during the year

	2017 £'000	2016 £'000
Surplus/(deficit) at beginning of the year	(1,742)	(1,505)
Current service cost	-	-
Premium payments	101	110
Past service cost	-	-
Other finance income	(40)	(50)
Curtailments/settlements	-	-
Actuarial gains/(losses)	95	(297)
Surplus/(deficit) at end of the year	(1,586)	(1,742)

History of experience of gains and losses

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Experience gains / (losses) on plan liabilities	128	(81)	948	627	376
As a percentage of liabilities	7%	(5%)	32%	17%	
Total amounts recognised in Statement of changes in equity	96	(297)	1,044	338	376
As a percentage of liabilities	6%	(20%)	35%	9%	

Contributions of approximately £105,000 are expected to be paid to the scheme during 2018.

22. 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 fully discloses the assets and liabilities of the scheme below. In 2015, the company adopted FRS102. Under FRS102 expected return on assets is calculated using the discount rate and no credit is taken on the expected outperformance on the assets.

The related 2017 pension cost recognised in operating expenditure for the company was £560,000. (2016: £Nil). As at the year end the company had £nil (2016: £nil) outstanding in respect of the company's contribution to the fund. Contributions of approximately £2,200,000 are expected to be paid out to the scheme during 2018.

The last full actuarial valuation as carried out by a qualified, independent actuary, took place on 5 April 2015, using the projected unit actuarial cost method. The liabilities used when preparing the disclosures shown below have been rolled forward from the last actuarial valuation as at 5 April 2016 and therefore the majority of the source data stems from those calculations. An updated valuation has been performed in 2017 for use in the 2017 financial statements.

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 pension contributions of £2,243,200 (2016: £2,200,000). The company remains committed to the defined benefit pension scheme.

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

22. Pensions (continued)

Net pension (liability)

	2017 £'000	2016 £'000
Defined benefit obligation	(227,392)	(227,123)
Plan assets	202,485	201,132
Net pension liability	(24,907)	(25,991)

Movements in present value of the defined benefit obligation during the year

	2017 £'000	2016 £'000
Opening defined benefit obligation (DBO)	227,123	192,701
Current service cost	-	-
Interest expense on DBO	5,350	6,417
Contributions by members	-	-
Actuarial gains / (losses) on liabilities	3,969	35,981
Net benefits paid out	(9,050)	(7,976)
Past service cost	-	-
Curtailement cost	-	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	227,392	227,123

Movement in fair value of Plan assets during the year

	2017 £'000	2016 £'000
Opening fair value of Plan assets	201,132	180,364
Interest income on Plan assets	4,746	6,035
Gain/(loss) on Plan assets	3,974	21,159
Contributions by the Company	2,243	2,200
Contributions by Plan participants	-	-
Net benefits paid out	(9,050)	(7,976)
Administration expenses	(560)	(650)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of Plan assets	202,485	201,132

Amounts recognised in the income statement

	2017 £'000	2016 £'000
Operating cost:		
Current service cost	-	-
Administration expenses	560	650
Past service cost	-	-
Curtailement cost	-	-
Settlement cost	-	-
Financing cost:		
Interest on net defined benefit liability/(asset)	604	382
Pension expense recognised in the income statement	1,164	1,032

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:

Plan asset allocation

	2017 £'000	2016 £'000
Equities	109,009	78,640
Debt securities	68,327	72,691
Cash	13,363	42,501
Property	11,786	7,300
Other	-	-
	202,485	201,132
Total fair value of assets	201,132	201,132
Present value of scheme liabilities	227,123	227,123
Deficit in the scheme	(25,991)	(25,991)

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

22. Pensions (continued)

Amounts recognised in Other Comprehensive Income (OCI)

	2017 £'000	2016 £'000
Asset gains/(losses) arising during the year	3,974	21,159
Liability gains/(losses) arising during the year	(3,969)	(35,981)
Change in effect of the asset ceiling	-	-
Total amount recognised in OCI	5	(14,822)

Main Financial assumptions

Financial assumptions (expressed as weighted averages) at the end of the year were as follows:

	2017 %	2016 %
RPI inflation	3.2	3.2
CPI inflation	2.1	2.1
Rate of increase in salaries	3.2	3.2
Pension increases (RPI inflation with a cap of 5%)	3.1	3.1
Pension increases (RPI inflation up to 5%, min of 3%)	3.6	3.6
Discount rate for Defined benefit obligation	2.5	2.7
Discount rate for interest cost	2.1	2.4

Main demographic assumptions

	31 December 2017	31 December 2016
Mortality	100% of the S2Px tables with improvements in line with the CMI 2017 core projections and a long-term rate of 1.25% pa	100% of the S2Px tables with improvements in line with the CMI 2016 projections and a long-term rate of 1.25% pa
Life expectancy for male currently aged 65	22.1 years	22.2 years
Life expectancy for female currently aged 65	24.0 years	24.2 years
Life expectancy at 65 for male currently aged 45	23.5 years	23.9 years
Life expectancy at 65 for female currently aged 45	25.5 years	26.1 years
Cash commutation	On average members take 20% of the maximum cash sum available at retirement	On average members take 20% of the maximum cash sum available at retirement

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 2017 pension cost represents contributions payable by the company to the fund and amounted to £951,483 (2016: £898,400). As at the end of the year there was £Nil (2016: £Nil) outstanding in respect of the company's contribution to the fund. Contributions of approximately £916,000 are expected to be paid to the scheme during 2018.

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

23. 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 102 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

24. 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 4 Corporate Drive, Lake Zurich, Illinois 60047 - 8997, USA and are publicly available.