

Lyreco UK Limited

**Directors' report and financial
statements**

Registered number 442696

For the year ended 31 December 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activity

The company's principal activity continues to be the distribution of office products.

Business review

Background

Lyreco UK Limited distributes office products within the UK to a diverse customer base. Brand image means that the company is well placed within the marketplace and has a 6% market share.

Objectives and strategies

The company's main objectives and strategies are focused on sales and margin growth and minimising the impact to the environment.

The company's mission statement is to delight customers, be proud of what we do and grow like crazy. The company's main goal is to be not only the best supplier of office products in the UK but also the biggest.

Risks and uncertainties

The company manages any risks to the business well and does not consider that there are any material principal risks or uncertainties that will affect the company's on-going growth targets. Despite a challenging market place there is significant opportunity for the company to continue to grow in the future, given its market share at present.

2008 company results were impacted by the strengthening of the Euro against Sterling. The company monitored the situation closely during the year and implemented initiatives where possible to mitigate foreign currency exposure.

Measurement

The company's key performance indicators to ensure its strategies for meeting objectives are working effectively include turnover, profit before tax, margins and net assets.

The company monitors sales and margin performance on a daily basis and at each monthly Board meeting a full review of all key operational indicators takes place relating to areas such as departmental productivity, average order value, lines per order, staff turnover and cost control.

The Environmental Management system was audited in June 2008 by SGS and was also audited throughout the year internally. The audits covered procedures, risk assessments, the program for improvement, the register of legislation, the register of significant impacts and document control.

The company's impacts on the environment remain waste and pollution. The improvement programs to combat this through its Environmental Management system approach therefore remain unchanged, however, the targets have been reset and new projects to focus the approaches have been set up. A new recycling programme was implemented at the company's head office to increase recycling activity resulting in 90.1% of waste being recycled in 2008.

Performance during year ended 31 December 2008 and the future

Turnover has increased by 4.5% from £298 million in 2007 to £312 million in 2008, mainly due to the company's on-going investment in its sales people. Profit before tax and net profit margins decreased from £34 million in 2007 to £29.5 million in 2008 and from 11.4% in 2007 to 9.5% in 2008 respectively; mainly as a result of the weakening of Sterling against the Euro and increases in fuel and utility costs. The company maintained strong controls over its other administration expenses.

During the year, the company retained all of its key corporate customers and grew its field sales customer base.

Net assets have increased year on year from £52 million in 2007 to £74 million in 2008. No dividend has been declared for the 2008 year end.

Directors' report *(continued)*

Performance during year ended 31 December 2008 and the future (continued)

The turnover for the next financial year is anticipated to exceed £325 million with net asset levels expected to be maintained.

The company retained its Investor in People status in early 2009, following a full triennial review.

SGS will continue to audit the company's system externally for both the environment and quality through 2009.

The company has a well established and robust computer system, a storage and distribution facility that can handle anticipated growth for the next 3 years and an own-vehicle fleet that performs 97% of the company's deliveries; these will assist it to achieve its objectives and strategies in the future.

Dividends

The directors do not recommend a final dividend (2007: £21,000,000 – *this was cancelled through a shareholder resolution during the year*).

Directors

The directors who served during the year and subsequently were as follows:

E Bigeard (French)
ER Ford

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company is committed to involving all employees in the performance and development of the company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the company. This is formally facilitated via the company's employee forum – the "Voice of Lyreco".

Political and charitable contributions

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

Directors' report *(continued)*

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.

Approved by the board of directors and signed on its behalf by:



E Bigeard
Director

Deer Park Court
Donnington Wood
Telford
Shropshire
TF2 7NB

9th
May 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practices).

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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 LLP

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Lyreco UK Limited

We have audited the financial statements of Lyreco UK Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

29 May 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	311,798	298,449
Net operating charges	3	(288,732)	(266,067)
Operating profit		23,066	32,382
Profit on sale of fixed assets	13	-	1
Income from shares in group undertakings	6	4,935	831
Net interest receivable and similar income	4	1,514	867
Other finance costs	5	(28)	(7)
Profit on ordinary activities before taxation	7	29,487	34,074
Tax on profit on ordinary activities	10	(7,360)	(10,345)
Profit for the financial year		22,127	23,729

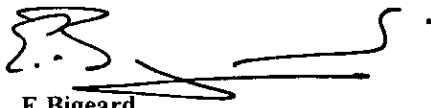
All amounts above relate to continuing activities.

The notes on pages 11 to 25 form part of these financial statements.

Balance sheet
at 31 December 2008

	Note	2008	2007
		£000	£000
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	19,997	19,918
Investments	14	-	-
		<u>19,997</u>	<u>19,918</u>
Current assets			
Stocks	15	15,237	17,794
Debtors	16	91,494	74,192
Cash at bank and in hand		2,562	3,242
		<u>109,293</u>	<u>95,228</u>
Creditors: Amounts falling due within one year	17	<u>(52,922)</u>	<u>(60,705)</u>
Net current assets		<u>56,371</u>	<u>34,523</u>
Total assets less current liabilities		<u>76,368</u>	<u>54,441</u>
Provisions for liabilities and charges	18	<u>(463)</u>	<u>(442)</u>
Net assets excluding pension liabilities		<u>75,905</u>	<u>53,999</u>
Pension liabilities	23	<u>(1,665)</u>	<u>(2,124)</u>
Net assets including pension liabilities		<u>74,240</u>	<u>51,875</u>
Capital and reserves			
Called up share capital	19	14,841	14,841
Share premium account	20	6,634	6,634
Revaluation reserve	20	79	79
Profit and loss account	20	52,686	30,321
Shareholders' funds		<u>74,240</u>	<u>51,875</u>

These financial statements were approved by the board of directors on 20th May 2009 and were signed on its behalf by:


E Bigeard
Director

Cash flow statement
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Net cash inflow from operating activities	22	5,156	36,552
Returns on investments and servicing of finance	22	6,449	1,698
Taxation	22	(10,340)	(9,623)
Capital expenditure and financial investment	22	(1,945)	(1,032)
Dividends paid on shares classified in shareholders' funds		-	(22,000)
(Decrease)/increase in cash in the year	22	(680)	5,595

Statement of total recognised gains and losses
for the year ended 31 December 2008

	2008 £000	2007 £000
Actuarial gain recognised in the pension scheme (see note 23)	330	240
Deferred tax arising on gains in the pension scheme	(92)	(72)
Deferred tax movement arising on the pension scheme due to tax rate change	-	(59)
	<hr/>	<hr/>
Profit for the financial year	238 22,127	109 23,729
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	22,365	23,838
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	2008 £000	2007 £000
Profit for the financial year	22,127	23,729
Other recognised gains and losses relating to the year (net)	238	109
	<hr/>	<hr/>
Net addition to shareholders' funds	22,365	23,838
Shareholders' funds at the beginning of the year	51,875	28,037
	<hr/>	<hr/>
Shareholders' funds at the end of the year	74,240	51,875
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently, except as noted below, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The amendment to FRS17 "Retirement Benefits" has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS17 also requires that quoted securities are valued at their current bid-price rather than their mid market value.

In accordance with section 229 of the Companies Act 1985, Lyreco UK Limited has not produced consolidated accounts as all subsidiary undertakings are not considered to be material when taken together. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, customer rebates, VAT and other sales related taxes.

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess on the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Tangible fixed assets

Fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	-	2%-5% per annum
Leasehold properties and improvements	-	10% per annum
Plant and machinery	-	4%-20% per annum
Furniture and office equipment	-	20% per annum
Motor vehicles	-	20%-25% per annum
Computers	-	20%-33.33% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Leases

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

Pension costs and other post retirement benefits

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

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement of the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The company also operates a defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Dividends on shares presented with shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash and liquid resources

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

2 Turnover

In the opinion of the directors, there is only one class of business, which is the distribution of office products. All turnover was derived in the United Kingdom.

Notes (continued)

3 Net operating charges

	2008 £000	2007 £000
Change in stocks of finished goods	2,557	(3,686)
Purchases	201,930	183,401
Staff costs:		
Wages and salaries	42,582	42,030
Social security costs	4,357	4,264
Other pension costs	700	751
Depreciation, amortisation and impairment	1,866	3,788
Other operating charges	34,740	35,519
	<u>288,732</u>	<u>266,067</u>

4 Net interest receivable and similar income

	2008 £000	2007 £000
Interest payable and similar charges:		
On bank loans and overdrafts	14	46
Inter-company interest	2,840	2,838
	<u>2,854</u>	<u>2,884</u>
Other interest receivable and similar income:		
Bank and similar interest	32	45
Inter-company interest	4,336	3,706
	<u>4,368</u>	<u>3,751</u>
Net interest receivable and similar income	<u>1,514</u>	<u>867</u>

5 Other finance costs

	2008 £000	2007 £000
Expected return on pension scheme assets	(493)	(452)
Interest on pension scheme liabilities	521	459
	<u>28</u>	<u>7</u>

6 Income from shares in group undertakings

As explained in note 14, the company has dissolved its dormant subsidiaries. The amount received, through dividends, during the year due to this process was £4,935,000 (2007: £831,000).

Notes (continued)

7 Notes to the profit and loss account

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation of owned fixed assets	1,866	1,824
Operating lease rentals:		
Plant and machinery	39	54
Other	5,249	5,421
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
Amounts receivable by the auditors and their associates in respect of:		
Audit of these financial statements	43	38
Valuation and actuarial services	148	57
Other services	3	-
	<hr/>	<hr/>

8 Directors' remuneration

	2008 £000	2007 £000
Emoluments	124	115
Pension contributions	7	7
	<hr/>	<hr/>
	131	122
	<hr/>	<hr/>

The number of directors who are members of pension schemes at the end of the year is as follows:

	Number
Money purchase schemes	1
	<hr/>

9 Staff numbers

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

	Number of employees 2008	2007
Management and administration	254	255
Distribution and sales	1,617	1,608
	<hr/>	<hr/>
	1,871	1,863
	<hr/>	<hr/>

Notes (continued)

10 Tax on profit on ordinary activities

Analysis of charge in the period

	2008 £000	2007 £000
<i>Current tax</i>		
UK corporation tax on income for the period	7,161	10,736
Adjustments in respect of prior periods	91	(471)
	<hr/>	<hr/>
Total current tax	7,252	10,265
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination/reversal of timing differences	102	114
Adjustments in respect of prior periods	8	(448)
Effect of change in applicable tax laws/tax rate	(2)	414
	<hr/>	<hr/>
Total deferred tax (see note 18)	108	80
	<hr/>	<hr/>
Tax on profit on ordinary activities	7,360	10,345
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2007: *higher*) than the 28.5% standard rate of corporation tax in the UK (2007: 30%). The differences are explained below.

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	29,487	34,074
	<hr/>	<hr/>
Current tax at 28.5% (2007: 30%)	8,404	10,222
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	175	796
Capital allowances for period in excess of depreciation	(7)	(32)
Adjustments in respect of prior periods	91	(471)
Depreciation on assets not qualifying for capital allowances	92	81
Pension scheme timing differences	(96)	(82)
UK dividends not taxable	(1,407)	(249)
	<hr/>	<hr/>
Total current tax charge (see above)	7,252	10,265
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

The corporation tax rate applicable to the company changed from 30% to 28% on 1 April 2008, producing the standard rate of 28.5% for the year ended 31 December 2008, shown above.

Notes (continued)

11 Dividends

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £Nil (2007: £21,000,000).

The dividend in relation to 2007 was cancelled through a shareholder resolution and has therefore not been paid.

12 Intangible fixed assets

Goodwill
£000

Cost

At beginning and end of year

450

Amortisation

At beginning and end of year

450

Net book value

At 31 December 2008 and at 31 December 2007

-

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is amortised over 10 years.

13 Tangible fixed assets

	Land and buildings	Plant, machinery and computers	Motor vehicles, fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
At beginning of year	24,588	9,240	1,696	35,524
Additions	202	1,527	216	1,945
Disposals	-	(1,310)	(348)	(1,658)
Transfer	(335)	335	-	-
At end of year	24,455	9,792	1,564	35,811
Depreciation				
At beginning of year	7,096	7,389	1,121	15,606
Charge for the year	1,161	524	181	1,866
Disposals	-	(1,310)	(348)	(1,658)
At end of year	8,257	6,603	954	15,814
Net book value				
At 31 December 2008	16,198	3,189	610	19,997
At 31 December 2007	17,492	1,851	575	19,918

Notes (continued)

13 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2008 £000	2007 £000
Freehold land and buildings	16,176	17,462
Short leasehold improvements	22	30
	<u>16,198</u>	<u>17,492</u>

Freehold land and buildings includes non-depreciable land of £2,790,000 (2007: £2,790,000).

14 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning of year	6,810
Disposal	(6,810)
	<u>-</u>
At end of year	-
Provisions	
At beginning of year	6,810
Disposal	(6,810)
	<u>-</u>
At end of year	-
Net book value	
At 31 December 2008	-
	<u>-</u>
At 31 December 2007	-
	<u>-</u>

The company has now dissolved all its subsidiaries which had previously been dormant.

15 Stocks

	2008 £000	2007 £000
Goods for resale	15,237	17,794
	<u>15,237</u>	<u>17,794</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes (continued)

16 Debtors

	2008 £000	2007 £000
Amounts falling due within one year:		
Trade debtors	44,200	46,720
Amounts owed by group undertakings	41,123	22,069
Prepayments and accrued income	6,171	5,403
	<u>91,494</u>	<u>74,192</u>

17 Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	40,451	40,563
Amount owed to group undertakings	2,340	5,776
Corporation tax	2,245	5,333
Other taxation and social security	2,398	3,015
Accruals and deferred income	5,488	6,018
	<u>52,922</u>	<u>60,705</u>

18 Deferred taxation

	£000
At beginning of year	(384)
Charge to profit and loss account for the year	108
Charge to the statement of total recognised gains and losses for the year	92
	<u>(184)</u>
At end of year	

Analysis of deferred tax balances

	2008 £000	2007 £000
Deferred tax liability, excluding deferred tax on pension deficit, included in provisions for liabilities and charges	463	442
Deferred tax asset on pension deficit – included in pension liability (see note 23)	(647)	(826)
	<u>(184)</u>	<u>(384)</u>

Notes (continued)

18 Deferred taxation (continued)

The elements of deferred tax included in provisions for liabilities and charges are as follows:

	£000	£000
Accelerated capital allowances	456	449
Other timing differences	-	(7)
	<u>456</u>	<u>442</u>

19 Called up share capital

	2008 £000	2007 £000
<i>Authorised:</i> 14,885,000 ordinary shares of £1 each	<u>14,885</u>	<u>14,885</u>
<i>Allotted, called up and fully paid:</i> 14,841,100 ordinary shares of £1 each	<u>14,841</u>	<u>14,841</u>

20 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year	6,634	79	30,321	37,034
Profit for the financial year	-	-	22,127	22,127
Actuarial gain recognised in the pension scheme	-	-	330	330
Deferred tax arising on gains in the pension scheme	-	-	(92)	(92)
At end of year	<u>6,634</u>	<u>79</u>	<u>52,686</u>	<u>59,399</u>

	2008 £000	2007 £000
Profit and loss account excluding pension liability	54,351	32,445
Pension liability	(1,665)	(2,124)
Profit and loss account including pension liability	<u>52,686</u>	<u>30,321</u>

Notes (continued)

21 Contingent liabilities and other financial commitments

- (a) There were capital commitments at the year end totalling £21,000 (2007: £236,000).
(b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2008 £000	2007 £000	2008 £000	2007 £000
On leases which expire				
Within one year	166	118	757	654
Within two to five years	858	454	3,044	2,990
After five years	463	384	-	-
	<u>1,487</u>	<u>956</u>	<u>3,801</u>	<u>3,644</u>

22 Cash flow information

(a) Reconciliation of operating profit to operating cash flow

	2008 £000	2007 £000
Operating profit	23,066	32,382
Depreciation and amortisation charges	1,866	3,788
Decrease/(increase) in stocks	2,557	(3,686)
(Increase)/decrease in debtors	(17,302)	670
(Decrease)/increase in creditors	(4,695)	3,678
Cash funding in excess of pension charge	(336)	(280)
Net cash inflow from operating activities	<u>5,156</u>	<u>36,552</u>

(b) Analysis of cash flows

	2008 £000	2007 £000
Returns on investments and servicing of finance		
Interest received	4,368	3,751
Interest paid	(2,854)	(2,884)
Dividends received	4,935	831
Net cash inflow	<u>6,449</u>	<u>1,698</u>
Taxation		
UK corporation tax paid	<u>(10,340)</u>	<u>(9,623)</u>
Capital expenditure and financial investment		
Sale of tangible fixed assets	-	3
Purchase of tangible fixed assets	<u>(1,945)</u>	<u>(1,035)</u>
Net cash outflow	<u>(1,945)</u>	<u>(1,032)</u>

Notes (continued)

22 Cash flow information (continued)

(c) Analysis and reconciliation of cash

	1 January 2008 £000	Cash flow £000	31 December 2008 £000
Cash in hand, at bank	3,242	(680)	2,562
		2008 £000	2007 £000
(Decrease)/increase in cash in the year		(680)	5,595
Net funds/(debt) at beginning of year		3,242	(2,353)
Net funds at end of year		2,562	3,242

23 Pension arrangements

The company provides pension arrangements to the majority of full time employees through a funded defined contribution scheme. The company also operates a defined benefit scheme which was closed to new members in April 1997 and to existing members on 28 February 2006. Current service costs will therefore increase. The assets of the pension arrangements are held in a separate trustee administered fund, which incorporates the defined contribution and the defined benefit assets and liabilities. The related costs of the benefits are assessed in accordance with the advice of an independent, professionally qualified actuary, on the basis of triennial valuations.

The costs of the defined contribution scheme are charged to the profit and loss account in the period in which they are incurred.

The pension cost charge for the year for the defined contribution scheme was £638,000 (2007: £599,000). There are no outstanding or prepaid contributions at either the beginning or end of the financial year.

Scheme valuations have been updated by a qualified independent actuary on an FRS 17 basis as at 31 December 2008, 31 December 2007 and 31 December 2006.

The Company operates a scheme in the UK with final salary benefits (closed to future accrual with effect from 28 February 2006).

The last formal valuation was carried out with an effective date of 31 December 2005. The results of the actuarial valuation as at 31 December 2008 are due later in 2009. The current FRS 17 calculations are based on the valuation results as at 31 December 2005, updated to 31 December 2008 by a qualified independent actuary.

Notes (continued)

23 Pension arrangements (continued)

Relationship between the reporting entity and the Trustees (managers) of the defined benefit scheme

The pension assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the trustees to the Scheme is determined by the Scheme's trust documentation. The Company has a policy that one-third of all trustees should be nominated by members of the Scheme.

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer.

	2008 £000	2007 £000
Present value of funded defined benefit obligations	(7,986)	(9,362)
Fair value of plan assets	5,674	6,412
	<hr/>	<hr/>
Deficit	(2,312)	(2,950)
	<hr/>	<hr/>
Related deferred tax asset	647	826
	<hr/>	<hr/>
Net liability	(1,665)	(2,124)
	<hr/>	<hr/>

Movements in present value of defined benefit obligations

	2008 £000	2007 £000
At 1 January	9,362	9,461
Current service cost	-	152
Interest cost	521	459
Actuarial gains	(1,798)	(353)
Benefits paid	(99)	(357)
	<hr/>	<hr/>
At 31 December	7,986	9,362
	<hr/>	<hr/>

Movements in fair value of plan assets

	2008 £000	2007 £000
At 1 January	6,412	5,998
Expected return on plan assets	493	452
Actuarial losses	(1,468)	(113)
Contributions by employer	336	432
Benefits paid	(99)	(357)
	<hr/>	<hr/>
At 31 December	5,674	6,412
	<hr/>	<hr/>

Notes (continued)

23 Pension arrangements (continued)

Expense recognised in the profit and loss account

	2008 £000	2007 £000
Current service cost	-	152
Interest on defined benefit pension plan obligation	521	459
Expected return on defined benefit pension plan assets	(493)	(452)
	<hr/>	<hr/>
Total	28	159
	<hr/>	<hr/>

The expense is recognised in the following line items in the profit and loss account:

	2008 £000	2007 £000
Net operating charges - other pension costs	-	152
Other finance costs	28	7
	<hr/>	<hr/>
	28	159
	<hr/>	<hr/>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses in £330,000 (2007: £240,000).

The fair value of the plan assets and the return on those assets were as follows:

	2008		2007	
	Fair value £000	Percent %	Fair value £000	Percent %
Equities	4,182	74	5,353	84
Corporate bonds	1,405	25	531	8
Other	87	1	528	8
	<hr/>	<hr/>	<hr/>	<hr/>
	5,674		6,412	
	<hr/>		<hr/>	
Actual return on plan assets	(975)		339	
	<hr/>		<hr/>	

At 31 December 2008 the Scheme assets were invested in a diversified portfolio that consisted primarily of equities and debt securities. The fair value of the Scheme assets as a percentage of total Scheme assets and target allocations are set out above.

The Trustees are due to consider the investment strategy in 2009 following the issue of the results of the formal actuarial valuation. Asset-liability studies are used to assist the Trustees and the Principal Company to determine the optimal long-term asset allocation with regard to the structure of liabilities within the Scheme. The results of the study are used to assist the Trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the Scheme deficit by providing information used to determine the pension scheme's investment strategy.

Notes (continued)

23 Pension arrangements (continued)

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2008 %	2007 %
Future salary increases	n/a	n/a
Discount rate	6.35	5.60
Expected rate of return on plan assets	6.85	7.56
Inflation	2.90	3.40
LPI increases to pensions payment	2.90	3.20

In valuing the liabilities of the pension fund at 31 December 2008, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2008 would have increased by £287,000 (3.6%) before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 19.8 years (male), 22.8 years (female)
- Future retiree upon reaching 65: 21.0 years (male), 24.0 years (female)

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of scheme liabilities	(7,986)	(9,362)	(9,461)	(8,774)	(7,279)
Fair value of scheme assets	5,674	6,412	5,998	5,333	4,279
Deficit	(2,312)	(2,950)	(3,463)	(3,441)	(3,000)
	2008 £000/%	2007 £000/%	2006 £000/%	2005 £000/%	2004 £000/%

Experience adjustments

Experience adjustments on scheme liabilities	32 0.4%	65 0.7%	(25) (0.3%)	180 2.0%	70 1.0%
Experience adjustments on scheme assets	(1,468) (25.9%)	(113) (1.8%)	286 4.8%	613 11.5%	89 2.1%
	(1,436)	(48)	261	793	159

The Company expects to contribute approximately £336,000 to its defined benefit plans in the next financial year.

Notes (continued)

23 Pension arrangements (continued)

Future funding obligations in relation to defined benefit schemes

The most recently completed triennial actuarial valuation of the Scheme was performed by an independent actuary for the Trustees of the Scheme and was carried out as at 31 December 2005. A triennial valuation is due as at 31 December 2008. The results contained in this disclosure are based on the actuarial valuation as at 31 December 2005, adjusted to allow for the estimated impact of market movement and membership movements between 31 December 2005 and 31 December 2008.

For the valuation as at 31 December 2005, the Trustees of the Scheme have decided, with the Company's agreement, that the long-term funding objective is to be fully funded on the ongoing basis. In particular, the assets of the Scheme and the future investment return on these assets should be expected to cover the total value of the benefits in full in respect of service already completed, based on projected Pensionable Salaries.

A secondary funding objective is to improve the funding level on a solvency basis over time.

24 Related party disclosures

The related parties with which the company traded during the year or with whom there were outstanding assets or liabilities at the year end were as follows. All related parties represent group companies.

Lyreco SAS

Lyreco Management SAS

Lyreco (Hong Kong) Company Ltd

Suministros Integrales de Oficina

Lyreco Canada

Lyreco S.A

Lyreco Belgium S.A.

Lyreco Benelux

Lyreco Ireland Ltd

Lyreco Deutschland GmbH

Lyreco France SAS

Lyreco Pty Ltd

Copyless Ltd

Sales of goods and services to related parties during the year were £5,161,000 (2007: £3,885,000).

Purchases of goods and services from related parties during the year were £10,219,000 (2007: £8,768,000).

Management charges from related parties during the year were £4,054,000 (2007: £3,828,000).

25 Ultimate parent company

The immediate parent company is Holdings Lyreco Internationale SAS, a company incorporated in France. The smallest and largest group into which the results of the company are consolidated is that of Lyreco SAS, a company incorporated in France.

The directors consider Lyreco SAS as the ultimate controlling party.

The consolidated financial statements of Lyreco SAS are not available to the public.