

Lyreco UK Limited

Directors' report and financial statements

Registered number 442696

For the year ended 31 December 2011

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2011

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 it has maintained its market share during 2011 (2010 increased its market share to 12%)

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 aims to maintain its position as the biggest and best contract stationer in the UK

Principal 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 ongoing growth targets. There is significant opportunity for the company to continue to grow in the future, given its market share at present

The company has developed a clear vision and has conducted in depth market analysis to identify future market share growth opportunities for the next 10 years and its current Distribution Centre has the capacity to support this growth

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 company has fanatical attention to detail and its Business Analysis function provides a suite of monthly brochures to enable the functional management heads to receive and act on key trends and indicators in a timely and effective manner

Regular benchmarking is conducted against the company's main competitors and other Lyreco subsidiaries to compare performance and proposition to ensure that the company remains the market leader

Directors' report (*continued*)

Business review (*continued*)

Key performance indicators, performance during the year ended 31 December 2011 and future developments

The company uses turnover, profit before tax and net assets as its key performance indicators

Turnover for 2011 exceeded £254,000,000 (2010 £277,000,000) and was in line with the company's expectations. Profit before tax was £14,586,000 or 5.7% of turnover (2010 £16,457,000), which represents an excellent return during a challenging economic period. The company maintained strong controls over its operating expenses and continued to focus on driving efficiencies and maximising working capital opportunities.

During the year the company continued its on-going investment in both of its Corporate Accounts and Field Sales divisions as well as launching a brand new Telesales operation and actively pursuing a number of new revenue streams, for example confidential shredding.

Net assets reduced year on year from £97m in 2010 to £76m in 2011 following the payment of a £30m interim dividend in October 2011. Dun & Bradstreet have issued Lyreco UK Limited with a certificate commending its financial status with a D&B rating of 1 which denotes the highest level of creditworthiness and minimum risk of failure.

The turnover for the next financial year is anticipated to exceed £250m, again, in an environment showing increased controls on expenditure by clients.

The company maintained its Investor in People status throughout 2011 following a full triennial review in 2009.

The company is accredited for ISO9002 2000 (quality system) and ISO14001 (environment) and will continue to be externally audited for both during 2012.

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

Dividends

The directors recommend that no final ordinary dividend will be paid for 2011. A £30m interim dividend was paid on 28 October 2011 (2010 £nil).

Directors and directors' interests

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

E Bigeard (French)
DJ Walmsley

None of the directors have interests in the share capital of the company.

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

Directors' report (*continued*)

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 the day to day operations of the company. This is formally facilitated via the company's employee forum – the "Voice of Lyreco".

Disclosure of information to auditors

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

Statement of directors' responsibilities

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report *(continued)*

Independent auditors

It has been elected, by a resolution passed in accordance with Section 489 of the Companies Act 2006 and dated 29 October 1990, to dispense with the obligation to appoint auditors annually
PricewaterhouseCoopers LLP were appointed as auditors for year ended December 31st 2011

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



DJ Walmsley
Director

Deer Park Court
Donnington Wood
Telford
Shropshire

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 2011 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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



Jackie Bradshaw (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

26 September 2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £'000	2010 £'000
Turnover	2	254,616	277,055
Cost of sales		(169,808)	(185,827)
Gross profit		84,808	91,228
Administrative expenses		(70,993)	(75,310)
Operating profit		13,815	15,918
Net interest receivable and similar income	3	784	623
Other finance costs	4	(13)	(84)
Profit on ordinary activities before taxation	5	14,586	16,457
Tax on profit on ordinary activities	8	(4,166)	(4,873)
Profit for the financial year	17	10,420	11,584

Amounts above relate to continuing activities

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

The notes on pages 11 to 30 form part of these financial statements

Balance sheet
as at 31 December 2011

	<i>Note</i>	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	16,653	17,999
		<u>16,653</u>	<u>17,999</u>
Current assets			
Stocks	11	11,606	12,768
Debtors	12	91,223	115,458
Cash at bank and in hand		237	632
		<u>103,066</u>	<u>128,858</u>
Creditors amounts falling due within one year	13	(40,973)	(48,039)
		<u>62,093</u>	<u>80,819</u>
Net current assets		62,093	80,819
Total assets less current liabilities		78,746	98,818
Provisions for liabilities	14	(267)	(402)
		<u>78,479</u>	<u>98,416</u>
Net assets excluding pension deficit		78,479	98,416
Pension deficit	20	(2,276)	(1,507)
		<u>76,203</u>	<u>96,909</u>
Net assets including pension deficit		76,203	96,909
Capital and reserves			
Called up share capital	16	14,841	14,841
Share premium account	17	6,634	6,634
Revaluation reserve	17	79	79
Profit and loss account	17	54,649	75,355
		<u>76,203</u>	<u>96,909</u>
Total shareholders' funds		76,203	96,909

The financial statements on pages 7 to 30 were approved by the Board of Directors on and signed on its behalf by

E Biggard
Director

Company number 442696

September 25th 2012

Cash flow statement
for the year ended 31 December 2011

	<i>Note</i>	2011	2010
		£'000	£'000
Net cash inflow from operating activities	<i>19a</i>	33,922	5,088
Returns on investments and servicing of finance	<i>19b</i>	(29,216)	623
Taxation	<i>19b</i>	(4,574)	(4,453)
Capital expenditure and financial investment	<i>19b</i>	(527)	(1,598)
 Decrease in cash in the year	 <i>19c</i>	 (395)	 (340)

Statement of total recognised gains and losses
for the year ended 31 December 2011

	2011 £'000	2010 £'000
Profit for the financial year	10,420	11,584
Actuarial (loss)/gain recognised in the pension scheme (net of deferred tax)	(1,474)	113
Deferred tax arising on gains in the pension scheme	348	(52)
Total recognised gains and losses relating to the financial year	9,294	11,645

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2011

	2011 £'000	2010 £'000
Profit for the financial year	10,420	11,584
Other recognised gains and losses relating to the year (net)	(1,126)	61
Net addition to shareholders' funds	9,294	11,645
Shareholders' funds at the beginning of the year	96,909	85,264
Dividend paid in the financial year	(30,000)	-
Shareholders' funds at the end of the year	76,203	96,909

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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 of 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	- over the life of the lease
Plant and machinery	- 4%-20% per annum
Fixtures and fittings	- 10%-20% per annum
Motor vehicles	- 20%-25% per annum
Computers	- 20%-33 33% per annum

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets *(continued)*

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

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

Related party disclosures

As permitted by FRS 8, the company has not disclosed related party transactions with other group undertakings

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

3 Net interest receivable and similar income

Interest payable and similar charges

	2011	2010
	£'000	£'000
Inter-company interest	(41)	(385)
	<u>(41)</u>	<u>(385)</u>

Other interest receivable and similar income

	2011	2010
	£'000	£'000
Bank and similar interest	2	28
Inter-company interest	823	980
	<u>825</u>	<u>1,008</u>
	<u>784</u>	<u>623</u>
Net interest receivable and similar income	<u>784</u>	<u>623</u>

Notes *(continued)*

4 Other finance costs

	2011	2010
	£'000	£'000
Expected return on pension scheme assets	(565)	(478)
Interest on pension scheme liabilities	578	562
	<u>13</u>	<u>84</u>

5 Profit on ordinary activities before taxations

Profit on ordinary activities is stated after charging

	2011	2010
	£'000	£'000
Depreciation of owned fixed assets	1,874	1,860
Operating lease rentals		
Plant and machinery	4	12
Other	3,695	3,231
Services provided by the company's auditors		
Fees payable for the audit	30	46
Fees payable for other services	-	90

Notes *(continued)*

6 Directors' remuneration

The remuneration of the directors was as follows

	2011	2010
	£'000	£'000
Emoluments	168	166
Pension contributions	13	12
	<u>181</u>	<u>178</u>

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

	2011	2010
	£'000	£'000
Money purchase schemes	1	1

7 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows

	2011	2010
	£'000	£'000
Management and administration	203	150
Distribution and sales	1,260	1,403
	<u>1,463</u>	<u>1,553</u>

	2011	2010
	£'000	£'000
Wages and salaries	35,902	38,305
Social security costs	3,637	3,856
Other pension costs	1,142	681
	<u>40,681</u>	<u>42,842</u>

Notes *(continued)*

8 Tax on profit on ordinary activities

Analysis of charge in the years

	2011	2010
	£'000	£'000
Current tax		
UK corporation tax on income for the year	4,229	4,709
Adjustments in respect of prior years	(35)	29
Total current tax	4,194	4,738
Deferred tax (credit)/charge	(28)	135
Total deferred tax (see note 15)	(28)	135
Tax on profit on ordinary activities	4,166	4,873

The current tax charge for the year is lower (2010 higher) than the current charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2011 of 26.5% (2010 28%). The differences are explained below

Factors affecting the tax charge for the current period	2011	2010
	£'000	£'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	14,586	16,457
Current tax at 26.5% (2010 28%)	3,865	4,608

Notes (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period (continued)	2011 £'000	2010 £'000
<i>Effects of</i>		
Expenses not deductible for tax purposes	78	81
Capital allowances for period less than depreciation	61	20
Adjustments in respect of prior periods	(35)	29
Depreciation on assets not qualifying for capital allowances	119	121
Pension scheme and other timing differences	106	(121)
Total current tax charge	4,194	4,738

During the year the main rate of corporation tax was reduced from 28% to 26%. This change was substantively enacted on 29 March 2011 and effective from 1 April 2011.

In the March 2011 Budget it was announced that the main rate of corporation tax rate would reduce from 26% to 25%, effective from 1 April 2012. This reduction was substantively enacted on 5 July 2011 and is therefore reflected in these financial statements.

Further reductions to the main rate of corporation tax rate were announced in the March 2012 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the main rate of corporation tax rate to 24% effective from 1 April 2012 and then by 1% per annum to 22% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The impact of the future proposed reductions in the tax rate would not result in a material adjustment to the financial statements.

9 Intangible fixed assets

	Goodwill £'000
Cost	
At beginning and end of year	450
Accumulated amortisation	
At beginning and end of year	(450)
Net book value	
At 31 December 2011 and at 31 December 2010	-

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.

Notes (continued)

10 Tangible fixed assets

	Land and buildings £'000	Plant, machinery and computers £'000	Motor vehicles, fixtures and fittings £'000	Total £'000
Cost or valuation				
At beginning of year	24,519	9,865	2,873	37,257
Additions	128	263	137	528
At end of year	<u>24,647</u>	<u>10,128</u>	<u>3,010</u>	<u>37,785</u>
Depreciation				
At beginning of year	10,559	7,417	1,282	19,258
Charge for the year	1,111	468	295	1,874
At end of year	<u>11,670</u>	<u>7,885</u>	<u>1,577</u>	<u>21,132</u>
Net book value				
At 31 December 2011	<u>12,977</u>	<u>2,243</u>	<u>1,433</u>	<u>16,653</u>
At 31 December 2010	<u>13,960</u>	<u>2,448</u>	<u>1,591</u>	<u>17,999</u>

The net book value of land and buildings comprises

	2011 £'000	2010 £'000
Freehold land and buildings	12,966	13,945
Short leasehold improvements	11	15
	<u>12,977</u>	<u>13,960</u>

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2010 £2,790,000)

Notes (continued)

11 Stocks

	2011 £'000	2010 £'000
Goods for resale	<u>11,606</u>	<u>12,768</u>

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

12 Debtors

	2011 £'000	2010 £'000
Amount falling due within one year		
Trade debtors	37,600	40,883
Amounts owed by group undertakings	49,812	71,006
Prepayments and accrued income	3,811	3,569
	<u>91,223</u>	<u>115,458</u>

13 Creditors: Amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	32,277	37,805
Amounts owed to group undertakings	1,446	2,042
Corporation tax	1,630	2,061
Other taxation and social security	1,799	1,958
Accruals and deferred income	3,821	4,173
	<u>40,973</u>	<u>48,039</u>

Notes *(continued)*

14 Provisions for liabilities

	2011	2010
	£'000	£'000
Deferred tax (Note 15)	228	402
Other provisions	39	-
	<u>267</u>	<u>402</u>
	<u><u>267</u></u>	<u><u>402</u></u>

15 Deferred taxation

	2011
	£'000
At beginning of year	(155)
Credit to the profit and loss account for the year (see note 8)	(28)
Credit to the statement of total recognised gains and losses for the year	(348)
At end of year	<u>(531)</u>
	<u><u>(531)</u></u>

Analysis of deferred tax balances

	2011	2010
	£'000	£'000
Deferred tax liability, excluding deferred tax on pension deficit, included in provisions for liabilities	228	402
Deferred tax on pension deficit – included in pension liability	(759)	(557)
	<u>(531)</u>	<u>(155)</u>
	<u><u>(531)</u></u>	<u><u>(155)</u></u>

	2011	2010
	£'000	£'000
Accelerated capital allowances	228	402
	<u>228</u>	<u>402</u>
	<u><u>228</u></u>	<u><u>402</u></u>

Notes (continued)

16 Called up share capital

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
14,841,100 ordinary shares of £1 each (2010: 14,841,100)	<u>14,841</u>	<u>14,841</u>

17 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At beginning of year	6,634	79	75,355
Profit for the financial year	-	-	10,420
Dividend paid in the financial year	-	-	(30,000)
Actuarial gain recognised in the pension scheme	-	-	(1,474)
Deferred tax arising on gains in the pension scheme	-	-	348
At end of year	<u>6,634</u>	<u>79</u>	<u>54,649</u>

	2011 £'000	2010 £'000
Profit and loss account excluding pension deficit	56,925	76,862
Pension deficit	(2,276)	(1,507)
Profit and loss account including pension deficit	<u>54,649</u>	<u>75,355</u>

Notes *(continued)*

18 Contingent liabilities and other financial commitments

- (a) There were capital commitments at the year end totalling £27,000 (2010 £117,000)
- (b) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	Other
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
On leases which expire:				
Within one year	238	166	427	434
Within two to five years	767	816	2,152	1,596
After five years	115	231	-	-
	1,120	1,213	2,579	2,030

Notes (continued)

19 Cash flow information

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2011	2010
	£'000	£'000
Operating profit	13,815	15,918
Depreciation and amortisation charges	1,874	1,860
Decrease in stocks	1,162	762
Decrease/(increase) in debtors	24,235	(10,769)
Decrease in creditors less corporation tax movement	(6,635)	(2,167)
Cash funding in excess of pension charge	(529)	(516)
Net cash inflow from operating activities	33,922	5,088

(b) Analysis of cash flow

	2011	2010
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	825	1,008
Interest paid	(41)	(385)
Dividends paid	(30,000)	-
Net cash (outflow)/ inflow from returns on investments and servicing of finance	(29,216)	623

	2011	2010
	£'000	£'000
Taxation		
UK Corporation tax paid	(4,574)	(4,453)

Notes (continued)

19 Cash flow information (continued)

(b) Analysis of cash flow (continued)

	2011	2010
	£'000	£'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(527)	(1,598)
Net cash outflow for capital expenditure and financial investment	<u>(527)</u>	<u>(1,598)</u>

(c) Analysis and reconciliation of cash

	1 January 2011 £'000	Cash flow £'000	31 December 2011 £'000
Cash at bank and in hand	<u>632</u>	<u>(395)</u>	<u>237</u>

	2011	2010
	£'000	£'000
Decrease in cash in the year	(395)	(340)
Net funds at beginning of year	632	972
Net funds at end of year	<u>237</u>	<u>632</u>

Notes (continued)

20 Pension scheme

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. 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 £626,000 (2010 £681,000). 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 2011.

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 1 January 2009. The current FRS 17 calculations are based on the valuation results as at 1 January 2009, updated to 31 December 2011 by a qualified independent actuary.

	2011 £'000	2010 £'000
Pension deficit at end of year	(3,035)	(2,064)
Related deferred tax asset	759	557
Net liability	<u>(2,276)</u>	<u>(1,507)</u>

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.

Notes *(continued)*

20 Pension scheme *(continued)*

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

	2011 £'000	2010 £'000
Present value of funded defined benefit obligations	(11,637)	(10,304)
Fair value of plan assets	8,602	8,240
Deficit	(3,035)	(2,064)
Related deferred tax asset	759	557
Net liability	<u>(2,276)</u>	<u>(1,507)</u>

Movements in present value of defined benefit obligations

	2011 £'000	2010 £'000
At 1 January	10,304	9,447
	578	562
Interest cost	931	613
Actuarial losses	(176)	(318)
Benefits paid		
At 31 December	<u>11,637</u>	<u>10,304</u>

Movements in fair value of plan assets

	2011 £'000	2010 £'000
At 1 January	8,240	6,838
Expected return on plan assets	565	478
Actuarial gains	(543)	726
Contributions by employer	516	516
Benefits paid	(176)	(318)
At 31 December	<u>8,602</u>	<u>8,240</u>

Notes (continued)

20 Pension scheme (continued)

Expense recognised in the profit and loss account

	2011 £'000	2010 £'000
Interest on defined benefit pension plan obligation	578	562
Return on defined benefit pension plan assets	(565)	(478)
Total	<u>13</u>	<u>84</u>

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

	2011 £'000	2010 £'000
Other finance costs	<u>13</u>	<u>84</u>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £1,474,000 (2010 gain of £113,000)

Cumulative actuarial gains reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently, included by prior year adjustment under paragraph 96 of FRS 17, is a loss of £1,335,000 (2010 £139,000)

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

	2011 Fair value £'000	Percent	2010 Fair value £'000	Percent
Equities	6,422	75	6,328	77
Corporate Bonds	1,980	23	1,690	20
Property	167	2	160	2
Other	33	-	62	1
	<u>8,602</u>	<u>100</u>	<u>8,240</u>	<u>100</u>
Actual return on assets	<u>22</u>		<u>1,204</u>	

Notes (continued)

20 Pension scheme (continued)

At 31 December 2011 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 is set out above.

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is the sum of the return on risk free gilts plus an equity risk premium. The expected return on gilts and bonds is the current market yield on long term gilts and bonds.

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

	2011	2010
	%	%
Future salary increases	2.20	n/a
Discount rate	4.85	5.65
Expected rate of return on plan assets	5.85	6.70
Inflation	3.10	3.60
LPI increases to pensions payment	3.00	3.35

On 8 July 2010, the government announced that it would change the inflation index used for statutory pension increases that would apply to private sector pension schemes to Consumer Price Index ("CPI") where previously it was based on Retail Price Index ("RPI"). However, as RPI is stipulated in the company's pension scheme rules, there has been no change to the inflation index used in the calculation at 31 December 2011.

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 - 21 years (male), 25 years (female)
- Future retiree upon reaching 65 - 23 years (male), 26 years (female)

Notes (continued)

20 Pension scheme (continued)

History of plans

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

Balance sheet

	2011 £'000	2010 £'000	2009	2008 £'000	2007 £'000
Present value of scheme liabilities	(11,637)	(10,304)	(9,447)	(7,986)	(9,362)
Fair value of scheme assets	8,602	8,240	6,838	5,674	6,412
Deficit	(3,035)	(2,064)	(2,609)	(2,312)	(2,950)
	2011 £000/%	2010 £000/%	2009 £000/%	2008 £000/%	2007 £000/%
Experience adjustments on scheme liabilities	(931) 8.0%	613 5.9%	(137) (1.5%)	32 0.4%	65 0.7%
Experience adjustments on scheme assets	(543) (6.3%)	726 8.8%	600 8.8%	(1,468) (25.9%)	(113) (1.8%)
	(1,474)	1,339	463	(1,436)	(48)

The Company expects to contribute approximately £516,000 to its defined benefit plans in the next financial year

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 1 January 2009. A triennial valuation is due as at 1 January 2012. The results contained in this disclosure are based on the draft actuarial valuation as at 1 January 2009, adjusted to allow for the estimated impact of market movement and membership movements between 1 January 2009 and 31 December 2011.

For the valuation as at 1 January 2009, 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.

Notes *(continued)*

21 Ultimate parent company

The smallest and largest group into which the results of the company are consolidated is that of Lyreco S A S , a company incorporated in France

The directors consider Lyreco S A S as the ultimate parent company and the ultimate controlling party