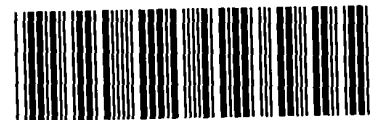


Registered No: 00442696

**Lyreco UK Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2015**

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## **Lyreco UK Limited**

### **Annual report and financial statements for the year ended 31 December 2015**

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# Lyreco UK Limited

## Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

### Review of the business

Lyreco UK Limited provides office and workplace solutions within the UK to a large and diverse customer base. Brand image means that the company is well placed and has a long established and strong reputation within the UK marketplace.

The company's main objectives and strategies are focused on sales and profit growth and the continued focus on sustainability and eco-future targets.

The company's mission statement is "to simplify life at work". The company aims to position itself as the biggest and best office and workplace solutions provider in the UK.

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 where 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.

Regular benchmarking is conducted against the company's main competitors and other Lyreco subsidiaries to compare performance and proposition.

Turnover for 2015 was £230,386,000 (2014: £229,718,000) and was in line with the company's expectations. Profit on ordinary activities before taxation was £17,326,000 or 7.52% of turnover (2014: £14,482,000 or 6.30% of turnover), which represents an excellent return during a gradually improving economic period. The company maintained strong controls over its operating expenses, continued to focus on driving efficiencies and maximising working capital opportunities and also benefitted during 2015 due to the strength of sterling versus the Euro.

During the year the company continued its on-going investment in both of its Corporate Accounts and Field Sales divisions as well as actively pursuing a number of new revenue streams and additional routes to market including the launch of the Nespresso Business Solution B2B division in Northern Ireland.

Net assets decreased year on year from £48,049,000 in 2014 to £40,924,000 in 2015 following the profit after tax achieved in 2015 and the dividend paid in 2015. 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 company maintained its Investor in People status throughout 2015.

The company is accredited for ISO9002:2000 (quality system) and ISO14001 (environment) and will continue to be externally audited for both during 2016.

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 91% of the company's deliveries; these will assist it to achieve its objectives and strategies in the future.

# Lyreco UK Limited

## Strategic report for the year ended 31 December 2015 (continued)

### Future Developments

The turnover for the next reporting period is anticipated to exceed £238,000,000, in an environment showing on-going controls on expenditure by clients and with a general decline in the market for traditional product ranges such as IT consumables and paper.

The company recognizes the on-going and continuing challenge linked to the UK market decline of the traditional office supplies product ranges such as IT consumables and paper. Future company developments will be aimed at maximising our opportunities to protect and grow our market share in these traditional product ranges whilst also focusing on the continued expansion into new ranges such as PPE (Personal Protective Equipment, Catering and Hygiene). The future will also see the company further enhance its IT platforms and tools and the use of social media and most importantly, continue to keep the customer as totally centric to everything that we do.

### Principal risks and uncertainties

#### *Financial Risk*

In its operations, the company is exposed to various types of financial risks. Centrally agreed Group-wide Lyreco policies form the basis under which each of the Lyreco subsidiaries manage these risks. The objectives of the Lyreco Group's policies for management of financial risks are to obtain best value in terms of Lyreco Groups product purchasing costs by utilizing economies of scale, to minimize negative effects on income and profitability as a result of changes in currency or interest rates, to limit risk exposure and to clarify areas of responsibility.

Various aspects of financial risk are described briefly in the following paragraphs.

#### *Currency related risk*

The company purchases certain products in foreign currency which could lead to currency related risk. The company's foreign currency supplier payments are made via Lyreco Group's centralized in-house bank in France, the Lyreco Group Treasury payment factory, that uses techniques such as hedging to minimize currency exposure and loss.

#### *Credit risk*

The company sells to a large number of B2B customers each month and hence needs to constantly monitor the level of credit granted to each customer and the associated potential bad debt risk. Credit risks are managed by the company's in-house Credit Analyst team.

#### *Liquidity risk*

The company deals with a high volume of debtors, creditors and product stock lines and any adverse trends in any of these areas could lead to liquidity pressures. The company therefore constantly monitors its working capital balance against annual targets to ensure that the optimum amount of cash can be generated from profits.

# Lyreco UK Limited

## Strategic report for the year ended 31 December 2015 (continued)

### Principal risks and uncertainties (continued)

#### Product risk

Lyreco's long-term growth target performance depends upon the company's ability to successfully identify changing customer requirements and develop and sell new products and services to match these customer centric needs. Lyreco has constantly monitored the market place to ensure that it keeps abreast of customers' requirements and in response to this it launched its global vision for expansion "to become the single provider for all office and work solutions" to ensure that it brings its services to a wider range of customers and becomes a unique solutions provider for businesses nationwide. Lyreco's proposition covers "Office and Work Solutions" and is targeted at becoming a globally recognized workplace solutions provider with an expanded product portfolio aimed at fully supplying businesses with competitively priced, ecologically friendly products and services.

#### Diversity

The company takes its corporate social responsibilities and diversity very seriously. For the year ended 31 December 2015, the company's gender split was;

|                 | <u>Male</u> | <u>Female</u> |
|-----------------|-------------|---------------|
| Directors       | 2           | -             |
| Senior Managers | 5           | 2             |
| Employees       | 912         | 404           |

On behalf of the board:



**P Hradisky**  
Director

25 May 2016

# Lyreco UK Limited

## Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

### Principal activities

The company's principal activity continues to be the sale and distribution of office products and workplace solutions.

### Dividends

The directors recommended that a final ordinary dividend be paid for 2015 of £20,000,000 (2014: £60,000,000) which was paid in full during the 2015 year.

### 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)

P Hradisky (Slovak)

None of the directors have interests in the share capital of the company (2014: None).

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

### Disabled employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

### Employee consultation

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its. The company encourages the involvement of employee's by means of the company's employee forum – the "Voice of Lyreco".

# Lyreco UK Limited

## Directors' report for the year ended 31 December 2015 (continued)

### Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and the directors.

### 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 strategic report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They 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.

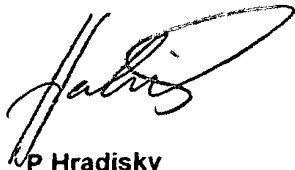
# Lyreco UK Limited

## Directors' report for the year ended 31 December 2015 (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 31 December 2015.

Approved by the Board and signed on its behalf:



**P Hradisky**  
Director

Deer Park Court  
Donnington Wood  
Telford  
Shropshire  
TF2 7NB

25 May 2016

Registered number: 00442696



# Lyreco UK Limited

## Independent auditors' report to the members of Lyreco UK Limited

### Report on the financial statements

#### *Our opinion*

In our opinion, Lyreco UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

#### **What we have audited**

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Other matters on which we are required to report by exception

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

**Responsibilities for the financial statements and the audit**

***Our responsibilities and those of the directors***

As explained more fully in the Statement of directors' responsibilities set out on page 7, 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) ("ISAs (UK & 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.

***What an audit of financial statements involves***

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Ian Wall (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
15 June 2016

## Lyreco UK Limited

### Income statement for the year ended 31 December 2015

|  | Note | 2015<br>£'000  | 2014<br>£'000  |
|--|------|----------------|----------------|
| <b>Revenue</b>                                       | 5    | <b>230,386</b> | <b>229,718</b> |
| Cost of sales  |      | (143,319)      | (145,913)      |
| <b>Gross profit</b>                                  |      | <b>87,067</b>  | <b>83,805</b>  |
| Distribution costs                                   |      | (4,591)        | (4,220)        |
| Administrative expenses                              |      | (65,143)       | (65,215)       |
| <b>Operating profit</b>                              |      | <b>17,333</b>  | <b>14,370</b>  |
| Finance income                                       | 6    | 63             | 180            |
| Other finance costs                                  | 7    | (70)           | (68)           |
| Net interest (expense)/income                        |      | (7)            | 112            |
| <b>Profit on ordinary activities before taxation</b> | 8    | <b>17,326</b>  | <b>14,482</b>  |
| Tax on profit on ordinary activities                 | 10   | (3,682)        | (3,222)        |
| <b>Profit for the reporting period</b>               |      | <b>13,644</b>  | <b>11,260</b>  |

### Statement of comprehensive income for the year ended 31 December 2015

|   | Note | 2015<br>£'000 | 2014<br>£'000 |
|---|------|---------------|---------------|
| Profit for the reporting period                             |      | 13,644        | 11,260        |
| <b>Other comprehensive income/(expense):</b>                |      |               |               |
| Re-measurements of net defined benefit obligation           | 21   | (938)         | (1,218)       |
| Movement on deferred tax relating to pension deficit        |      | 169           | 244           |
| <b>Other comprehensive expense for the year, net of tax</b> |      | <b>(769)</b>  | <b>(974)</b>  |
| <b>Total comprehensive income for the year</b>              |      | <b>12,875</b> | <b>10,286</b> |

# Lyreco UK Limited

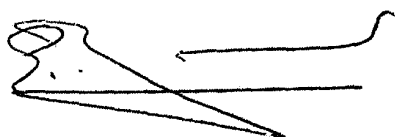
## Statement of financial position as at 31 December 2015

|   | Note | 2015<br>£'000   | 2014<br>£'000 |
|---|------|-----------------|---------------|
| <b>Fixed assets</b>                                   |      |                 |               |
| Intangible assets                                     | 11   | 23              | 14            |
| Tangible assets                                       | 12   | 12,603          | 13,162        |
| <b>Current assets</b>                                 |      |                 |               |
| Inventories   | 13   | 15,262          | 12,964        |
| Debtors   | 14   | 58,473          | 65,505        |
| Cash  |      | 187             | 147           |
|   |      | <b>73,922</b>   | 78,616        |
| <b>Creditors: amounts falling due within one year</b> | 15   | <b>(42,949)</b> | (41,329)      |
| <b>Net current assets</b>                             |      | <b>30,973</b>   | 37,287        |
| <b>Total assets less current liabilities</b>          |      | <b>43,599</b>   | 50,463        |
| Provision for other liabilities                       | 16   | (126)           | (57)          |
| Post-employment benefits                              | 21   | (2,549)         | (2,357)       |
| <b>Net assets</b>                                     |      | <b>40,924</b>   | 48,049        |
| <b>Equity</b>   |      |                 |               |
| Called up share capital                               | 18   | 14,841          | 14,841        |
| Share premium account                                 |      | 6,634           | 6,634         |
| Revaluation reserve                                   |      | 79              | 79            |
| Retained earnings                                     |      | 19,370          | 26,495        |
| <b>Total equity</b>                                   |      | <b>40,924</b>   | 48,049        |

The notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements on pages 11 to 37 were approved by the Board of Directors on the 25 May 2016 and signed on its behalf by

E. Bigeard – Director Registered number: 00442696



# Lyreco UK Limited

## Statement of changes in equity for the year ended 31 December 2015

| Note  | Called-up share capital | Share premium account | Revaluation reserve | Retained earnings | Total equity  |
|---|-------------------------|-----------------------|---------------------|-------------------|---------------|
|   | £'000                   | £'000                 | £'000               | £'000             | £'000         |
| Balance as at 1 January 2014                                  | 14,841                  | 6,634                 | 79                  | 76,209            | 97,763        |
| Profit for the reporting period                               | -                       | -                     | -                   | 11,260            | 11,260        |
| Other comprehensive expense for the year                      | -                       | -                     | -                   | (974)             | (974)         |
| Total comprehensive income for the year                       | -                       | -                     | -                   | 10,286            | 10,286        |
| Dividends paid  | -                       | -                     | -                   | (60,000)          | (60,000)      |
| Total transactions with owners, recognised directly in equity | -                       | -                     | -                   | (60,000)          | (60,000)      |
| <b>Balance as at 31 December 2014</b>                         | <b>14,841</b>           | <b>6,634</b>          | <b>79</b>           | <b>26,495</b>     | <b>48,049</b> |
| Profit for the reporting period                               | -                       | -                     | -                   | 13,644            | 13,644        |
| Other comprehensive expense for the year                      | -                       | -                     | -                   | (769)             | (769)         |
| Total comprehensive income for the year                       | -                       | -                     | -                   | 12,875            | 12,875        |
| Dividends paid  | -                       | -                     | -                   | (20,000)          | (20,000)      |
| Total transactions with owners, recognised directly in equity | -                       | -                     | -                   | (20,000)          | (20,000)      |
| <b>Balance as at 31 December 2015</b>                         | <b>14,841</b>           | <b>6,634</b>          | <b>79</b>           | <b>19,370</b>     | <b>40,924</b> |

# Lyreco UK Limited

## Cash flow statement for the year ended 31 December 2015

|   | Note | 2015<br>£'000   | 2014<br>£'000   |
|---|------|-----------------|-----------------|
| Net cash inflow from operating activities                     | 20   | 23,946          | 63,176          |
| Taxation paid   |      | (3,230)         | (2,940)         |
| <b>Net cash generated from operating activities</b>           |      | <b>20,716</b>   | <b>60,236</b>   |
| <b>Cash flow from investing activities</b>                    |      |                 |                 |
| Purchase of intangible assets                                 |      | (18)            | (2)             |
| Purchase of tangible assets                                   |      | (736)           | (508)           |
| Proceeds from tangible assets                                 |      | 15              | 19              |
| Interest received   |      | 63              | 180             |
| <b>Net cash used in investing activities</b>                  |      | <b>(676)</b>    | <b>(311)</b>    |
| <b>Cash flow from financing activities</b>                    |      |                 |                 |
| Dividends paid  |      | (20,000)        | (60,000)        |
| Interest paid   |      | -               | -               |
| <b>Net cash used in financing activities</b>                  |      | <b>(20,000)</b> | <b>(60,000)</b> |
| <b>Net increase/(decrease) in cash</b>                        |      | <b>40</b>       | <b>(75)</b>     |
| <b>Cash and cash equivalents at the beginning of the year</b> |      | <b>147</b>      | <b>222</b>      |
| <b>Cash and cash equivalents at the end of the year</b>       |      | <b>187</b>      | <b>147</b>      |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 1 General information

The company's principal activity continues to be the sale and distribution of office products and workplace solutions. The company sells primarily to the UK and British Isles.

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Deer Park Court, Donnington Wood, Telford, Shropshire, TF2 7NB.

### 2 Statement of compliance

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 (SI 2008/410)

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS102 in these financial statements. Details of the transition to FRS102 are disclosed in note 23.

#### Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

#### Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### 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. Accruals for sales discounts and rebates are based upon the terms of customer contracts and are recorded in the same period as the related sales as a deduction from revenue.

Due to the nature of the company no consideration received is deferred and therefore no transaction constitutes as a financing transaction. Should this type of transaction arise the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3 Summary of significant accounting policies (continued)

#### Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its useful life of one year or licence term whichever is most appropriate on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

#### Tangible fixed assets

Fixed assets are stated at cost, net of depreciation and any accumulated impairment losses. 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:

##### Land and buildings

|                                       |   |                            |
|---------------------------------------|---|----------------------------|
| 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 |

##### Other

|                |   |                        |
|----------------|---|------------------------|
| Motor vehicles | - | 20% - 25% per annum    |
| Computers      | - | 20% - 33.33% per annum |

Residual value is calculated on prices prevailing to the date of this accounting period.

#### Leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the lease period.

The company has taken advantage of the exemption in respect of leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.



# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3 Summary of significant accounting policies (continued)

#### **Inventories**

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period which the related revenue is recognised.

Cost is determined on the most recent purchase price method. Cost includes the purchase price including taxes and duties attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed up to the original impairment loss, and is recognised as a credit in the profit and loss account.

#### **Related party disclosures**

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

#### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively.

Current of deferred taxation assets and liabilities are not discounted.

#### *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3 Summary of significant accounting policies (continued)

#### Purchase and advertising rebates

The company enters into supplier arrangements which include incentives for the company. Amounts expected to be received from vendors are estimated and recognised as a reduction of inventory cost and are then recorded in the same period as the related sales as a deduction from cost of goods sold.

#### 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.

A 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 changes in equity, actuarial gains and losses.

The company also operates a defined contribution scheme. The amount charged to the income statement 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 statement of financial position.

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 statement of financial position 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 income statement

#### 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.

#### Financial instrument

The company has chosen to adopt the Sections 11 and 12 of FRS102 in respect of financial instruments.

##### (i) Financial assets

Basic financial assets, including trade and other receivable, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes as a financing transaction price, where the transaction is measure at the present value of the future receipts discounted at a market rate of interest.

**Notes to the financial statements  
for the year ended 31 December 2015 (continued)**

**3 Summary of significant accounting policies (continued)**

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownerships of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*(ii) Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligation to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

*(iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the and settle the liability simultaneously.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 3 Summary of significant accounting policies (continued)

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

#### Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

### 4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Critical judgements in applying the company's accounting policies

##### (i) Exemptions on transition to FRS102

The company has elected to use the previous UK GAAP valuation on all items of land and buildings at the deemed cost on transition to FRS102. The items are being depreciated from the date of transition 1<sup>st</sup> January 2014 in accordance with the company's accounting policies.

#### (b) Critical judgements in applying the company's accounting policies

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the financial year are addressed below.

##### (i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

##### (ii) Inventory provisioning

The company buys and sells workplace products and is subject to changing customer demands whom are in turn affected by consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of products. See note 13 for the net carrying amount of the inventory and associated provision.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 4 Critical accounting judgements and estimation uncertainty (continued)

#### (b) Critical judgements in applying the company's accounting policies (continued)

##### (iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

##### (iv) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

### 5 Revenue

In the opinion of the Directors, there is only one class of business, which is the distribution of office products.

All revenue was derived in the United Kingdom 2015: £222,000,000 (2014: £223,000,000) and Ireland 2015: 8,000,000 (2014: £7,000,000).

### 6 Finance income

|   | 2015  | 2014  |
|---|-------|-------|
|   | £'000 | £'000 |
| <b>Interest receivable and similar income</b> |       |       |
| Bank and similar interest                     | 35    | 86    |
| Inter-company interest                        | 28    | 94    |
|   | 63    | 180   |
| <b>Finance income</b>                         | 63    | 180   |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 7 Other finance costs

|                                     | 2015  | 2014  |
|-------------------------------------|-------|-------|
|                                     | £'000 | £'000 |
| Net interest on net defined benefit | (70)  | (68)  |
|                                     | (70)  | (68)  |

### 8 Profit on ordinary activities before taxation

*Profit on ordinary activities is stated after charging:*

|  | 2015    | 2014    |
|--|---------|---------|
|  | £'000   | £'000   |
| Foreign exchange gains                             | (144)   | (78)    |
| Foreign exchange losses                            | 258     | 107     |
| Impairment of receivables recognised in P&L        | (5)     | (113)   |
| Inventory recognised as expense during the period  | 153,652 | 155,560 |
| Impairment of inventory included in cost of sales  | 12      | 72      |
| Operating lease charges                            | 4,444   | 4,495   |
| Profit on disposal of tangible assets              | (10)    | (12)    |
| <b>Services provided by the company's auditors</b> |         |         |
| - fees payable for the audit                       | 53      | 45      |

### 9 Employees and directors

#### Employees

The average monthly number of persons (including executive directors and senior management) employed by the company during the year was:

|                                 | 2015   | 2014   |
|---------------------------------|--------|--------|
| By activity                     | Number | Number |
| Sales Force & Customer Services | 651    | 668    |
| Distribution & Logistics        | 571    | 565    |
| Head Office & Other             | 103    | 102    |
|                                 | 1,325  | 1,335  |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 9 Employees and directors (continued)

Their aggregate remuneration comprised:

|                        | 2015          | 2014          |
|------------------------|---------------|---------------|
|                        | £'000         | £'000         |
| Wages and salary costs | 35,108        | 34,719        |
| Social security costs  | 3,542         | 3,538         |
| Other pension costs    | 2,111         | 2,018         |
|                        | <b>40,761</b> | <b>40,275</b> |

#### Directors

The remuneration of the directors was as follows:

|                       | 2015       | 2014       |
|-----------------------|------------|------------|
|                       | £'000      | £'000      |
| Aggregate emoluments  | 179        | 166        |
| Pension contributions | 14         | 14         |
|                       | <b>193</b> | <b>180</b> |

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

|                        | 2015   | 2014   |
|------------------------|--------|--------|
|                        | Number | Number |
| Money Purchase Schemes | 1      | 1      |

#### Key management compensation

|  | 2015       | 2014       |
|--|------------|------------|
|  | £'000      | £'000      |
| Salaries and other short term benefits | 736        | 771        |
| Compensation for loss of office        | -          | 64         |
| Post-employment benefits               | 41         | 40         |
|  | <b>777</b> | <b>875</b> |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 10 Tax on profit on ordinary activities

#### (a) Tax expense included in income statement

|   | 2015             | 2014             |
|---|------------------|------------------|
|   | £'000            | £'000            |
| <b>Current tax</b>                              |                  |                  |
| UK corporation tax on income for the year       | 3,437            | 3,104            |
| Adjustments in respect of prior years           | 21               | (20)             |
| <b>Total current tax</b>                        | <b>3,458</b>     | <b>3,084</b>     |
| <br>Deferred tax charge                         | <br>224          | <br>138          |
| <b>Total deferred tax (Note 17)</b>             | <b>224</b>       | <b>138</b>       |
| <br><b>Tax on profit on ordinary activities</b> | <br><b>3,682</b> | <br><b>3,222</b> |

#### (b) Tax income included in other comprehensive income

|  | 2015           | 2014           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Current tax</b>   |                |                |
| Deferred tax   | -              | -              |
| Deferred tax arising on actuarial loss in the pension scheme       | 169            | 244            |
| <b>Total deferred tax</b>  | <b>169</b>     | <b>244</b>     |
| <br><b>Total tax income included in other comprehensive income</b> | <br><b>169</b> | <br><b>244</b> |



# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 10 Tax on profit on ordinary activities (Continued)

#### (c) Reconciliation of tax charge

|   | 2015         | 2014         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| <b>Factors affecting the tax charge for the current year</b>                  |              |              |
| Profit on ordinary activities before taxation                                 | 17,326       | 14,482       |
| <b>Current tax at 20.25% (2014: 21.50%)</b>                                   | <b>3,509</b> | <b>3,114</b> |
| <i>Effects of:</i>  |              |              |
| Expenses not deductible for tax purposes                                      | 14           | 25           |
| Capital allowances for year (greater than)/ less than depreciation            | (62)         | 6            |
| Adjustments in respect of prior years   | 21           | (20)         |
| Depreciation on assets not qualifying for capital allowance                   | 113          | 120          |
| Pension scheme and other timing differences                                   | (137)        | (160)        |
| Re-measurement of deferred tax:   |              |              |
| Deferred tax on movement on accelerated capital allowances                    | 43           | (12)         |
| Deferred tax on interest on pension deficit                                   | (13)         | (14)         |
| Deferred tax on pension deficit contributions                                 | 147          | 163          |
| Deferred tax relating to change in deferred tax rate<br>2015: 18% (2014: 20%) | 47           | -            |
| <b>Total tax charge</b>   | <b>3,682</b> | <b>3,222</b> |

The current tax charge for the year is higher (2014: higher) than the current charge that would result from applying the standard rate of UK corporation tax for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below.

In the Chancellor's Budget of 18 March 2015 it was announced that the rate of Corporation tax was to be reduced from 21% to 20% on 1 April 2015. Therefore, the company's profits for the accounting year are taxed at an effective rate of 20.25% (2014: 21.50%).

**Lyreco UK Limited**

**Notes to the financial statements  
for the year ended 31 December 2015 (continued)**

**11 Intangible assets**

|                                 | Software<br>£'000 |
|---------------------------------|-------------------|
| <b>Cost</b>                     |                   |
| At 1 January 2015               | 31                |
| Additions                       | 18                |
| Disposals                       | (3)               |
| <b>At 31 December 2015</b>      | <b>46</b>         |
| <b>Accumulated amortisation</b> |                   |
| At 1 January 2015               | (17)              |
| Charge for the year             | (9)               |
| Disposals                       | 3                 |
| <b>At 31 December 2015</b>      | <b>(23)</b>       |
| <b>Net book value</b>           |                   |
| <b>At 31 December 2015</b>      | <b>23</b>         |
| At 31 December 2014             | 14                |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 12 Tangible assets

|                                 | Land and<br>buildings<br>£'000 | Plant,<br>machinery and<br>fixtures and<br>fitting<br>£'000 | Other<br>£'000 | Total<br>£'000  |
|---------------------------------|--------------------------------|---|----------------|-----------------|
| <b>Cost</b>                     |                                |   |                |                 |
| At 1 January 2015               | 18,052                         | 16,271  | 2,844          | 37,167          |
| Additions                       | -                              | 332   | 404            | 736             |
| Disposals                       | (9)                            | (97)  | (185)          | (291)           |
| <b>At 31 December 2015</b>      | <b>18,043</b>                  | <b>16,506</b>   | <b>3,063</b>   | <b>37,612</b>   |
| <b>Accumulated depreciation</b> |                                |   |                |                 |
| At 1 January 2015               | (8,018)                        | (13,828)  | (2,158)        | (24,004)        |
| Charge for the year             | (563)                          | (342)   | (386)          | (1,291)         |
| Disposals                       | 9                              | 93  | 184            | 286             |
| <b>At 31 December 2015</b>      | <b>(8,572)</b>                 | <b>(14,077)</b>   | <b>(2,360)</b> | <b>(25,009)</b> |
| <b>Net book value</b>           |                                |   |                |                 |
| <b>At 31 December 2015</b>      | <b>9,471</b>                   | <b>2,429</b>  | <b>703</b>     | <b>12,603</b>   |
| At 31 December 2014             | 10,034                         | 2,443   | 686            | 13,163          |

The net book value of land and buildings comprises:

|                              | 2015<br>£'000 | 2014<br>£'000 |
|------------------------------|---------------|---------------|
| Freehold land and buildings  | 9,437         | 9,994         |
| Short leasehold improvements | 34            | 40            |
|                              | <b>9,471</b>  | <b>10,034</b> |

Freehold land and buildings includes non-depreciable land with a cost of £2,790,000 (2014: £2,790,000)

## Lyreco UK Limited

### Notes to the financial statements for the year ended 31 December 2015 (continued)

#### 13 Inventories

|                  | 2015   | 2014   |
|------------------|--------|--------|
|                  | £'000  | £'000  |
| Goods for resale | 15,262 | 12,964 |

There is no material difference between the statement of financial position value of inventories and their replacement cost.

Inventories are stated after provisions for impairment of £150,000 (2014: £139,000).

#### 14 Debtors

|                                    | 2015   | 2014   |
|------------------------------------|--------|--------|
|                                    | £'000  | £'000  |
| Trade debtors                      | 39,203 | 38,771 |
| Amounts owed by group undertakings | 16,837 | 24,946 |
| Prepayments and accrued income     | 2,155  | 1,455  |
| Deferred tax                       | 278    | 333    |
|                                    | 58,473 | 65,505 |

Amounts owed by group undertakings are unsecured and are repayable on demand. Interest is received at 0.2%.

Trade debtors are stated after provisions for impairment of £277,000 (2014: £282,000).

The deferred tax amount of £278,000 (2014: £333,000) falls due after more than one year.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 15 Creditors: amounts falling due within one year

|                                    | 2015          | 2014          |
|------------------------------------|---------------|---------------|
|                                    | £'000         | £'000         |
| Trade creditors                    | 32,153        | 30,554        |
| Amounts owed to group undertakings | 2,288         | 2,341         |
| Corporation tax                    | 1,603         | 1,375         |
| Other taxation and social security | 3,017         | 2,667         |
| Accruals and deferred income       | 3,888         | 4,392         |
|                                    | <b>42,949</b> | <b>41,329</b> |

Amounts owed to group undertakings are unsecured, interest free, and are due to be paid within 2 months of the accounting year end date.

### 16 Provisions for other liabilities

|  | Pending<br>litigation & other<br>employment<br>benefits | Total        |
|--|---|--------------|
|  | £'000   | £'000        |
| Balance at 1 <sup>st</sup> January 2015            | (57)  | (57)         |
| Amounts charged                                    | (69)  | (69)         |
| Additions dealt with on other comprehensive income | -   | -            |
| Additions dealt with in profit or loss             | -   | -            |
| <b>Balance at 31<sup>st</sup> December 2015</b>    | <b>(126)</b>  | <b>(126)</b> |

#### Pending litigations & other employment benefits

At the 31 December 2015 the company had one open employee litigation case; a provision of £40,000 has been recognised for this. The claim is expected to be fully resolved in 2016.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 17 Deferred taxation

|  | 2015         |
|--|--------------|
|  | £'000        |
| At 1 January 2015  | (333)        |
| Debit to the income statement for the year (see note 10) | 224          |
| Credit to the statement of other comprehensive income    | (169)        |
| <b>At 31 December 2015</b>                               | <b>(278)</b> |

#### *Analysis of deferred tax balances:*

|                                 | 2015         | 2014         |
|---------------------------------|--------------|--------------|
|                                 | £'000        | £'000        |
| Accelerated capital allowances  | 181          | 138          |
| Deferred tax on pension deficit | (459)        | (471)        |
| <b>At 31 December</b>           | <b>(278)</b> | <b>(333)</b> |

### 18 Called up share capital

|   | 2015   | 2014   |
|---|--------|--------|
|   | £'000  | £'000  |
| <b>Allotted, called up and fully paid</b>               |        |        |
| 14,841,100 ordinary shares of £1 each (2014 14,841,100) | 14,841 | 14,841 |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The directors recommend that a final ordinary dividend be paid for 2015: £20,000,000 (2014: £60,000,000) which was paid in full during the 2015 year. The dividends proposed for 2016 is £14,000,000.

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 19 Contingent liabilities and other financial commitments

- (a) There were no capital commitments at the year-end totalling £nil (2014 :£nil).
- (b) Total future commitments under non-cancellable operating leases are as follows:

|                                | 2015         | 2014         |
|--------------------------------|--------------|--------------|
|                                | £'000        | £'000        |
| <b>On leases which expire:</b> |              |              |
| Within one year                | 3,377        | 3,152        |
| Within two to five years       | 5,921        | 5,141        |
| After five years               | -            | -            |
| <b>Total</b>                   | <b>9,298</b> | <b>8,293</b> |

### 20 Cash flow information

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

|  | 2015          | 2014          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Profit for the financial year              | 13,644        | 11,260        |
| Tax on profit on ordinary activities       | 3,682         | 3,222         |
| Net interest expense/(income)              | 7             | (112)         |
| <b>Operating profit</b>                    | <b>17,333</b> | <b>14,370</b> |
| Amortisation of intangible assets          | 9             | 7             |
| Depreciation of tangible assets            | 1,291         | 1,604         |
| Profit on disposal of tangible assets      | (10)          | (12)          |
| Post-employment benefits less payments     | (816)         | (816)         |
| Other provisions less payments             | 68            | (32)          |
| Working capital movements:                 |               |               |
| - Increase in inventories                  | (2,298)       | (1,515)       |
| - Decrease in debtors                      | 6,977         | 49,514        |
| - Increase in payables                     | 1,392         | 56            |
| <b>Cash flow from operating activities</b> | <b>23,946</b> | <b>63,176</b> |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 21 Post-employment benefits

The Company sponsors a pension plan, the Lyreco (UK) Pension Fund ("the Fund"). The Fund is a funded arrangement that provides benefits on a defined benefit basis. The disclosures below have been provided in relation to benefits payable from the defined benefit section of the Fund.

The level of benefits provided by the defined benefit section of the Fund depends on a member's length of service and their final salary at their date of leaving the Fund. It is closed to future accrual.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 January 2015 and contributions of £816,000 were paid by the Company to the Scheme during the year ended 31 December 2015.

The results of the latest funding valuation at 1 January 2015 have been adjusted to the balance sheet date of 31 December 2015 taking account of experience over the year since 1 January 2015, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Method.

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

|   | 2015 | 2014 |
|---|------|------|
|   | % pa | %pa  |
| RPI Inflation                             | 3.10 | 3.00 |
| CPI Inflation                             | 2.00 | 2.00 |
| Pension increases in payment (RPI max 5%) | 2.95 | 2.90 |
| Discount rate                             | 3.95 | 3.65 |

|  | 2015   | 2014  |
|--|--|---|
| Mortality  | <b>SAPS S2 tables with a scaling factor of 102% (90%) for male (female) pensioners, and improvements in line with the CMI 2014 projections and a long-term rate of improvement of 1.25% p.a.</b> | 105% if S1PxA standard tables with improvements in line with the CMI 2011 projections and a long-term rate of improvement of 1.00% p.a. |
| Life expectancy for male currently aged 65         | <b>23 years</b>  | 22 years  |
| Life expectancy at 65 for male currently aged 45   | <b>24 years</b>  | 23 years  |
| Life expectancy for female currently aged 65       | <b>24 years</b>  | 24 years  |
| Life expectancy at 65 for female currently aged 45 | <b>27 years</b>  | 26 years  |



# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 21 Post-employment benefits (continued)

|                                | 2015          | 2015          | 2014          | 2014          |
|--------------------------------|---------------|---------------|---------------|---------------|
| Scheme asset allocation        | £'000         | %             | £'000         | %             |
| Equities                       | 9,409         | 74.00         | 9,364         | 74.00         |
| Government and corporate bonds | 2,749         | 22.00         | 3,001         | 23.00         |
| Property                       | 275           | 2.00          | 257           | 2.00          |
| Other                          | 235           | 2.00          | 67            | 1.00          |
| <b>Total</b>                   | <b>12,668</b> | <b>100.00</b> | <b>12,689</b> | <b>100.00</b> |

None of the Scheme assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

|   | 2015           | 2014           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Fair value of assets                                  | 12,668         | 12,689         |
| Present value of funded defined benefit obligations   | (15,217)       | (15,046)       |
| Funded status   | (2,549)        | (2,357)        |
| Present value of unfunded defined benefit obligations | -              | -              |
| Unrecognised asset                                    | -              | -              |
| <b>Liability</b>                                      | <b>(2,549)</b> | <b>(2,357)</b> |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 21 Post-employment benefits (continued)

|   | 2015       | 2014         |
|---|------------|--------------|
|   | £'000      | £'000        |
| Operating cost:                                       |            |              |
| Current service cost                                  | -          | -            |
| Administrative expenses                               | -          | -            |
| Past service cost (incl. Curtailments)                | -          | -            |
| Settlement cost                                       | -          | -            |
| Financing cost:                                       |            |              |
| Interest on net defined benefit liability             | 70         | 68           |
| <b>Pension expense recognised in income statement</b> | <b>70</b>  | <b>68</b>    |
| Amounts recognised in other comprehensive Income:     |            |              |
|   | 2015       | 2014         |
|   | £'000      | £'000        |
| Asset losses/(gains) arising during the year          | 1,137      | (386)        |
| Liability (gains)/losses arising during the year      | (199)      | 1,604        |
| <b>Total recognised in other comprehensive income</b> | <b>938</b> | <b>1,218</b> |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 21 Post-employment benefits (continued)

|  |               |              |
|--|---------------|--------------|
| Changes to the present value of the defined benefit obligation during the year | <b>2015</b>   | <b>2014</b>  |
|  | <b>£'000</b>  | <b>£'000</b> |
| Opening defined benefit obligation (DBO)                                       | <b>15,046</b> | 13,064       |
| Current service cost   | -             | -            |
| Interest expense on DBO  | <b>546</b>    | 597          |
| Contribution by scheme members   | -             | -            |
| Actuarial (gains)/losses on scheme liabilities                                 | <b>(199)</b>  | 1,604        |
| Net benefits paid out  | <b>(176)</b>  | (219)        |
| Past service cost (incl. curtailments)   | -             | -            |
| Net increase in liabilities from disposals/ acquisitions                       | -             | -            |
| Settlements  | -             | -            |
| <b>Closing defined benefit obligation</b>                                      | <b>15,217</b> | 15,046       |

|  |                |              |
|--|----------------|--------------|
| Changes to the fair value of scheme assets during the year | <b>2015</b>    | <b>2014</b>  |
|  | <b>£'000</b>   | <b>£'000</b> |
| Opening fair value of scheme assets                        | <b>12,689</b>  | 11,177       |
| Interest income on scheme assets                           | <b>476</b>     | 529          |
| (Loss)/gain on scheme assets                               | <b>(1,137)</b> | 386          |
| Contributions by the employer                              | <b>816</b>     | 816          |
| Contributions by scheme participants                       | -              | -            |
| Net benefits paid out                                      | <b>(176)</b>   | (219)        |
| Administration costs incurred                              | -              | -            |
| Net increase in assets from disposals/acquisitions         | -              | -            |
| Settlements  | -              | -            |
| <b>Closing fair value of scheme assets</b>                 | <b>12,668</b>  | 12,689       |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 21 Post-employment benefits (continued)

|                                       |              |            |
|---------------------------------------|--------------|------------|
| Actual return on Scheme assets        | 2015         | 2014       |
|                                       | £'000        | £'000      |
| Interest income on scheme assets      | 476          | 529        |
| (Loss)/gain on scheme assets          | (1,137)      | 386        |
| <b>Actual return on scheme assets</b> | <b>(661)</b> | <b>915</b> |

### 22 Controlling parties

The immediate parent undertaking is Lyreco S.A.S.

Lyreco UK Limited is a wholly owned subsidiary of Lyreco S.A.S (registered address: Rue du 19 mars 1962, 59770 Marly), a Company incorporated and registered in France.

The ultimate parent and controlling party is Lyreco S.A.S which is the parent of the smallest and largest group to consolidate these financial statements.

### 23 Transition to FRS102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile the changes from UK GAAP to FRS 102.

#### Profits under old GAAP to FRS 102 for the year 2014

|   |               |
|---|---------------|
|   | 2014          |
| Profit previously reported under UK GAAP                  | 11,448        |
| Defined benefit pension scheme                            | (235)         |
| Deferred tax adjustment on defined benefit pension scheme | 47            |
| <b>Profit reported under FRS 102</b>                      | <b>11,260</b> |

#### Other comprehensive income

|   |            |
|---|------------|
|   | 2014       |
| UK GAAP as previously reported                            | (1,162)    |
| Defined benefit pension scheme                            | 235        |
| Deferred tax adjustment on defined benefit pension scheme | (47)       |
| <b>Other comprehensive income reported under FRS 102</b>  | <b>974</b> |

# Lyreco UK Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 23 Transition to FRS102 (continued)

There is no difference between total equity as at 1 January 2014 and 31 December 2014 under UK GAAP as previously reported and FRS 102.

#### (i) Defined benefit scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS102 a net interest expense, based on the net defined benefit liability, is recognised in the income statement. There has been no change in the defined liability at either 1 January 2014 or 31 December 2014. The effect of the change has been to reduce the credit to the income statement in the year to 31 December 2014 by £235,000 and increase the credit in other comprehensive income by an equivalent amount.

#### (ii) Rent free period for operating leases

Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives be spread over the lease period. The company has taken advantage of the exemption for existing leases at the transition date to continue to recognise these lease incentives on the same basis as previous UK GAAP. Accordingly the FRS102 accounting policy has been applied to new operating leases entered into since 1 January 2015, however no such lease agreements have been entered into in 2014 and therefore there has been no impact on the financial statements.

#### (iii) Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect profit for the financial year the following adjustments have arisen which have affected the presentation of these items on the statement of financial position. The main items are:

- (a) Computer software, with a net book value of £14,000 at the 1 January 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.
- (b) Under FRS 102 the deferred tax asset at 1 January 2015 of £471,000, arising on the post employment benefit liability, is now included within deferred tax on the balance sheet. Under the previous UK GAAP, and applying FRSs 17 and 19, the deferred tax assets arising on the post employment liability was offset against the liability. This has no effect on the company's equity or profit for the year.
- (c) Statements of cash flows reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.