

Registered number: 00166396

LSC COMMUNICATIONS UK LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

THURSDAY



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14/06/2018
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LSC COMMUNICATIONS UK LTD

COMPANY INFORMATION

Directors	M Swat G Czech
Company secretary	First Names Secretaries GB Limited
Registered number	00166396
Registered office	4th Floor 45 Monmouth Street London WC2H 9DG
Independent auditor	Peters Elworthy & Moore Salisbury House Station Road Cambridge CB1 2LA
Bankers	ING Bank NV 60 London Wall London EC2M 5TQ

LSC COMMUNICATIONS UK LTD

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Principal activity

On 1 September 2017 the Company's function was changed from being sales support to IT support of other group companies. The principal activity of the company after this date is that of a 100% owned subsidiary of LSC Communications Holdings BV, trading as an agent to service IT maintenance contract.

Results and dividends

The profit for the year, after taxation, amounted to £5,064 (2016 - £474).

An interim dividend of £nil (2016: £753,254) was paid during the financial year. The directors do not propose to pay a final dividend (2016: £nil).

Directors

The directors who served during the year were:

M Swat
G Czech

Future developments

The directors consider the results for the year to be in line with expectations. The directors expect this Company to continue to service group IT maintenance contract in 2018.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Peters Elworthy & Moore, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

This report was approved by the board and signed on its behalf.



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M Swat
Director

Date: 28/5/2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LSC COMMUNICATIONS UK LTD

Opinion

We have audited the financial statements of LSC Communications UK Ltd (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

LSC COMMUNICATIONS UK LTD

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LSC COMMUNICATIONS UK LTD
(CONTINUED)**

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

LSC COMMUNICATIONS UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LSC COMMUNICATIONS UK LTD
(CONTINUED)

Use of our report

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

James Burrett (Senior Statutory Auditor)

for and on behalf of

Peters Elworthy & Moore

Chartered Accountants and Statutory Auditors

Salisbury House

Station Road

Cambridge

CB1 2LA

Date: 1 June 2018

LSC COMMUNICATIONS UK LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Turnover	3	123,239	24,370
Gross profit		<u>123,239</u>	<u>24,370</u>
Administrative expenses		(116,794)	(23,749)
Operating profit	4	<u>6,445</u>	<u>621</u>
Interest payable and expenses	7	(174)	(28)
Profit before tax		<u>6,271</u>	<u>593</u>
Tax on profit	8	(1,207)	(119)
Profit for the financial year		<u><u>5,064</u></u>	<u><u>474</u></u>

There was no other comprehensive income for 2017 (2016:£nil).

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Investments	10		1		1
			1		1
Current assets					
Debtors: amounts falling due within one year	11	83,138		15,304	
Cash at bank and in hand	12	17,332		50,637	
		100,470		65,941	
Creditors: amounts falling due within one year	13	(94,851)		(65,386)	
			5,619		555
Net current assets			5,619		555
Total assets less current liabilities			5,620		556
Net assets			5,620		556
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account			5,520		456
			5,620		556
			5,620		556

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

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M Swat
 Director

The notes on pages 9 to 16 form part of these financial statements.

LSC COMMUNICATIONS UK LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016	100	753,236	753,336
Profit for the year	-	474	474
Dividends: Equity capital	-	(753,254)	(753,254)
At 1 January 2017	100	456	556
Profit for the year	-	5,064	5,064
At 31 December 2017	100	5,520	5,620

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. General information

LSC Communications UK Limited is a company incorporated in the UK with company number 00166396. Its registered office and principal place of business is 4th Floor 45 Monmouth Street, London, WC2H 9DG. The nature of the Company's operations and its principal activity are set out in Director's Report on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of LSC International Holdings Inc. as at 31 December 2017 and these financial statements may be obtained from Corporate Communication Department, 191 West Wacker Drive, Chicago, Illinois 60606, USA.

2.3 Going concern

The directors are satisfied that the Company has adequate resources to continue in existence for the foreseeable future. In forming this opinion the directors have considered the principal risk and uncertainties facing the Company. The Company is not reliant on external financing and accordingly the directors have adopted the going concern basis in preparing the annual report and financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.15 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

3. Turnover

The whole of the turnover is attributable to the recharge of overhead expenses to other members of the Group.

Analysis of turnover by country of destination:

	2017 £	2016 £
Poland	45,827	24,370
United States	77,412	-
	<u>123,239</u>	<u>24,370</u>

4. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Restructuring costs - redundancy settlement	6,657	-
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	4,120	4,000
Exchange differences	175	7
Defined contribution pension cost	789	390
	<u>11,741</u>	<u>8,397</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Employees

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	68,837	7,643
Social security costs	7,320	592
Cost of defined contribution scheme	789	390
	76,946	8,625

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Technology	1	-
Sales	1	1
	2	1

6. Directors' remuneration

No emoluments were payable to the directors in 2017 or 2016. Directors' remuneration was borne by another group company.

7. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	174	28
	174	28

8. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	1,207	119
Total current tax	1,207	119

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. Taxation (continued)

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 19.25% (2016 - 20%).

Factors that may affect future tax charges

Reduction to rate of corporation tax to 17% (effective 1 April 2020) has been enacted. The impact on current and deferred tax charges will be reflected within the financial statements.

The Chancellor of the Exchequer proposed wide-ranging reform in regard to the use of brought forward tax losses and the tax deductibility of corporate interest. The proposed changes to existing legislation have not yet been enacted, and it is expected the new rules will not have a material impact on the Company.

9. Dividends

	2017 £	2016 £
Dividends	-	753,254
	<u> </u>	<u> </u>

10. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 January 2017	1
At 31 December 2017	<u>1</u>
Net book value	
At 31 December 2017	<u>1</u>
At 31 December 2016	<u>1</u>

Included in the unlisted investment is a 1% share holding of a group company.

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Debtors

	2017 £	2016 £
Amounts owed by group undertakings	78,496	13,549
Other debtors	3,582	1,755
Prepayments and accrued income	1,060	-
	83,138	15,304

12. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	17,332	50,637
Less: bank overdrafts	(80,128)	(49,994)
	(62,796)	643

13. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	80,128	49,994
Trade creditors	-	10,502
Amounts owed to group undertakings	4,232	-
Corporation tax	1,207	119
Other creditors	1,274	-
Accruals and deferred income	8,010	4,771
	94,851	65,386

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets measured at fair value through profit or loss	17,333	50,638
Financial assets that are debt instruments measured at amortised cost	82,078	15,304
	99,411	65,942
Financial liabilities		
Financial liabilities measured at amortised cost	(93,644)	(65,267)
	(93,644)	(65,267)

Financial assets measured at fair value through profit or loss comprise cash balance at bank and investments.

Financial assets that are debt instruments measured at amortised cost comprise debtors due within one year excluding prepayments.

Financial liabilities measured at amortised cost comprise creditors falling due within one year excluding corporation tax.

15. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100
	100	100

16. Related party transactions

As a wholly owned subsidiary undertaking of LSC International Holdings Inc, the Company has taken advantage of the exemption according to FRS 102 paragraph 33.1A not to disclose transactions with other wholly owned members of the group headed by LSC International Holdings Inc since that Company produces financial statements which are available to the public and which include LSC Communications UK Limited (formerly R.R. Donnelley Limited).

17. Controlling party

The Company's ultimate parent company and controlling party is LSC International Holdings Inc. which is incorporated in the State of Delaware, USA. The company's immediate parent company is LSC Communications Holdings BV incorporated in the Netherlands.