

Registered number: 00166396

LSC COMMUNICATIONS UK LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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LSC COMMUNICATIONS UK LTD

COMPANY INFORMATION

Directors	W Brown (resigned 12 September 2016) M Swat (appointed 21 March 2016) G Czech (appointed 21 March 2016)
Company secretary	First Names Secretairies 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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LSC COMMUNICATIONS UK LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

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 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.

Principal activity

The principal activity of the company is that of a 100% owned subsidiary of LSC Communications Holdings BV, trading as an agent to service group sales contracts.

Results and dividends

The profit for the year, after taxation, amounted to £474 (2015 - £753,236).

An interim dividend of £753,254 (2015: £15,432,402) was paid during the financial year. The directors do not propose to pay a final dividend (2015: £nil)

Directors

The directors who served during the year were:

W Brown (resigned 12 September 2016)
M Swat (appointed 21 March 2016)
G Czech (appointed 21 March 2016)

LSC COMMUNICATIONS UK LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Future developments

The directors consider the results for the year to be in line with expectations. The directors expect this company to continue trading as an agent in 2017 to both service existing group sales contracts and seek new contracts.

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.

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

Swat Pasdalen

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M Swat
Director

Date: 14/9/2017

LSC COMMUNICATIONS UK LTD

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

We have audited the financial statements of LSC Communications UK Ltd for the year ended 31 December 2016, set out on pages 5 to 17. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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 those financial statements and this report has been prepared in accordance with applicable legal requirements.

LSC COMMUNICATIONS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LSC COMMUNICATIONS UK LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of our 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

James Burrett (Senior Statutory Auditor)

for and on behalf of

Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

26 September 2017

LSC COMMUNICATIONS UK LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover	3	24,370	-
Gross profit		<u>24,370</u>	<u>-</u>
Administrative expenses		(23,749)	-
Operating profit		<u>621</u>	<u>-</u>
Interest receivable and similar income	7	-	944,496
Interest payable and expenses	8	(28)	-
Profit before tax		<u>593</u>	<u>944,496</u>
Tax on profit	9	(119)	(191,260)
Profit for the year		<u>474</u>	<u>753,236</u>
Other comprehensive income for the year			
Total comprehensive income for the year		<u>474</u>	<u>753,236</u>

LSC COMMUNICATIONS UK LTD
REGISTERED NUMBER: 00166396

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	11	1	-
		<u>1</u>	<u>-</u>
Current assets			
Debtors: amounts falling due within one year	12	15,304	1,153,886
Cash at bank and in hand	13	50,637	-
		<u>65,941</u>	<u>1,153,886</u>
Creditors: amounts falling due within one year	14	(65,386)	(400,550)
		<u>555</u>	<u>753,336</u>
Net current assets		<u>556</u>	<u>753,336</u>
Total assets less current liabilities		<u>556</u>	<u>753,336</u>
Net assets		<u><u>556</u></u>	<u><u>753,336</u></u>
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account		456	753,236
		<u>556</u>	<u>753,336</u>

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

Swat
M Swat

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M Swat
 Director

Date: *14/1/2017*

The notes on pages 8 to 17 form part of these financial statements.

LSC COMMUNICATIONS UK LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2015	5,157,851	4,000,000	6,274,651	15,432,502
Profit for the year	-	-	753,236	753,236
Total comprehensive income for the year	-	-	753,236	753,236
Shares issued during the year	4,000,000	-	-	4,000,000
Transfer to share capital	-	(4,000,000)	-	(4,000,000)
Transfer to profit and loss account	(9,157,751)	-	-	(9,157,751)
Transfer to/from profit and loss account	-	-	9,157,751	9,157,751
Dividends: Equity capital	-	-	(15,432,402)	(15,432,402)
Total transactions with owners	(5,157,751)	(4,000,000)	(6,274,651)	(15,432,402)
At 1 January 2016	100	-	753,236	753,336
Profit for the year	-	-	474	474
Total comprehensive income for the year	-	-	474	474
Dividends: Equity capital	-	-	(753,254)	(753,254)
Total transactions with owners	-	-	(753,254)	(753,254)
At 31 December 2016	100	-	456	556

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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.

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.

Information on the impact of first-time adoption of FRS 102 is given in note 19.

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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 2016 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 2016**

2. Accounting policies (continued)

2.4 Revenue

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 instruments 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 2016**

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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

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.

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Borrowing costs

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

2.16 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

Turnover represents recharge of overhead expenses to another member of group.

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Interco	24,370	-
	<u>24,370</u>	<u>-</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
Poland	24,370	-
	<u>24,370</u>	<u>-</u>

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	4,000	-

The auditor's remuneration of £2,000 was borne by a fellow group undertaking in prior year.

5. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	7,643	-
Social security costs	592	-
Cost of defined contribution scheme	390	-
	8,625	-

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

	2016 No.	2015 No.
Sales	1	-

6. Directors' remuneration

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

7. Interest receivable

	2016 £	2015 £
Interest receivable from group companies	-	944,496
	-	944,496

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	28	-
	28	-
	28	-

9. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	119	191,260
	119	191,260
	119	191,260
Total current tax	119	191,260

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2015 - the same as) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%) as set out below:

	2016 £	2015 £
Profit on ordinary activities before tax	593	944,496
	593	944,496
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	119	191,260
Effects of:		
Total tax charge for the year	119	191,260

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Dividends

	2016 £	2015 £
Dividends	753,254	15,432,402
	753,254	15,432,402
	753,254	15,432,402

11. Fixed asset investments

	Unlisted investments £
Cost or valuation	
Additions	1
At 31 December 2016	1
Net book value	
At 31 December 2016	1
At 31 December 2015	-
	-

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

12. Debtors

	2016 £	2015 £
Amounts owed by group undertakings	13,549	1,153,886
Other debtors	1,755	-
	15,304	1,153,886
	15,304	1,153,886

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	50,637	-
Less: bank overdrafts	(49,994)	-
	<u>643</u>	<u>-</u>

14. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	49,994	-
Trade creditors	10,502	-
Amounts owed to group undertakings	-	400,550
Corporation tax	119	-
Accruals and deferred income	4,771	-
	<u>65,386</u>	<u>400,550</u>

The amounts owed to group undertakings are interest free and repayable on demand and include an amount of £nil (2015 - £400,550) which relates to an intercompany tax payable.

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	65,942	1,153,886
	65,942	1,153,886
Financial liabilities		
Other financial liabilities measured at fair value through profit or loss	(65,267)	(400,550)
	(65,267)	(400,550)

Financial assets measured at fair value through profit or loss comprise bank and debtors due within one year.

Other financial liabilities measured at fair value through profit or loss comprise creditors: amounts falling due within one year excluding corporation tax.

16. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100
	100	100

17. 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).

During the year, the company paid contributions of £390 (2015 - £nil) to a group defined contribution pension scheme. Contributions totalling £157 (2015 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

There are no other related party transactions requiring disclosure.

LSC COMMUNICATIONS UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. 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.

19. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.