

**RR DONNELLEY UK LIMITED (formerly  
RR Donnelley Global Document Solutions  
Group Limited)**

**Annual report and financial statements  
for the year ended 31 December 2017**

**Registered number: 6711794**

MONDAY



\*L74Z23K2\*

LD5

30/04/2018

#33

COMPANIES HOUSE

**REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2017**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>7</b>
<b>Independent auditor's report</b>	<b>8</b>
<b>Independent auditor's report</b>	<b>9</b>
<b>Consolidated profit and loss account</b>	<b>10</b>
<b>Consolidated statement of total comprehensive income</b>	<b>11</b>
<b>Consolidated balance sheet</b>	<b>12</b>
<b>Company balance sheet</b>	<b>13</b>
<b>Consolidated statement of changes in equity</b>	<b>14</b>
<b>Company statement of changes in equity</b>	<b>15</b>
<b>Consolidated cash flow statement</b>	<b>16</b>
<b>Notes to the financial statements</b>	<b>17</b>

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2017**

**OFFICERS AND PROFESSIONAL ADVISORS**

**Directors**

J S Farmer  
M S Gordon  
K T Woor

**Secretary**

J Dally

**Registered office**

Tower Close  
Huntingdon  
Cambridgeshire PE29 7YD

**Bankers**

National Westminster Bank PLC  
92 High Street  
Huntingdon  
Cambridgeshire PE18 6DT

**Solicitors**

Eversheds Sutherland  
Kett House  
Station Road  
Cambridge CB1 2JY

DLA Piper LLP  
3 Noble Street  
London  
EC2V 7EE

**Auditor**

Deloitte LLP  
Statutory Auditor  
Cambridge, United Kingdom

# **RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

## **STRATEGIC REPORT**

The directors, in preparing this strategic report, have complied with Section 414C of the Companies Act 2006. The directors present this Strategic report and the audited financial statements for the year ended 31 December 2017.

This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to RR Donnelley UK Limited and its subsidiaries when viewed as a whole.

### **Business review and future developments**

RR Donnelley UK Limited is a company registered in England and Wales under the Companies Act, and limited by shares. The principal activities of the Group and Company are the provision of brand communication services including marketing services, customer management and business support services. The directors expect the general level of activity to remain consistent with 2017 in the forthcoming year. At the date of this report the directors are not planning any major changes in the Group's or Company's activities for the next year.

The Group has subsidiary undertakings that exist outside of the United Kingdom.

### **Key performance indicators**

As shown in the consolidated profit and loss account on page 10, the Group's sales have shown a decrease of 7.8% (2016 - decrease 7.9%) over the prior year. Of this decrease £1.8m results from the sale of part of the Group's Spanish subsidiary's business, and £14.1m is the net impact of reduced volumes from existing customers, less new contracts gained in the year. Group operating profit before goodwill amortisation and exceptional items (Note 7) decreased by 43.7% (2016 - decrease 46.8%) from £5.5m to £3.1m, primarily driven by a £3.5 million reduction in gross profit due to the reduction in sales volume and a 1% reduction in gross profit margin, offset by savings in sales and administrative costs of £1.1 million. The Group operating loss for the year was £1.8m (2016 - profit £5.3m). Retained loss transferred to reserves was £0.9m (2016 - profit £5.7m).

The consolidated balance sheet on page 12 of the financial statements shows the Group's financial position at the year-end. During the year the Group's average debtor days have increased from 57 to 61, average creditor days have increased from 55 to 58, and annual stock turnover has decreased from 89 to 69 times.

The average monthly number of persons employed by the Group has decreased by 5.6% (2016 - decrease 10.7%) during the year. Employee numbers vary as contracts are won or expire.

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Group are as follows:

Due to the rapid pace of technological innovation and change, there is a risk that the systems used by the Group to satisfy the demands of its customers could be superseded earlier than originally anticipated. The Group manages this risk through continued investment in new technology so as to provide enhanced and uninterrupted services to its customers.

The Group processes personal and sensitive data on behalf of its customers. Any loss, or breach of confidentiality of this data could result in financial loss to the Group, and damage to its reputation. The Group manages this risk through continued investment in IT systems and security, and the monitoring and control of the use of client data.

A considerable proportion of the Group's revenue is derived from a comparatively small number of customers. This poses the risk that the loss of one or more of these customers could have a material effect on the Group's sales and profitability. In the current year the Group's top five customers accounted for 33% (2016 - 39%) of turnover. The Group maintains close commercial relationships with key customers, and continually monitors and seeks to enhance the services that it provides.


The Group considers employees to be a key resource. There is a risk in not retaining and motivating the best people. The Group has training development and performance management and reward programmes to retain and motivate its employees.

**STRATEGIC REPORT (continued)**

**Post balance sheet events**

Details of significant events since the balance sheet date are contained in note 29 to the financial statements.

Approved by the Board of Directors on 26 April 2018 and signed on its behalf by



K T Woor  
Director  
Tower Close  
Huntingdon  
Cambridgeshire  
PE29 7YD

# **RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31 December 2017.

### **Change of name**

The company changed its name from RR Donnelley Global Document Solutions Group Limited to RR Donnelley UK Limited on 13 June 2017.

### **Going concern**

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the signing of these financial statements. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting policies in Note 1 of the financial statements.

### **Future developments and events after the balance sheet date**

Details of future developments can be found in the strategic report on pages 2 and 3 and form part of this report by cross-reference.

Details of events that have occurred after the balance sheet date are contained in note 29 to the financial statements.

### **Financial risk management**

Treasury management including currency and interest rate hedging is undertaken as part of the overall risk management strategy of the RR Donnelley & Sons Company group. The Group's borrowings are predominantly with other group companies and there is currently no interest rate hedging, and no hedge accounting has been adopted.

The two main foreign currencies in which the Group transacts are Euros and Indian Rupees. The company has liabilities which are denominated in Euros. The company uses natural hedging by holding foreign currency assets to offset the foreign currency risk of these liabilities and associated interest. The directors consider this to be the Group's only material exposure to currency risk, but will continue to monitor the risk in the future.

Competitive pressure in the UK is a continuing risk for the Group. The Group manages this risk by providing added value services and by maintaining strong relationships with its customers.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. This risk is managed through day to day monitoring of future cash flow requirements to ensure that the Group has sufficient resources to repay all future amounts outstanding.

The Group is subject to credit risk arising from its trade debtors. In order to manage this risk, management regularly monitors all amounts that are owed to the Group and maintains close commercial relationships with key customers.

### **Research and development**

The Group incurs development costs on the implementation of new contracts. These are capitalised as an intangible asset in the balance sheet and amortised on a straight line basis over the life of the contract to which they relate.

### **Dividends**

The Company paid dividends of 5.3126 pence per ordinary share for the year ended 31 December 2017 (2016 - 8.2942p).

### **Directors**

The directors who served throughout the year and to the date of this report were as follows:

J S Farmer

M S Gordon

K T Woor

## **DIRECTORS' REPORT (continued)**

### **Charitable and political donations**

Charitable donations amounting to £11,887 were made during the year to the following causes: Medical research and support £6,030, Children's charities £3,387, Schools and educational organisations £670, Local youth and sporting groups £1,300, Veterans support £250, Animal charities £250.

(In 2016 donations amounting to £22,765 were made during the year to the following causes: Medical research and support £17,765, Children's charities £1,250, Schools and educational organisations £350, Local youth and sporting groups £2,350, Veterans support £350, Animal charities £350, Lifesaving £350.)

There were no political donations (2016 - £nil).

### **Payments to suppliers**

The Group does not operate a standard code in respect of payment to suppliers. Operating companies must agree terms and conditions of business with their suppliers, including payment terms, taking account of any applicable legal requirements. The Group's payment policy is for the suppliers to be paid in accordance with these terms. The Company's payment policy is to pay suppliers according to the terms that have been negotiated with them.

### **Employee involvement**

The Group has a policy of providing employees with information through its 'insideRRD' intranet site. In addition, regular meetings are held between management and employees to allow a free flow of information and ideas. Senior employees participate directly in the success of the business through the Group's bonus scheme.

### **Employment of disabled persons**

The Group's policy regarding the employment of disabled persons is that full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

### **Environmental policy**

The Group ensures that, in satisfying its customers' requirements, both the goods and services supplied and its own housekeeping comply with legislation and best practice. It will continually review its environmental performance across the range of its activities.

### **Auditor**

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 26 April 2018 and signed on its behalf by



K T Wool  
Director  
Tower Close  
Huntingdon  
Cambridgeshire  
PE29 7YD

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom 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 Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RR Donnelley UK Limited ('the parent company') and its subsidiaries ('the group') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 31.

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).

### **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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 group's or the parent 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.

We have nothing to report in respect of these matters.

### **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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited) (continued)**

## **Auditor's responsibilities for the audit of the financial statements (continued)**

### **Other information (continued)**

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 in 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 respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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.

### **Report on other legal and regulatory requirements**

#### **Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RR DONNELLEY UK LIMITED  
(formerly RR Donnelley Global Document Solutions Group Limited) (continued)**

**Report on other legal and regulatory requirements (continued)**

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.



Paul Schofield FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Cambridge, United Kingdom

26 April 2018

27

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**Year ended 31 December 2017**

	Note	Before goodwill amortisation and exceptional items 2017 £'000	Goodwill amortisation and exceptional items Note 7 2017 £'000	Total 2017 £'000	Before goodwill amortisation and exceptional items 2016 £'000	Goodwill amortisation and exceptional items Note 7 2016 £'000	Total 2016 £'000
<b>Turnover</b>	3	188,027	-	188,027	203,924	-	203,924
<b>Cost of sales</b>		(169,093)	-	(169,093)	(181,489)	-	(181,489)
<b>Gross profit</b>		18,934	-	18,934	22,435	-	22,435
Selling and distribution costs		(846)	-	(846)	(1,233)	-	(1,233)
Administrative expenses	7	(14,986)	(4,894)	(19,880)	(15,690)	(11,446)	(27,136)
Profit on disposal of subsidiaries	7	-	-	-	-	11,245	11,245
<b>Operating (loss)/ profit</b>		3,102	(4,894)	(1,792)	5,512	(201)	5,311
Share of results of associated undertakings	16	1,893	-	1,893	2,072	-	2,072
Finance costs (net)	5	82	-	82	206	-	206
<b>Profit before taxation</b>	6	5,077	(4,894)	183	7,790	(201)	7,589
Tax on profit	10	(890)	(146)	(1,036)	(2,447)	592	(1,855)
<b>(Loss)/profit for the financial year</b>		4,187	(5,040)	(853)	5,343	391	5,734

All activities derive from continuing operations.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**Year ended 31 December 2017**

	Note	2017 £'000	2016 £'000
(Loss)/profit for the financial year		<u>(853)</u>	<u>5,734</u>
Currency translation difference on foreign currency net investments		(269)	(617)
Remeasurement of net defined benefit asset: current year	28	8,395	7,617
Tax relating to components of other comprehensive income: current year	10	(1,427)	(1,291)
<b>Other comprehensive income</b>		<u>6,699</u>	<u>5,709</u>
<b>Total comprehensive gains relating to the year</b>		<u><u>5,846</u></u>	<u><u>11,443</u></u>

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**CONSOLIDATED BALANCE SHEET**  
**31 December 2017**

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	14	27,998	34,301
Tangible assets	15	18,752	10,422
Investment in Associates	16	4,367	7,372
		<u>51,117</u>	<u>52,095</u>
<b>Current assets</b>			
Stocks	18	2,434	2,043
Debtors due within one year	19	39,740	40,703
Debtors due after more than one year	19	30,296	18,288
Deferred tax due after more than one year	20	-	877
Cash at bank and in hand		26,290	31,706
		<u>98,760</u>	<u>93,617</u>
<b>Creditors: amounts falling due within one year</b>	21	<u>(42,390)</u>	<u>(47,223)</u>
<b>Net current assets</b>		<u>56,370</u>	<u>46,394</u>
<b>Total assets less current liabilities</b>		107,487	98,489
<b>Creditors: amounts falling due after more than one year</b>	22	(1,279)	(2,111)
<b>Provisions for liabilities</b>	24	<u>(1,259)</u>	<u>(791)</u>
<b>Net assets</b>		<u>104,949</u>	<u>95,587</u>
<b>Capital and reserves</b>			
Called up share capital	25	67,061	60,283
Currency translation reserve	25	(589)	(320)
Profit and loss account	25	38,477	35,624
<b>Shareholders' funds</b>		<u>104,949</u>	<u>95,587</u>

The financial statements of RR Donnelley UK Limited, registered number 6711794, were approved by the board of directors and authorised for issue on 26 April 2018, and signed on its behalf by:



K T Woor  
Director

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**COMPANY BALANCE SHEET**  
**31 December 2017**

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	14	17,642	22,476
Tangible assets	15	9,530	9,062
Investments	16	33,652	30,824
		<u>60,824</u>	<u>62,362</u>
<b>Current assets</b>			
Stocks	18	2,089	1,785
Debtors due within one year	19	33,906	34,644
Debtors due after more than one year	19	29,970	18,016
Deferred tax due after more than one year	20	-	745
Cash at bank and in hand		20,129	23,635
		<u>86,094</u>	<u>78,825</u>
<b>Creditors: amounts falling due within one year</b>	21	<u>(34,993)</u>	<u>(40,208)</u>
<b>Net current assets</b>		<u>51,101</u>	<u>38,617</u>
<b>Total assets less current liabilities</b>		111,925	100,979
<b>Creditors: amounts falling due after more than one year</b>	22	(12,506)	(12,812)
<b>Provisions for liabilities</b>	24	<u>(1,141)</u>	<u>(558)</u>
<b>Net assets</b>		<u>98,278</u>	<u>87,609</u>
<b>Capital and reserves</b>			
Called up share capital	25	67,061	60,283
Profit and loss account	25	31,217	27,326
<b>Shareholders' funds</b>		<u>98,278</u>	<u>87,609</u>

The profit attributable to the Company for the year amounted to £185,000 (2016 - £3,865,000 loss).

The financial statements of RR Donnelley UK Limited, registered number 6711794, were approved by the board of directors and authorised for issue on 26 April 2018, and signed on its behalf by:



K T Woor  
Director

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**31 December 2017**

	<b>Called-up share capital £'000</b>	<b>Currency translation reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>At 31 December 2015</b>	60,283	297	28,395	88,975
Profit for the financial year	-	-	5,734	5,734
Currency translation difference on foreign currency net investments	-	(617)	-	(617)
Remeasurement of net defined benefit asset	-	-	7,617	7,617
Tax relating to items of other comprehensive income	-	-	(1,291)	(1,291)
<b>Total comprehensive income</b>	-	(617)	12,060	11,443
Dividends paid on equity shares (Note 12)	-	-	(5,000)	(5,000)
Credit to equity for equity settled share-based payment	-	-	169	169
<b>At 31 December 2016</b>	60,283	(320)	35,624	95,587
Loss for the financial year	-	-	(853)	(853)
Currency translation difference on foreign currency net investments	-	(269)	-	(269)
Remeasurement of net defined benefit asset	-	-	8,395	8,395
Tax relating to items of other comprehensive income	-	-	(1,427)	(1,427)
<b>Total comprehensive income</b>	-	(269)	6,115	5,846
Issue of share capital	6,778	-	-	6,778
Dividends paid on equity shares (Note 12)	-	-	(3,563)	(3,563)
Credit to equity for equity settled share-based payment	-	-	301	301
<b>At 31 December 2017</b>	<u>67,061</u>	<u>(589)</u>	<u>38,477</u>	<u>104,949</u>



**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**31 December 2017**

	<b>Called-up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>At 31 December 2015</b>	60,283	29,696	89,979
Loss for the financial year	-	(3,865)	(3,865)
Remeasurement of net defined benefit asset	-	7,617	7,617
Tax relating to items of other comprehensive income	-	(1,291)	(1,291)
<b>Total comprehensive income</b>	-	2,461	2,461
Dividends paid on equity shares (Note 12)	-	(5,000)	(5,000)
Credit to equity for equity settled share-based payment	-	169	169
<b>At 31 December 2016</b>	60,283	27,326	87,609
Profit for the financial year	-	185	185
Remeasurement of net defined benefit asset	-	8,395	8,395
Tax relating to items of other comprehensive income	-	(1,427)	(1,427)
<b>Total comprehensive income</b>	-	7,153	7,153
Issue of share capital	6,778	-	6,778
Dividends paid on equity shares (Note 12)	-	(3,563)	(3,563)
Credit to equity for equity settled share-based payment	-	301	301
<b>At 31 December 2017</b>	<u>67,061</u>	<u>31,217</u>	<u>98,278</u>

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**CONSOLIDATED CASH FLOW STATEMENT**  
**31 December 2017**

	Notes	2017 £'000	2016 £'000
<b>Net cash flows from operating activities</b>	26	(1,125)	26
<b>Cash flows from investing activities</b>			
Proceeds from sale of equipment		67	26
Purchase of equipment		(4,280)	(3,145)
Interest received		10	91
Dividends received from associates		3,563	-
Disposal of subsidiaries		-	10,040
<b>Net cash flows from investing activities</b>		(640)	7,012
<b>Cash flows from financing activities</b>			
Dividends paid		(3,563)	(5,000)
Repayment of borrowings		(250)	-
New loans raised		-	250
Interest paid		(13)	(46)
<b>Net cash flows from financing activities</b>		(3,826)	(4,796)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(5,591)	2,242
<b>Cash and cash equivalents at beginning of year</b>		31,706	29,144
Effect of foreign exchange rate changes		175	320
<b>Cash and cash equivalents at end of year</b>		26,290	31,706
<b>Reconciliation to cash at bank and in hand</b>			
Cash at bank and in hand		26,290	31,706
<b>Cash and cash equivalents</b>		26,290	31,706

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**a. General information and basis of accounting**

RR Donnelley UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. On 13 June 2017 the Company changed its name from RR Donnelley Global Document Solutions Group Limited. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the strategic report on page 2

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of RR Donnelley UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

RR Donnelley UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, related party transactions and the preparation of a cash flow statement.

**b. Basis of consolidation**

The Group financial statements consolidate the financial statements of RR Donnelley UK Limited and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**c. Going concern**

The directors have considered the financing requirements of the Company and Group for a period of at least twelve months from the date of approval of these financial statements. Forecasts are based on expected future trading performance and working capital requirements with particular attention being paid to the forecast revenue levels, forecast operating expenses and the forecast cash flows. These are all key to the on-going ability of the Company and Group to continue trading under normal circumstances. Based on this assessment the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for at least that period. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**d. Intangible assets - goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised over the directors' estimate of its useful economic life. However, the directors consider 10 years as a reasonable maximum for the estimated life of goodwill on new acquisitions. Existing goodwill has less than 10 years life remaining at current amortisation rates.

**e. Intangible assets - development costs**

The company incurs development costs on the implementation of new contracts. These are capitalised as an intangible asset in the balance sheet and amortised on a straight line basis over the life of the contract to which they relate. When all costs for a contract are fully amortised they are removed from intangible assets as a disposal.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES (continued)**

**f. Acquisitions**

On the acquisition of a business provisional fair values are attributed to the Group's share of net separable assets. These are reviewed in the year following the year of acquisition and adjustments are made as necessary. Where the cost of acquisition differs from the fair values attributable to such net assets, the difference is treated as either positive or negative goodwill and capitalised in the balance sheet in the year of acquisition. The results relating to a business are included in the consolidated profit and loss account from the date of acquisition.

**g. Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Short leasehold land and buildings	Over the lease term
Plant and machinery	Over 5 to 15 years
Office equipment	Over 3 to 10 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and condition expected at the end of its useful life.

**h. Investment properties**

Items of investment property whose fair value can be measured reliably without undue cost or effort on an ongoing basis after initial recognition are measured at fair value annually with any changes in fair value recognised in the profit and loss account. All other investment property is accounted for as property, plant and equipment.

The fair value of investment property is determined at the end of each year by independent suitably qualified valuers using current market prices for comparable real estate, adjusted for any differences in nature, location and condition.

**i. Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

**(i) Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to another unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES (continued)**

**i. Financial instruments (continued)**

**(ii) Equity instruments**

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

**(iii) Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

**j. Investments**

Investments held as fixed assets are stated at cost less provision for any impairment in value.

**k. Associates**

In the Group financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

In the Company financial statements investments in associates are accounted for at cost less impairment.

**l. Capital instruments**

Capital instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Arrangement fees and associated costs of setting up debt facilities that have not yet been utilised are netted against the loan in the balance sheet, and are charged to the profit and loss account based on the balance of the loan, over the period of the relevant debt facility.

**m. Stocks**

Stocks and work in progress are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES (continued)**

**n. Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

**(i) Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a cash-generating unit is allocated first to the goodwill attached to that cash-generating unit, and then to other assets within that cash-generating unit on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to revised carrying amount higher than the carrying value had no impairment been recognised.

Where a reversal of impairment occurs in respect of a cash-generating unit, the reversal is applied first to the assets (other than goodwill) of the cash-generating unit on a pro-rata basis and then to any goodwill allocated to that cash-generating unit.

**(ii) Financial assets**

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**o. Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES (continued)**

**o. Taxation (continued)**

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Group has a legally enforceable right to set off tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**p. Turnover**

The Group recognises turnover as principal when it is exposed to all significant benefits and risks associated with the selling price; assumption of credit risk; performance of part of the services or modification to goods supplied and discretion in supplier selection.

The Group recognises turnover for the majority of its products upon shipment to the customer and the transfer of title and risk of loss. Contracts generally specify F.O.B. shipping point terms. Under agreements with certain customers, custom products may be stored by the Group for future delivery. In these situations, the Group receives a logistics and warehouse management fee for the services it provides. In certain of these cases, delivery and billing schedules are outlined in the customer agreement and product turnover is recognised when manufacturing is complete, title and risk of loss transfer to the customer and there is reasonable assurance as to collectability. Because the majority of products are customized, product returns are not significant; however, the Group accrues for the estimated amount of customer credits at the time of sale. Billings for third-party shipping and handling costs are included in net turnover and related costs are included in cost of sales.

Turnover from services is recognised as the services are delivered to the customers. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

**q. Exceptional items**

The Group presents separately, in the consolidated profit and loss account, certain material items which, due to their nature and expected infrequency, merit separate presentation to facilitate better understanding of the Group's financial performance.

**r. Employee benefits**

The Group operated four pension schemes in the United Kingdom during the year. One has both a defined benefit element and a defined contribution element; two comprise a defined benefit element only; the other one comprises a defined contribution element only.

Regular contributions have been made to one of the defined benefit schemes by the Company since October 2002, and to another of the defined benefit schemes since October 2016. In the current year regular contributions were made at the rate of £296,663 per month, with an additional one-off contribution of £57,374 (2016 - £85,665 per month from January 2016 to May 2016, £8,330 per month from June 2016 to September 2016, £296,663 for October 2016 to December 2016, and a one-off payment of £39,269). The amount funded is in excess of the actuarially calculated liability and this surplus is recognised in the Group's accounts.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES (continued)**

**r. Employee benefits (continued)**

The other defined benefit only scheme was established on 1 February 2006. No contributions were made in either the current or prior years as the scheme was curtailed on 30 June 2010. The amount funded is in excess of the actuarially calculated liability and this surplus is recognised in the Group's accounts.

The Group also operated a defined benefit pension plan in Switzerland until 11 January 2016, when the Group's Swiss subsidiary was sold. The Group paid net contributions to this scheme of £nil during the year (2016 - £nil).

For the defined benefit element of the combined schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on the assets are included in administrative expenses in the profit and loss account. Actuarial gains and losses are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**s. Provisions**

Provision is made for future liabilities that relate to specific obligations that exist at the balance sheet date. Provisions are discounted where the time value of money is significant.

**t. Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES (continued)**

**u. Leases**

**The Group as lessee**

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

**v. Finance costs**

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

**w. Share-based payment**

RR Donnelley & Sons Company, the ultimate parent undertaking of the Group, issues equity-settled share-based payments to certain employees of the Group. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on RR Donnelley & Sons Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

No formal valuation model is used to value the awards. Fair value is determined as the market price of the shares at the date of grant, plus the net present value of expected future dividends. This is felt to be the most appropriate method of valuation.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**a. Revenue recognition**

Revenue relating to contract implementation costs is recovered in one of two ways, there may be explicitly determined revenues in the contract to cover these costs or the recovery may be built into the charge for goods and services provided during the term of the contract. Where the revenue is explicitly determined in the contract both the costs and revenue are expensed over the life of the contract to which they relate. Where the costs of implementation are recovered through the selling price this method relies on estimates of total expected contract revenues to ensure the implementation costs can be fully recovered. Implementation costs recovered through the selling price are also expensed over the life of the contract to which they relate, but to the extent that the recovery of costs of implementation are uncertain the costs are written off.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

**b. Business combinations**

Upon acquisition of another entity the Group evaluates intangibles arising using methodologies recognised under FRS102 Section 19 Business Combinations and Goodwill. Judgement is required as to which intangibles meet the recognition criteria of separable, or non-separable intangible assets arising from contractual or other legal rights, where the fair value can be measured reliably. Intangibles arising are assessed for indicators of impairment annually. Additional information is included in note 14.

**c. Investment properties**

Land and buildings held as investment properties are measured at fair value annually with any change recognised in the profit and loss account.

**Key source of estimation uncertainty**

**a. Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £23,679,000. No impairment loss was recognised during the year (2016 - loss of £3,540,000 relating to the transactional print and mail activities of the Group).

**b. Pensions**

The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information about the Group's pension schemes is given in Note 28.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**3. ANALYSIS BY CLASS OF BUSINESS AND MARKETS**

**Classes of business**

Turnover by the different classes of business represents the amounts receivable for goods and services and has been derived from the Group's principal activities. Analysis of turnover, operating profit and profit on ordinary activities before taxation and net assets by class of business have been provided in the table below.

	<b>Transactional Print and Mail</b>		<b>Inbound Document Management</b>		<b>Design and Print Management</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>								
Total sales	78,577	81,404	47,982	54,460	68,758	75,436	195,317	211,300
Inter class sales	(5,257)	(5,094)	(1,648)	(1,599)	(385)	(683)	(7,290)	(7,376)
<b>Sales to third parties</b>	<b>73,320</b>	<b>76,310</b>	<b>46,334</b>	<b>52,861</b>	<b>68,373</b>	<b>74,753</b>	<b>188,027</b>	<b>203,924</b>
Exceptional items and goodwill	(2,332)	3,128	(1,822)	(2,645)	(740)	(684)	(4,894)	(201)
<b>Operating (loss)/profit</b>								
Class operating (loss)/profit	(5,772)	757	640	2,208	3,340	2,346	(1,792)	5,311
Share of associate's operating profit	-	-	1,893	2,072	-	-	1,893	2,072
<b>(Loss)/profit on ordinary activities before finance charges</b>	<b>(5,772)</b>	<b>757</b>	<b>2,533</b>	<b>4,280</b>	<b>3,340</b>	<b>2,346</b>	<b>101</b>	<b>7,383</b>
Finance charges – net							82	206
<b>Profit on ordinary activities before taxation</b>							<b>183</b>	<b>7,589</b>
<b>Net assets -excluding non - operating assets</b>	<b>57,149</b>	<b>49,325</b>	<b>20,153</b>	<b>23,925</b>	<b>16,576</b>	<b>17,912</b>	<b>93,878</b>	<b>91,162</b>
<b>Non - operating assets</b>							<b>11,071</b>	<b>4,425</b>
<b>Net assets</b>							<b>104,949</b>	<b>95,587</b>

Finance charges – net (Note 5) are common costs that are not allocated across classes as they relate principally to interest payable on loans from group companies.

Non-operating liabilities consist principally of loans from group companies, and the assets and liabilities of non-trading group companies.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**3. ANALYSIS BY CLASS OF BUSINESS AND MARKETS (continued)**

**Geographical markets**

Turnover by origin and by destination represents the amounts receivable for goods and services and has been derived from the Group's principal activities. The Group operates principally within the United Kingdom and Europe. Geographical analysis of turnover, operating profit and net assets by origin has been provided in the table below.

	United Kingdom		Rest of Europe		Rest of the world		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover</b>	159,155	172,695	28,872	31,229	-	-	188,027	203,924
Exceptional items and goodwill	(4,773)	(183)	(121)	(18)	-	-	(4,894)	(201)
<b>Operating (loss)/profit</b>								
Market operating (loss)/profit	(2,679)	4,762	887	474	-	75	(1,792)	5,311
Share of associate's operating profit	-	-	-	-	1,893	2,072	1,893	2,072
<b>(Loss)/profit on ordinary activities before finance charges</b>	(2,679)	4,762	887	474	1,893	2,147	101	7,383
Finance charges – net							82	206
<b>Profit on ordinary activities before taxation</b>							183	7,589
<b>Non-current assets:</b>								
Goodwill	23,679	27,813	-	-	-	-	23,679	27,813
Other intangibles	4,319	6,488	-	-	-	-	4,319	6,488
Property, Plant and Equipment	17,845	9,232	907	1,190	-	-	18,752	10,422
Share of associate company	-	-	-	-	4,367	7,372	4,367	7,372
	45,843	43,533	907	1,190	4,367	7,372	51,117	52,095
<b>Net assets excluding non - operating assets</b>	85,015	78,405	4,496	5,135	4,367	7,622	93,878	91,162
<b>Non - operating assets</b>							11,071	4,425
<b>Net assets</b>							104,949	95,587

Turnover by origin and by destination are not materially different. Finance charges – net (Note 5) are common costs that are not allocated across markets as they relate principally to interest payable on loans from group companies. Non-operating liabilities consist principally of loans from group companies, and the assets and liabilities of non-trading group companies.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**4. REVENUE**

Revenue disclosed in the consolidated profit and loss account is analysed as follows;

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Sale of goods	123,635	128,331
Provision of services	64,392	75,593
	<hr/>	<hr/>
Sales revenue	188,027	203,924
Investment income	95	252
	<hr/>	<hr/>
<b>Total revenue</b>	<b>188,122</b>	<b>204,176</b>
	<hr/> <hr/>	<hr/> <hr/>

**5. FINANCE COSTS (NET)**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Other finance costs	13	46
Investment income	(95)	(252)
	<hr/>	<hr/>
	(82)	(206)
	<hr/> <hr/>	<hr/> <hr/>
<b>Investment income</b>		
Bank interest receivable	95	252
	<hr/> <hr/>	<hr/> <hr/>
<b>Other finance costs</b>		
Unwinding of discounts on long-term liabilities	13	46
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**6. PROFIT BEFORE TAXATION**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit before taxation is stated after charging/(crediting) :</b>		
Amortisation of goodwill	4,134	4,946
Impairment of goodwill	-	3,540
Amortisation of development costs	3,494	3,949
Depreciation		
Owned assets	3,926	4,335
Operating lease rentals		
Plant and machinery	1,172	1,316
Land and buildings	2,748	2,616
Foreign exchange loss	269	617
Cost of stock recognised as an expense	77,842	83,241
Revaluation of investment property	500	-
Profit on disposal of subsidiaries	-	(11,245)
	<u>          </u>	<u>          </u>

Amortisation of goodwill is included in administrative expenses.

Amortisation of development costs is included in cost of sales.

The analysis of auditor's remuneration is as follows:

**Fees payable to the Company's auditor for the audit of the Company's annual accounts**

245	246
-----	-----

**Fees payable to the Company's auditor and their associates for other services to the Group**

- The audit of the Company's subsidiaries pursuant to legislation

65	61
----	----

<u>310</u>	<u>307</u>
------------	------------

No services were provided pursuant to contingent fee arrangements.

**7. GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recognised in arriving at operating profit:</b>		
Redundancy costs	410	2,302
Reorganisation costs	350	658
Amortisation of goodwill (Note 14)	4,134	4,946
Impairment of goodwill (Note 14)	-	3,540
Profit on disposal of subsidiary	-	(11,245)
	<u>          </u>	<u>          </u>
<b>Total of goodwill and exceptional items</b>	<u>4,894</u>	<u>201</u>

Redundancy and reorganisation costs result from the rationalisation of trading activities.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**8. STAFF NUMBERS AND COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
<b>The average monthly number of persons employed (including directors) was</b>				
Sales and marketing	32	36	5	6
Production and distribution	1,361	1,445	1,153	1,248
Administration	261	271	237	259
	<u>1,654</u>	<u>1,752</u>	<u>1,395</u>	<u>1,513</u>

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Their aggregate remuneration comprised:</b>				
Wages and salaries	56,321	59,771	49,820	51,995
Social security costs	5,337	5,742	4,259	4,383
Other pension costs	2,759	3,107	2,288	2,879
Share based payments	301	169	301	169
Social security costs related to share based payments	30	17	30	17
	<u>64,748</u>	<u>68,806</u>	<u>56,698</u>	<u>59,443</u>

**9. DIRECTORS' REMUNERATION AND TRANSACTIONS**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Directors' remuneration</b>		
Emoluments	1,017,408	812,908
Money purchase pension contributions	42,878	42,166
	<u>1,060,286</u>	<u>855,074</u>

The amounts in respect of the highest paid director are as follows:

Emoluments	<u>599,271</u>	<u>501,213</u>
------------	----------------	----------------

Company contributions paid to money purchase pension schemes in respect of highest paid director

-	-
---	---

	<b>No</b>	<b>No</b>
<b>Number of directors who:</b>		
Are members of money purchase pension schemes.	3	3
Exercised options on shares in the ultimate parent company	-	-

No directors were members of defined benefit pension schemes in the current or previous years.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**10. TAX ON PROFIT**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
United Kingdom corporation tax	(7)	1,351
Foreign tax for the current year	963	1,057
	<u>956</u>	<u>2,408</u>
Adjustment in respect of prior years		
UK corporation tax	16	191
Foreign tax	48	-
	<u>1,020</u>	<u>2,599</u>
<b>Deferred tax</b>		
Adjustment in respect of prior years	(99)	25
Timing differences, origination and reversal	115	(769)
	<u>16</u>	<u>(744)</u>
<b>Total deferred tax (see note 20)</b>		
	<u>1,036</u>	<u>1,855</u>
<b>Total tax on profit</b>		
	<u>1,036</u>	<u>1,855</u>
Total current and deferred tax relating to items of other comprehensive income	1,427	1,291
	<u>2,463</u>	<u>3,146</u>

The standard rate of tax applied to reported profit is 19.25% (2016 – 20%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group profit before tax</b>	<u>183</u>	<u>7,589</u>
Tax on Group profit at standard rate of 19.25% (2016 – 20%)	35	1,518
Effects of:		
Expenses not deductible for tax purposes	80	503
Capital allowances in (excess)/deficit of depreciation	(525)	867
Income not taxable in determining taxable profit	(760)	(2,626)
Difference in overseas tax rates	471	414
Amortisation and impairment of goodwill	796	1,697
Short term timing differences	(195)	-
Loss not recognised	1,054	35
Adjustments to tax charge in respect of previous periods	64	191
Current period deferred tax	16	(744)
	<u>1,036</u>	<u>1,855</u>
<b>Group total tax charge for the period</b>		

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 18% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 18%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**10. TAX ON PROFIT (continued)**

A reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this reduced rate. This rate change is to be included in the Finance Bill 2016 but this has not been substantively enacted at the balance sheet date.

**11. PROFIT ATTRIBUTABLE TO THE COMPANY**

The profit for the financial year dealt with in the financial statements of the parent Company was £185,000 (2016 - £3,865,000 loss). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

**12. DIVIDENDS ON EQUITY SHARES**

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2017 of 5.3126p (2016 – 8.2942p) per ordinary share.	3,563	5,000

**13. SHARE BASED PAYMENTS**

The ultimate parent company has two share schemes for certain employees.

**I) Equity-settled share awards**

Once awards are granted, shares are issued to employees for free after the vesting period. The share awards issued prior to 2015 vest in four equal tranches after one, two, three and four years. Share awards issued on 2 March 2015 vest in full after three years. Of these share awards 2,823 are performance related, the final award being between 0% and 150% of the shares, based on performance metrics at 31 December 2017. Share awards issued on 29 February 2016 vest in full after three years. Share awards issued on 3 March 2017 vest in full after two years. Of these share awards 5,685 are performance related, the final award being between 0% and 150% of the shares, based on performance metrics at 31 December 2018.

Awards are forfeited if the employee leaves the Group before the awards vest.

Details of the share awards during the year are as follows:

	2017		2016	
	Number of share grants	Weighted average share price £	Number of share grants	Weighted average share price £
Outstanding at beginning of year	36,261	10.87	31,791	10.05
Granted during the year	19,328	14.26	14,720	10.91
Vested during the year	(7,625)	8.40	(10,250)	8.39
Outstanding at the end of the year	47,964	12.63	36,261	10.87

Awards were granted on 3 March 2017. In the previous year awards were granted on 29 February 2016.

No formal valuation model is used to value the awards. The fair value of the awards is determined as the market price of the shares at the date of grant, plus the net present value of expected future dividends, and is expensed over the vesting period. This is felt to be the most appropriate method of valuation.

The estimated fair value of the awards granted by the Group and Company during the year was £315,000 (2016 - £232,000).

The Group and Company recognised total expenses of £334,000 (2016 - £186,000) related to equity-settled share awards during the year.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**13. SHARE BASED PAYMENTS (continued)**

**II) Equity-settled share options**

Options are exercisable at a price equal to the estimated fair value of the parent company's shares at the date of grant. Options vest in four equal tranches after one, two, three and four years. Options are forfeited if the employee leaves the Group before the options vest. Unexercised options expire ten years after the date of grant.

Details of the share options during the year are as follows:

	2017		2016	
	Number of share grants	Weighted average share price £	Number of share grants	Weighted average share price £
Outstanding at beginning of year	6,750	8.35	6,750	8.35
Exercised during the year	-	-	-	-
Forfeit during the year	-	-	-	-
Outstanding at the end of the year	<u>6,750</u>	<u>8.35</u>	<u>6,750</u>	<u>8.35</u>

No awards were granted during the current or previous years.

No formal valuation model is used to value the awards. The fair value of the awards is determined as the market price of the shares at the date of grant, plus the net present value of expected future dividends, and is expensed over the vesting period. This is felt to be the most appropriate method of valuation.

The number of share options exercisable as at 31 December 2017 amounts to 6,750 (2016 - 6,750).

The estimated fair value of the awards granted by the Group and Company during the year was £nil (2016 - £nil).

The Group and Company recognised total expenses of £nil (2016 - £nil) related to equity-settled share options during the year.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**14. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Development costs £'000</b>	<b>Goodwill arising on acquisitions £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2017	10,485	137,950	148,435
Accumulated impairment	-	(3,540)	(3,540)
<b>Net cost at 1 January 2017</b>	<b>10,485</b>	<b>134,410</b>	<b>144,895</b>
Additions	1,325	-	1,325
Disposals	(4,681)	-	(4,681)
<b>At 31 December 2017</b>	<b>7,129</b>	<b>134,410</b>	<b>141,539</b>
<b>Amortisation</b>			
At 1 January 2017	3,997	106,597	110,594
Amortisation for the year	3,494	4,134	7,628
Disposals	(4,681)	-	(4,681)
<b>At 31 December 2017</b>	<b>2,810</b>	<b>110,731</b>	<b>113,541</b>
<b>Net book value</b>			
At 31 December 2017	4,319	23,679	27,998
At 31 December 2016	6,488	27,813	34,301

<b>Company</b>	<b>Development costs £'000</b>	<b>Goodwill arising on acquisitions £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2017	10,485	43,919	54,404
Accumulated impairment	-	(3,540)	(3,540)
<b>Net cost at 1 January 2017</b>	<b>10,485</b>	<b>40,379</b>	<b>50,864</b>
Additions	1,325	-	1,325
Disposals	(4,681)	-	(4,681)
<b>At 31 December 2017</b>	<b>7,129</b>	<b>40,379</b>	<b>47,508</b>
<b>Amortisation</b>			
At 1 January 2017	3,997	24,391	28,388
Amortisation for the year	3,494	2,665	6,159
Disposals	(4,681)	-	(4,681)
<b>At 31 December 2017</b>	<b>2,810</b>	<b>27,056</b>	<b>29,866</b>
<b>Net book value</b>			
At 31 December 2017	4,319	13,323	17,642
At 31 December 2016	6,488	15,988	22,476

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**14. INTANGIBLE FIXED ASSETS (continued)**

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets Other than Goodwill.

Development costs are amortised on a straight line basis over the life of the contract to which they relate. Remaining net costs at the balance sheet date will be amortised as follows:

	Cost £'000
<b>Length of contract over which the cost is expensed:</b>	
1 year	150
2 years	496
3 years	754
4 years	2,266
5 years	653
	<hr/> 4,319 <hr/>

**15. TANGIBLE FIXED ASSETS**

Group	Investment property £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2017	-	437	32,510	28,928	61,875
Additions	-	-	2,485	1,795	4,280
Acquisition of subsidiary undertaking	7,500	-	1	-	7,501
Revaluation	500	-	-	-	500
Disposals	-	-	(118)	(298)	(416)
Exchange movement	-	-	99	39	138
<b>At 31 December 2017</b>	<hr/> 8,000 <hr/>	<hr/> 437 <hr/>	<hr/> 34,977 <hr/>	<hr/> 30,464 <hr/>	<hr/> 73,878 <hr/>
<b>Depreciation</b>					
At 1 January 2017	-	240	25,967	25,246	51,453
Charge for the year	-	73	1,349	2,504	3,926
Disposals	-	-	(51)	(298)	(349)
Exchange movement	-	-	72	24	96
<b>At 31 December 2017</b>	<hr/> - <hr/>	<hr/> 313 <hr/>	<hr/> 27,337 <hr/>	<hr/> 27,476 <hr/>	<hr/> 55,126 <hr/>
<b>Net book value</b>					
<b>At 31 December 2017</b>	<hr/> 8,000 <hr/>	<hr/> 124 <hr/>	<hr/> 7,640 <hr/>	<hr/> 2,988 <hr/>	<hr/> 18,752 <hr/>
At 31 December 2016	<hr/> - <hr/>	<hr/> 197 <hr/>	<hr/> 6,543 <hr/>	<hr/> 3,682 <hr/>	<hr/> 10,422 <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**15. TANGIBLE FIXED ASSETS (continued)**

The investment property was revalued to fair value at 31 December 2017, based on a valuation undertaken by Gent Visick MRICS, an independent valuer with recent experience in the location and class of the investment property being valued. The fair value was determined using current market prices for comparable real estate, adjusted for any differences in nature, location and condition. The owner and developer of a nearby proposed business park who owns the access road leading to the property had the benefit of a right of pre-emption over the property which expired on 5 February 2018. Other than the pre-emption right noted above there are no restrictions on the realisability of the investment property.

<b>Company</b>	<b>Short leasehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Office equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2017	1,542	20,282	21,762	43,586
Additions	-	2,370	1,587	3,957
Disposals	(352)	(84)	(298)	(734)
<b>At 31 December 2017</b>	<b>1,190</b>	<b>22,568</b>	<b>23,051</b>	<b>46,809</b>
<b>Depreciation</b>				
At 1 January 2017	1,347	16,500	16,677	34,524
Charge for the year	73	986	2,363	3,422
Disposals	(352)	(17)	(298)	(667)
<b>At 31 December 2017</b>	<b>1,068</b>	<b>17,469</b>	<b>18,742</b>	<b>37,279</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>122</b>	<b>5,099</b>	<b>4,309</b>	<b>9,530</b>
At 31 December 2016	195	3,782	5,085	9,062

**16. INVESTMENTS HELD AS FIXED ASSETS**

<b>Group</b>	<b>Shares in associate undertaking £'000</b>
<b>Share of net assets</b>	
RR Donnelley India Outsource Private Limited	
At 1 January 2017	7,372
Share of associate's operating profit	1,893
Share of associate's interest receivable	85
Share of associate's tax on profit on ordinary activities	(878)
Dividend received from associate	(3,563)
Exchange movement	(542)
<b>At 31 December 2017</b>	<b>4,367</b>

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**16. INVESTMENTS HELD AS FIXED ASSETS (continued)**

<b>Company</b>	<b>Shares in subsidiary undertakings £'000</b>
<b>Cost</b>	
At 1 January 2017	107,501
Additions	6,778
Disposals	(75,678)
<b>At 31 December 2017</b>	<b>38,601</b>
<b>Provision for impairment</b>	
At 1 January 2017	76,677
Disposals	(71,728)
<b>At 31 December 2017</b>	<b>4,949</b>
<b>Net book value</b>	
At 31 December 2017	33,652
At 31 December 2016	30,824

Cost of investments for the Company represents cost of shares in group companies.

Given below is a complete list of group companies, all of which are included in the consolidated financial statements.

<b>Company name and registered office</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Class of shares held</b>	<b>Holding</b>
<b>RRD GDS Holdings (Europe) Limited +</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Investment holding company	England & Wales	Ordinary	100%
<b>RR Donnelley Germany GmbH*</b> Fritz Vomfelde Stasse 34, Dusseldorf, Germany, 40547	Document management services	Germany	Common	100%
<b>RR Donnelley Ireland Limited*</b> Unit 6B, Westgate Business Park, Ballymount, Dublin 24, Ireland	Document management services	Republic of Ireland	Ordinary	100%
<b>RRD BPO Holdings Limited*</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Investment holding company	England & Wales	Ordinary	100%
<b>RR Donnelley Polska Sp zoo*</b> 56C Al Jerozolimskie, Warsaw, Poland	Outsourced processing	Poland	Common	100%
<b>D E I Group Limited*</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Investment holding company	England & Wales	Ordinary	100%
<b>Data Entry Holdings Limited</b> 13 Castle Street, St Helier, Jersey JE4 5UT	Investment holding company	Jersey	Ordinary	100%

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**16. INVESTMENTS HELD AS FIXED ASSETS (continued)**

<b>Company name and registered office</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Class of shares held</b>	<b>Holding</b>
<b>Data Entry International Limited</b> 16 Kyriakou Matsi Street, Eagle House, 10 <sup>th</sup> Floor, Ayioi Omologites, 1082 Nicosia, Cyprus	Dormant	Cyprus	Ordinary	100%
<b>RR Donnelley India Outsource Private Limited</b> 43A 1st Main Road, R A Puram, Chennai 600 028, India	Outsourced processing	India	Ordinary	25.84%
<b>RR Donnelley France SAS *</b> 242 Rue de Rivoli, Paris, France 75001	Document management services	France	Common	100%
<b>RR Donnelley Italy srl*</b> 14 Via Roncaglia, Milano, Italy, 20146	Document management services	Italy	Common	100%
<b>e-doc Group Pension Scheme Trustee Limited **</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Pension scheme trustee company	England & Wales	Ordinary	100%
<b>Edotech Trustee Company Limited **</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Pension scheme trustee company	England & Wales	Ordinary	100%
<b>RR Donnelley Pension Trustee Company Limited</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Pension scheme trustee company	England & Wales	Ordinary	100%
<b>RR Donnelley Spain SL*</b> Calle General Palanca 3, Madrid, Spain	Document management services	Spain	Common	100%
<b>Critical Mail Continuity Services Limited *</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Disaster recovery	England & Wales	Ordinary	100%
<b>RR Donnelley UK Directory Limited *</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Property investment	England & Wales	Ordinary	100%
<b>RRD GDS Limited *</b> Tower Close, Huntingdon, Cambridgeshire, PE29 7YD	Dormant	England & Wales	Ordinary	100%
<b>RR Donnelley Global Business Process Outsourcing Limited *</b> 88 Wood Street, London, EC2V 7QT	Dormant	England & Wales	Ordinary	100%

\* Held directly by RR Donnelley UK Limited

# Exempt from audit under section 479A of the Companies Act 2006

+ Dissolved on 17 June 2016

~ In liquidation

All of the companies listed above are included in the consolidated financial statements except RR Donnelley India Outsource Private Limited, which is included using the equity method of accounting for the Group's 25.84% interest. All of the companies listed above have accounting periods ending on 31 December, except RR Donnelley India Outsource Private Limited and RR Donnelley Pension Trustee Company Limited which have accounting periods ending on 31 March. The Group faces no significant restrictions on the ability of subsidiaries to transfer funds to the parent company in the form of cash dividends or to repay loans.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**17. ACQUISITION OF SUBSIDIARY UNDERTAKINGS**

**RR Donnelley UK Directory Limited**

On 6 September 2017 the Company acquired 100 per cent of the issued share capital of RR Donnelley UK Directory Limited, a company whose primary activity is property investment, for a consideration of £6,778,000.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their value to the Group:

	<b>Book value, and fair value to Group £'000</b>
<b>Fixed Assets</b>	
Tangible fixed assets	7,501
<b>Current Assets</b>	
Debtors	4,055
<b>Total Assets</b>	<u>11,556</u>
<b>Creditors</b>	
Trade creditors	303
Accruals and deferred income	36
Bank overdraft	4,439
<b>Total Liabilities</b>	<u>4,778</u>
<b>Net assets</b>	<u>6,778</u>
<b>Satisfied by</b>	
Issue of shares	<u>6,778</u>

The results of RR Donnelley UK Directory Limited for the year ended 31 December 2017 include turnover of £nil and profit of £456,000 since the acquisition date.

**18. STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	1,196	1,212	1,008	1,123
Work in progress	371	36	371	36
Finished goods and goods for resale	867	795	710	626
	<u>2,434</u>	<u>2,043</u>	<u>2,089</u>	<u>1,785</u>

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



**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**19. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	31,503	31,644	25,704	26,457
Intercompany debtors	777	541	1,439	1,108
Other taxes	134	294	375	172
Other debtors	781	637	691	565
Accrued income	2,096	2,481	1,858	2,193
Prepayments	4,449	5,106	3,839	4,149
	<u>39,740</u>	<u>40,703</u>	<u>33,906</u>	<u>34,644</u>
<b>Amounts falling due after more than one year:</b>				
Defined benefit pension asset	29,938	18,016	29,938	18,016
Prepayments	358	272	32	-
	<u>30,296</u>	<u>18,288</u>	<u>29,970</u>	<u>18,016</u>
	<u><u>70,036</u></u>	<u><u>58,991</u></u>	<u><u>63,876</u></u>	<u><u>52,660</u></u>

**20. DEFERRED TAX DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset at 1 January 2017	877	2,192	745	1,535
(Charged)/credited to profit and loss account	(16)	744	7	742
Charged to other comprehensive income	(1,427)	(1,291)	(1,427)	(1,291)
Current tax deduction on pension contributions	-	(241)	-	(241)
Disposal of subsidiary undertaking	-	(508)	-	-
Exchange difference	27	(19)	-	-
	<u>(539)</u>	<u>877</u>	<u>(675)</u>	<u>745</u>
(Liability)/asset at 31 December 2017				
Due within one year	-	-	-	-
Due after more than one year	(539)	877	(675)	745
	<u>(539)</u>	<u>877</u>	<u>(675)</u>	<u>745</u>
Total deferred tax	<u><u>(539)</u></u>	<u><u>877</u></u>	<u><u>(675)</u></u>	<u><u>745</u></u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**20. DEFERRED TAX DUE AFTER MORE THAN ONE YEAR (continued)**

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>The deferred tax asset arises from:</b>				
Capital allowances in deficit of depreciation	3,177	3,708	3,081	3,604
Deferred tax arising in relation to retirement benefit surpluses	(5,090)	(3,121)	(5,090)	(3,121)
Losses carried forward	968	-	968	-
Short term timing differences	406	290	366	262
	<u>(539)</u>	<u>877</u>	<u>(675)</u>	<u>745</u>

The Group and Company have recognised the deferred tax asset on the basis that the directors consider it probable that sufficient taxable profits will arise in the foreseeable future against which these assets can be realised.

**21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade creditors	18,059	17,769	12,493	12,941
Intercompany creditors	3,563	4,403	3,832	5,001
Corporation tax	497	4,061	135	2,897
Other taxes and social security	4,414	4,454	4,064	4,037
Deferred income	2,686	3,042	2,196	2,619
Accruals	13,171	13,494	12,273	12,713
	<u>42,390</u>	<u>47,223</u>	<u>34,993</u>	<u>40,208</u>

**22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Intercompany creditors (note 23)	-	250	11,298	11,034
Deferred income	1,014	1,496	986	1,470
Accruals	265	365	222	308
	<u>1,279</u>	<u>2,111</u>	<u>12,506</u>	<u>12,812</u>

**23. BORROWINGS**

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Falling due between two and five years:				
Intercompany creditors	-	250	11,298	11,034

The intercompany creditors are companies with the same ultimate parent company as the Group.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**24. PROVISIONS FOR LIABILITIES**

Group	Onerous lease provision £'000	Redundancy provision £'000	ACP provision £'000	Deferred tax £'000	Total £'000
Provisions at 1 January 2017	45	395	351	-	791
Deferred tax asset at 1 January 2017	-	-	-	(877)	(877)
Charged to profit and loss account	85	410	-	16	511
Utilisation of provision	(85)	(430)	(51)	1,400	834
At 31 December 2017	<u>45</u>	<u>375</u>	<u>300</u>	<u>539</u>	<u>1,259</u>

Company	Onerous lease provision £'000	Redundancy provision £'000	ACP provision £'000	Deferred tax £,000	Total £'000
Provisions at 1 January 2017	30	177	351	-	558
Deferred tax asset at 1 January 2017	-	-	-	(745)	(745)
Charged to profit and loss account	68	306	-	(7)	367
Utilisation of provision	(68)	(347)	(51)	1,427	961
At 31 December 2017	<u>30</u>	<u>136</u>	<u>300</u>	<u>675</u>	<u>1,141</u>

The lease provision represents amounts provided for dilapidations and rent exposure on premises vacated as part of the rationalisation of business operations by RR Donnelley UK Limited and RR Donnelley France SAS. These provisions are expected to be utilised during 2018.

The redundancy provision relates to the rationalisation of trading activities within RR Donnelley UK Limited, RR Donnelley France SAS and RR Donnelley Polska Sp zoo. The provision for RR Donnelley UK Limited is expected to be released over seven years, those for RR Donnelley France SAS and RR Donnelley Polska Sp zoo are expected to be utilised during 2018.

The ACP (Annual Compensation Payments) provision represents amounts due to former employees of RR Donnelley Print & Media Services Limited, which have been calculated in accordance with the terms of their employment contract at that time based on their expected remaining lives. The remaining provision is expected to be released over the shorter of their remaining lives or 26 years from the balance sheet date.

**25. CALLED UP SHARE CAPITAL AND RESERVES**

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
67,061,012 (2016 – 60,283,010) ordinary shares of £1 each	<u>67,061,012</u>	<u>60,283,010</u>

The Company has one class of ordinary shares which carry no right of fixed income, and have no restrictions as to payment of dividends.

On 6 September 2017 the Company allotted 6,778,002 ordinary shares with a nominal value of £6,778,002 in connection with the acquisition of RR Donnelley UK Directory Limited (note 17).

The Group's currency translation reserve represents cumulative exchange gains and losses on the value of foreign currency net investments.

The Group's and Company's profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**26. CASH FLOW STATEMENT**

**Reconciliation of operating (loss)/profit to cash generated by operations**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Operating (loss)/profit	(1,792)	5,311
Adjustment for:		
Share-based payment expense	301	169
Increase in fair value of investment property	(500)	-
Depreciation and amortisation	11,554	9,281
Impairment of goodwill	-	3,540
Profit on sale of subsidiaries	-	(11,245)
	<hr/>	<hr/>
Operating cash flow before movement in working capital	9,563	7,056
(Increase)/decrease in stocks	(391)	1,059
Increase in debtors	(10,506)	(16,957)
Decrease in creditors	(5,706)	(9,838)
Decrease in provisions	(71)	(32)
Adjustment for pension funding	8,395	16,994
(Increase)/decrease in intangible development costs	(1,325)	2,063
Income tax paid	(1,084)	(319)
	<hr/>	<hr/>
<b>Cash generated by operations</b>	<b>(1,125)</b>	<b>26</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**27. FINANCIAL COMMITMENTS**

Capital commitments are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contracted but not provided for	<u>1,326</u>	<u>1,223</u>	<u>1,309</u>	<u>1,217</u>

Total future minimum lease payments under non-cancellable operating leases are as follows:

<b>Group</b>	<b>2017</b>		<b>2016</b>	
	<b>Land and buildings £'000</b>	<b>Plant, equipment and vehicles £'000</b>	<b>Land and buildings £'000</b>	<b>Plant, equipment and vehicles £'000</b>
Within one year	2,162	1,028	2,075	942
Between two to five years	3,828	903	3,099	971
After more than five years	-	-	1,241	-
	<u>5,990</u>	<u>1,931</u>	<u>6,415</u>	<u>1,913</u>

<b>Company</b>	<b>2017</b>		<b>2016</b>	
	<b>Land and buildings £'000</b>	<b>Plant, equipment and vehicles £'000</b>	<b>Land and buildings £'000</b>	<b>Plant, equipment and vehicles £'000</b>
Within one year	1,836	967	1,703	908
Between two to five years	3,430	784	2,576	951
After more than five years	-	-	1,241	-
	<u>5,266</u>	<u>1,751</u>	<u>5,520</u>	<u>1,859</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES**

The Group operates several defined benefit pension schemes for which a summary table has been provided as follows:

**SUMMARY OF PENSION COMMITMENT**

	<b>I)</b>	<b>II)</b>	<b>III)</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Total</b>	<b>Total</b>
				<b>£'000</b>	<b>£'000</b>
<b>Net pension liability</b>					
Fair value of scheme assets	26,658	2,322	183,034	212,014	206,533
Present value of scheme liabilities	(16,083)	(778)	(165,215)	(182,076)	(188,517)
	<u>10,575</u>	<u>1,544</u>	<u>17,819</u>	<u>29,938</u>	<u>18,016</u>
<b>Net pension asset</b>					
	<u>10,575</u>	<u>1,544</u>	<u>17,819</u>	<u>29,938</u>	<u>18,016</u>
	<b>I)</b>	<b>II)</b>	<b>III)</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Total</b>	<b>Total</b>
				<b>£'000</b>	<b>£'000</b>
<b>Movement in the scheme deficit during the year</b>					
<b>Surplus in the scheme at beginning of year</b>	9,437	1,615	6,964	18,016	5,267
Return on assets excluding interest income	552	22	7,510	8,084	1,342
Contributions paid	100	-	3,517	3,617	1,391
Net finance income/(charge)	256	51	195	502	384
Scheme administrative costs	(162)	(91)	(339)	(592)	(410)
Actuarial gain/(loss)	392	(53)	(28)	311	2,564
Deficit transferred on sale of company	-	-	-	-	4,130
Surplus on scheme transferred in	-	-	-	-	3,348
	<u>1,138</u>	<u>(71)</u>	<u>10,855</u>	<u>11,922</u>	<u>12,749</u>
<b>Net movements</b>					
	<u>1,138</u>	<u>(71)</u>	<u>10,855</u>	<u>11,922</u>	<u>12,749</u>
<b>Surplus in the scheme at end of year</b>	10,575	1,544	17,819	29,938	18,016
	<u>10,575</u>	<u>1,544</u>	<u>17,819</u>	<u>29,938</u>	<u>18,016</u>

In addition, the Group contributes to employees' own personal pension arrangements at rates varying between 4.8% and 10% of pensionable earnings.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

**I) e-doc Group Pension Scheme, which comprises two elements:**

A defined benefit element for the pension liabilities accrued up to 31 July 2000 of employees formerly employed by RR Donnelley Print & Media Services Limited who were previously employed by Her Majesty's Stationery Office; and a defined contribution element for other former employees of RR Donnelley Print & Media Services Limited, and for the pension liabilities accrued since 1 August 2000 of employees in service with the Company on 31 July 2000.

The Company contributes to a personal pension arrangement and to employees' own personal pension arrangements for other staff at rates varying between 4.8% and 10% of pensionable earnings.

The contributions to the defined benefit scheme, e-doc Group Pension Scheme, are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The scheme split from The Stationery Office Pension Scheme on 1 August 2001.

Except where stated otherwise, the remainder of section I) of this FRS 102 pensions note relates only to the defined benefit element of the Scheme.

A full actuarial valuation of the e-doc Group Pension Scheme was carried out at 31 December 2015 and updated to 31 December 2017 by a qualified independent actuary. The next full actuarial valuation will be calculated as at 31 December 2018. The principal assumptions used by the actuary were (in nominal terms):

		<b>2017</b>	<b>2016</b>
		<b>% per annum</b>	<b>% per annum</b>
Future price inflation assumed		2.1	2.3
Rate of increase in payment of pensions		2.1	2.3
Assumed discount rate on liabilities		2.4	2.7
Rate of increase for deferred pensioners		2.1	2.3
		<b>Years</b>	<b>Years</b>
Assumed life expectancies on retirement at age 65 are:			
Retiring today	Males	21.9	22.4
	Females	23.7	24.7
Retiring in 20 years' time	Males	23.0	23.8
	Females	25.0	26.2

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not be borne out in practice.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

The assumptions used in determining the overall expected return on the assets of the Scheme have been set having regard to yields available on government bonds, corporate bonds and bank base rates, incorporating appropriate risk margins where appropriate. The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	<b>2017</b>	<b>2016</b>
	<b>Fair</b>	<b>Fair</b>
	<b>value</b>	<b>value</b>
	<b>£'000</b>	<b>£'000</b>
Equities	7,678	5,289
Fixed Interest	4,247	5,826
Index Linked Gilts	12,348	12,143
Cash	791	1,298
Other	1,594	1,303
Total fair value of assets	<u>26,658</u>	<u>25,859</u>
Expected rate of return per annum	2.4%	2.7%

The Scheme does not hold any ordinary shares issued or property occupied by RR Donnelley UK Limited.

	<b>2017</b>	<b>2016</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of assets	26,658	25,859	20,820	19,368	15,224
Present value of funded obligations	(16,083)	(16,422)	(12,996)	(12,701)	(12,235)
Pension scheme surplus	10,575	9,437	7,824	6,667	2,989
Irrecoverable surplus	-	-	-	-	(2,989)
Net pension asset in plan	<u>10,575</u>	<u>9,437</u>	<u>7,824</u>	<u>6,667</u>	<u>-</u>

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Movement in surplus in the scheme during the year</b>		
Surplus in the scheme at beginning of year	9,437	7,824
Return on assets excluding interest income	552	4,300
Contributions	100	487
Net finance income	256	302
Scheme administrative costs	(162)	(166)
Actuarial gain/(loss)	392	(3,310)
Surplus in the scheme at end of year	<u>10,575</u>	<u>9,437</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of the Scheme liabilities</b>		
Liabilities at beginning of year	16,422	12,996
Interest cost	438	487
Actuarial (gains)/losses	(392)	3,310
Benefits paid	(385)	(371)
	<u>16,083</u>	<u>16,422</u>

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the fair value of the Scheme assets</b>		
Fair value of assets at beginning of year	25,859	20,820
Interest income on scheme assets	694	789
Return on assets excluding interest income	552	4,300
Contributions by employer	100	487
Benefits paid	(385)	(371)
Scheme administrative costs	(162)	(166)
	<u>26,658</u>	<u>25,859</u>

The Group's best estimate of expected contributions to the Scheme in the year commencing 1 January 2018 is £100,000 plus contributions to the Defined Contribution element.

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amount recognised in the profit and loss account in respect of the scheme</b>		
Net finance income	256	-
Scheme administrative costs	(162)	(170)
	<u>94</u>	<u>(170)</u>

**Remeasurements of the net defined benefit asset to be shown in other comprehensive income**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial gains/(losses) on the liabilities	392	(3,310)
Return on assets, excluding interest income	552	4,300
Net finance income	-	302
	<u>944</u>	<u>1,292</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

**II) RR Donnelley Passport Pension Scheme, a defined benefit scheme established in the UK with effect from 1 February 2006.**

Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The Company made no contributions to the scheme for the current or prior year. All of the remaining active members of the scheme ceased to be active with effect from 30 June 2010.

A full actuarial valuation was carried out at 31 December 2015 and updated to 31 December 2017 by a qualified actuary. The next full actuarial valuation will be calculated as at 31 December 2018. The principal assumptions used for the actuarial valuation were:

	<b>2017</b>	<b>2016</b>
	<b>% per annum</b>	<b>% per annum</b>
Inflation assumption	3.1	3.3
Rate of increase in payment of pensions	3.1	3.3
Discount rate	2.4	3.2
Rate of increase for deferred pensioners	2.1	2.3
Future salary increases	n/a	n/a

		<b>Years</b>	<b>Years</b>
Assumed life expectancies on retirement at age 65 are:			
Retiring today	Males	21.9	22.4
	Females	23.7	24.7
Retiring in 20 years' time	Males	23.0	23.8
	Females	25.0	26.2

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not be borne out in practice.

The assumptions used in determining the overall expected return on the assets of the Scheme have been set having regard to yields available on government bonds, corporate bonds and bank base rates, incorporating appropriate risk margins where appropriate. The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	<b>2017</b>	<b>2016</b>
	<b>Fair</b>	<b>Fair</b>
	<b>value</b>	<b>value</b>
	<b>£'000</b>	<b>£'000</b>
Equities and property	-	9
Fixed interest	163	152
Index linked gilts	1,371	1,287
Cash	788	875
<b>Total fair value of assets</b>	<b>2,322</b>	<b>2,323</b>
 Expected rate of return	 2.4%	 3.2%

The Scheme does not hold any ordinary shares issued or property occupied by RR Donnelley UK Limited.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

	2017 £'000	2016 £'000	2014 £'000	2013 £'000	2012 £'000
<b>Net pension asset</b>					
Fair value of scheme assets	2,322	2,323	2,148	2,170	2,034
Present value of funded obligations	(778)	(708)	(595)	(575)	(508)
Pension scheme surplus	1,544	1,615	1,553	1,595	1,526
Irrecoverable surplus	-	-	-	-	(1,526)
Net pension asset in plan	1,544	1,615	1,553	1,595	-

	2017 £'000	2016 £'000
<b>Movement in surplus in the scheme during the year</b>		
Surplus in the scheme at beginning of year	1,615	1,553
Net finance income	51	61
Return on assets excluding interest income	22	146
Actuarial loss	(53)	(96)
Scheme administrative costs	(91)	(49)
Surplus in the scheme at end of year	1,544	1,615

	2017 £'000	2016 £'000
<b>Changes in the present value of the Scheme liabilities</b>		
Liabilities at beginning of year	708	595
Interest cost	23	23
Actuarial loss	53	96
Benefits paid	(6)	(6)
Liabilities at end of year	778	708

	2017 £'000	2016 £'000
<b>Changes in the fair value of the Scheme assets</b>		
Fair value of assets at beginning of year	2,323	2,148
Interest income on Scheme assets	74	84
Return on assets excluding interest income	22	146
Benefits paid	(6)	(6)
Scheme administrative costs	(91)	(49)
Fair value of Scheme assets at end of year	2,322	2,323

The Group's best estimate of expected contributions to the Scheme in the year commencing 1 January 2018 is £nil.

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

	2017 £'000	2016 £'000
<b>Amount recognised in the profit and loss account in respect of the scheme</b>		
Net finance income	51	-
Scheme administrative costs	(91)	(49)
	<u>(40)</u>	<u>(49)</u>
	2017 £'000	2016 £'000
<b>Remeasurements of the net defined benefit asset to be shown in other comprehensive income</b>		
Actuarial losses on the liabilities	(53)	(96)
Return on assets excluding interest income	22	146
Net finance income	-	61
	<u>(31)</u>	<u>111</u>

**III) RR Donnelley UK Pension Scheme.** The Group assumed responsibility for the scheme as principal employer with effect from 1 October 2016. The scheme is a defined benefit plan established in the UK for the pension liabilities accrued up to 31 December 2012 of employees of RR Donnelley UK Directory Limited and Donnelley Financial Solutions UK Limited.

With effect from 31 December 2012 the scheme was closed to future accruals.

A full actuarial valuation was carried out at 31 March 2016 by a qualified actuary. The next full actuarial valuation will be calculated as at 31 March 2019.

The principal assumptions used for the actuarial valuation were:

	31 December 2017 % per annum	31 December 2016 % per annum
Inflation assumption	3.10	3.20
Rate of increase in pension payments	3.05	3.10
Discount rate	2.52	2.65
Future salary increases	n/a	n/a
	Years	Years
<b>Assumed life expectancies on retirement at age 65 are:</b>		
Males retiring today	22.2	22.2
Males retiring in 20 years' time	23.9	23.9

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not be borne out in practice.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

The assumptions used in determining the overall expected return on the assets of the Scheme have been set having regard to yields available on government bonds, corporate bonds and bank base rates, incorporating appropriate risk margins where appropriate. The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2017 Fair value £'000	2016 Fair value £'000
Cash and cash equivalents	2,222	375
Equities	11,431	41,628
Bonds	155,657	114,553
Property	9,190	8,241
Other	4,534	13,554
Total fair value of assets	<u>183,034</u>	<u>178,351</u>

Expected rate of return per annum 2.52% 2.65%

The Scheme does not hold any ordinary shares issued or property occupied by RR Donnelley UK Limited.

	2017 £'000	2016 £'000
<b>Net pension asset</b>		
Fair value of scheme assets	183,034	178,351
Present value of funded obligations	(165,215)	(171,387)
Net pension asset in plan	<u>17,819</u>	<u>6,964</u>

	2017 £'000	2016 £'000
<b>Movement in surplus in the scheme during the year</b>		
Surplus in the scheme at beginning of year	6,964	-
Surplus on scheme transferred in	-	3,348
Net finance income	195	21
Return on assets excluding interest income	7,510	(3,104)
Contributions by employer	3,517	904
Actuarial (loss)/gain	(28)	5,970
Scheme administrative costs	(339)	(175)
Surplus in the scheme at end of year	<u>17,819</u>	<u>6,964</u>

**RR DONNELLEY UK LIMITED (formerly RR Donnelley Global Document Solutions Group Limited)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

	2017 £'000	2016 £'000
<b>Changes in the present value of the Scheme liabilities</b>		
Liabilities at beginning of year	171,387	-
Liabilities of scheme transferred in	-	177,528
Interest cost	3,866	1,013
Actuarial loss/(gain)	28	(5,970)
Benefits paid	(10,066)	(1,184)
	<u>165,215</u>	<u>171,387</u>

	2017 £'000	2016 £'000
<b>Changes in the fair value of the Scheme assets</b>		
Fair value of assets at beginning of year	178,351	-
Assets of scheme transferred in	-	180,876
Interest income on Scheme assets	4,061	1,034
Return on assets excluding interest income	7,510	(3,104)
Contributions by employer	3,517	904
Benefits paid	(10,066)	(1,184)
Scheme administrative costs	(339)	(175)
	<u>183,034</u>	<u>178,351</u>

The Group's best estimate of expected contributions to the Scheme in the year commencing 1 January 2018 is £nil.

	2017 £'000	2016 £'000
<b>Amount recognised in the profit and loss account in respect of the scheme</b>		
Net interest income	195	21
Scheme administrative costs	(339)	(175)
	<u>(144)</u>	<u>(154)</u>

	2017 £'000	2016 £'000
<b>Remeasurements of the net defined benefit asset to be shown in other comprehensive income</b>		
Effect of changes in assumptions	(28)	5,970
Return on assets excluding interest income	7,510	(3,104)
Net surplus transferred in	-	3,348
	<u>7,482</u>	<u>6,214</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2017**

**28. RETIREMENT BENEFIT SCHEMES (continued)**

**IV) Defined contribution schemes**

The pension charge for the defined contribution schemes during the year is £2,188,000 (2016 - £2,143,000). The unpaid contributions outstanding at the year-end were £248,000 (2016 - £266,000). These related to December 2017 contributions which were paid in January 2018.

**29. SUBSEQUENT EVENTS**

On 7 March 2018 the company's subsidiary RR Donnelley UK Directory Limited sold its freehold property at Flaxby Moore, Flaxby. The net proceeds received from the sale were approximately £8.5 million.

**30. RELATED PARTY TRANSACTIONS**

As 100% of the share capital of the company and group is indirectly owned by a group whose consolidated financial statements are publicly available, it is not required to disclose transactions with other group undertakings that would otherwise be required under FRS 102 Section 33.

All of the company's subsidiary undertakings are 100% owned.

The total remuneration for key management personnel for the year totalled £2,109,112 (2016 - £2,288,378).

**31. PARENT COMPANY**

The Company's immediate parent undertaking is RR Donnelley Holdings BV, a company registered in the Netherlands whose principal office is situated at Jupiterstraat 220, 2132HJ, Hoofddorp, The Netherlands. The largest and smallest group in which the results of the company for the year ended 31 December 2017 are consolidated is that headed by RR Donnelley & Sons Company, a company incorporated in the state of Delaware in the United States of America, whose principal office is situated at 35 West Wacker Drive, Chicago, IL 60601.

The Company's ultimate parent company and ultimate controlling party is RR Donnelley & Sons Company. Copies of the group financial statements of RR Donnelley & Sons Company including this company may be obtained from Investor Relations, 35 West Wacker Drive, Chicago, IL 60601.