

Company Registration No. 00511368 (England and Wales)

HOBS REPROGRAPHICS PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 APRIL 2017

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HOBS REPROGRAPHICS PLC

COMPANY INFORMATION

Directors	J Duckenfield D Gordon C Horwood S P Walsh-Hill
Secretary	S P Walsh-Hill
Company number	00511368
Registered office	14 Castle Street Liverpool England L2 0NE
Auditor	RSM UK Audit LLP Chartered Accountants 14th Floor 20 Chapel Street Liverpool L3 9AG
Bankers	HSBC plc City Branch 4 Dale Street Liverpool L69 2BZ
Solicitors	Hill Dickinson 1 St. Paul's Square Old Hall Street Liverpool L3 9SJ

HOBS REPROGRAPHICS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2017

The directors present their strategic report for the year ended 30 April 2017.

Company overview

Hobs Reprographics Plc ('Hobs') provides a fully integrated print and document management service to support customers in designing, producing, sharing, digitising, storing and retrieving their documents and data.

Hobs has been a leading name in its sector for the last 47 years and over time has developed deep and loyal relationships with its customers. From supporting some of the UK's largest companies in the full range of document management services (creation, presentation, storage/hosting and distribution), Hobs has become an invaluable and seamless extension of its clients' businesses.

Throughout its history Hobs has focused on providing the highest level of service, on-time, every time. This consistency of service has ensured a high level of customer loyalty in the Company's key market sector, with the customers of Hobs finding the services exceptional value for money.

Hobs is a progressive technology and services partner in its sector. These services involve the provision of consultancy, software solutions, on and off-site hardware solutions, staffing resource and web-based solutions. The Company is strategically positioned across key market verticals and offers a number of routes to market:

- National and local account customers are provided 24/7 services via a network of strategically located business centres through Hobs Reprographics. This national business centre infrastructure enables Hobs to replicate the geographical locations of its clients. This allows it to support its national customers on a local level, ensuring a fast turnaround service – an ability which limits competition from local companies;
- Off-site specialist services such as bulk scanning and digital post rooms are provided through a number of dedicated centres throughout the UK.

Our history

The company was established in Liverpool over 47 years ago and initially focused on providing construction drawing printing services to companies in the Architecture, Engineering and Construction ('AEC') sector. Whilst the AEC sector remains Hobs' largest sector its current multi-layered, technology-driven service solution has evolved significantly from the Company's original offering. The company was proud to be awarded a Royal Warrant in 2003.

Hobs expanded through successive decades both organically and through selective acquisition to build a national presence in the UK and Ireland. Within the UK, Hobs is particularly strong in the London market, but through strategic acquisitions has become one of only two national players

HOBS REPROGRAPHICS PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2017

Business review

Hobs Reprographics plc saw turnover decrease by £1.12m (5.6%) year on year to £18.7m, with much of this decrease coming from the traditional reprographic service lines.

Although gross margins actually improved in the year by 0.5%, the decrease in revenue described above accounted for £0.86m of the £1.2m decrease in operating profit before exceptional items to £0.006m loss, with further investment in staff and IT infrastructure accounting for the rest. With regards to exceptional items, there was a write down of £0.15m in an investment in a subsidiary company, Hobs Exchange Limited, which was dissolved in the year. This was part of a wider group restructuring exercise which resulted in inter-company debt forgiveness totalling £2.66m in April 2016, shown as an exceptional item in the prior year.

In December 2016, Hobs acquired the business of Face Creative Services in London and consolidated this into its existing London operations. This transaction has led to the recognition of customer relationship intangibles amounting to £0.533m and related negative goodwill of £0.292m at 30 April 2017.

On 30 April 2017 the implementation of a new ERP IT system was completed. This will enhance not just the quality of financial data being produced but also to streamline business practices at all business units, leading to more efficient use of resources and greater data intelligence to drive the business forward.

The directors monitor performance through the production of a 3 year business plan, supported by the production of detailed annual budgets and forecasts that cover all trading divisions in the company and the comparison of actual performance against these budgets.

Loss before tax for the year ended 30 April 2017 was £155,628 (2016 - £3,864,810 profit including £2,657,016 of exceptional items).

The directors are implementing a renewed focus on driving sales and reducing the company's cost base in order to return the business to profit in the next financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report.

Corporate social responsibility

Environment

Hobs has always been conscious of the impact we have on the local community, the environment and our sustainability.

We are committed to reducing our impact on the environment. That's why it is our policy to establish, implement and maintain an effective, documented environmental system based on the requirements of BS EN ISO 14001.

Through our network of suppliers we now use FSC paper as standard, and for bespoke jobs wherever possible. We print onto various recycled papers and we use various inks including vegetable based inks that have a low impact on the environment.

We continually review our production processes to minimise levels of waste, reuse or recycle materials and product whenever possible, and only dispose of waste via licensed waste contractors.

Charities

As a business Hobs sponsors a number of charity fundraising events each year, either from individual branches or from Head Office. In addition Hobs employees undertake a number of charity fundraising challenges each year.

Staff

The directors would like to go on record to express their thanks to all staff within the company for their continued support during the year.

HOBS REPROGRAPHICS PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2017

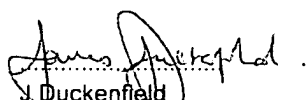
Principal risks and uncertainties

The principal risks and uncertainty facing the company's business are as follows:

- The impact of the wider economy and specifically the architecture, engineering and construction (AEC) sector. The directors believe this risk is reducing as the UK economy continues to strengthen, although in the medium-term it could be impacted by the Brexit process as this unfolds over the coming years.
- Price risk has now increased as suppliers start to pass on price increases in imported raw materials caused by the current weakness in sterling. The stability of sterling against major foreign currencies will be key to preventing any further price increases, although import tariffs may then start to take effect later on once Brexit negotiations are concluded.
- Technology – The emergence of 3D Printing and associated services are having a significant impact on the AEC sector's pre-construction processes. Consequently Hobs has invested large sums in this new technology to secure its market share in the sector, and also to take advantage of new sectors opening up in the 3D field. The directors intend to ensure that Hobs remains at the forefront of this market by continuing its investment in new technology.
- Competition – Hobs remains one of only three national suppliers of printing and reprographics services. However, the directors are aware of market competition at both national and local level, and constantly strive to capture new business as well as retain existing customers by close scrutiny of management information data and the setting of targeted sales incentives.

The directors carry out a regular review of the risk environment in which the company operates. The board believes that the company has adequate procedures and processes in place to ensure these risks are monitored and managed appropriately.

On behalf of the board


J. Duckenfield
Director
31/10/17

HOBS REPROGRAPHICS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2017

The directors present their annual report and financial statements for the year ended 30 April 2017.

Principal activities

The principal activity of the company during the year was the supply of reprographic services including document imaging.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Duckenfield	(Appointed 5 September 2016)
D Gordon	
C Horwood	
S Lacey	(Resigned 31 March 2017)
D C O'Brien	(Resigned 31 May 2017)
K J O'Brien	(Resigned 8 September 2017)
S P Walsh-Hill	

Results and dividends

The results for the year are set out on page 8.

The loss for the period, after taxation, attributable to members of the parent company amounted to £235,470 (2016: £3,691,953 profit including exceptional items). The Directors do not propose the payment of a dividend.

Financial controls

The directors are responsible for the company's system of internal controls and for reviewing its effectiveness. The internal control system is designed to manage, rather than eliminate the risk of failure to achieve the company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Disabled persons

The company is committed to fulfilling its obligations in accordance with the Disability Discrimination Act 1995 and best practice, giving equal consideration to applicants with disabilities in its employment criteria. The company is also committed to providing full support and appropriate training for employees who become disabled during the course of their employment so that they can continue to work in a position appropriate to their experience and abilities.

Employee involvement

The company is committed to improving its employees' skills through training and development and encourages employees to work to their full potential. The company is also committed to involving employees in business development opportunities.

Future developments

With growth returning to the core AEC marketplace, the directors feel the company is well placed to capitalise on the recovery in the industry following investment in new technology and strategic acquisitions.

Whilst making sizeable investment in technology, the directors also undertook a targeted review of headcount in certain businesses within the company to ensure trading performance and profitability is maximised over the year to April 2018.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

HOBS REPROGRAPHICS PLC

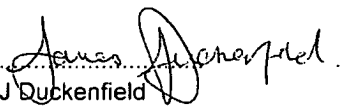
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2017

Statement of disclosure to auditor

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

On behalf of the board


J Duckenfield

Director

..... 31/10/17

HOBS REPROGRAPHICS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 APRIL 2017

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF HOBS REPROGRAPHICS PLC

Opinion on financial statements

We have audited the financial statements on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Respective responsibilities of directors and auditor

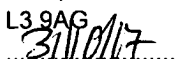
As more fully explained in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Lowe (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

14th Floor
20 Chapel Street
Liverpool

L3 9AG


HOBS REPROGRAPHICS PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2017

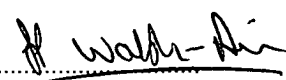
	Notes	2017 £	2016 £
Turnover	3	18,695,272	19,814,099
Cost of sales		(4,317,677)	(4,686,191)
Gross profit		14,377,595	15,127,908
Administrative expenses		(14,833,224)	(14,360,262)
Other operating income		450,000	450,000
Exceptional items	4	(149,999)	2,657,016
Operating (loss)/profit	7	(155,628)	3,874,662
Interest receivable and similar income	10	-	4,225
Interest payable and similar expenses	9	-	(14,077)
(Loss)/profit before taxation		(155,628)	3,864,810
Taxation	11	(79,842)	(172,857)
(Loss)/profit for the financial year	25	(235,470)	3,691,953

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

HOBS REPROGRAPHICS PLC**STATEMENT OF FINANCIAL POSITION****AS AT 30 APRIL 2017**

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Goodwill	13	315,596		344,748	
Negative goodwill	13	(292,377)		-	
Net goodwill		23,219		344,748	
Other intangible assets	13	1,173,379		20,786	
Total intangible assets		1,196,598		365,534	
Tangible assets	14	2,126,622		2,000,242	
Investments	15	1		150,000	
		3,323,221		2,515,776	
Current assets					
Stocks	18	422,148		385,612	
Debtors	19	9,307,232		8,544,194	
Cash at bank and in hand		552,787		1,213,645	
		10,282,167		10,143,451	
Creditors: amounts falling due within one year	20	(8,487,718)		(7,406,087)	
Net current assets		1,794,449		2,737,364	
Total assets less current liabilities		5,117,670		5,253,140	
Provisions for liabilities	21	(450,000)		(350,000)	
Net assets		4,667,670		4,903,140	
Capital and reserves					
Called up share capital	24	50,000		50,000	
Profit and loss reserves	25	4,617,670		4,853,140	
Total equity		4,667,670		4,903,140	

The financial statements were approved by the board of directors and authorised for issue on 31/10/17 and are signed on its behalf by:


 S P Walsh-Hill
 Director

HOBS REPROGRAPHICS PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2017

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 May 2015		50,000	4,462,937	4,512,937
Year ended 30 April 2016:				
Profit and total comprehensive income for the year		-	3,691,953	3,691,953
Dividends	12	-	(3,301,750)	(3,301,750)
Balance at 30 April 2016		50,000	4,853,140	4,903,140
Year ended 30 April 2017:				
Loss and total comprehensive income for the year		-	(235,470)	(235,470)
Balance at 30 April 2017		50,000	4,617,670	4,667,670

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

1 Accounting policies

Company information

Hobs Reprographics plc is a private company limited by shares incorporated in England and Wales. The registered office is 14 Castle Street, Liverpool, England, L2 ONE.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosure exemptions

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

The financial statements of the company are consolidated in the financial statements of Hobs Liver Limited (formerly Hobs Group Limited). The consolidated financial statements of Hobs Liver Limited are available from its registered office - see note 28.

Group accounts

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

1 Accounting policies (Continued)

Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover represents the invoiced amount of goods and services sold, net of trade discounts and value added tax. Sales are recognised when the rights to receive consideration have been met in full.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 3 years.

Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit or loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit or loss in the periods expected to benefit.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	- 3 years straight line
Customer relationships	- 3 years straight line

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

1 Accounting policies (Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold property	- 4% straight line
Long leasehold property	- 4% straight line
Short leasehold improvements	- 20% straight line
Plant & equipment	- 20-50% straight line
Fixtures & fittings	- 25% straight line
Motor vehicles	- 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank current accounts.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

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

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss 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.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Categorisation of leases

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful life of fixed assets

In making decisions regarding the depreciation of fixed assets, management must estimate the useful life of said assets to the business. A change in estimate would result in a change in the depreciation charged to profit or loss in each year.

Valuation of intangible assets

The recoverable amount of goodwill and other intangible assets is based on value in use which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth. In the current year the directors have also made estimate regarding the conditions attaching to the payment of contingent consideration; a change in these assumptions could impact on the level of goodwill recognised.

Provisions

Management must estimate at each reporting period date the impact of dilapidations resulting from the occupation of leased properties.

Contingent consideration

The contingent consideration noted in note 17 is payable within one year of the acquisition, based on certain pre-determined targets being met in that period. On the basis the directors believe the targets will be met in full the full amount of potential consideration payable has been accrued.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Supply of reprographic services	18,695,272	19,814,099
Other revenue		
Dividends received	-	4,225
Turnover analysed by geographical market		
	2017 £	2016 £
United Kingdom	18,641,692	19,754,262
Overseas	53,580	59,837
	18,695,272	19,814,099

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

4 Exceptional items

	2017 £	2016 £
Impairment of investment in dissolved subsidiary company	149,999	-
Intercompany debt forgiveness	-	(2,657,016)
	<u>149,999</u>	<u>(2,657,016)</u>

Within operating profit there are exceptional costs totalling £149,999 (2016 - £2,657,016 income). The cost in 2017 relates to the write off of the investment in the dissolved subsidiary company Hobs Exchange Limited. The income in 2016 related to intercompany debt forgiveness as part of a group restructuring.

5 Employees

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

	2017 Number	2016 Number
Number of staff	<u>264</u>	<u>273</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	8,293,654	8,059,301
Social security costs	864,917	820,707
Pension costs	168,342	418,696
	<u>9,326,913</u>	<u>9,298,704</u>

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	855,974	770,702
Company pension contributions to defined contribution schemes	36,363	36,510
	<u>892,337</u>	<u>807,212</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2016 - 5).

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

6 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017 £	2016 £
Remuneration for qualifying services	184,734	167,844

7 Operating (loss)/profit

	2017 £	2016 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses	3,976	-
Depreciation of owned tangible fixed assets	767,172	856,514
Profit on disposal of tangible fixed assets	(15,997)	(29,450)
Amortisation of intangible assets	280,345	132,946
Release of negative goodwill	(48,685)	-
Cost of stocks recognised as an expense	4,317,677	4,686,191
Operating lease charges	995,647	894,615

8 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	11,330	11,000

Statutory information on remuneration for other services provided by the company's auditors and its associates is given on a consolidated basis in the group accounts of the parent company (Hobs Liver Limited).

9 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and loans	-	41
Other interest	-	14,036
	-	14,077

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

10 Interest receivable and similar income

	2017 £	2016 £
Other income from investments		
Dividends received	-	4,225

11 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	-	58,000
Adjustments in respect of prior periods	(5,223)	(60,106)
Total current tax	(5,223)	(2,106)
Deferred tax		
Origination and reversal of timing differences	64,588	119,975
Changes in tax rates	20,477	54,988
Total deferred tax	85,065	174,963
Total tax charge	79,842	172,857

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017. A further reduction to the UK Corporation tax rate was substantively enacted on 6 September 2016, reducing the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

11 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
(Loss)/profit before taxation	(155,628)	3,864,810
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.92% (2016: 20.00%)	(31,001)	772,962
Tax effect of expenses that are not deductible in determining taxable profit	63,106	10,655
Tax effect of income not taxable in determining taxable profit	-	(532,248)
Unutilised tax losses carried forward	19,920	-
Adjustments in respect of prior years	(5,223)	(60,106)
Effect of change in corporation tax rate	-	(26,582)
Group relief	5,342	(49,370)
Deferred tax adjustments in respect of prior years	-	(6,326)
Adjust deferred tax to average rates	6,881	40,955
Fixed asset differences	20,817	22,917
Taxation charge for the year	79,842	172,857

12 Dividends

	2017 £	2016 £
Interim paid	-	3,301,750

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

13 Intangible fixed assets

	Goodwill	Negative goodwill	Software	Customer relationships	Total
	£	£	£	£	£
Cost					
At 1 May 2016	2,092,300	-	227,990	-	2,320,290
Additions - separately acquired	-	-	679,073	-	679,073
Additions - business combinations	105,297	(341,062)	-	619,416	383,651
Disposals	(1,493,180)	-	-	-	(1,493,180)
At 30 April 2017	704,417	(341,062)	907,063	619,416	1,889,834
Amortisation and impairment					
At 1 May 2016	1,747,552	-	207,204	-	1,954,756
Amortisation charged for the year	134,449	(48,685)	59,866	86,030	231,660
Disposals	(1,493,180)	-	-	-	(1,493,180)
At 30 April 2017	388,821	(48,685)	267,070	86,030	693,236
Carrying amount					
At 30 April 2017	315,596	(292,377)	639,993	533,386	1,196,598
At 30 April 2016	344,748	-	20,786	-	365,534

The disposals above relate to the write off of fully amortised goodwill balances.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

14 Tangible fixed assets

	Freehold property	Long leasehold property	Short leasehold improvements	Plant & equipment	Fixtures & Motor vehicles fittings	Total
	£	£	£	£	£	£
Cost						
At 1 May 2016	348,420	247,728	897,200	6,144,047	270,162	8,686,670
Additions	-	-	72,043	634,888	16,310	896,804
Business combinations	-	-	-	44,996	-	44,996
Disposals	-	-	-	(17,499)	-	(154,333)
At 30 April 2017	348,420	247,728	969,243	6,806,432	286,472	9,474,137
Depreciation and impairment						
At 1 May 2016	62,715	34,682	713,457	5,198,971	198,895	6,686,428
Depreciation charged in the year	13,937	9,909	70,186	499,098	30,501	767,172
Eliminated in respect of disposals	-	-	-	(3,645)	-	(106,085)
At 30 April 2017	76,652	44,591	783,643	5,694,424	229,396	7,347,515
Carrying amount						
At 30 April 2017	271,768	203,137	185,600	1,112,008	57,076	2,126,622
At 30 April 2016	285,705	213,046	183,743	945,076	71,267	2,000,242

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

15 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	16	1	150,000

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 May 2016	150,000
Impairment	(149,999)
At 30 April 2017	1
Carrying amount	
At 30 April 2017	1
At 30 April 2016	150,000

The impairment of fixed asset investments represents the write down required following the dissolution of Hobs Exchange Limited on 7 February 2017.

16 Subsidiaries

Details of the company's subsidiaries at 30 April 2017 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct Indirect
Manchester Print Graphics Limited	1	Dormant	Ordinary shares	100.00

Registered Office addresses:

1 14 Castle Street, Liverpool, England, L2 ONE

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

17 Acquisition of a business

On 1 December 2016 the company acquired the trade and certain assets of a business in administration, Face Creative Services Limited, for consideration of £328,350.

	Book Value £	Fair Value £
Intangible assets	4	724,717
Tangible assets	44,996	44,996
Stocks	5,000	5,000
Deferred tax	-	(105,301)
Total identifiable net assets	50,000	669,412
Goodwill		(341,062)
Total consideration		328,350
Satisfied by:		£
Cash		66,350
Deferred consideration		72,000
Contingent consideration		190,000
		328,350

Fair value adjustments have been recognised to include the value of customer relationships and a corresponding deferred tax liability at the rate of 17%.

Contribution by the acquired business for the reporting period since acquisition:	£
Turnover	460,236
Profit after tax	189,556

The contingent consideration noted above is payable within one year of the acquisition, based on certain pre-determined targets being met in that period. On the basis the directors believe the targets will be met in full the full amount of potential consideration payable has been accrued.

Negative goodwill has arisen as a result of the fair value of the consideration being lower than the fair value of the identifiable assets acquired.

18 Stocks

	2017 £	2016 £
Raw materials and consumables	422,148	385,612

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

19 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	3,902,839	3,786,869
Corporation tax recoverable	5,223	-
Amounts owed by group undertakings	4,342,039	3,325,835
Other debtors	191,600	388,281
Prepayments and accrued income	687,305	674,617
	<u>9,129,006</u>	<u>8,175,602</u>
Deferred tax asset (note 22)	178,226	368,592
	<u>9,307,232</u>	<u>8,544,194</u>

20 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	997,356	1,176,399
Amounts due to group undertakings	5,469,993	4,087,248
Corporation tax	-	58,000
Other taxation and social security	678,278	1,069,962
Other creditors	515,769	314,346
Accruals and deferred income	826,322	700,132
	<u>8,487,718</u>	<u>7,406,087</u>

There is a legal charge dated 20 March 2015, in favour of HSBC Bank Plc secured by a legal assignment of contract monies.

There is a debenture dated 26 April 2005, in favour of HSBC Bank Plc secured by a fixed and floating charge over all assets of the company.

There is a legal charge dated 16 January 1989, in favour of HSBC Bank Plc secured by a fixed and floating charge over all assets of the company.

There is a Composite Company Unlimited Multilateral Guarantee dated 17 December 2014 given by Hobs Reprographics plc, Anexsys Limited, Hobs On-Site Limited and Hobs Liver Limited (formerly Hobs Group Limited). There were no balances at the year end.

21 Provisions for liabilities

	2017 £	2016 £
Dilapidations	<u>450,000</u>	<u>350,000</u>

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

21 Provisions for liabilities (Continued)

Movements on provisions:

	Dilapidations £
At 1 May 2016	350,000
Additional provisions in the year	100,000
	<u>450,000</u>
At 30 April 2017	<u>450,000</u>

The dilapidation provision represents the directors best estimate for the cost to return leased properties to their original state at the inception of each lease.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2017 £	Assets 2016 £
Balances:		
Depreciation in excess of capital allowances	257,769	274,394
Retirement benefit obligations	-	80,280
Business combinations	(90,676)	-
Other timing differences	11,133	13,918
	<u>178,226</u>	<u>368,592</u>
		2017
Movements in the year:		£
Asset at 1 May 2016		(368,592)
Charge to profit or loss		85,065
Recognition of deferred tax on business combination		105,301
		<u>(178,226)</u>
Asset at 30 April 2017		<u>(178,226)</u>

A deferred tax asset has been recognised in relation to the excess of depreciation over taxation allowances, as well as short term timing differences as the company is forecasting to make taxable profits in the next year.

A deferred tax liability has been recognised in relation to intangibles acquired as part of a business combination. This will be released in line with the amortisation period of the related intangibles.

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

23 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £168,342 (2016 - £418,696).

Included in other creditors at the year end was £29,279 (2016 - £30,645) in respect of defined contribution schemes.

Defined benefit schemes

The company operated a defined benefit scheme in the UK. This was a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 6 April 2012.

In the period ended 30 April 2016 a final true-up premium of £243,000 was paid in relation to the buy-in contract with Legal and General on 25 September 2015. On payment, this contract was converted into a buy-out of the scheme liabilities. The scheme completed the process of winding up on 20 October 2016 with a deed of termination being signed on the same date.

24 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

25 Reserves

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	861,611	806,808
Between one and five years	1,835,471	1,877,084
In over five years	676,074	832,838
	<u>3,373,156</u>	<u>3,516,730</u>

HOBS REPROGRAPHICS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017

27 Related party transactions

The Hobs (Drawing Office Services) Limited/Hobs Reprographics plc Pension Scheme

The above is the company pension scheme. During the year Hobs Reprographics plc paid invoices on behalf of the pension scheme amounting to £74,253 (2016 - £276,189) and at the year end £Nil (2016 - £Nil) was due to the company.

K J O'Brien

K J O'Brien resigned as a director of the company on 8 September 2017. During the year the company paid invoices on behalf of K J O'Brien amounting to £Nil (2016 - £7,376). Amounts repaid in the year amounted to £121 (2016 - £7,255).

The maximum balance outstanding on the debt due to the company was £121 (2016 - £3,713). The balance outstanding from K J O'Brien at the year end is £Nil (2016 - £121).

28 Controlling party

The immediate parent company and ultimate parent company is Hobs Liver Limited (formerly Hobs Group Limited), a company registered in England and Wales. The consolidated accounts of Hobs Liver Limited are available to the public from its registered office:

14 Castle Street
Liverpool
England
L2 ONE

The directors consider there to be no ultimate controlling party of Hobs Liver Limited.