London Graphic Centre Limited

(formerly known as Stationery Box Holdings Limited)

Report and Financial Statements

Year ended

1 April 2017

Company Number 06062021



London Graphic Centre Limited

Report and financial statements
for the year ended 1 April 2017

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Directors

T Paphitis
K Kyprianou

Secretary and registered office

A E Mantz, Ryman House, Savoy Road, Crewe, Cheshire, CW1 6NA

Company number

06062021

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Bankers

National Westminster Bank plc, 186 Brompton Road, London, SW3 1XJ

London Graphic Centre Limited

Strategic report
for the year ended 1 April 2017

A review of the business and future developments, including key performance indicators and the principal risks and uncertainties is set out below.

Company name

On 21 October 2016 the Company changed its name from Stationery Box Holdings Limited to London Graphic Centre Limited.

Business review and future developments

During the year, the Ryman Group acquired the assets and trade of London Graphic Centre which has a retail store in Covent Garden, London and an e-commerce business. The business is a specialist retailer of arts and graphic products and has potential for growth due to its synergies with the proposition of Ryman. Since acquisition the focus has been on integrating London Graphic Centre into Ryman's systems.

I am highly encouraged by the response to our acquisition so far and confident that London Graphic Centre will continue to be an important member of our group of companies.

Key Performance Indicators

The operating profit for the year amounted to £49,000 (2016 - £nil).

The directors are satisfied with the performance of the Company against these key performance indicators.

Principal risks and uncertainties including financial risk factors

The principal risks and uncertainties that the Company faces together with an explanation of how they are managed and mitigated are as follows:

Liquidity and cash flow

The future development of London Graphic Centre is reliant on the financial support of Ryman Group Limited, a company owned by Theo Paphitis.

The Economy

There are a number of economic factors that affect our customers, partners and suppliers at both the global and national level. The directors monitor these closely to ensure that the Company is prepared for and can react to changes in the economic environment.

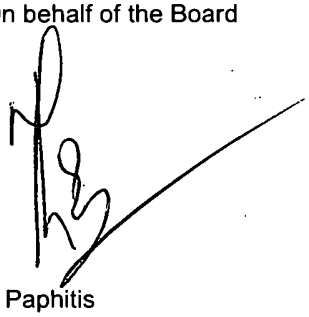
Stock

The most significant investment that the Company makes each year is its investment in stock. Processes are in place to mitigate the risk inherent in such an investment by controlling the level of stock in the context of changing sales levels, and to ensure that all slow-moving stock is moved through the business.

People

The directors recognise the importance of our people in the success of its operations. The risk of reliance on key individuals is minimised through the development of succession plans.

On behalf of the Board



T Paphitis
Director

Date 13 December 2017

London Graphic Centre Limited

Report of the directors
for the year ended 1 April 2017

The directors present their report together with the financial statements for the year ended 1 April 2017.

Results and principal activity

During the year, on 21 October 2016, Stationery Box Holdings Limited's company name changed to London Graphic Centre Limited. Up until this date the Company did not trade.

London Graphic Centre Limited's principal activity is a retailer specialising in art and design material, based in Covent Garden, London and online through www.londongraphics.co.uk.

A review of the business and future developments is contained in the strategic report on page 1.

Financial risk factors

The consideration of the key financial risk factors is contained in the strategic report on page 1.

Deeds of indemnity

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company.

Directors

The directors of the Company during the period are shown on the contents page.

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

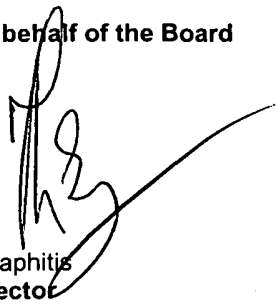
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

Auditors

Each individual director has taken all the steps necessary to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information to which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487 (2) they will automatically be reappointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their reappointment.

On behalf of the Board



T Paphitis
Director

Date: 13 December 2017

London Graphic Centre Limited

Independent auditor's report

TO THE MEMBERS OF LONDON GRAPHIC CENTRE LIMITED

We have audited the financial statements of London Graphic Centre Limited for the year ended 1 April 2017 which comprise the statement of income and retained earnings, the statement of financial position and the related notes. 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).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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.

BDO LLP

James Fearon (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
Date 15 December 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

London Graphic Centre Limited

Statement of income and retained earnings for the year ended 1 April 2017

	Note	2017 £'000	2016 £'000
Turnover	3	1,606	-
Cost of sales		(1,419)	-
Gross profit		187	-
Administrative expenses		(138)	-
Operating profit	4	49	-
Profit on ordinary activities before taxation		49	-
Taxation on profit from ordinary activities	6	(10)	-
Profit on ordinary activities after taxation		39	-
Retained profits at start of year		-	-
Retained profits at end of year		39	-

The notes on pages 9 to 19 form part of these financial statements.

London Graphic Centre Limited

Statement of financial position
for the year ended 1 April 2017

Company number 06062021	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Intangible assets	7		350		-
Tangible assets	8		64		-
			414		-
Current assets					
Stocks	9	250		-	
Debtors	10	388		-	
Cash at bank and in hand		238		-	
		876		-	
Creditors: amounts falling due within one year	11	(1,251)		-	
Net current liabilities			(375)		-
Total assets less current liabilities			39		-
Net assets			39		-
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account			39		-
Shareholders' funds			39		-

The financial statements were approved by the Board of directors and authorised for issue on 13 December 2017

T Paphitis
Director

The notes on page 9 to 19 form part of these financial statements.

1 Accounting policies

London Graphic Centre Limited is a Company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The accounts are drawn up to the nearest whole £'000, except where otherwise indicated.

The following principal accounting policies have been applied:

Basis of preparation

The Company made a profit in the year but has net current liabilities at the year end. The Company is likely to require further financial support from other group companies in the future which has been confirmed. The directors therefore consider that the Company will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the directors consider it appropriate to prepare the financial statements on a going concern basis.

Financial Reporting Standard 102 – reduced disclosure exemptions

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

- Statement of cash flows and related notes;
- Key management personnel remuneration.

This information is included in the consolidated financial statements of Fivefathers Holdings Limited as at 1 April 2017 and these financial statements may be obtained from the address given in note 17.

Turnover

Turnover is stated net of returns, after deducting discounts and markdowns, and is exclusive of value added tax.

Revenue is recognised only when all significant risks and rewards of ownership of goods have been transferred to the purchaser.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1 **Accounting policies** *(continued)*

Depreciation

Depreciation is charged on all tangible fixed assets so as to allocate their cost less residual value over their estimated useful lives. The estimated useful lives range as follows:

Leasehold improvements	-	over the lease term
Fixtures, fittings and equipment	-	15% - 25% on written down value

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative costs' in the income statement.

Intangible assets - Goodwill

Goodwill represents the excess of the cost of a business combination or acquisition of trade and assets over the fair value of the share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is being amortised to 'administrative expenses' over a period of 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed and any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on an average cost basis. Net realisable value is based on estimated selling price less additional costs.

Provision is made for obsolete, slow-moving or defective items, where appropriate.

Operating leases

Operating lease rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (30 March 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 30 March 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

1 **Accounting policies** *(continued)*

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Pension costs

Contributions to the Company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

1 Accounting policies *(continued)*

Financial liabilities and equity

Financial liabilities and equity are classified according to the economic substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

The directors do not feel that they have made any critical judgements in the year in the process of applying the Company's accounting policies, apart from those involving estimations (which are dealt with separately below).

Key sources of estimation uncertainty

The key assumptions or estimation uncertainties at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Inventory provisions

Stock is valued at the lower of cost and net realisable value. Management apply judgement in estimating the net realisable value for each product line, which includes assessing the lifecycle of the product, sell through data and price achieved. Estimates are revised as latest information is available.

Tangible fixed asset useful lives

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The selection of these estimated lives requires the exercise of management judgement. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. The carrying amount of tangible fixed assets is included in note 8.

Intangible and tangible fixed asset impairment

Determining whether intangible and tangible fixed assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from a cash-generating unit, which is usually considered to be a store. The directors have concluded that no impairment to the carrying value of intangible and tangible fixed assets is required in the period under review.

3 Turnover

Retail turnover represents the total amount receivable for goods sold exclusive of value added tax and is derived from the Company's principal activity in the United Kingdom.

4 Operating profit

	2017 £'000	2016 £'000
This is arrived at after charging/(crediting):		
Operating leases – land and buildings	158	-
Auditors' remuneration - audit services	10	-
Non-audit services payable to auditor	1	-

5 Employees

	2017 £'000	2016 £'000
Employee costs (including directors) consist of:		
Wages and salaries	319	-
Social security costs	21	-
Other pension costs	7	-
	347	-

The average weekly number of employees (including directors) during the year was:

	2017 Number	2016 Number
Shop employees	19	-
Other employees	18	-
	37	-
Full time equivalent	30	-

6 Taxation on loss on ordinary activities

	2017 £'000	2016 £'000
Analysis of debit in year:		
UK Corporation tax		
Corporation tax payable	10	-

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	49	-
Current tax at 20% (2016 - 20%)	10	-

7 Intangible assets

	Positive goodwill £'000
Cost	
At 1 April 2016	-
Additions	350
At 1 April 2017	350
Amortisation and impairment	
At 1 April 2016	-
Amortised during the year	-
At 1 April 2017	-
Net book value	
At 1 April 2017	350
At 31 March 2016	-

During the year goodwill arose as a result of a trade and assets purchase on 21 October 2016 (see note 14).

The recoverable amount has been determined by reference to value in use calculations. The key assumptions used in the impairment testing were the discount rates and cash flows. A discount rate of 14% has been applied based on management's assessment of specific risks related to the Company. An increase in the discount rate of 1% would not result in an impairment. Cash flows are based on management's forecasts for 2017 with conservative growth rates thereon. A reduction in the forecast cash flows of 10% would not give rise to an impairment.

There were no indicators of impairment at the year end, as a result no detailed impairment assessment has been performed.

8 Property, plant and equipment

	Computer equipment and software £'000	Leasehold improvements, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 April 2016	-	-	-
Additions	27	37	64
At 1 April 2017	27	37	64
Depreciation			
At 1 April 2016	-	-	-
Provided for the year	-	-	-
At 1 April 2017	-	-	-
Net book value			
At 1 April 2017	27	37	64
At 31 March 2016	-	-	-

9 Stocks

	2017 £'000	2016 £'000
Finished goods and goods for resale	250	-

There is no material difference between the replacement cost of stocks and the amounts stated above.

10 Debtors

	2017 £'000	2016 £'000
Trade debtors	86	-
Prepayments	302	-
	388	-

All amounts shown under debtors fall due for payment within one year.

11 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	221	-
Other taxation and social security	111	-
Other creditors	4	-
Corporation tax	10	-
Accruals	255	-
Amounts due to group companies	650	-
	1,251	-

12 Financial instruments

	2017 £'000	2016 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	324	-
Financial liabilities		
Financial liabilities measured at amortised cost	1,130	-

Financial assets measured at amortised cost comprise cash at bank and in hand and trade debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group companies.

13 Share capital

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

14 Acquisition of trade and assets

On 21 October 2016 certain trade and assets were purchased from London Graphic Supplies Limited representing the operations of the London Graphic Centre.

In calculating the goodwill arising on acquisition, the fair value of net assets acquired has been assessed. No adjustments from book value were necessary.

	Book value £'000
Current assets	
Stocks	339
Debtors	100
Cash at bank and in hand	1
Total assets	440
Creditors	
Due within one year	(285)
Net liabilities	155
Goodwill (note 7)	350
Total purchase consideration	505
Purchase consideration settled in cash, as above	506
Cash and cash equivalents acquired	(1)
Cash inflow on acquisition	505

The Goodwill has been determined to have an economic useful life of 10 years and was valued using the relief from royalty method. Carrying amounts are reviewed on each reporting period for impairment.

There were no acquisitions in the year to 31 March 2016.

15 Commitments

Commitments under operating leases

The Company had total commitments under non-cancellable operating leases as set out below:

	Land and buildings 2017 £'000	Other 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000
Operating leases which expire:				
Within one year	340	-	-	-
In one to five years	760	-	-	-
After five years	-	-	-	-
	1,100	-	-	-

16 Related party disclosures

The Company is controlled by Ryman Group Limited, which owns 100% of its issued share capital. The Company's ultimate controlling party is Theo Paphitis who has control of the issued share capital of Fivefathers Holdings Limited, the ultimate parent company at the year end.

Related party transactions and balances

During the year the Company were recharged stock and costs totalling £148,002 (2016 - £nil) and provided with short term loans totalling £505,569 (2016 - £nil) by Ryman Limited, a fellow Fivefathers group company. At the year-end the balance owed to Ryman Limited was £653,571 (2016 - £nil).

17 Ultimate parent undertaking

At 1 April 2017 the Company's ultimate parent company was Fivefathers Holdings Limited, which is the parent of both the smallest and largest groups of which the Company is a member. Fivefathers Holdings Limited is registered in Cyprus and a copy of its financial statements can be obtained from its registered office at Karaiskaki 6, City House, 3032, Limassol, Cyprus.

At 1 April 2017 the Company was a wholly owned subsidiary of Ryman Group Limited, a company incorporated in England and Wales.

The directors consider T Paphitis to be the ultimate controlling party.