

166396

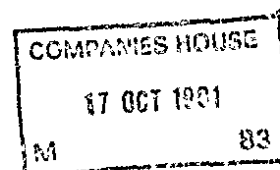
R.R. DONNELLEY LIMITED
=====

(formerly Ben Johnson and Company Limited)

ACCOUNTS -- 31 DECEMBER 1990

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The company's registered number is 166396



R.R. DONNELLEY LIMITED

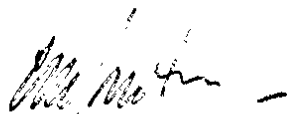
NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of R.R. Donnelley Limited will be held at the offices of the Company at Boroughbridge Road, York at 2.30p.m. on 12 July 1991 for the following purposes -

As ordinary business -

1. To receive and approve the Directors' Report and Accounts for the year ended 31 December 1990.
2. To re-appoint Messrs. Arthur Andersen & Co. as Auditors of the Company and authorise the Directors to determine their remuneration.
3. To transact any other ordinary business of an Annual General Meeting.

By Order of the Board



C.H. Renton
Secretary

Boroughbridge Road
York YO2 5SS

20 June 1991

R.R. DONNELLEY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1990

The directors present their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 1990.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activities of the company continue to be the manufacture of high quality colour printing, the production of telephone directories and computer software manuals, the distribution of telephone directories and the sale of office equipment and supplies.

The operations of the business progressed satisfactorily during the year. Pressure on margins continued due to price pressures and cost increases.

CHANGE OF NAME:

On 1 October 1990 the company changed its name to R.R. Donnelley Limited.

RESULTS AND DIVIDENDS:

Results for the year are as follows -

Retained profit at 31 December 1989	£ 27,258,081
Retained profit for the year	3,622,255

Retained profit at 31 December 1990	£ 30,880,336
	=====

No dividend is proposed.

DIRECTORS AND THEIR INTERESTS:

J.A. Capstick
J.W.D. Ward
J.D. Hansen (resigned 1 February 1991)
C.H. Renton
J. Craft
K.B. Dallas
P.J. McQuillan (resigned 28 September 1990)
R.W. England (appointed 1 January 1990)
P.J. Berridge (appointed 18 May 1990)
V.J.N. Auer (resigned 15 June 1990)

The directors do not have any interests required to be disclosed under Section 234 of the Companies Act 1985.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 9 to the accounts.

The directors are of the opinion that the company's land and buildings have a continuing use value in excess of their net book value.

DISABLED EMPLOYEES:

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE CONSULTATION:

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through circulation of information to employees via notice boards, production of a monthly in-house bulletin and presentations given at regular intervals.

BY ORDER OF THE BOARD:



C.H. Renton
Secretary

20 June 1991

ARTHUR ANDERSEN & Co

ST PAUL'S HOUSE
PARK SQUARE
LEEDS LS1 3PJ

Auditors' Report to the Members of R.R. DONNELLEY LIMITED:

We have audited the financial statements on pages 5 to 17 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1990 and of its profit and source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co.

20 June 1991

R.R. DONNELLEY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>Note</u>	<u>1990</u>	<u>1989</u>
TURNOVER	2	£111,564,829	£100,998,758
Cost of sales		99,344,637	86,517,133
GROSS PROFIT		12,220,192	14,481,625
Other operating expenses	3	6,760,196	6,078,506
OPERATING PROFIT		5,459,996	8,403,119
Interest receivable and similar income		1,017,430	1,095,102
Interest payable and similar charges	4	(366,171)	(211,527)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	6,111,255	9,286,694
Tax on profit on ordinary activities	7	(2,139,000)	(1,283,000)
PROFIT BEFORE EXTRAORDINARY ITEM		3,972,255	8,003,694
Extraordinary item	8	(350,000)	(9,654,605)
RETAINED PROFIT (LOSS) FOR THE YEAR		3,622,255	(1,650,911)
RETAINED PROFIT, at 31 December 1989		27,258,081	28,908,992
RETAINED PROFIT, at 31 December 1990		£ 30,880,336	£ 27,258,081

The accompanying notes are an integral part of this profit and loss account.

R.R. DONNELLEY LIMITED

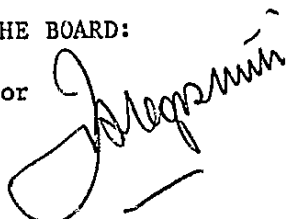
BALANCE SHEET -- 31 DECEMBER 1990

	<u>Note</u>	<u>1990</u>	<u>1989</u>
FIXED ASSETS			
Tangible assets	9	£ 30,446,636	£ 27,661,974
Investments	10	627,002	-
		<u>31,073,638</u>	<u>27,661,974</u>
CURRENT ASSETS			
Stocks	11	7,938,301	7,965,907
Debtors	12	19,505,776	13,380,637
Cash at bank and in hand		5,102,829	5,074,273
		<u>32,546,906</u>	<u>26,420,817</u>
CREDITORS: Amounts falling due within one year	13	19,791,226	14,668,735
NET CURRENT ASSETS		<u>12,755,680</u>	<u>11,752,082</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>43,829,318</u>	<u>39,414,056</u>
CREDITORS: Amounts falling due after more than one year	14	(201,753)	(288,746)
PROVISION FOR LIABILITIES AND CHARGES	15	(3,336,000)	(2,456,000)
NET ASSETS		<u>£ 40,291,565</u>	<u>£ 36,669,310</u>
CAPITAL AND RESERVES			
Called up share capital	16	£ 5,157,850	£ 5,157,850
Revaluation reserve	17	253,379	253,379
Capital contribution	17	4,000,000	4,000,000
Profit and loss account	17	30,880,336	27,258,081
TOTAL CAPITAL EMPLOYED		<u>£ 40,291,565</u>	<u>£ 36,669,310</u>

SIGNED ON BEHALF OF THE BOARD:

J.A. Capstick Director

20 June 1991




The accompanying notes are an integral part of this balance sheet.

R.R. DONNELLEY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>1990</u>	<u>1989</u>
SOURCE OF FUNDS		
Profit before extraordinary item	£ 3,972,255	£ 8,003,694
Add (deduct) items not involving the movement of funds:		
- Depreciation	3,153,182	1,951,682
- (Profit) loss on disposal of tangible fixed assets	84,734	(226,371)
- Increase in provision for deferred taxation	880,000	967,000
	-----	-----
FUNDS FROM OPERATIONS	8,090,171	10,696,005
Proceeds from disposal of tangible fixed assets	624,383	324,470
Decrease in net current assets, as shown below	-	13,993,870
	-----	-----
	£ 8,714,554	£ 25,014,345
	=====	=====
APPLICATION OF FUNDS		
Transfer of tangible fixed assets from other group companies	£ -	£ 3,124,389
Purchase of tangible fixed assets at cost	6,646,961	12,099,575
Purchase of investments at cost	627,002	-
Extraordinary item	350,000	9,654,605
Decrease in creditors falling due after one year	86,993	135,776
Increase in net current assets, as shown below	1,003,598	-
	-----	-----
	£ 8,714,554	£ 25,014,345
	=====	=====
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Stocks	£ (27,606)	£ 479,943
Debtors	6,125,139	(8,946,564)
Creditors falling due within one year	(5,122,491)	(941,403)
	-----	-----
	975,042	(9,408,024)
Movement in net liquid funds		
- Cash at bank and in hand	28,556	(4,585,846)
	-----	-----
	£ 1,003,598	£ (13,993,870)
	=====	=====

The accompanying notes are an integral part of this statement.

R.R. DONNELLEY LIMITED

NOTES TO ACCOUNTS -- 31 DECEMBER 1990

1. ACCOUNTING POLICIES:

The principal accounting policies are -

a. Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards.

Consolidated accounts have not been prepared because consolidated accounts are prepared by the ultimate UK parent company, Donnelley Holdings Limited.

b. Tangible fixed assets

All of the tangible fixed assets of the company, other than 10 acres of freehold land which were revalued in 1976, are stated at the amount at which they were revalued on 31 December 1964 plus additions at cost and less disposals subsequent to that date.

Regional development grants are deducted from the cost of additions.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset on a straight line basis over their estimated useful lives as follows -

Freehold buildings - 3% per annum
Plant and machinery - 5%-20% per annum

No depreciation is provided on freehold land.

The acquisition of certain plant is being financed by means of leases. The plant acquired has been capitalised at its cost and is depreciated in accordance with the above rates. The future liability to the leasing companies has been shown, net of deferred interest, as a liability in the balance sheet. Interest payable to the lessors is being charged against profits at the effective rate of interest for the duration of the primary periods of the leases.

c. Stocks

Stocks are stated at the lower of average cost and net realisable value. Cost includes material, labour and an appropriate proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

d. Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided at the rate at which the liability is estimated to crystallise to the extent that the directors are of the opinion that such taxation may become payable in the foreseeable future.

e. Pension costs

In accordance with the provisions of SSAP 24 "Accounting for pension costs", pension costs are charged against profits in a systematic manner over the service lives of the employees in the scheme. Total pension cost comprises -

- i. the regular pension cost, that is the constant ongoing cost, which is calculated as a level percentage of the current and expected future pensionable payroll and
- ii. variations from the regular cost, arising from any surplus on the pension scheme, which are allocated over the expected remaining service lives of employees in the scheme.

Any difference between the amounts charged in the profit and loss account and amounts payable to the scheme for the year is recorded as a creditor or prepayment as appropriate.

f. Foreign currency

Transactions in foreign currencies are translated into sterling at the rate of exchange at the date of the transaction. Foreign currency items in the year end balance sheet are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

g. Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

h. Turnover

Turnover comprises the value of sales, excluding VAT, of goods and services, supplied in the normal course of business.

2. SEGMENT INFORMATION:

The analysis of turnover by activity and geographical market has been omitted.

3. OTHER OPERATING EXPENSES:

	<u>1990</u>	<u>1989</u>
Selling and marketing costs	£ 1,485,324	£ 1,370,042
Administrative expenses	5,274,872	4,708,464
	<u>£ 6,760,196</u>	<u>£ 6,078,506</u>
	=====	=====

4. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1990</u>	<u>1989</u>
On bank loans, overdrafts and other loans - repayable within five years, not by instalments	£ 169,363	£ 72,196
On finance leases	36,148	14,468
	<u>205,511</u>	<u>86,664</u>
Discounts allowed	160,660	124,863
	<u>£ 366,171</u>	<u>£ 211,527</u>
	=====	=====

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging -

	<u>1990</u>	<u>1989</u>
Depreciation		
- tangible fixed assets (leased)	£ 247,334	£ 241,826
- tangible fixed assets (owned)	2,905,848	1,709,856
Hire of plant and machinery	2,448,000	2,577,144
Auditors' remuneration	44,000	40,000
Staff costs (Note 6)	26,256,946	22,791,364
	<u>=====</u>	<u>=====</u>

6. STAFF COSTS:

Particulars of employee costs (including executive directors) are as shown below -

	<u>1990</u>	<u>1989</u>
Employee costs during the year amounted to -		
Wages and salaries	£23,337,771	£20,225,304
Social security costs	1,807,668	1,564,546
Other pension costs	1,111,507	1,001,514
	-----	-----
	£26,256,946	£22,791,364
	=====	=====

The average weekly number of persons employed by the company during the year was as follows -

Production	932	874
Sales and marketing	43	44
Administration	108	82
	=====	=====

Directors' remuneration -

The employee costs shown above include the following remuneration in respect of directors of the company -

Remuneration for management services	£ 539,833	£ 713,570
Pension paid to former director	2,793	2,456
	-----	-----
	£ 542,626	£ 716,026
	=====	=====

The directors' remuneration shown above (excluding pensions and pension contributions) included -

Chairman	£ -	£ 35,390
	=====	=====
Highest paid director	£ 133,152	£ 125,588
	=====	=====

Other directors received emoluments between -

	<u>Directors</u>	
	<u>1990</u>	<u>1989</u>
£ 0 - £ 5,000	2	-
£15,001 - £20,000	-	1
£20,001 - £25,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	1
£45,001 - £50,000	1	1
£65,001 - £70,000	1	1
£70,001 - £75,000	1	2
£85,001 - £90,000	1	1
£95,001 - £100,000	1	-
	-	1
	=====	=====

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the result for the year and comprises -

	<u>1990</u>	<u>1989</u>
Corporation tax at 35% (1989 - 35%)	£ 1,259,000	£ 316,000
Deferred taxation	880,000	967,000
	-----	-----
	£ 2,139,000	£ 1,283,000
	=====	=====

Current taxation of approximately £75,000 (1989 - £2,180,000) has been eliminated by the surrender of group relief by fellow subsidiaries free of charge.

8. EXTRAORDINARY ITEM:

	<u>1990</u>	<u>1989</u>
Provision against amount due from fellow subsidiary undertaking	£ 350,000	£ 9,654,605
	=====	=====

9. TANGIBLE FIXED ASSETS:

a. The movement in the year was as follows -

	Freehold land and buildings	Plant and machinery		Total
		<u>Owned</u>	<u>Leased</u>	
COST OR VALUATION				
Beginning of year	£ 8,228,091	£24,945,758	£ 3,030,446	£36,204,295
Additions	74,846	6,572,115	-	6,646,961
Disposals	-	(1,075,321)	-	(1,075,321)
End of year	8,302,937	30,442,552	3,030,446	41,775,935
DEPRECIATION				
Beginning of year	1,453,018	4,777,344	2,311,959	8,542,321
Charge for the year	365,326	2,540,522	247,334	3,153,182
Disposals	-	(366,204)	-	(366,204)
End of year	1,818,344	6,951,662	2,559,293	11,329,299
NET BOOK VALUE, beginning of year	£ 6,775,073	£20,168,414	£ 718,487	£27,661,974
NET BOOK VALUE, end of year	£ 6,484,593	£23,490,890	£ 471,153	£30,446,636

Freehold land included in the above, amounting to £265,000 (1989 - £265,000) is not depreciated.

b. Basis of valuation

Plant and machinery is shown at cost. Freehold land and buildings are shown at valuation in 1964 and 1976 with subsequent additions at cost as shown below -

	<u>1990</u>	<u>1989</u>
Professionally valued		
- existing use (1964)	£ 481,000	£ 481,000
- existing use (1976)	180,000	180,000
Total at valuation	661,000	661,000
At cost	7,641,937	7,567,091
COST OR VALUATION, end of year	£ 8,302,937	£ 8,228,091

Freehold buildings included at valuation with an original cost of £111,932 are fully depreciated, based on cost, as at 31 December 1990 and 1989.

10. FIXED ASSET INVESTMENTS:

On 4 October 1990, the company acquired the entire issued share capital of Business Mail Data Services Limited, Listerhills Mail Order Limited, BMDS Mail Order Services Limited, BMDS Mailing Services Limited, European Direct Mail Services Limited and BMDS Computer Services Limited for total consideration of £625,002.

- At the beginning and end of the year, the company held the entire issued share capital of Ben Johnson And Company Limited (formerly Ben Johnson Trading Limited, a non trading company). The carrying value of this investment had been written down to nil.

All undertakings are incorporated in England. Business Mail Data Services Limited operates as a preparer and processor of data and list rental bureau and provides services to the mail order, publishing, list management and direct mail services. Non of the other undertakings traded during the year.

The company is a subsidiary undertaking of Donnelley Holdings Limited and consolidated accounts have been prepared by that company.

11. STOCKS:

	<u>1990</u>	<u>1989</u>
Raw materials and consumables	£ 3,825,173	£ 3,502,626
Work in progress	3,738,453	4,170,332
Finished goods and goods for resale	374,675	292,949
	-----	-----
	£ 7,938,301	£ 7,965,907
	=====	=====

In the opinion of the directors, the estimated replacement cost of stocks does not materially exceed the book value.

12. DEBTORS:

	<u>1990</u>	<u>1989</u>
Amounts falling due within one year -		
Trade debtors	£13,748,376	£10,561,009
Amounts owed by other group undertakings	3,439,161	1,275,493
VAT	1,381,077	895,136
Other debtors	219,617	343,782
Prepayments and accrued income	717,545	305,217
	-----	-----
	£19,505,776	£13,380,637
	=====	=====

13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>1990</u>	<u>1989</u>
Obligations under finance leases	£ 138,189	£ 135,044
Loan notes	241,473	-
Payments received on account	18,199	15,857
Trade creditors	8,387,946	5,231,706
Amounts owed to other group undertakings	6,060,008	1,597,852
Other creditors	438,381	349,859
UK corporation tax payable	1,901,249	667,449
Social security and PAYE	689,361	611,135
Accruals and deferred income	1,916,420	6,059,833
	<u>£19,791,226</u>	<u>£14,668,735</u>
	=====	=====

14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

	<u>1990</u>	<u>1989</u>
Obligations under finance leases	£ 127,503	£ 288,746
Loan notes	74,250	-
	<u>£ 201,753</u>	<u>£ 288,746</u>
	=====	=====

The future minimum lease payments to which the company is committed are as follows -

Within one year	£ 153,714	£ 162,269
Within two to five years	153,714	307,428
	<u>307,428</u>	<u>469,697</u>
Finance charges allocated to future periods	(41,736)	(45,907)
	<u>£ 265,692</u>	<u>£ 423,790</u>
	=====	=====

15. PROVISION FOR LIABILITIES AND CHARGES:

Deferred taxation has been provided in full because, in the opinion of the directors, it will become payable in the foreseeable future.

Timing differences at 35% are as follows -

	<u>1990</u>	<u>1989</u>
Excess of tax allowances over book depreciation of fixed assets	£ 3,506,000	£ 2,475,000
Other timing differences related to current assets and liabilities	(170,000)	(19,000)
	<u>£ 3,336,000</u>	<u>£ 2,456,000</u>

16. CALLED UP SHARE CAPITAL:

	<u>1990</u>	<u>1989</u>
Authorised -		
Ordinary shares of £1 each	£ 6,157,850	£ 6,157,850
Allotted, called up and fully paid -		
Ordinary shares of £1 each	£ 5,157,850	£ 5,157,850

17. RESERVES:

Of the total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise -

	<u>1990</u>	<u>1989</u>
Distributable		
- profit and loss account	£30,880,336	£27,258,081
Non-distributable		
- capital contribution	4,000,000	4,000,000
- revaluation reserve	253,379	253,379
	<u>£35,133,715</u>	<u>£31,511,460</u>

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a. Capital commitments

At the end of the year, capital commitments were -

	<u>1990</u>	<u>1989</u>
Contracted but not provided for	£ 3,159,848	£ 5,784,723
Authorised but not contracted for	11,384,395	4,326,637
	-----	-----
	£14,544,243	£10,111,360
	=====	=====

b. Pension arrangements

The company operates a defined benefit pension scheme covering the majority of full time employees. The scheme is set up under trust and the assets are therefore held separately from the company's assets.

The prepaid contribution of £180,000 at the year end is included within prepayments and accrued income in Note 12. The pension cost charge for the year of £961,000 was made up of a regular cost of £1,192,000 less variations from regular costs of £231,000.

The pension costs and related prepayment are assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was performed on 31 March 1990 and used the projected unit method of valuation. The main actuarial assumptions were that the investment return would be 2% per annum higher than the average rate of pay growth, 5% per annum higher than the rate of increase in pensions and 5% per annum in excess of the rate of growth in dividends.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £21,039,500 and the actuarial value of the assets was sufficient to cover more than 100% of the benefits that had accrued to members after allowing for expected future increases in earnings. The surplus arising should be eliminated by 2003 at an employer's contribution rate of 8.75% of pensionable earnings as a result of improvements in benefits.

19. ULTIMATE PARENT COMPANY:

The company's ultimate parent company is R.R. Donnelley & Sons Company which is incorporated in the State of Delaware, USA.

20. RELATED PARTY TRANSACTIONS:

Included in sales is £302,000 (1989-£186,801) made to fellow group undertakings.

Included in cost of sales and operating expenses is £3,462,179 (1989-£3,576,007) charged by fellow group undertakings.