

**R.R. DONNELLEY LIMITED**

**Report and Financial Statements**

**31 December 2004**

**Deloitte & Touche LLP**  
**Leeds**



# **R.R. DONNELLEY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

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# R.R. DONNELLEY LIMITED

## REPORT AND FINANCIAL STATEMENTS 2004

### 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 Flaxby Moor, North Yorkshire at 12.00 p.m. on for the following purposes:

As ordinary business:

1. To receive and approve the directors' report and the financial statements for the year ended 31 December 2004.
2. To appoint Deloitte & Touche LLP as auditors of the company and to authorise the directors to determine their remuneration.
3. To transact any other ordinary business of an annual general meeting.

Flaxby Moor  
Knaresborough  
North Yorkshire  
HG5 0XJ

By order of the Board,



K. Ruddock  
Director

17 October 2005

# **R.R. DONNELLEY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

B. W. Lundberg  
K. Ruddock

#### **SECRETARY**

T. Gordon

#### **REGISTERED OFFICE**

Flaxby Moor  
Knaresborough  
North Yorkshire  
HG5 0XJ

#### **AUDITORS**

Deloitte & Touche LLP  
Leeds

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2004.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company did not trade during the year.

### **RESULTS AND DIVIDENDS**

Results for the year are set out on page 6 onwards. No dividend was paid in the year (2003: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year are as shown below:

B. W. Lundberg  
K. Ruddock

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

### **CHARITABLE AND POLITICAL DONATIONS**

During the year the company did not make any charitable donations of £nil (2003: £nil). There were no political donations (2003: £nil).

### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the 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 regular bulletin and presentations given at regular intervals.

### **AUDITORS**

The directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche LLP as auditors for the ensuing year.

Approved by the Board of Directors  
and signed on behalf of the Board



K. Ruddock  
Director

17 October 2005

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF R.R. DONNELLEY LIMITED**

We have audited the financial statements of R.R. Donnelley Limited for the year ended 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 8. These financial statements have been prepared under the accounting policies set out therein.

*This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 described in the statement of directors' responsibilities, the company's directors' are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Leeds

21 October 2005

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2004**

	Note	2004 £	2003 £
<b>TURNOVER</b>		-	-
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		-	-
Administrative expenses		-	-
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>		-	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE INCOME</b>		-	-
Finance income (net)	2	-	392,826
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	392,826
Tax on profit on ordinary activities	3	-	(117,848)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		-	274,978
		<hr/>	<hr/>
<b>Retained profit for the year</b>		-	274,978
		<hr/>	<hr/>

A statement of total recognised gains and losses is not presented as there are no recognised gains or losses in either year other than the results shown above.

All of the results of the company arose from discontinued activities.

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

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



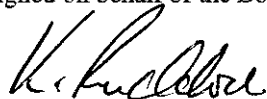
# R.R. DONNELLEY LIMITED

## BALANCE SHEET 31 December 2004

	Note	2004 £	2003 £
<b>CURRENT ASSETS</b>			
Debtors	4	11,498,570	11,616,418
		<u>11,498,570</u>	<u>11,616,418</u>
<b>CURRENT LIABILITIES</b>			
Creditors amounts falling due within one year			
– due to group companies		-	(117,848)
		<u>-</u>	<u>(117,848)</u>
<b>NET CURRENT ASSETS</b>		<u>11,498,570</u>	<u>11,498,570</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>11,498,570</u>	<u>11,498,570</u>
<b>NET ASSETS</b>		<u>11,498,570</u>	<u>11,498,570</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	5	5,157,851	5,157,851
Capital contribution	6	4,000,000	4,000,000
Profit and loss account	6	2,340,719	2,340,719
		<u>11,498,570</u>	<u>11,498,570</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	7	<u>11,498,570</u>	<u>11,498,570</u>

These financial statements were approved by the Board of Directors on <sup>17</sup> October 2005.

Signed on behalf of the Board of Directors



K. Ruddock

Director

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2004**

**1. ACCOUNTING POLICIES**

The principal accounting policies are set out below. These have been applied consistently throughout the year and the preceding year.

**Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

**Cash flow statement**

At 31 December 2004 the company was a wholly owned subsidiary undertaking of R.R. Donnelley & Sons Company, a company that produces publicly available financial statements which include the results of the company. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 "Cash Flow Statements" (Revised) from publishing a cash flow statement.

**Taxation**

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

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**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 costs 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 or deficit 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 in the balance sheet as a creditor or prepayment as appropriate.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2004**

**2. FINANCE INCOME (NET)**

	2004 £	2003 £
<b>Interest receivable</b>		
Interest receivable and similar income	-	392,826
	<u>-</u>	<u>392,826</u>
<b>Interest payable and similar charges</b>		
Bank loans and overdrafts	-	-
Intercompany interest	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Finance charges (net)</b>		
Interest payable and similar charges	-	-
Less: interest receivable	-	(392,826)
	<u>-</u>	<u>(392,826)</u>
	<u>-</u>	<u>(392,826)</u>

**3. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2004 £	2003 £
The tax charge comprises:		
Corporation tax	-	117,848
Adjustment in respect of prior years corporation tax	-	-
	<u>-</u>	<u>117,848</u>
	<u>-</u>	<u>117,848</u>
Deferred taxation – origin and reversal of timing differences	-	-
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>117,848</u>
	<u>-</u>	<u>117,848</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2004**

**3. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

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

	2004 £	2003 £
<b>Profit on ordinary activities before tax</b>	-	392,826
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2003 – 30%)	-	117,848
Effects of:		
Expenses not deductible for tax purposes	-	-
Profit on disposal of non-qualifying fixed asset	-	-
Capital allowances in excess of depreciation	-	-
Adjustments to tax charge in respect of previous periods	-	-
<b>Current tax charge for period</b>	-	117,848

**4. DEBTORS**

	2004 £	2003 £
Amounts owed by group undertakings	11,498,570	11,616,418

**5. CALLED-UP SHARE CAPITAL**

	2004 £	2003 £
<b>Authorised</b>		
6,157,850 ordinary shares of £1 each	6,157,850	6,157,850
<b>Allotted, called-up and fully paid</b>		
5,157,851 ordinary shares of £1 each	5,157,851	5,157,851

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2004**

**6. RESERVES**

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

	2004 £	2003 £
Distributable		
- profit and loss account	2,340,719	2,340,719
Non distributable		
- capital contribution	4,000,000	4,000,000
	<u>6,340,719</u>	<u>6,340,719</u>

	Capital contribution £	Profit and loss account £	Total £
At 1 January 2004 and 31 December 2004	4,000,000	2,340,719	6,340,719

**7. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	2004 £	2003 £
Profit for the financial year	-	274,978
Dividends paid on equity shares	-	-
Net addition to equity shareholders' funds	-	274,978
Opening equity shareholders' funds	11,498,570	11,223,592
Closing equity shareholders' funds	<u>11,498,570</u>	<u>11,498,570</u>

**8. RELATED PARTY DISCLOSURES**

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

The company's immediate parent company is R R Donnelley UK Directory Limited.

As a wholly owned subsidiary undertaking of R. R. Donnelley & Sons Company, the company has taken advantage of the exemption in FRS8 "Related party disclosures" not to disclose transactions with other members of the group headed by R. R. Donnelley & Sons Company since that company produces financial statements which are available to the public and which include R.R. Donnelley Limited. There are no other related party transactions requiring disclosure.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2004**

**8. RELATED PARTY DISCLOSURES (continued)**

The largest group in which the results of the company are consolidated is that headed by R.R. Donnelley & Sons Company. The smallest group in which they are consolidated is that headed by R.R. Donnelley UK Directory Limited.

The consolidated financial statements of R.R. Donnelley & Sons Company are available to the public and may be obtained from the following address:

R.R. Donnelley & Sons Company  
Corporate Communication Department  
77 West Wacker Drive  
Chicago  
Illinois 60601-9521  
USA