

**RR DONNELLEY GLOBAL DOCUMENT
SOLUTIONS GROUP LIMITED**

**Annual report and financial statements
for the year ended 31 December 2012**

Registered number: 6711794

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RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2012

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RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2012

OFFICERS AND PROFESSIONAL ADVISORS

Directors

J S Farmer
M S Gordon
K T Woor

Secretary

J Dally

Registered office

Tower Close
Huntingdon
Cambridgeshire PE29 7YD

Bankers

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

Solicitors

Eversheds
Kett House
Station Road
Cambridge CB1 2JY

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

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RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Business review and future prospects

The principal activities of the Group and Company are the provision of document and business process outsourcing services. The directors are not aware at the date of this report of any likely major changes in the Group's or Company's activities in the next year.

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

As shown in the consolidated profit and loss account on page 7, the Group's sales have shown an increase of 7.4% (2011 - increase 8.2%) over the prior year. This increase is due to the full year impact in 2012 of new contracts won in 2011. Group operating profit before goodwill amortisation and exceptional items decreased by 5.3% (2011 - increase 55.2%) from £9.0m to £8.5m. The Group operating profit for the year was £4.0m (2011 - profit £4.5m). Retained profit transferred to reserves was £4.8m (2011 - £1.4m) which included £3.1m (2011 - £nil) profit on disposal of foreign subsidiaries.

The consolidated balance sheet on page 9 of the financial statements shows the Group's financial position at the year-end. During the year the Group's average debtor days have decreased from 92 to 76 days, average creditor days have decreased from 84 to 72, and annual stock turnover has increased to 79 from 74.

The average monthly number of persons employed by the Group has increased by 9.3% (2011 - decrease 6.4%) during the year.

Going concern

The Group has a letter of support in place from its ultimate parent company, RR Donnelley & Sons Company, which states that it will provide financial support to the Group as may from time to time be necessary to enable the Group to perform its business and satisfy its financial obligations as they fall due for the foreseeable future, being a period of at least 12 months from the date of signing and approving the financial statements. The directors have assessed the ability of RR Donnelley & Sons Company to provide that support and, on that basis, have concluded that the application of the going concern basis of preparation of the financial statements is appropriate.

Financial risk management

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

The two main foreign currencies in which the Group transacts are Euros and Indian Rupees. The company has borrowings with related parties which are denominated in Euros. A forward contract is in place to mitigate the foreign currency risk of these borrowings and associated interest. The directors consider this to be the Group's only material exposure to currency risk, but will continue to monitor the risk in the future.

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

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

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

Environmental policy

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

DIRECTORS' REPORT (continued)

Employee involvement

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

Employment of disabled persons

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

Payments to suppliers

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

Dividends

The directors are not recommending the payment of a dividend for the year (2011 - £nil).

Charitable and political donations

Charitable donations amounting to £2,019 were made during the year to the following recipients: Hospicium £1,939, and Welcome Home Foundation £80. (In 2011 donations amounting to £4,530 were made to WaterAid £2,860, Wunderlampe £703, Charity golf day at Whittlebury £600, Race for Life £150, Debra Ireland £130, Outreach Moldova £87).

There were no political donations (2011 - £nil).

Directors

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

J S Farmer

M S Gordon

K T Woor

DIRECTORS' REPORT (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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.

Auditor

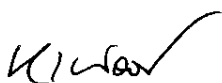
In the case of each of the persons who are directors of the company at the date when this report is approved

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

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

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

Approved by the Board of Directors on 2 April 2013 and signed on its behalf by



K T Woor
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

We have audited the group and individual company financial statements (the "financial statements") of RR Donnelley Global Document Solutions Group Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, and the related notes 1 to 30. 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's 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 matter prescribed by the Companies Act 2006

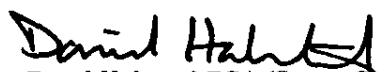
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED (continued)**

Matters on which we are required to report by exception

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



David Halstead FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Cambridge, United Kingdom

2 April 2013

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2012

	Note	Before goodwill amortisation and exceptional items 2012 £'000	Goodwill amortisation and exceptional items 2012 Note 5 £'000	Total 2012 £'000	Before goodwill amortisation and exceptional items 2011 £'000	Goodwill amortisation and exceptional items 2011 Note 5 £'000	Total 2011 £'000
Turnover	2	286,786	-	286,786	266,945	-	266,945
Cost of sales		(257,811)	-	(257,811)	(237,575)	-	(237,575)
Gross profit		28,975	-	28,975	29,370	-	29,370
Selling and distribution costs		(3,249)	-	(3,249)	(3,175)	-	(3,175)
Administrative expenses		(17,204)	(4,484)	(21,688)	(17,196)	(4,538)	(21,734)
Operating profit		8,522	(4,484)	4,038	8,999	(4,538)	4,461
Share of associate's operating profit	13	2,767	-	2,767	1,651	-	1,651
Profit on disposal of subsidiaries	14	3,092	-	3,092	-	-	-
Profit on ordinary activities before finance charges		14,381	(4,484)	9,897	10,650	(4,538)	6,112
Interest receivable and similar income	6	237	-	237	364	-	364
Interest payable and similar charges	7	(2,456)	-	(2,456)	(2,934)	-	(2,934)
Profit on ordinary activities before taxation	4	12,162	(4,484)	7,678	8,080	(4,538)	3,542
Tax on profit on ordinary activities	8	(2,930)	-	(2,930)	(2,156)	-	(2,156)
Profit on ordinary activities after taxation		9,232	(4,484)	4,748	5,924	(4,538)	1,386
Minority interests	24	95	-	95	33	-	33
Profit for the financial year transferred to reserves	23	9,327	(4,484)	4,843	5,957	(4,538)	1,419

All activities derive from continuing operations

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the year		4,843	1,419
Currency translation difference on foreign currency net investments		(4,280)	(825)
Actuarial loss relating to pension scheme liabilities	26	(1,228)	(1,917)
Exchange gain relating to the pension scheme	26	54	2
UK deferred tax attributable to actuarial loss		342	418
		<hr/>	<hr/>
Total gains and losses relating to the year		<u>(269)</u>	<u>(903)</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	11	39,221	42,832
Tangible assets	12	21,393	26,424
Associates	13	7,778	6,679
		<u>68,392</u>	<u>75,935</u>
Current assets			
Stocks	15	3,284	3,197
Debtors due within one year	16	74,441	83,546
Deferred tax due within one year	17	445	737
Debtors due after more than one year	16	10,377	10,632
Deferred tax due after more than one year	17	2,309	2,072
Cash at bank and in hand		19,243	18,307
		<u>110,099</u>	<u>118,491</u>
Creditors: amounts falling due within one year	18	<u>(75,703)</u>	<u>(79,934)</u>
Net current assets		<u>34,396</u>	<u>38,557</u>
Total assets less current liabilities		102,788	114,492
Creditors: amounts falling due after more than one year	19	<u>(73,740)</u>	<u>(85,664)</u>
Provisions for liabilities	21	<u>(1,420)</u>	<u>(1,429)</u>
Net assets excluding pension liability		27,628	27,399
Defined benefit pension liability (net of deferred tax)	26	<u>(2,347)</u>	<u>(1,918)</u>
Net assets including pension liability		<u>25,281</u>	<u>25,481</u>
Capital and reserves			
Called up share capital	22/23	100	100
Share premium account	23	53,170	53,170
Currency translation reserve	23	1,280	5,506
Profit and loss account	23	<u>(29,096)</u>	<u>(33,217)</u>
Shareholders' funds	23	25,454	25,559
Minority interests	24	<u>(173)</u>	<u>(78)</u>
Total capital employed		<u>25,281</u>	<u>25,481</u>

The financial statements of RR Donnelley Global Document Solutions Group Limited, registered number 6711794, were approved by the board of directors and authorised for issue on 2 April 2013, and signed on its behalf by



K T Woor
Director

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

COMPANY BALANCE SHEET 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	11	33,115	36,287
Tangible assets	12	17,342	22,139
Investments	13	7,213	11,029
		<u>57,670</u>	<u>69,455</u>
Current assets			
Stocks	15	2,780	2,534
Debtors due within one year	16	65,427	70,354
Deferred tax due within one year	17	445	737
Debtors due after more than one year	16	16,780	21,982
Deferred tax due greater than one year	17	2,304	2,067
Cash at bank and in hand		11,849	9,394
		<u>99,585</u>	<u>107,068</u>
Creditors amounts falling due within one year	18	<u>(70,494)</u>	<u>(72,691)</u>
Net current assets		<u>29,091</u>	<u>34,377</u>
Total assets less current liabilities		<u>88,761</u>	<u>103,832</u>
Creditors: amounts falling due after more than one year	19	<u>(74,301)</u>	<u>(89,702)</u>
Provisions for liabilities	21	<u>(1,397)</u>	<u>(1,429)</u>
Net assets		<u>11,063</u>	<u>12,701</u>
Capital and reserves			
Called up share capital	22/23	100	100
Share premium account	23	53,170	53,170
Profit and loss account	23	<u>(42,207)</u>	<u>(40,569)</u>
Shareholders' funds	23	<u>11,063</u>	<u>12,701</u>

The financial statements of RR Donnelley Global Document Solutions Group Limited, registered number 6711794, were approved by the board of directors and authorised for issue on 2 April 2013, and signed on its behalf by



K T Woor
Director

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of RRD Donnelley Global Document Solutions Group Limited and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The Group has a letter of support in place from its ultimate parent company, RR Donnelley & Sons Company. The letter states that they will provide financial support to the Group as may from time to time be necessary to enable the Group to perform its business and satisfy its financial obligations as they fall due for the foreseeable future, being a period of at least 12 months from the date of signing and approving the financial statements. The directors have assessed the ability of RR Donnelley & Sons Company to provide that support and, on that basis, have concluded that the application of the going concern basis of preparation of the financial statements is appropriate.

Cash flow statement

The Company has taken advantage of the exemption under paragraph 1 of Financial Reporting Standard 1 Revised and has not prepared a cash flow statement. A consolidated cash flow statement is included in the financial statements of the ultimate parent company, RR Donnelley & Sons Company, for whom consolidated financial statements are publicly available.

Acquisitions

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

Goodwill

Positive goodwill on acquisitions, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised over the directors' estimate of its useful economic life up to a maximum of 20 years. The directors consider 20 years as a reasonable maximum for the estimated life of goodwill.

Minority interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the non-controlling party's share of changes in equity since the date of the combination. Losses applicable to the minority shareholders in excess of the minority shareholders' interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority shareholders have a binding obligation and are able to make an additional investment to cover the losses.

The minority interest in the capital and post acquisition profits of RR Donnelley Imprimerie Nationale SAS are shown in the consolidated profit and loss account, the consolidated balance sheet, and note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1 ACCOUNTING POLICIES (continued)

Tangible fixed assets and depreciation

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

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

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account. Exchange differences accumulated through the statement of total recognised gains and losses are transferred to the profit and loss account on disposal of the overseas operation.

Taxation

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

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

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

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

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. Deferred tax is measured on a non-discounted basis.

Investments

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

Associates

Investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1 ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Finance costs

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

Pensions

The Group operates four pension schemes in the United Kingdom. One has both a defined benefit element and a defined contribution element, one comprises a defined benefit element only, the other two comprise a defined contribution element only. Regular contributions have been made to the defined benefit element of the combined scheme by the Company since October 2002. In the current year regular contributions were made at the rate of £58,850 per month (2011 - £58,850 per month). The difference between the amount funded and the actuarially calculated liability is treated as a provision in the balance sheet.

The defined benefit only scheme was established on 1 February 2006. No contributions were made in either the current or prior years as the scheme was curtailed on 30 June 2010. The amount funded is in excess of the actuarially calculated liability and this surplus is not recognised in the Group's accounts.

The Group also operates a defined benefit pension plan in Switzerland, to which it contributed £433,000 during the year (2011 - £436,000).

For the defined benefit element of the combined scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. A resulting defined benefit liability, net of the related deferred tax, is presented separately on the face of the balance sheet. Defined benefit assets are not recognised in the Group's accounts.

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

Turnover

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

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

Turnover from services is recognised as services are performed. Long-term contract turnover is recognised based on the completed contract method or percentage of completion method. The percentage of completion method is used only for contracts that will take longer than three months to complete, where project stages are clearly defined and can be invoiced and where the contract contains enforceable rights by both parties. Turnover related to short-term service contracts and contracts that do not meet the percentage of completion criteria is recognised when the contract is completed.

Capital instruments

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

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

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

Share-based payment

The Group has applied the requirements of FRS 20 "Share-based Payment".

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

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SEGMENTAL REPORTING

Classes of business

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

	Transactional Print and Mail		Inbound Document Management		Design and Print Management		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Turnover								
Total sales	157,632	146,947	41,995	38,099	92,574	84,800	292,201	269,846
Inter segment sales	(3,731)	(1,746)	(958)	(1,155)	(726)	-	(5,415)	(2,901)
Sales to third parties	<u>153,901</u>	<u>145,201</u>	<u>41,037</u>	<u>36,944</u>	<u>91,848</u>	<u>84,800</u>	<u>286,786</u>	<u>266,945</u>
Exceptional items and goodwill	(1,616)	(1,321)	(994)	(2,137)	(1,874)	(1,080)	(4,484)	(4,538)
Operating profit								
Segment operating profit	3,045	719	612	1,857	381	1,885	4,038	4,461
Share of associate's operating profit	-	-	2,767	1,651	-	-	2,767	1,651
(Loss)/profit on disposal of subsidiaries	(108)	-	-	-	3,200	-	3,092	-
Profit on ordinary activities before finance charges	<u>2,937</u>	<u>719</u>	<u>3,379</u>	<u>3,508</u>	<u>3,581</u>	<u>1,885</u>	<u>9,897</u>	<u>6,112</u>
Finance charges – net							(2,219)	(2,570)
Profit on ordinary activities before taxation							<u>7,678</u>	<u>3,542</u>
Net assets – excluding non - operating assets/(liabilities)	<u>45,683</u>	<u>48,912</u>	<u>15,329</u>	<u>20,359</u>	<u>(28,379)</u>	<u>(35,613)</u>	<u>32,633</u>	<u>33,658</u>
Share of associate's net assets	-	-	7,778	6,679	-	-	7,778	6,679
Non - operating liabilities							<u>(15,130)</u>	<u>(14,856)</u>
Net assets							<u>25,281</u>	<u>25,481</u>

Common costs consist of net finance charges (Notes 6 and 7). These are not allocated across segments as they relate principally to interest payable on loans from group companies.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2 SEGMENTAL REPORTING (continued)

Geographical segments

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

	United Kingdom		Rest of Europe		Rest of the world		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	239,140	213,108	46,578	52,743	1,068	1,094	286,786	266,945
Exceptional items and goodwill	(4,227)	(4,497)	(257)	(41)	-	-	(4,484)	(4,538)
Operating profit/(loss)								
Segment operating profit/(loss)	3,161	2,233	848	2,417	29	(189)	4,038	4,461
Share of associate's operating profit	-	-	-	-	2,767	1,651	2,767	1,651
(Loss)/profit on disposal of subsidiaries	(145)	-	3,237	-	-	-	3,092	-
Profit on ordinary activities before finance charges	3,016	2,233	4,085	2,417	2,796	1,462	9,897	6,112
Finance charges – net							(2,219)	(2,570)
Profit on ordinary activities before taxation							7,678	3,542
Net assets excluding non - operating assets/(liabilities)	20,534	21,112	11,162	11,477	937	1,069	32,633	33,658
Share of associate's net assets	-	-	-	-	7,778	6,679	7,778	6,679
Non - operating liabilities							(15,130)	(14,856)
Net assets							25,281	25,481

Common costs consist of net finance charges (Notes 6 and 7). These are not allocated across segments as they relate principally to interest payable on loans from group companies.

Turnover by origin and by destination are not materially different.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 £	2011 £
Directors' remuneration		
Emoluments	597,043	666,086
Money purchase pension contributions	50,825	42,088
	<u>647,868</u>	<u>708,174</u>
 The amounts in respect of the highest paid director are as follows		
Emoluments	<u>301,155</u>	<u>338,203</u>
 Company contributions paid to money purchase pension schemes in respect of highest paid director	<u>30,810</u>	<u>22,550</u>
 Number of directors who are members of money purchase pension schemes No directors were members of defined benefit pension schemes in the current or previous years	No <u>3</u>	No <u>3</u>

	Group		Company	
	2012 No	2011 No	2012 No	2011 No
Average monthly number of persons employed (including directors) was				
Sales and marketing	53	60	17	19
Production and distribution	1,918	1,748	1,485	1,306
Administration	283	254	226	192
	<u>2,254</u>	<u>2,062</u>	<u>1,728</u>	<u>1,517</u>

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Staff costs during the year (including directors)				
Wages and salaries	68,577	60,877	54,168	46,495
Social security costs	6,454	5,608	4,827	4,219
Other pension costs	2,661	2,615	1,919	1,594
Share based payments	164	195	164	188
Social security costs related to share based payments	16	21	16	20
	<u>77,872</u>	<u>69,316</u>	<u>61,094</u>	<u>52,516</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of goodwill	3,611	3,612
Depreciation		
Owned assets	8,081	7,965
Operating lease rentals		
Plant and machinery	3,653	2,786
Land and buildings	2,680	3,350
	<u>297</u>	<u>289</u>
The analysis of auditor's remuneration is as follows		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	297	289
Fees payable to the Company's auditor and their associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	89	138
	<u>386</u>	<u>427</u>

5. GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS

	2012 £'000	2011 £'000
Recognised in arriving at operating profit.		
Redundancy costs	562	810
Reorganisation costs	311	116
Amortisation of goodwill (Note 11)	3,611	3,612
Total of goodwill and exceptional items	<u>4,484</u>	<u>4,538</u>

Redundancy and reorganisation costs result from the rationalisation of trading activities

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Bank interest receivable	<u>237</u>	<u>364</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
Interest payable on bank loans and overdrafts	13	3
Interest payable to group companies	2,443	2,931
	<u>2,456</u>	<u>2,934</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2012

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
Current tax		
United Kingdom corporation tax at 24.5% (2011 - 26.5%) based on the profit for the year	1,416	829
Adjustment in respect of prior years	-	(80)
Foreign tax for the current year	1,470	1,266
	<u>2,886</u>	<u>2,015</u>
Deferred tax		
Adjustment in respect of prior years	400	(163)
Timing differences, origination and reversal	(356)	304
	<u>44</u>	<u>141</u>
Total tax charge on profit on ordinary activities	<u>2,930</u>	<u>2,156</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 24.5% (2011- 26.5%)
The actual tax charge for the current and previous year differs from the standard tax rate for the reasons set out in the following reconciliation

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	7,678	3,542
Tax charge on ordinary activities at standard rate of 24.5% (2011 – 26.5%)	1,881	939
Factors affecting charge for the year		
Expenses not deductible for tax purposes	99	36
Capital allowances in deficit/(excess) of depreciation	345	(64)
Income not taxable	(761)	-
Difference in overseas tax rates	172	140
Amortisation and impairment of goodwill	885	957
Loss not recognised	185	87
Adjustment in respect of prior years	80	(80)
	<u>2,886</u>	<u>2,015</u>

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively.

In December 2012 the UK Government also proposed to further reduce the standard rate of UK corporation tax to 21% effective 1 April 2014, but this change has not been substantively enacted.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

9. (LOSS)/ PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £1,258,000 (2011 - profit £1,055,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

10 SHARE BASED PAYMENTS

The ultimate parent company has two share schemes for certain employees

1) Equity-settled share awards

Once awards are granted, shares are issued to employees for free after the vesting period. The share awards vest in four equal tranches after one, two, three and four years. Awards are forfeited if the employee leaves the Group before the awards vest.

Details of the share awards during the year are as follows

	2012		2011	
	Number of share grants	Weighted average share price £	Number of share grants	Weighted average share price £
Outstanding at beginning of year	41,750	9.47	46,625	9.71
Granted during the year	10,500	11.56	15,500	11.56
Vested during the year	(15,625)	5.98	(17,375)	11.35
Forfeited during the year	-	-	(3,000)	13.05
Outstanding at the end of the year	36,625	11.56	41,750	9.47

Awards were granted on 2 March 2012. In the previous year awards were granted on 28 February 2011.

The fair value of the awards is expensed over the service period, based on the Black-Scholes pricing model, with the following assumptions:

	2012	2011
Weighted average share price	£11.56	£9.47
Weighted average exercise price	-	-
Expected volatility	48.87%	45.37%
Expected life	4 years	4 years
Risk-free rate	0.44%	0.61%
Dividend yield	7.20%	8.95%
Average contracted life remaining	3 years	3 years

The weighted average share price represents the average market price on the date of grant. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model is equal to the vesting period for each tranche of awards, since shares are awarded immediately after the vesting period. The risk-free rate is based on the yield at the date of grant for a zero coupon UK Treasury bond with a term that approximates the expected term of the awards. The dividend yield is based on the Group's 12 month dividend yield at the date of grant.

The number of shares exercisable as at 31 December 2012 amounts to 36,625.

The estimated fair value of the awards granted by the Group and Company during the year was £112,000 (2011 - £203,000).

The Group and Company recognised total expenses of £180,000 (2011 - £216,000) related to equity-settled share awards during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

10 SHARE BASED PAYMENTS (continued)

II) Equity-settled share options

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

Details of the share options during the year are as follows

	2012		2011	
	Number of share grants	Weighted average share price £	Number of share grants	Weighted average share price £
Granted during the year	12,000	8.35	-	-
Outstanding at the end of the year	12,000	8.35	-	-

Options were granted on 2 March 2012. No options were granted in the previous year.

The fair value of the options is expensed over the service period, based on the Black-Scholes pricing model, with the following assumptions:

	2012	2011
Weighted average share price	£8.35	-
Weighted average exercise price	£8.35	-
Expected volatility	48.87%	-
Expected life	4 years	-
Risk-free rate	0.44%	-
Dividend yield	7.20%	-
Average contracted life remaining	3 years	-

The weighted average share price represents the average market price on the date of grant. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model is equal to the vesting period for each tranche of awards, since shares are awarded immediately after the vesting period. The risk-free rate is based on the yield at the date of grant for a zero coupon UK Treasury bond with a term that approximates the expected term of the awards. The dividend yield is based on the Group's 12 month dividend yield at the date of grant.

The number of share options exercisable as at 31 December 2012 amounts to nil.

The estimated fair value of the awards granted by the Group and Company during the year was £28,000 (2011 - £nil).

The Group and Company recognised total expenses of £15,000 (2011 - £nil) related to equity-settled share options during the year.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

11. INTANGIBLE FIXED ASSETS

	Positive goodwill arising on acquisitions £'000
Group	
Cost	
At 1 January 2012 and 31 December 2012	129,240
Amortisation	
At 1 January 2012	86,408
Amortisation for the year	3,611
At 31 December 2012	90,019
Net book value	
At 31 December 2012	39,221
At 31 December 2011	42,832
	Positive goodwill arising on acquisitions £'000
Company	
Cost	
At 1 January 2012 and 31 December 2012	43,919
Amortisation	
At 1 January 2012	7,632
Amortisation for the year	3,172
At 31 December 2012	10,804
Net book value	
At 31 December 2012	33,115
At 31 December 2011	36,287

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

12. TANGIBLE FIXED ASSETS

Group	Short leasehold land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2012	6,944	33,729	24,341	65,014
Additions	18	2,713	543	3,274
Disposals	(3)	(3,863)	(606)	(4,472)
Exchange movement	(124)	82	(39)	(81)
At 31 December 2012	6,835	32,661	24,239	63,735
Depreciation				
At 1 January 2012	3,429	19,174	15,987	38,590
Charge for the year	385	4,135	3,561	8,081
Disposals	-	(3,711)	(606)	(4,317)
Exchange movement	(78)	91	(25)	(12)
At 31 December 2012	3,736	19,689	18,917	42,342
Net book value				
At 31 December 2012	3,099	12,972	5,322	21,393
At 31 December 2011	3,515	14,555	8,354	26,424

Company	Short leasehold land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2012	1,597	22,101	14,083	37,781
Additions	19	1,950	946	2,915
Disposals	(51)	(3,715)	(217)	(3,983)
At 31 December 2012	1,565	20,336	14,812	36,713
Depreciation				
At 1 January 2012	727	8,338	6,577	15,642
Charge for the year	276	3,970	3,308	7,554
Disposals	(48)	(3,604)	(173)	(3,825)
At 31 December 2012	955	8,704	9,712	19,371
Net book value				
At 31 December 2012	610	11,632	5,100	17,342
At 31 December 2011	870	13,763	7,506	22,139

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2012

13. INVESTMENTS HELD AS FIXED ASSETS

Group	Shares in associate undertaking £'000
Share of net assets	
RR Donnelley India Outsource Private Limited	
At 1 January 2012	6,679
Share of associate's operating profit	2,767
Share of associate's interest receivable	162
Share of associate's tax on profit on ordinary activities	(964)
Exchange movement	(866)
At 31 December 2012	7,778

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2012	92,556
Additions	497
Disposals	(7,399)
At 31 December 2012	85,654
Provision for impairment	
At 1 January 2012	81,527
Provision for the year	865
Disposals	(3,951)
At 31 December 2012	78,441
Net book value	
At 31 December 2012	7,213
At 31 December 2011	11,029

Provision of £865,000 was made during the year against the potential impairment of the Company's investment in its subsidiary RR Donnelley Imprimerie Nationale SAS

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

13. INVESTMENTS HELD AS FIXED ASSETS (continued)

Cost of investments for the Company represents cost of shares in group companies. The companies listed below include all those which principally affect the profits and assets of the Group and in which the Company holds more than 20% of the nominal value of any class of share capital. A full list of subsidiary undertakings will be filed with the Company's annual return.

Name of company	Nature of business	Country of registration	Holding
RRD GDS Holdings (Europe) Limited	Investment holding company	England & Wales	100%
RR Donnelley Document Solutions (Germany) GmbH*	Dormant	Germany	100%
RR Donnelley Document Solutions BV**	Document management services	Netherlands	100%
RR Donnelley Document Solutions BVBA**	Dormant	Belgium	100%
RR Donnelley Document Solutions (Ireland) Limited	Document management services	Eire	100%
RRD BPO Holdings Limited	Investment holding company	England & Wales	100%
RR Donnelley Document Solutions Sp zoo*	Outsourced processing	Poland	100%
RR Donnelley Document Solutions (Switzerland) GmbH*	Document services	Switzerland	100%
RR Donnelley Document Solutions (Austria) GmbH*	Document services	Austria	100%
D E I Group Limited*	Investment holding company	England & Wales	100%
Data Entry Holdings Limited*	Investment holding company	Jersey	100%
Data Entry International Limited*	Investment holding company	Cyprus	100%
RR Donnelley India Outsource Private Limited*	Outsourced processing	India	25 16%
RR Donnelley Business Communication Services Limited #	Dormant	England & Wales	100%
Lasercom Holdings Limited*	Investment holding company	England & Wales	100%
RR Donnelley Document Solutions SAS*	Dormant	France	100%
RR Donnelley Imprimerie Nationale SAS*	Document management services	France	67%
RR Donnelley Italy srl	Document management services	Italy	100%
e-doc Group Pension Scheme Trustee Limited #	Pension scheme trustee company	England & Wales	100%
Edotech Trustee Company Limited* #	Pension scheme trustee company	England & Wales	100%
RR Donnelley Document Solutions SL*	Dormant	Spain	100%

* Indirectly owned

** Liquidated during the year (Note 14)

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

All of the investments listed above are in ordinary shares, and have accounting periods ending on 31 December, except RR Donnelley India Outsource Private Limited which has an accounting period ending on 31 March.

14. PROFIT ON DISPOSAL OF SUBSIDIARIES

In November 2012 the Group liquidated its 100% owned subsidiaries RR Donnelley Document Solutions BV (Netherlands) and RR Donnelley Document Solutions BVBA (Belgium).

The Group has released the accumulated currency translation reserve on its investment in the subsidiaries to profit and loss for the year ended 31 December 2012 as follows:

	2012 £'000
RR Donnelley Document Solutions BV	3,059
RR Donnelley Document Solutions BVBA	33
	<hr/>
	3,092
	<hr/>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2012**

15 STOCKS

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,055	986	956	831
Work in progress	1,225	879	1,225	879
Finished goods and goods for resale	1,004	1,332	599	824
	<u>3,284</u>	<u>3,197</u>	<u>2,780</u>	<u>2,534</u>

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

16 DEBTORS

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Amounts receivable within one year				
Trade debtors	59,904	67,410	52,648	58,986
Amounts owed by related parties	1,853	2,478	1,597	423
Other taxes	971	1,351	632	1,000
Other debtors	1,345	2,196	1,035	943
Prepayments and accrued income	10,368	10,111	9,515	9,002
	<u>74,441</u>	<u>83,546</u>	<u>65,427</u>	<u>70,354</u>
Amounts receivable after more than one year.				
Amounts owed by related parties	-	-	6,469	11,385
Prepayments and accrued income	10,377	10,632	10,311	10,597
	<u>10,377</u>	<u>10,632</u>	<u>16,780</u>	<u>21,982</u>
	<u>84,818</u>	<u>94,178</u>	<u>82,207</u>	<u>92,336</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17 DEFERRED TAX ASSET

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
At 1 January 2011	2,809	2,937	2,804	2,931
Movement for the year				
Charged to profit and loss account	(397)	(546)	(55)	(127)
Credited to statement of total recognised gains and losses	342	418	-	-
At 31 December 2012	<u>2,754</u>	<u>2,809</u>	<u>2,749</u>	<u>2,804</u>
Due within one year	445	737	445	737
Due after more than one year	<u>2,309</u>	<u>2,072</u>	<u>2,304</u>	<u>2,067</u>
Total deferred tax	<u>2,754</u>	<u>2,809</u>	<u>2,749</u>	<u>2,804</u>

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
The deferred tax asset arises from				
Capital allowances in deficit of depreciation	2,589	2,526	2,513	2,475
Short term timing differences	<u>165</u>	<u>283</u>	<u>236</u>	<u>329</u>
	<u>2,754</u>	<u>2,809</u>	<u>2,749</u>	<u>2,804</u>

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

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade creditors	37,249	33,170	31,529	25,157
Amounts owed to related parties	4,705	2,208	9,288	7,147
Corporation tax	1,468	1,012	1,008	401
Other taxes and social security	6,242	6,898	5,437	6,142
Accruals and deferred income	<u>26,039</u>	<u>36,646</u>	<u>23,232</u>	<u>33,844</u>
	<u>75,703</u>	<u>79,934</u>	<u>70,494</u>	<u>72,691</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Amounts owed to related parties (note 20)	67,074	79,772	67,640	83,839
Other creditors	-	293	-	264
Accruals and deferred income	6,666	5,599	6,661	5,599
	<u>73,740</u>	<u>85,664</u>	<u>74,301</u>	<u>89,702</u>

20 BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Falling due between two and five years				
Amounts owed to related parties	<u>67,074</u>	<u>79,772</u>	<u>67,640</u>	<u>83,839</u>

The related parties are companies with the same ultimate parent company as the Group

21 PROVISIONS FOR LIABILITIES

Group	Onerous lease provision £'000	Redundancy provision £'000	ACP provision £'000	Total £'000
At 1 January 2012	1,002	-	427	1,429
Provision charged to profit and loss account	311	562	-	873
Utilised in the year	(315)	(539)	(28)	(882)
At 31 December 2012	<u>998</u>	<u>23</u>	<u>399</u>	<u>1,420</u>

Company	Onerous lease provision £'000	Redundancy provision £'000	ACP provision £'000	Total £'000
At 1 January 2012	1,002	-	427	1,429
Provision charged to profit and loss account	293	323	-	616
Utilised in year	(297)	(323)	(28)	(648)
At 31 December 2012	<u>998</u>	<u>-</u>	<u>399</u>	<u>1,397</u>

The lease provision represents amounts provided for dilapidations and rent exposure on premises vacated as part of the rationalisation of business operations by RR Donnelley Global Document Solutions Group Limited. The provisions will be utilised between 2012 and 2014 on the expiry of the leases to which they relate.

The redundancy provision relates to the rationalisation of trading activities within RR Donnelley Global Document Solutions Group Limited. The provision has been fully utilised within the current year.

The ACP (Annual Compensation Payments) provision represents amounts due to former employees of RR Donnelley Print & Media Services Limited, which have been calculated in accordance with the terms of their employment contract at that time based on their expected remaining lives.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

22 CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid 100,001 ordinary shares of £1 each	100,001	100,001

23. COMBINED STATEMENT OF THE MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

	Called up share capital £'000	Share premium account £'000	Currency translation reserve £'000	Profit and loss account £'000	2012 £'000
Group					
At 1 January 2012	100	53,170	5,506	(33,217)	25,559
Profit for the year	-	-	-	4,843	4,843
Net actuarial loss on pension liabilities	-	-	-	(886)	(886)
Credit to equity for share based payments	-	-	-	164	164
Currency translation difference on foreign currency net investments	-	-	(4,280)	-	(4,280)
Exchange gain relating to the pension scheme	-	-	54	-	54
At 31 December 2012	100	53,170	1,280	(29,096)	25,454

	2012 £'000	2011 £'000
Profit and loss reserve		
Profit and loss reserve excluding pension liability	(26,749)	(31,299)
Amount relating to defined benefit pension scheme liability, net of related deferred tax	(2,347)	(1,918)
Total profit and loss reserve	(29,096)	(33,217)

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	2012 £'000
Company				
At 1 January 2012	100	53,170	(40,569)	12,701
Loss for the year	-	-	(1,258)	(1,258)
Net actuarial gain on pension liabilities	-	-	(544)	(544)
Credit to equity for share based payments	-	-	164	164
At 31 December 2012	100	53,170	(42,207)	11,063

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

24. MINORITY INTERESTS

	Group	
	2012	2011
	£'000	£'000
RR Donnelley Imprimerie Nationale SAS		
At 1 January	(78)	(45)
Minority share of loss on ordinary activities after taxation	(95)	(33)
At 31 December	<u>(173)</u>	<u>(78)</u>

25. OPERATING LEASE COMMITMENTS

At 31 December 2012 the Group and Company were committed to making the following annual payments in respect of non-cancellable operating leases

Group	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	184	1,546	83	322
Between two to five years	1,459	1,754	1,747	2,373
After more than five years	991	14	964	12
	<u>2,634</u>	<u>3,314</u>	<u>2,794</u>	<u>2,707</u>

Company	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	110	1,473	8	192
Between two to five years	920	1,537	1,060	2,016
After more than five years	821	-	821	-
	<u>1,851</u>	<u>3,010</u>	<u>1,889</u>	<u>2,208</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26 PENSION COMMITMENTS

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

SUMMARY OF PENSION COMMITMENT

	I) £'000	II) £'000	III) £'000	2012 Total £'000	2011 Total £'000
Net pension liability					
Fair value of scheme assets	13,366	1,882	11,956	27,204	28,223
Present value of scheme liabilities	(11,944)	(578)	(14,909)	(27,431)	(24,462)
Pension scheme surplus/(deficit) (pre restriction)	1,422	1,304	(2,953)	(227)	3,761
Restriction in pension surplus *	(1,422)	(1,304)	-	(2,726)	(6,173)
Pension scheme deficit (post restriction)	-	-	(2,953)	(2,953)	(2,412)
Related deferred tax (liability)/asset (pre restriction)	(341)	(313)	606	(48)	(1,111)
Restriction on pension surplus *	341	313	-	654	1,605
Related deferred tax asset (post restriction)	-	-	606	606	494
Net pension liability	-	-	(2,347)	(2,347)	(1,918)

* e-doc group Pension Scheme (I) has a net pension asset in the current year amounting to £1,081,000 (2011 – £2,763,000) RR Donnelley Passport Pension Scheme (II) has a net pension asset amounting to £991,000 (2011 - £1,805,000) These net pension assets have not been recognised in the accounts of the Group on the basis that there is uncertainty as to the ability of the Group to obtain a refund of any surplus assets from the schemes

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26 PENSION COMMITMENTS (continued)

SUMMARY OF PENSION COMMITMENT (continued).

	I) £'000	II) £'000	III) £'000	2012 Total £'000	2011 Total £'000
Movement in the scheme deficit during the year					
Surplus/(deficit) in the scheme at beginning of year (pre restriction)	3,734	2,439	(2,412)	3,761	2,612
Restriction on pension surplus *	(3,734)	(2,439)	-	(6,173)	(3,587)
Deficit in the scheme at beginning of year (post restriction)	-	-	(2,412)	(2,412)	(975)
Contributions paid	706	-	726	1,432	1,201
Current service cost	-	-	(755)	(755)	(694)
Past service cost	-	-	-	-	(20)
Net finance income/(charge)	309	118	(44)	383	180
Settlements	-	(573)	-	(573)	-
Net movements (pre restriction)	1,015	(455)	(73)	487	667
Restriction on pension surplus *	(309)	455	-	146	(189)
Net movements (post restriction)	706	-	(73)	633	478
Actuarial (loss)/gain (pre restriction)	(2,833)	(680)	(522)	(4,035)	480
Restriction on pension surplus *	2,127	680	-	2,807	(2,397)
Actuarial loss (post restriction)	(706)	-	(522)	(1,228)	(1,917)
Exchange gain	-	-	54	54	2
Deficit in the scheme at end of year	-	-	(2,953)	(2,953)	(2,412)
Related deferred tax asset	-	-	606	606	494
Net deficit in the scheme at end of year	-	-	(2,347)	(2,347)	(1,918)

* e-doc Group Pension Scheme (I) has a net pension asset amounting to £1,081,000 (2011 - £2,763,000), being surplus of £1,422,000 (2011 - £3,734,000) less related deferred tax liability of £341,000 (2011 - £971,000) RR Donnelley Passport Pension Scheme has a net pension asset amounting to £991,000 (2011 - £1,805,000), being surplus of £1,304,000 (2011 - £2,439,000) less related deferred tax liability of £313,000 (2011 - £634,000) These net pension assets have not been recognised in the accounts of the Group on the basis that there is uncertainty as to the ability of the Group to obtain a refund of any surplus assets from the schemes

In addition, the Group contributes to employees' own personal pension arrangements at rates varying between 4 8% and 10% of pensionable earnings

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26 PENSION COMMITMENTS (continued)

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

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

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

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

Except where stated otherwise, the remainder of section I) of this FRS17 pensions note relates only to the defined benefit element of the Scheme.

A full actuarial valuation of the e-doc Group Pension Scheme was carried out at 31 December 2009 and updated to 31 December 2012 by a qualified independent actuary. The principal assumptions used by the actuary were (in nominal terms)

		2012	2011
		% per annum	% per annum
Future price inflation assumed		2.1	2.4
Rate of increase in payment of pensions		2.1	2.4
Assumed discount rate on liabilities		4.1	5.4
Rate of increase for deferred pensioners		2.1	2.4
		Years	Years
Assumed life expectancies on retirement at age 65 are			
Retiring today	Males	22.0	21.9
	Females	24.3	24.2
Retiring in 20 years time	Males	23.2	23.2
	Females	25.4	25.4

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

26 PENSION COMMITMENTS (continued)

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

	2012	2011
	Fair	Fair
	value	value
	£'000	£'000
Equities	3,256	2,525
Bonds	3,874	3,994
Index Linked Gilts	3,488	1,543
Cash	479	474
Other	2,269	4,235
	<hr/>	<hr/>
Total fair value of assets	13,366	12,771
	<hr/>	<hr/>
Expected rate of return per annum	5.5%	7.0%

The Scheme does not hold any ordinary shares issued or property occupied by RR Donnelley Global Document Solutions Group Limited

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	13,366	12,771	11,006	10,047	7,722
Present value of funded obligations	(11,944)	(9,037)	(9,520)	(10,921)	(8,156)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Pension scheme surplus/(liability)	1,422	3,734	1,486	(874)	(434)
Related deferred tax (liability)/asset	(341)	(971)	(401)	245	122
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net pension asset/(liability)	1,081	2,763	1,085	(629)	(312)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The pension asset in the e-doc Group Pension Scheme in the current year is not recognised in the accounts of the Group on the basis that there is uncertainty as to the ability of the Group to obtain a refund of any surplus assets from the scheme

	2012	2011
	£'000	£'000
Movement in surplus in the scheme during the year		
Surplus in the scheme at beginning of year	3,734	1,486
Contributions	706	706
Net finance income	309	112
Actuarial (loss)/gain	(3,327)	1,430
	<hr/>	<hr/>
Surplus in the scheme at end of year	1,422	3,734
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

26. PENSION COMMITMENTS (continued)

	2012	2011
	£'000	£'000
Changes in the present value of the Scheme liabilities		
Liabilities at beginning of year	9,037	9,520
Interest cost	477	564
Actuarial losses/(gains)	2,833	(810)
Benefits paid	(403)	(237)
	<u>11,944</u>	<u>9,037</u>

	2012	2011
	£'000	£'000
Changes in the fair value of the Scheme assets		
Fair value of assets at beginning of year	12,771	11,006
Expected return on defined benefit element assets	786	676
Actuarial (losses)/gains	(494)	620
Contributions by employer	706	706
Benefits paid	(403)	(237)
	<u>13,366</u>	<u>12,771</u>

The Group's best estimate of expected contributions to the Scheme in the year commencing 1 January 2013 is £706,000 plus contributions to the Defined Contribution element

Amounts for the current and previous four periods are

	2012	2011	2010	2009	2008
Present value of scheme liabilities (£'000)	(11,944)	(9,037)	(9,520)	(10,921)	(8,156)
Scheme assets (£'000)	13,366	12,771	11,006	10,047	7,722
Deficit in the scheme (£'000)	-	-	-	(874)	(434)
Experience adjustment on Scheme liabilities (£'000)	(881)	14	294	1	311
As a percentage of Scheme liabilities	(7%)	0%	3%	0%	4%
Experience adjustment on Scheme assets (£'000)	(494)	620	(137)	1,354	(1,266)
As a percentage of Scheme assets	(4%)	5%	(1%)	13%	(16%)
Cumulative actual (losses)/gains shown in the Statement of total recognised gains and losses (£'000)	<u>(1,713)</u>	<u>1,305</u>	<u>(237)</u>	<u>(1,892)</u>	<u>(783)</u>

	2012	2011
	£'000	£'000
Analysis of the amount credited to net finance income/(charges)		
Interest on pension scheme liabilities	(477)	(564)
Expected return on pension scheme assets	<u>477</u>	<u>564</u>
Total income to net finance income/(charges)	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26 PENSION COMMITMENTS (continued)

Analysis of the actuarial (loss)/gain in the statement of total recognised gains and losses

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(494)	620
Experience gains and losses arising on the scheme liabilities	(881)	14
Change in assumptions underlying the present value of scheme liabilities	(1,952)	796
	<u>(3,327)</u>	<u>1,430</u>

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

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

A full actuarial valuation was carried out at 30 June 2010 and updated to 31 December 2012 by a qualified actuary. The principal assumptions used for the actuarial valuation were:

	2012 % per annum	2011 % per annum
Inflation assumption	3.1	3.3
Rate of increase in payment of pensions	3.1	3.3
Discount rate	4.4	5.6
Rate of increase for deferred pensioners	2.3	2.5
Future salary increases	n/a	n/a

		Years	Years
Assumed life expectancies on retirement at age 65 are			
Retiring today	Males	22.5	22.4
	Females	24.9	24.8
Retiring in 20 years time	Males	24.4	24.3
	Females	26.8	26.7

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26 PENSION COMMITMENTS (continued)

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

	2012	2011
	Fair	Fair
	value	value
	£'000	£'000
Equities and property	448	989
Fixed interest	489	1,471
Index linked gilts	375	-
Cash	153	167
Other	417	1,716
Total fair value of assets	<u>1,882</u>	<u>4,343</u>
Expected rate of return	5.9%	8.0%pa

The Scheme does not hold any ordinary shares issued or property occupied by RR Donnelley Global Document Solutions Group Limited

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Net pension asset					
Fair value of scheme assets	1,882	4,343	4,112	3,686	2,322
Present value of funded obligations	(578)	(1,904)	(2,011)	(2,634)	(1,418)
Pension scheme surplus	1,304	2,439	2,101	1,052	904
Related deferred tax liability	(313)	(634)	(567)	(295)	(253)
Net pension asset in plan	<u>991</u>	<u>1,805</u>	<u>1,534</u>	<u>757</u>	<u>651</u>

The pension asset in the RR Donnelley Passport Pension Scheme is not recognised in the accounts of the Group on the basis that there is uncertainty as to the ability of the Group to obtain a refund of any surplus assets from the scheme

	2012	2011
	£'000	£'000
Movement in surplus in the scheme during the year		
Surplus in the scheme at beginning of year	2,439	2,101
Net finance income	118	97
Actuarial (loss)/gain	(680)	261
Past service cost	-	(20)
Settlements	(573)	-
Surplus in the scheme at end of year	<u>1,304</u>	<u>2,439</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

26. PENSION COMMITMENTS (continued)

	2012 £'000	2011 £'000
Changes in the present value of the Scheme liabilities		
Liabilities at beginning of year	1,904	2,011
Interest cost	55	117
Actuarial losses/(gains)	472	(92)
Benefits paid	(3)	(152)
Past service cost	-	20
Settlements	(1,850)	-
	<u>578</u>	<u>1,904</u>
Changes in the fair value of the Scheme assets		
Fair value of assets at beginning of year	4,343	4,112
Expected return on Scheme assets	173	214
Actuarial (losses)/gains	(208)	169
Benefits paid	(3)	(152)
Settlements	(2,423)	-
	<u>1,882</u>	<u>4,343</u>

The Group's best estimate of expected contributions to the Scheme in the year commencing 1 January 2013 is £nil

Amounts for the current and previous four periods are as follows

	2012	2011	2010	2009	2008
Present value of Scheme liabilities (£'000)	(578)	(1,904)	(2,011)	(2,634)	(1,418)
Scheme assets (£'000)	1,882	4,343	4,112	3,686	2,322
Surplus (£'000)	1,283	2,439	2,101	1,052	904
Experience adjustment on Scheme liabilities (£'000)	(360)	22	460	146	(141)
As a percentage of Scheme liabilities	(62%)	1%	23%	6%	(10%)
Experience adjustment on Scheme assets (£'000)	(208)	169	(52)	321	(270)
As a percentage of Scheme assets	(11%)	4%	(1%)	9%	(12%)
Cumulative actual (losses)/gains not shown in Statement of total recognised gains and losses (£'000)	<u>(77)</u>	<u>1,058</u>	<u>720</u>	<u>73</u>	<u>368</u>

	2012 £'000	2011 £'000
Analysis of amount charged to operating profit		
Past service cost	-	20
Settlements	573	-
Distribution of unrecognised surplus	(573)	(20)
	<u>-</u>	<u>-</u>
Total charged to operating profit	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

26 PENSION COMMITMENTS (continued)

	2012 £'000	2011 £'000
Analysis of the amount credited to net finance income		
Interest on pension scheme liabilities	(55)	(117)
Expected return on pension scheme assets	55	117
	<u>-</u>	<u>-</u>
Total credit to net finance income	<u>-</u>	<u>-</u>
 Analysis of the actuarial gain		
Actual return less expected return on pension scheme assets	(208)	169
Experience gains and losses arising on the scheme liabilities	(360)	(22)
Change in assumptions underlying the present value of scheme liabilities	(112)	114
	<u>(680)</u>	<u>261</u>
Total gain not recognised	<u>(680)</u>	<u>261</u>

III) Cominformatic a defined benefit plan in Switzerland, operated by RR Donnelley Document Solutions (Switzerland) GmbH. The last full independent actuarial valuation of the Plan was undertaken as at 31 December 2010.

The company's contributions to the plan for the year ended 31 December 2012 totalled £433,000 (2011 - £436,000). In accordance with the agreed Schedule of Contributions £322,000 is required to be contributed by the Company to the Plan depending on age, at a rate of approximately 8%-13% of pensionable salaries a year over the future working lifetime of the scheme's active members. This is subject to review at the formal actuarial valuation due as at 1 January 2013. 90 employees paid, in the year, a total of £272,000 into the Plan (2011 - £224,000). Employees are required to contribute, depending on age, at the rate of 6.5%-10.5% of pensionable salaries.

The actuary has performed a review of the financial position of the scheme at 31 December 2012. The major assumptions used for the actuarial valuation were:

	31 December 2012 % per annum	31 December 2011 % per annum
Inflation assumption	1.00	1.50
Rate of increase in pension payments	0.25	0.25
Discount rate	1.75	2.25
Rate of increase for deferred pensioners	0.25	0.25
Salary growth	2.00	2.00

The pension payment increases, other than for deferred pensioners, are discretionary and are only paid if the increases can be afforded from the assets of the Plan.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

26. PENSION COMMITMENTS (continued)

Fair value of assets and expected rate of return

	2012	2011
	Fair value	Fair value
	£'000	£'000
Equities	2,391	2,222
Bonds and others	9,565	8,887
Total fair value of assets	<u>11,956</u>	<u>11,109</u>
Expected rate of return per annum	3.0%	3.0%

All assets are invested with insurance companies. The percentage invested in equities has been given at between 15%-25%, an average of 20% has been applied in the above figures.

Net pension liability

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Fair value of Plan assets	11,956	11,109	10,200	8,619	8,350
Actuarial value of plan liabilities	(14,909)	(13,521)	(11,175)	(9,095)	(9,739)
Fair value of Plan assets	(2,953)	(2,412)	(975)	(476)	(1,389)
Related deferred tax asset	606	494	263	134	389
Net pension liability in plan	<u>(2,347)</u>	<u>(1,918)</u>	<u>(712)</u>	<u>(342)</u>	<u>(1,000)</u>

The Plan is fully funded according to the requirements of Swiss pension law. The deficit arising through the application of FRS 17 is a result of providing for future salary and pension increases, death and disability benefits.

Movement in deficit in the Plan during the year

	2012	2011
	£'000	£'000
Deficit in the plan at the beginning of the year	(2,412)	(975)
Contributions paid	726	495
Current service cost	(755)	(694)
Other finance charge	(44)	(29)
Actuarial loss	(522)	(1,211)
Exchange gain	54	2
Deficit in plan at end of the year	<u>(2,953)</u>	<u>(2,412)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

26. PENSION COMMITMENTS (continued)

	2012	2011
	£'000	£'000
Changes in the present value of the Scheme liabilities		
Liabilities at beginning of year	13,521	11,175
Service cost	755	694
Interest cost	297	313
Actuarial losses	425	1,117
Benefits paid	149	297
Exchange gains	(238)	(75)
Liabilities at end of year	<u>14,909</u>	<u>13,521</u>
	2012	2011
	£'000	£'000
Changes in the fair value of the Scheme assets		
Fair value of assets at beginning of year	11,109	10,200
Expected return on Defined Benefit element assets	253	284
Actuarial losses	(97)	(94)
Contributions by employer	454	271
Contributions by employees	272	224
Benefits paid	149	297
Exchange losses	(184)	(73)
Fair value of scheme assets at end of year	<u>11,956</u>	<u>11,109</u>
Components of defined benefit cost for the period ended 31 December 2012		
Analysis of amounts charged to operating profit	2012	2011
	£'000	£'000
Current service cost	<u>483</u>	<u>470</u>
Analysis of amounts charged to net finance charges	2012	2011
	£'000	£'000
Interest on pension plan liabilities	297	313
Expected return on assets in the pension plan	(253)	(284)
Total charged to net finance charges	<u>44</u>	<u>29</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

26 PENSION COMMITMENTS (continued)

Analysis of the amounts to be recognised in statement of total recognised gains and losses	2012 £'000	2011 £'000
Actuarial loss	(522)	(1,211)
Exchange gain	54	2
Total loss recognisable in Statement of total recognised gains and losses before taxation	<u>(468)</u>	<u>(1,209)</u>

History of experience gains and losses	2012	2011	2010	2009	2008
Difference between the expected and actual return on Plan assets					
Amount (£'000)	-	-	-	-	-
Percentage of Plan assets	-	-	-	-	-
Experience gains and losses on Plan liabilities					
Amount (£'000)	-	-	-	-	-
Percentage of the present value of scheme liabilities	-	-	-	-	-
Total actuarial (loss)/gain recognised in Statement of total recognised gains and losses					
Amount (£'000)	(468)	(1,209)	(643)	226	(628)
Percentage of the present value of scheme liabilities	(3.1%)	(8.9%)	(5.8%)	2.5%	(6.4%)

IV) Defined contribution schemes

The pension charge for the defined contribution schemes during the year is £2,134,000 (2011 - £2,116,000). The unpaid contributions outstanding at the year end were £275,000 (2011 - £233,000). These related to December 2012 contributions which were paid in January 2013.

27 CAPITAL COMMITMENTS

At 31 December 2012 the Group had capital commitments as follows

	2012 £'000	2011 £'000
Contracted but not provided for in the financial statements	2,928	1,714
Authorised but not contracted	2,153	4,196
	<u>5,081</u>	<u>5,910</u>

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28. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The Group has derivatives which are not included at fair value in the accounts

	Principal	Fair value	
	£'000	2012	2011
		£'000	£'000
Forward foreign exchange contracts	25,287	17,473	24,238

The Group uses the derivatives to hedge its exposures to changes in foreign currency exchange values. The fair values are based on market values at the balance sheet date.

29. RELATED PARTY TRANSACTIONS

As 100% of the share capital of the Company and Group is indirectly owned by a group whose consolidated financial statements are publicly available, it is not required to disclose transactions with other group undertakings that would otherwise be required under Financial Reporting Standard No. 8 'Related Party Disclosures'.

During the year the Group undertook the following transactions in the ordinary course of business with RR Donnelley Imprimerie Nationale SAS, a company registered in France in which the Group owns 67% (2011 - 67%) of the issued share capital:

Purchase of goods £116,000 (2011 - £nil) and sale of goods £361,000 (2011 - £299,000). At 31 December 2012 the amount owed by RR Donnelley Imprimerie Nationale SAS was £44,000 (2011 - £66,000) and the amount owed to RR Donnelley Imprimerie Nationale SAS was £106,000 (2011 - £1,000).

30. PARENT COMPANY

The Company's immediate parent undertaking is RR Donnelley Holdings BV, a company registered in the Netherlands. The largest and smallest group in which the results of the Company for the year ended 31 December 2012 are consolidated is that headed by RR Donnelley & Sons Company.

The Company's ultimate parent company and ultimate controlling party is RR Donnelley & Sons Company, a company incorporated in the state of Delaware in the United States of America. Copies of the group financial statements of RR Donnelley & Sons Company including this company may be obtained from Investor Relations, 111 South Wacker Drive, Chicago, IL 60606-4301.