

**RR DONNELLEY GLOBAL DOCUMENT
SOLUTIONS GROUP LIMITED**

Annual report and financial statements

For the year ended 31 December 2010

Registered number: 6711794

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RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2010

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Independent auditor's report	5
Consolidated profit and loss account	6
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Notes to the financial statements	10

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2010

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

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 2010

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 6, the Group's sales have shown a decrease of 13.0% (2009 - decrease 1.6%) over the prior year and Group operating profit before goodwill amortisation and exceptional items increased by 76.4% (2009 - decrease 73.4%) from £3.3m to £5.8m. The Group operating loss for the year was £2.4m (2009 - loss £31.0m).

The consolidated balance sheet on page 8 of the financial statements shows the Group's financial position at the year-end. During the year the Group's average debtor days have increased from 62 to 71 days, average creditor days have decreased from 69 to 65, and annual stock turnover has increased to 70 from 62.

The average monthly number of persons employed by the Group has decreased by 23.2% (2009 - decrease 17.6%) during the year.

As part of the strategy for rationalisation of the UK Group the trade and assets of RR Donnelley Global Business Process Outsourcing Limited were transferred to RR Donnelley Global Document Solutions Group Limited on 1 December 2010.

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. 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. There is a currency hedge in place for the 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.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

DIRECTORS' REPORT (continued)

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.

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 (2009 - £nil).

Charitable and political donations

Charitable donations amounting to £2,245 were made during the year to the following recipients: WaterAid £700, Haiti Appeal £925, Irish Arthopaedic Haiti Relief Fund £500, Irish Cancer Society £200, Debra Ireland £100. (In 2009 donations amounting to £2,600 were made to Barclays Bank Charity Day £500, M&S Money Charity Day £500 and Macmillan Nurses £1,600).

There were no political donations (2009 - £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 18 March 2011 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 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and individual 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.

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 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

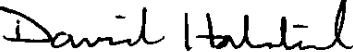
Opinion on other matter prescribed by the Companies Act 2006

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.

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

21 March 2011

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

	Note	Before goodwill amortisation and exceptional items 2010 £'000	Goodwill amortisation and exceptional items 2010 Note 5 £'000	Total 2010 £'000	Before goodwill amortisation and exceptional items 2009 £'000	Goodwill amortisation and exceptional items 2009 Note 5 £'000	Total 2009 £'000
Turnover	2						
Existing operations		246,017	-	246,017	283,728	-	283,728
Acquisitions		765	-	765	-	-	-
		<u>246,782</u>	<u>-</u>	<u>246,782</u>	<u>283,728</u>	<u>-</u>	<u>283,728</u>
Cost of sales		(213,781)	-	(213,781)	(232,538)	-	(232,538)
Gross profit		<u>33,001</u>	<u>-</u>	<u>33,001</u>	<u>51,190</u>	<u>-</u>	<u>51,190</u>
Selling and distribution costs		(4,399)	-	(4,399)	(11,127)	-	(11,127)
Administrative expenses		(22,803)	(7,106)	(29,909)	(36,776)	(34,270)	(71,046)
		<u>(27,202)</u>	<u>(7,106)</u>	<u>(34,308)</u>	<u>(47,903)</u>	<u>(34,270)</u>	<u>(82,273)</u>
Operating profit/(loss)	4						
Existing operations		5,590	(7,106)	(1,516)	3,287	(34,270)	(30,938)
Acquisitions		209	-	209	-	-	-
		<u>5,799</u>	<u>(7,106)</u>	<u>(1,307)</u>	<u>3,287</u>	<u>(34,270)</u>	<u>(30,983)</u>
Share of associate's operating profit	13	354	-	354	80	-	80
Profit/(loss) on ordinary activities before finance charges		<u>6,153</u>	<u>(7,106)</u>	<u>(953)</u>	<u>3,367</u>	<u>(34,270)</u>	<u>(30,903)</u>
Interest receivable and similar income	6	109	-	109	82	-	82
Interest payable and similar charges	7	(3,818)	-	(3,818)	(640)	-	(640)
		<u>(3,709)</u>	<u>-</u>	<u>(3,709)</u>	<u>(558)</u>	<u>-</u>	<u>(558)</u>
Profit/(loss) on ordinary activities before taxation		<u>2,444</u>	<u>(7,106)</u>	<u>(4,662)</u>	<u>2,809</u>	<u>(34,270)</u>	<u>(31,461)</u>
Tax on profit/(loss) on ordinary activities	8	144	-	144	915	-	915
Profit/(loss) on ordinary activities after taxation		<u>2,588</u>	<u>(7,106)</u>	<u>(4,518)</u>	<u>3,724</u>	<u>(34,270)</u>	<u>(30,546)</u>
Minority interests	24	148	-	148	91	-	91
Profit/(loss) for the financial year transferred to/(from) reserves	23	<u>2,736</u>	<u>(7,106)</u>	<u>(4,370)</u>	<u>3,815</u>	<u>(34,270)</u>	<u>(30,455)</u>

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 2010

	Note	2010 £'000	2009 £'000
Loss for the year		(4,370)	(30,455)
Currency translation difference on foreign currency net investments		3,101	(1,598)
Actuarial loss relating to pension scheme liabilities	26	(277)	(997)
Exchange (loss)/gain relating to the pension scheme	26	(197)	114
UK deferred tax attributable to actuarial loss		74	279
		<u> </u>	<u> </u>
Total gains and losses relating to the year		<u>(1,669)</u>	<u>(32,657)</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	11	46,444	50,056
Tangible assets	12	26,520	25,667
Associates	13	6,590	5,748
		<u>79,554</u>	<u>81,471</u>
Current assets			
Stocks	15	3,042	3,742
Debtors due within one year	16	72,555	65,547
Debtors due after more than one year	16	1,326	-
Deferred tax due after more than one year	17	2,937	2,776
Cash at bank and in hand		17,309	52,174
		<u>97,169</u>	<u>124,239</u>
Creditors: amounts falling due within one year	18	<u>(62,408)</u>	<u>(99,319)</u>
Net current assets		<u>34,761</u>	<u>24,920</u>
Total assets less current liabilities		<u>114,315</u>	<u>106,391</u>
Creditors: amounts falling due after more than one year	19	<u>(84,757)</u>	<u>(72,546)</u>
Provisions for liabilities	21	<u>(2,017)</u>	<u>(4,472)</u>
Net assets excluding pension liability		<u>27,541</u>	<u>29,373</u>
Defined benefit pension liability (net of deferred tax)	26	<u>(712)</u>	<u>(971)</u>
Net assets including pension liability		<u>26,829</u>	<u>28,402</u>
Capital and reserves			
Called up share capital	22/23	100	100
Share premium account	23	53,170	53,170
Currency translation reserve	23	6,936	4,032
Profit and loss account	23	<u>(33,332)</u>	<u>(29,003)</u>
Shareholders' funds	23	<u>26,874</u>	<u>28,299</u>
Minority interests	24	<u>(45)</u>	<u>103</u>
Total capital employed		<u>26,829</u>	<u>28,402</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 18 March 2011, and signed on its behalf by



K T Woor
Director

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

COMPANY BALANCE SHEET 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	11	39,460	42,633
Tangible assets	12	21,861	21,475
Investments	13	11,029	11,029
		<u>72,350</u>	<u>75,137</u>
Current assets			
Stocks	15	2,105	2,566
Debtors due within one year	16	60,375	65,958
Debtors due after more than one year	16	8,532	7,825
Deferred tax due greater than one year	17	2,931	2,435
Cash at bank and in hand		5,009	33,761
		<u>78,952</u>	<u>112,545</u>
Creditors: amounts falling due within one year	18	<u>(51,458)</u>	<u>(60,913)</u>
Net current assets		<u>27,494</u>	<u>51,632</u>
Total assets less current liabilities		<u>99,844</u>	<u>126,769</u>
Creditors: amounts falling due after more than one year	19	<u>(85,839)</u>	<u>(44,705)</u>
Provisions for liabilities	21	<u>(2,017)</u>	<u>(4,210)</u>
Net assets excluding pension liability		<u>11,988</u>	<u>77,854</u>
Defined benefit pension liability (net of deferred tax)	26	<u>-</u>	<u>(629)</u>
Net assets		<u><u>11,988</u></u>	<u><u>77,225</u></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	(41,282)	23,955
Shareholders' funds	23	<u><u>11,988</u></u>	<u><u>77,225</u></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 18 March 2011, 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 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of RR Donnelley Global Document Solutions Group Limited and all its subsidiary undertakings, drawn up to 31 December 2010.

Going concern

The Group has a letter of support in place from its ultimate parent company, RR Donnelley & Sons Company, which 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. 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 parent company, RR Donnelley & Sons Company.

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

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.

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

No depreciation is provided on assets in the course of construction.

Stocks

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

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 (2009 - £58,833 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. In the current year, regular contributions were made at the rate of £56,333 per month (prior year - £63,167 per month) until the curtailment of the scheme 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.

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.

Turnover

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

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.

For a forward exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market, and any resulting profit or loss recognised at that time.

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.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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	
	2010	2009	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover								
Total sales	145,740	124,494	32,397	31,269	71,455	128,366	249,592	284,129
Inter segment sales	(845)	173	(1,965)	(566)	-	(8)	(2,810)	(401)
Sales to third parties	<u>144,895</u>	<u>124,667</u>	<u>30,432</u>	<u>30,703</u>	<u>71,455</u>	<u>128,358</u>	<u>246,782</u>	<u>283,728</u>
Exceptional items and goodwill	<u>(3,824)</u>	<u>(1,554)</u>	<u>(2,698)</u>	<u>(1,603)</u>	<u>(584)</u>	<u>(31,113)</u>	<u>(7,106)</u>	<u>(34,270)</u>
Operating profit/(loss)								
Segment operating profit/(loss)	(731)	710	(1,204)	(1,864)	628	(29,829)	(1,307)	(30,983)
Share of associate's operating profit	-	-	354	80	-	-	354	80
Profit/(loss) on ordinary activities before finance charges	<u>(731)</u>	<u>710</u>	<u>(850)</u>	<u>(1,784)</u>	<u>628</u>	<u>(29,829)</u>	<u>(953)</u>	<u>(30,903)</u>
Finance charges – net							<u>(3,709)</u>	<u>(558)</u>
Loss on ordinary activities before taxation							<u>(4,662)</u>	<u>(31,461)</u>
Net assets - excluding non-operating assets/(liabilities)	<u>55,311</u>	<u>71,310</u>	<u>27,460</u>	<u>(5,954)</u>	<u>(48,581)</u>	<u>(47,846)</u>	34,190	17,510
Share of associate's net assets	-	-	6,590	5,748	-	-	6,590	5,748
Non-operating (liabilities)/assets							<u>(13,951)</u>	<u>5,144</u>
Net assets							<u>26,829</u>	<u>28,402</u>

Common costs consist principally of interest charged on bank and other loans.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	200,200	197,328	45,247	84,760	1,335	1,640	246,782	283,728
Exceptional items and goodwill	(5,712)	48,199	(1,394)	(82,469)	-	-	(7,106)	(34,270)
Operating profit/(loss)								
Segment operating profit/(loss)	(2,366)	51,016	1,371	(82,044)	(312)	45	(1,307)	(30,983)
Share of associate's operating profit	-	-	-	-	354	80	354	80
Profit/(loss) on ordinary activities before finance charges	(2,366)	51,016	1,371	(82,044)	42	125	(953)	(30,903)
Finance charges – net							(3,709)	(558)
Loss on ordinary activities before taxation							(4,662)	(31,461)
Net assets excluding non - operating assets/(liabilities)	18,754	62,848	14,153	(46,478)	1,283	1,140	34,190	17,510
Share of associate's net assets	-	-	-	-	6,590	5,748	6,590	5,748
Non - operating (liabilities)/assets							(13,951)	5,144
Net assets							26,829	28,402

Common costs consist principally of interest charged on bank and other loans.

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 2010

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £	2009 £
Directors' remuneration		
Emoluments	746,300	459,095
Money purchase pension contributions	38,986	38,213
	<u>785,286</u>	<u>497,308</u>
 The amounts in respect of the highest paid director are as follows		
Emoluments	<u>373,139</u>	<u>212,607</u>
 Company contributions paid to money purchase pension schemes in respect of highest paid director	<u>20,146</u>	<u>19,800</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	
	2010 No	2009 No	2010 No	2009 No
Average monthly number of persons employed (including directors) was				
Sales and marketing	59	77	22	23
Production and distribution	1,911	2,530	1,435	666
Administration	233	263	178	141
	<u>2,203</u>	<u>2,870</u>	<u>1,635</u>	<u>830</u>

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Staff costs during the year (including directors)				
Wages and salaries	54,717	72,921	43,710	24,252
Social security costs	5,931	7,707	4,286	2,362
Other pension costs	2,743	5,681	1,843	1,211
Share based payments	244	147	305	92
	<u>63,635</u>	<u>86,456</u>	<u>50,144</u>	<u>27,917</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

4. OPERATING LOSS

	2010 £'000	2009 £'000
Operating loss is after charging:		
Depreciation		
Owned assets	7,651	8,001
Operating lease rentals		
Plant and machinery	3,106	1,874
Land and buildings	3,723	6,932

The analysis of auditor's remuneration is as follows

**Fees payable to the Company's auditor and their associates
for the audit of the Group's annual financial statements**

- The audit of the Company's subsidiaries pursuant to legislation

441	511
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**Fees payable to the Company's auditor and their associates
for other services to the Group.**

- Other services

-	-
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The element of auditor's remuneration for the Company was £320,000 (2009 - £307,000) for the audit and £nil (2009 - £nil) for other services

5. GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS

	2010 £'000	2009 £'000
Recognised in arriving at operating loss:		
Redundancy costs resulting from rationalisation of trading activities	2,460	2,279
Reorganisation costs	1,034	1,580
Amortisation of goodwill	3,612	3,315
Goodwill impairment	-	2,091
Onerous contract loss	-	25,005
Total of goodwill and exceptional items	7,106	34,270

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Bank interest receivable	109	82

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£'000	£'000
Interest payable on bank loans and overdrafts	5	1
Interest payable on finance leases	4	77
Unwinding of discount on provision	1,140	-
	<u>1,149</u>	<u>78</u>
Interest payable to group companies	2,669	562
	<u>3,818</u>	<u>640</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2010	2009
	£'000	£'000
Current tax		
United Kingdom corporation tax at 28% (2009 – 28%) based on the loss for the year	(732)	(158)
Adjustment in respect of prior years	(44)	(1,506)
Foreign tax for the current year	545	462
	<u>(231)</u>	<u>(1,202)</u>
Deferred tax		
Adjustment in respect of prior years	(568)	274
Timing differences, origination and reversal	655	13
	<u>(144)</u>	<u>(915)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 – 28%). The actual tax (credit)/charge for the current and previous year differs from the standard tax rate for the reasons set out in the following reconciliation

	2010	2009
	£'000	£'000
Loss on ordinary activities before tax	(4,662)	(31,461)
Tax credit on ordinary activities at standard rate of 28% (2009 – 28%)	(1,305)	(8,809)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	198	7,739
Capital allowances in deficit of depreciation	92	154
Difference in overseas tax rates	(662)	(294)
Amortisation and impairment of goodwill	1,011	1,514
Loss not recognised	479	-
Adjustment in respect of prior years	(44)	(1,506)
	<u>(231)</u>	<u>(1,202)</u>

In June 2010 the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 27% with effect from 1 April 2011. This legislation was substantively enacted on 27 July 2010. The effective tax rate for the period 31 December 2011 is expected to reduce accordingly.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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 £65,563,000 (2009 - profit £64,189,000)

10. SHARE BASED PAYMENTS

Equity-settled share awards

The ultimate parent company has a share award scheme for certain employees. 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:

	2010		2009	
	Number of share grants	Weighted average share price £	Number of share grants	Weighted average share price £
Group				
Outstanding at beginning of year	43,250	9.36	10,875	18.89
Employees transferred from related company	-	-	6,000	18.89
Granted during the year	20,000	13.40	32,000	5.04
Vested during the year	(14,625)	11.15	(5,625)	18.89
Forfeited during the year	(2,000)	13.05	-	-
Outstanding at the end of the year	<u>46,625</u>	<u>9.71</u>	<u>43,250</u>	<u>9.36</u>
Company				
Outstanding at beginning of year	43,250	9.36	-	-
Employees transferred from related companies	-	-	16,875	18.89
Granted during the year	20,000	13.40	32,000	5.04
Vested during the year	(14,625)	11.15	(5,625)	18.89
Forfeited during the year	(2,000)	13.05	-	-
Outstanding at the end of the year	<u>46,625</u>	<u>9.71</u>	<u>43,250</u>	<u>9.36</u>

Awards were granted on 26 February 2010. In the previous year awards were granted on 2 March 2009.

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

	2010	2009
Weighted average share price	£9.71	£8.91
Weighted average exercise price	-	-
Expected volatility	41.59%	20.97%
Expected life	4 years	4 years
Risk-free rate	4.81%	4.81%
Dividend yield	2.58%	2.58%
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 2010 amounts to 46,625.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

10. SHARE BASED PAYMENTS (continued)

Equity-settled share awards (continued)

The estimated fair value of the awards granted by the Group and Company during the year was £197,000 (2009 - £156,000)

The Group recognised total expenses of £244,000 (2009 - £147,000) related to equity-settled share-based payment transactions during the year

The Company recognised total expenses of £203,000 (2009 - £92,000) related to equity-settled share-based payment transactions during the year

11 INTANGIBLE FIXED ASSETS

	Positive goodwill arising on acquisitions £'000
Group	
Cost	
At 1 January 2010 and 31 December 2010	129,240
Amortisation	
At 1 January 2010	79,184
Amortisation for the year	3,612
At 31 December 2010	82,796
Net book value	
At 31 December 2010	46,444
At 31 December 2009	50,056
	Positive goodwill arising on acquisitions £'000
Company	
Cost	
At 1 January 2010 and 31 December 2010	43,919
Amortisation	
At 1 January 2010	1,286
Amortisation for the year	3,173
At 31 December 2010	4,459
Net book value	
At 31 December 2010	39,460
At 31 December 2009	42,633

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

12. TANGIBLE FIXED ASSETS

Group	Assets in the course of construction £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2010	-	6,123	27,532	19,755	53,410
Additions	1,362	194	1,701	4,860	8,117
Acquired from group company (Note 14)	-	101	-	41	142
Disposals	-	(234)	(2,905)	(1,414)	(4,553)
Transfers	-	137	493	(630)	-
Exchange movement	-	679	517	(207)	989
At 31 December 2010	1,362	7,000	27,338	22,405	58,105
Depreciation					
At 1 January 2010	-	2,373	14,232	11,138	27,743
Charge for the year	-	350	3,868	3,433	7,651
Disposals	-	(215)	(2,796)	(1,388)	(4,399)
Transfers	-	137	185	(322)	-
Exchange movement	-	508	233	(151)	590
At 31 December 2010	-	3,153	15,722	12,710	31,585
Net book value					
At 31 December 2010	1,362	3,847	11,616	9,695	26,520
At 31 December 2009	-	3,750	13,300	8,617	25,667

Company	Assets in the course of construction £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2010	-	1,258	14,334	9,116	24,708
Additions	1,362	194	1,275	4,596	7,427
Acquired from group company (Note 14)	-	101	-	41	142
Disposals	-	(37)	(140)	(1,397)	(1,574)
At 31 December 2010	1,362	1,516	15,469	12,356	30,703
Depreciation					
At 1 January 2010	-	123	1,409	1,701	3,233
Charge for the year	-	264	3,543	3,235	7,042
Disposals	-	(19)	(40)	(1,374)	(1,433)
At 31 December 2010	-	368	4,912	3,562	8,842
Net book value					
At 31 December 2010	1,362	1,148	10,557	8,794	21,861
At 31 December 2009	-	1,135	12,925	7,415	21,475

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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 2010	5,748
Share of profit after tax for the year	354
Exchange movement	488
At 31 December 2010	<u>6,590</u>

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2010	30,795
Additions	61,761
At 31 December 2010	<u>92,556</u>
Provision for impairment	
At 1 January 2010	19,766
Written off	61,761
At 31 December 2010	<u>81,527</u>
Net book value	
At 31 December 2010	<u>11,029</u>
At 31 December 2009	<u>11,029</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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 PM Holdings Limited	Investment holding company	England & Wales	100%
RR Donnelley Print & Media Services Limited*	Dormant	England & Wales	100%
e-doc Group Pension Scheme Trustee Limited*	Pension scheme trustee company	England & Wales	100%
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 Business Process Outsourcing Limited*	Dormant	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%
Edotech Trustee Company Limited*	Pension scheme trustee company	England & Wales	100%
Lasercom Holdings Limited*	Investment holding company	England & Wales	100%
Lasercom UK Limited*	Dormant	England & Wales	100%
Astron Lasercom SARL*	Dormant	France	100%
Lasercom SA*	Dormant	Switzerland	100%
RR Donnelley Document Solutions SL*	Dormant	Spain	100%
RR Donnelley Document Solutions srl*	Document management services	Italy	100%
RR Donnelley Imprimerie Nationale SAS*	Document management services	France	67%

* Indirectly owned

All of the investments listed above are in ordinary shares, and have accounting periods ending on 31 December

The following companies were placed in Voluntary Members' Liquidation on 20 September 2010

Business Systems (Bureau) Limited
Kadocourt Limited
RR Donnelley BSL Limited
RR Donnelley On-Line Limited
Satellite Press Limited

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

14. ACQUISITION OF ASSETS AND LIABILITIES

The trade and assets of RR Donnelley Global Business Process Outsourcing Limited, a fellow member of the RR Donnelley and Sons Company group, were transferred to RR Donnelley Global Document Solutions Group Limited on 1 December 2010

The directors consider that the book values of the assets and liabilities acquired adequately reflect their fair values, and no fair value adjustments have been made. The book values of the identifiable assets and liabilities acquired are as follows

Company	Total £'000
Fixed assets	
Tangible fixed assets	142
Current assets	
Trade debtors	1,262
Other debtors and prepayments	90
Receivable from group undertakings	448
Total assets	1,942
Current liabilities	
Trade creditors	73
Other creditors and accruals	533
Payable to group undertakings	1,336
Total liabilities	1,942
Net assets acquired	-

RR Donnelley Global Business Process Outsourcing Limited made a profit after taxation of £893,000 in the year ended 31 December 2010 (year ended 31 December 2009 - £207,000), all of which arose in the period from 1 January 2010 to 30 November 2010

The summarised profit and loss account for the period from 1 January 2010 to 30 November 2010, shown on the basis of the accounting policies of RR Donnelley Global Business Process Outsourcing Limited prior to the acquisition, is as follows

	£'000
Turnover	9,839
Gross profit	2,892
Other operating expenses (net)	(1,498)
Exceptional items - redundancy	(149)
Profit on ordinary activities before taxation	1,245
Tax charge on profit on ordinary activities	(352)
Profit for the financial period	893

RR Donnelley Global Business Process Outsourcing Limited had no recognised gains and losses other than the profit for the financial period, accordingly no statement of total recognised gains and losses is given

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

15. STOCKS

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,135	1,279	1,034	1,177
Work in progress	167	362	147	182
Finished goods and goods for resale	1,740	2,101	924	1,207
	<u>3,042</u>	<u>3,742</u>	<u>2,105</u>	<u>2,566</u>

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

16. DEBTORS

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Amounts receivable within one year:				
Trade debtors	47,963	48,095	39,662	39,907
Amounts owed by group companies	-	-	-	10,308
Amounts owed by related parties	13,530	7,374	12,773	8,204
Other taxes	775	612	-	-
Other debtors	1,707	885	822	458
Prepayments and accrued income	8,580	8,581	7,118	7,081
	<u>72,555</u>	<u>65,547</u>	<u>60,375</u>	<u>65,958</u>
Amounts receivable after more than one year:				
Amounts owed by group companies	1,326	-	8,532	7,825
	<u>73,881</u>	<u>65,547</u>	<u>68,907</u>	<u>73,783</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

17. DEFERRED TAX ASSET

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
At 1 January 2010	2,776	2,199	2,435	134
Movement for the year				
Credited to Profit and loss account	87	298	542	1,990
Credited/(charged) to Statement of total recognised gains and losses	74	279	(46)	311
At 31 December 2010	<u>2,937</u>	<u>2,776</u>	<u>2,931</u>	<u>2,435</u>

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
The deferred tax asset arises from:				
Capital allowances in deficit of depreciation	2,460	1,911	2,472	1,977
Short term timing differences	-	572	-	182
Disallowable provisions	477	293	459	276
	<u>2,937</u>	<u>2,776</u>	<u>2,931</u>	<u>2,435</u>

Deferred tax assets are not expected to crystallise within the next year and are therefore disclosed as due in greater than one year

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade creditors	24,708	25,559	31,512	37,733
Amounts owed to group companies	-	-	-	8,747
Amounts owed to related parties	8,292	3,046	7,866	3,343
Other taxes and social security	4,690	3,303	3,902	107
Other creditors	-	35,593	-	-
Accruals and deferred income	24,718	31,818	8,178	10,983
	<u>62,408</u>	<u>99,319</u>	<u>51,458</u>	<u>60,913</u>

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Amounts owed to group companies (note 20)	-	-	-	3,672
Amounts owed to related parties (note 20)	84,157	46,926	85,283	40,258
Other creditors	600	25,620	556	775
	<u>84,757</u>	<u>72,546</u>	<u>85,839</u>	<u>44,705</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

20. BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Falling due between two and five years				
Amounts owed to group companies	-	-	-	3,672
Amounts owed to related parties	84,157	46,926	85,283	40,258
	<u>84,157</u>	<u>46,926</u>	<u>85,283</u>	<u>43,930</u>

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

21. PROVISIONS FOR LIABILITIES

Group	Lease provision £'000	Redundancy provision £'000	ACP provision £'000	Total £'000
At 1 January 2010	2,111	1,929	432	4,472
Provision charged to profit and loss account	1,034	2,460	-	3,494
Utilised in year	(1,584)	(4,354)	(11)	(5,949)
At 31 December 2010	<u>1,561</u>	<u>35</u>	<u>421</u>	<u>2,017</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 2010 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 is expected to be fully utilised within the next 12 months.

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 2010

21. PROVISIONS FOR LIABILITIES (continued)

Company	Lease provision £'000	Redundancy provision £'000	ACP provision £'000	Total £'000
At 1 January 2010	2,111	1,667	432	4,210
Provision charged to profit and loss account	1,034	2,206	-	3,240
Utilised in year	(1,584)	(3,838)	(11)	(5,433)
At 31 December 2010	1,561	35	421	2,017

The lease provision represents amounts provided for dilapidations and rent exposure on premises vacated as part of rationalisation of business operations by RR Donnelley Global Document Solutions Group Limited. The provisions will be utilised between 2010 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 is expected to be fully utilised within the next 12 months.

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.

22. CALLED UP SHARE CAPITAL

	2010 £	2009 £
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	2010 £'000	2009 £'000
Group						
At 1 January 2010	100	53,170	4,032	(29,003)	28,299	60,809
Loss for the year	-	-	-	(4,370)	(4,370)	(30,455)
Net actuarial loss on pension liabilities	-	-	-	(203)	(203)	(718)
Credit to equity for share based payments	-	-	-	244	244	147
Currency translation difference on foreign currency net investments	-	-	2,904	-	2,904	(1,484)
At 31 December 2010	100	53,170	6,936	(33,332)	26,874	28,299

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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

	2010 £'000	2009 £'000
Profit and loss reserve		
Profit and loss reserve excluding pension liability	(32,620)	(28,032)
Amount relating to defined benefit pension scheme liability, net of related deferred tax	(712)	(971)
Total profit and loss reserve	(33,332)	(29,003)

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	2010 £'000	2009 £'000
Company					
At 1 January 2010	100	53,170	23,955	77,225	11,684
(Loss)/Profit for the year	-	-	(65,563)	(65,563)	64,189
Net actuarial gain on pension liabilities	-	-	123	123	-
Credit to equity for share based payments	-	-	203	203	92
Capital contribution from group company	-	-	-	-	1,260
At 31 December 2010	100	53,170	(41,282)	11,988	77,225

24. MINORITY INTERESTS

	Group	
	2010 £'000	2009 £'000
RR Donnelley Imprimerie Nationale SAS		
At 1 January	103	194
Minority share of loss on ordinary activities after taxation	(148)	(91)
At 31 December	(45)	103

25. OPERATING LEASE COMMITMENTS

At 31 December 2010 the Group and Company were committed to making the following annual payments in respect of non-cancellable operating leases

Group	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	73	426	62	255
Between two to five years	2,017	2,118	146	4,115
After more than five years	1,030	26	2,820	50
	3,120	2,570	3,028	4,420

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

25. OPERATING LEASE COMMITMENTS (continued)

Company	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	-	332	42	251
Between two to five years	1,551	1,927	91	4,111
After more than five years	860	14	2,470	50
	<u>2,411</u>	<u>2,273</u>	<u>2,603</u>	<u>4,412</u>

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	2010 Total £'000	2009 Total £'000
Net pension liability					
Fair value of scheme assets	11,006	4,112	10,200	25,318	22,352
Present value of scheme liabilities	<u>(9,520)</u>	<u>(2,011)</u>	<u>(11,175)</u>	<u>(22,706)</u>	<u>(22,650)</u>
Pension scheme surplus/(deficit) (pre restriction)	1,486	2,101	(975)	2,612	(298)
Restriction in pension surplus *	<u>(1,486)</u>	<u>(2,101)</u>	<u>-</u>	<u>(3,587)</u>	<u>(1,052)</u>
Pension scheme deficit (post restriction)	<u>-</u>	<u>-</u>	<u>(975)</u>	<u>(975)</u>	<u>(1,350)</u>
Related deferred tax (liability)/asset (pre restriction)	(401)	(567)	263	(705)	84
Restriction on pension surplus *	<u>401</u>	<u>567</u>	<u>-</u>	<u>968</u>	<u>295</u>
Related deferred tax asset (post restriction)	<u>-</u>	<u>-</u>	<u>263</u>	<u>263</u>	<u>379</u>
Net pension liability	<u>-</u>	<u>-</u>	<u>(712)</u>	<u>(712)</u>	<u>(971)</u>

* e-doc group Pension Scheme (I) has a net pension asset in the current year amounting to £1,085,000 (2009 – liability £629,000) RR Donnelley Passport Pension Scheme (II) has a net pension asset amounting to £1,534,000 (2009 - £757,000) 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26. PENSION COMMITMENTS (continued)

SUMMARY OF PENSION COMMITMENT (continued).

	I) £'000	II) £'000	III) £'000	2010 Total £'000	2009 Total £'000
Movement in the scheme deficit during the year					
(Deficit)/surplus in the scheme at beginning of year (pre restriction)	(874)	1,052	(476)	(298)	(919)
Restriction on pension surplus *	-	(1,052)	-	(1,052)	(904)
Deficit in the scheme at beginning of year (post restriction)	(874)	-	(476)	(1,350)	(1,823)
Contributions paid	706	338	745	1,789	2,731
Current service cost	-	(277)	(581)	(858)	(953)
Net finance charge	(1)	69	(20)	48	21
Net movements (pre restriction)	705	130	144	979	1,799
Restriction on pension surplus *	-	(130)	-	(130)	(443)
Net movements (post restriction)	705	-	144	849	1,356
Actuarial gain/(loss) (pre restriction)	1,655	647	(446)	1,856	(1,292)
Restriction on pension surplus *	(1,486)	(647)	-	(2,133)	295
Actuarial gain/(loss) (post restriction)	169	-	(446)	(277)	(997)
Exchange (loss)/gain	-	-	(197)	(197)	114
Deficit in the scheme at end of year	-	-	(975)	(975)	(1,350)
Related deferred tax asset	-	-	263	263	379
Net deficit in the scheme at end of year	-	-	(712)	(712)	(971)

* e-doc Group Pension Scheme (I) has a net pension asset amounting to £1,085,000 (2009 - liability £629,000), being surplus of £1,486,000 (2009 - deficit £874,000) less related deferred tax liability of £401,000 (2009 - asset £245,000) RR Donnelley Passport Pension Scheme has a net pension asset amounting to £1,534,000 (2009 - £757,000), being surplus of £2,101,000 (2009 - £1,052,000) less related deferred tax liability of £567,000 (2009 - £295,000) 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 2010

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 July 2007 and updated to 31 December 2010 by a qualified independent actuary. The principal assumptions used by the actuary were (in nominal terms)

		2010	2009
		% per annum	% per annum
Future price inflation assumed		3.4	3.9
Rate of increase in payment of pensions		3.4	3.9
Assumed discount rate on liabilities		6.0	5.7
Rate of increase for deferred pensioners		3.4	3.9
		Years	Years
Assumed life expectancies on retirement at age 65 are			
Retiring today	Males	18.9	18.9
	Females	21.8	21.8
Retiring in 20 years time	Males	20.5	20.5
	Females	23.3	23.3

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 2010

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

	2010	2009
	Fair	Fair
	value	value
	£'000	£'000
Equities	4,105	2,578
Bonds	2,742	3,129
Index Linked Gilts	1,214	1,382
Cash	529	1,294
Other	2,416	1,664
Total fair value of assets	11,006	10,047
Expected rate of return per annum	7.0%	7.0%

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

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of assets	11,006	10,047	7,722	8,286	7,209
Present value of funded obligations	(9,520)	(10,921)	(8,156)	(9,421)	(9,110)
Pension scheme surplus/(liability)	1,486	(874)	(434)	(1,135)	(1,901)
Related deferred tax (liability)/asset	(401)	245	122	318	570
Net pension asset/(liability)	1,085	(629)	(312)	(817)	(1,331)

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

	2010	2009
	£'000	£'000
Movement in deficit in the scheme during the year		
Deficit in the scheme at beginning of year	(874)	(434)
Contributions	706	706
Net finance charge	(1)	(37)
Actuarial gain/(loss)	1,655	(1,109)
Surplus/(deficit) in the scheme at end of year	1,486	(874)

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26. PENSION COMMITMENTS (continued)

	2010 £'000	2009 £'000
Changes in the present value of the Scheme liabilities		
Liabilities at beginning of year	10,921	8,156
Interest cost	616	492
Actuarial (gains)/losses	(1,792)	2,463
Benefits paid	(225)	(190)
	<u>9,520</u>	<u>10,921</u>
Liabilities at end of year		
	<u>9,520</u>	<u>10,921</u>
	2010 £'000	2009 £'000
Changes in the fair value of the Scheme assets		
Fair value of assets at beginning of year	10,047	7,722
Expected return on Defined Benefit element assets	615	455
Actuarial (losses)/gains	(137)	1,354
Contributions by employer	706	706
Benefits paid	(225)	(190)
	<u>11,006</u>	<u>10,047</u>
Fair value of scheme assets at end of year		
	<u>11,006</u>	<u>10,047</u>

The Group's best estimate of expected contributions to the Scheme in the year commencing 1 January 2011 is £706,000 plus contributions to the Defined Contribution element

Amounts for the current and previous four periods are

	2010	2009	2008	2007	2006
Present value of scheme liabilities (£'000)	(9,520)	(10,921)	(8,156)	(9,421)	(9,110)
Scheme assets (£'000)	11,006	10,047	7,722	8,286	7,209
Deficit in the scheme (£'000)	-	(874)	(434)	(1,135)	(1,901)
Experience adjustment on Scheme liabilities (£'000)	294	1	311	(184)	-
As a percentage of Scheme liabilities	3%	0%	4%	(2%)	-
Experience adjustment on Scheme assets (£'000)	(137)	1,354	(1,266)	603	180
As a percentage of Scheme assets	(1%)	13%	(16%)	7%	2%
Cumulative actual losses shown in the Statement of total recognised gains and losses (£'000)	<u>(237)</u>	<u>(1,892)</u>	<u>(783)</u>	<u>(1,135)</u>	<u>(1,675)</u>

	2010 £'000	2009 £'000
Components of defined benefit cost for the year ended 31 December 2010		

Analysis of amount charged to operating profit

Current service cost	-	-
Past service cost	-	-
Gain/(loss) on settlements and curtailments	-	-
	<u>-</u>	<u>-</u>
Total charged to operating profit	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26 PENSION COMMITMENTS (continued)

	2010 £'000	2009 £'000
Analysis of the amount charged to net finance charges		
Interest on pension scheme liabilities	(616)	(492)
Expected return on pension scheme assets	615	455
Total charge to net finance charges	(1)	(37)
Analysis of the actuarial gain/(loss) in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(137)	1,354
Experience gains and losses arising on the scheme liabilities	294	1
Change in assumptions underlying the present value of scheme liabilities	1,498	(2,464)
	1,655	(1,109)

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's contributions to the scheme for the year ended 31 December 2010 were at the rate of 41% of Pensionable Pay, and totalled £338,000 (2009 - £758,000). All of the remaining active members of the scheme ceased to be active with effect from 30 June 2010. An allowance for this has been included in this note as a curtailment measured at 30 June 2010.

A full actuarial valuation was carried out at 31 December 2006 and updated to 31 December 2010 by a qualified actuary. The principal assumptions used for the actuarial valuation were:

	2010 % per annum	2009 % per annum
Inflation assumption	3.9	3.9
Rate of increase in payment of pensions	3.9	3.9
Discount rate	6.0	5.7
Rate of increase for deferred pensioners	3.4	3.9
Future salary increases	n/a	5.4

		Years	Years
Assumed life expectancies on retirement at age 65 are			
Retiring today	Males	18.9	18.9
	Females	21.8	21.8
Retiring in 20 years time	Males	20.5	20.5
	Females	23.3	23.3

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.

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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

	2010 Fair value £'000	2009 Fair value £'000
Equities and property	1,782	1,046
Fixed interest	1,126	1,263
Cash	196	736
Other	1,008	641
Total fair value of assets	4,112	3,686
Expected rate of return	8.0%pa	8.0%pa

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Net pension asset					
Fair value of scheme assets	4,112	3,686	2,322	1,575	722
Present value of funded obligations	(2,011)	(2,634)	(1,418)	(1,093)	(583)
Pension scheme surplus	2,101	1,052	904	482	139
Related deferred tax liability	(567)	(295)	(253)	(135)	(42)
Net pension asset in plan	1,534	757	651	347	97

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

	2010 £'000	2009 £'000
Movement in surplus in the scheme during the year		
Surplus in the scheme at beginning of year	1,052	904
Contributions paid	338	758
Current service cost	(277)	(395)
Net finance income	69	80
Actuarial gain/(loss)	647	(295)
Curtailments	272	-
Surplus in the scheme at end of year	2,101	1,052

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26 PENSION COMMITMENTS (continued)

	2010	2009
	£'000	£'000
Changes in the present value of the Scheme liabilities		
Liabilities at beginning of year	2,634	1,418
Service cost (net of employee contributions)	277	395
Contributions by employees	48	107
Interest cost	148	102
Actuarial (gains)/losses	(699)	616
Benefits paid	(125)	(4)
Curtailments	(272)	-
	<u>2,011</u>	<u>2,634</u>

Changes in the fair value of the Scheme assets

Fair value of assets at beginning of year	3,686	2,322
Expected return on Scheme assets	217	182
Actuarial (losses)/gains	(52)	321
Contributions by employer	338	758
Contributions by employees	48	107
Benefits paid	(125)	(4)
	<u>4,112</u>	<u>3,686</u>

The Group's best estimate of expected contributions to the Scheme in the year commencing 1 January 2011 is £nil

Amounts for the current and previous four periods are as follows

	2010	2009	2008	2007	2006
Present value of Scheme liabilities (£'000)	(2,011)	(2,634)	(1,418)	(1,093)	(583)
Scheme assets (£'000)	4,112	3,686	2,322	1,575	722
Surplus (£'000)	2,101	1,052	904	482	139
Experience adjustment on Scheme liabilities (£'000)	460	146	(141)	20	10
As a percentage of Scheme liabilities	23%	6%	(10%)	2%	2%
Experience adjustment on Scheme assets (£'000)	(52)	321	(270)	42	(4)
As a percentage of Scheme assets	(1%)	9%	(12%)	3%	(1%)
Cumulative actual gains not shown in Statement of total recognised gains and losses (£'000)	<u>720</u>	<u>73</u>	<u>368</u>	<u>280</u>	<u>25</u>

	2010	2009
	£'000	£'000
Analysis of amount charged to operating profit		
Current service cost	277	393
Curtailments	(272)	-
	<u>5</u>	<u>393</u>
Total charged to operating profit		

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26. PENSION COMMITMENTS (continued)

	2010 £'000	2009 £'000
Analysis of the amount credited to net finance income		
Interest on pension scheme liabilities	(148)	(102)
Expected return on pension scheme assets	217	182
Total credit to net finance income	69	80
Analysis of the actuarial gain/(loss)		
Actual return less expected return on pension scheme assets	(52)	321
Experience gains and losses arising on the scheme liabilities	(460)	(146)
Change in assumptions underlying the present value of scheme liabilities	1,159	(470)
Total gain/(loss) not recognised	647	(295)

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 2010 totalled £378,000 (2009 - £356,000). 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 £189,000 into the Plan (2009 - £178,000). 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 2010. The major assumptions used for the actuarial valuation were:

	31 December 2010 % per annum	31 December 2009 % per annum
Inflation assumption	1.50	1.50
Rate of increase in pension payments	0.25	0.25
Discount rate	2.75	3.25
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 2010

26. PENSION COMMITMENTS (continued)

Fair value of assets and expected rate of return

	2010	2009
	Fair value	Fair value
	£'000	£'000
Equities	2,040	1,724
Bonds and others	8,160	6,895
Total fair value of assets	<u>10,200</u>	<u>8,619</u>
Expected rate of return per annum	3.0%	3.5%

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

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of Plan assets	10,200	8,619	8,350	5,676	5,359
Actuarial value of plan liabilities	(11,175)	(9,095)	(9,739)	(6,451)	(6,304)
Fair value of Plan assets	(975)	(476)	(1,389)	(775)	(945)
Related deferred tax asset	263	134	389	217	284
Net pension liability in plan	<u>(712)</u>	<u>(342)</u>	<u>(1,000)</u>	<u>(558)</u>	<u>(661)</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

	2010	2009
	£'000	£'000
Deficit in the plan at the beginning of the year	(476)	(1,389)
Contributions paid	745	1,267
Current service cost	(581)	(558)
Past service cost	-	-
Other finance charge	(20)	(22)
Actuarial (loss)/gain	(446)	112
Exchange (loss)/gain	(197)	114
Deficit in plan at end of the year	<u>(975)</u>	<u>(476)</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26. PENSION COMMITMENTS (continued)

	2010 £'000	2009 £'000
Changes in the present value of the Scheme liabilities		
Liabilities at beginning of year	9,095	9,739
Service cost	581	558
Interest cost	309	286
Actuarial losses/(gains)	312	(228)
Benefits paid	(586)	(461)
Exchange losses/(gains)	1,464	(799)
Liabilities at end of year	<u>11,175</u>	<u>9,095</u>
	2010 £'000	2009 £'000
Changes in the fair value of the Scheme assets		
Fair value of assets at beginning of year	8,619	8,350
Expected return on Defined Benefit element assets	289	264
Actuarial losses	(134)	(116)
Contributions by employer	556	1,089
Contributions by employees	189	178
Benefits paid	(586)	(461)
Exchange gains/(losses)	1,267	(685)
Fair value of scheme assets at end of year	<u>10,200</u>	<u>8,619</u>
Components of defined benefit cost for the period ended 31 December 2010		
Analysis of amounts charged to operating profit	2010 £'000	2009 £'000
Current service cost	581	558
Past service cost	-	-
Total charged to operating profit	<u>581</u>	<u>558</u>
Analysis of amounts charged to net finance charges	2010 £'000	2009 £'000
Interest on pension plan liabilities	(309)	(286)
Expected return on assets in the pension plan	289	264
Total charged to net finance charges	<u>(20)</u>	<u>(22)</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26. PENSION COMMITMENTS (continued)

Analysis of the amounts to be recognised in statement of total recognised gains and losses	2010 £'000	2009 £'000
Actuarial (loss)/gain	(446)	112
Exchange (loss)/gain	(197)	114
Total (loss)/gain recognisable in Statement of total recognised gains and losses before taxation	<u>(643)</u>	<u>226</u>

History of experience gains and losses	2010	2009	2008	2007	2006
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)	(643)	226	(628)	154	359
Percentage of the present value of scheme liabilities	(5.8%)	2.5%	(6.4%)	2.4%	5.6%

IV) Defined contribution schemes

The pension charge for the defined contribution schemes during the year is £1,824,000 (2009 - £4,365,000). The unpaid contributions outstanding at the year end were £195,000 (2009 - £255,000). These related to December 2010 contributions which were paid in January 2011.

27. CAPITAL COMMITMENTS

At 31 December 2010 the Group had capital commitments as follows

	2010 £'000	2009 £'000
Contracted but not provided for in the financial statements	83	26
Authorised but not contracted	<u>8,785</u>	<u>7,188</u>
	<u>8,868</u>	<u>7,214</u>

RR DONNELLEY GLOBAL DOCUMENT SOLUTIONS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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	2010 £'000	2009 £'000
Forward foreign exchange contracts	25,287	25,064	-

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'.

There have been no related party transactions with members of the Group where share ownership is less than 100%.

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 2010 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.