

2 March 2006

PRELIMINARY RESULTS FOR THE YEAR TO 31 DECEMBER 2005

- Turnover from continuing businesses of £264.8m (2004: £269.7m)
- Profit from operations before exceptional restructuring costs of £15.1m (2004: £15.3m). Profit from operations from continuing businesses was £7.2m (2004: £8.5m)
- Profit before tax from continuing operations was £4.1m (2004: £6.2m) after restructuring costs of £7.9m (2004: £6.8m)
- Profit for the year attributable to equity shareholders was £2.6m (2004: Loss of £6.7m)
- HSBC £250m outsourcing win and Barclays contract extension
- Net debt at 31 December 2005 was £36.0m (2004: £27.6m) following an additional pension contribution.
- Dividend up 10% - proposed final dividend of 3.897p per share taking proposed full year dividend to 5.85p (2004: 5.324p) per share
- Initial £5m share buy-back programme

Commenting on the results David Jones, Chief Executive of Communisis plc, said:

“We are well positioned to see progress this year, despite the challenging industry conditions. We have a strong pipeline of growth opportunities with our existing customer base and the HSBC outsourcing deal is a breakthrough in our partnership approach with major customers.”

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PRELIMINARY STATEMENT

Chairman's Statement

2005 has been an eventful year for Communis. Short term results have been under pressure through the continued weakness in the UK printing industry. Price pressure intensified at a time of increased costs, caused in part by falling demand in key market segments.

We firmly believe however that the outlook for Communis remains exciting and in the year we made strategic progress in those market sectors we have declared to be of increasing importance to the business. In particular we strengthened our position as the leading provider of printed products and services to financial institutions by acquiring HSBC's UK bank statement production business and signing a 10 year statement outsourcing contract.

Perhaps not surprisingly, given our longer term prospects, there have been persistent rumours of outside interest from buyers for all or part of Communis. To bring this to a head the Board instigated a strategic review with the help of our financial advisers. This review not only assessed our own competitive position but also the prospects for cooperating with third parties including becoming part of a larger Group. We made contact with many identified potential buyers but nothing materialised on a basis that was acceptable to your Board.

Now that the process has ended and with it the inevitable uncertainty for both employees and customers, we feel freshly energised to continue to take the company forward. Morale is high and we believe that we can show meaningful progress in 2006.

Chief Executive's Report

Results for 2005

Communis continued its progress in developing contractual business with major financial institutions in 2005. In particular, Print Management and Transactional Print business sectors benefited from the HBOS 5 year, £60 million deal and will benefit in 2006 from the HSBC 10 year, £250 million deal.

In the year ended 31 December 2005 turnover from continuing businesses fell marginally to £264.8 million (2004: £269.7 million) despite 10% growth in the Print Management sector. Operating profit from continuing businesses, before restructuring costs, was £15.1 million (2004: £15.3 million). Profit before tax from continuing operations, after the loss on the sale of Datadocs and restructuring costs combined (£7.9 million), was £4.1 million (2004: £6.2 million) with adjusted earnings per share of 6.31p* (2004: 7.68p). After results from discontinued operations the profit for the year was £2.6 million (2004: Loss of £6.7 million). Net debt increased in 2005 to £36.0 million including one off payments for the Barclays contract extension and the payment into the Pension Fund totalling £13 million.

Dividends

The Board proposes to increase the final dividend by 10%. This will take the full year dividend to 5.850p, (2004: 5.324p) including a proposed final dividend of 3.897p. Going

forward it is the Board's intention to hold this level of dividend whilst commencing an initial £5 million share buy-back programme. The programme will be within the Board's approval level to buy back up to 15% of the company's shares.

Dividends will be paid, subject to shareholders' approval, on 28 April 2006 to shareholders on the register at the close of business on 7 April 2006.

Transformation

Since its inception in 2000, Communisis, formed through the acquisitions of Waddington PLC and Rexam PLC's printing division, has been developing a new base of contract print business, principally with the leading UK financial institutions.

During this period an extensive disposal and restructuring programme has taken Communisis out of print manufacture in the USA, Canada, France, Belgium, Holland and Luxembourg as well as consolidating remaining business stationery operations in the UK.

At the same time Communisis also built its position to be the leading supplier of cheque books in the UK, with three dedicated production facilities and 100% share with HSBC, RBS, Lloyds TSB, Barclays and HBOS.

Entirely new contract business has been added in Print Management and Transactional Print both by acquisition and through organic growth. The annualised turnover of this new business is £200 million with major contracts won with Barclays, HSBC, HBOS and Sainsbury's.

Communisis has had to absorb extensive restructuring costs and selling price declines for its manufactured products over this period; this has held back profit improvement despite the new sales growth. Excess capacity remains in UK print manufacturing and prices continue to be under pressure.

Communisis has closely managed its cashflow during this period. Net debt at the beginning of 2000 was £240 million and at the end of 2005 was £36.0 million. In 2000 there was a small actuarial pension surplus that was off balance sheet. At the end of 2005 the IFRS pension deficit, on balance sheet, was £37.7 million. Your Board continues to look at the most efficient way to eliminate this deficit in liaison with the Trustees of the Pension Fund.

Following an extensive strategic review in 2005 your Board concluded that Communisis should complete the transformation it began back in 2000. We are committed to this course and see exciting and profitable opportunities ahead. We have excellent customer positions, especially with the major UK banks. We manage the largest print management contract in Europe with Barclays, deploying our c-store software and integrated logistics operations. We are leaders in the key strategic products of cheques and now, statements, with the HSBC 10 year outsourcing deal.

Business Review

Print Management Services

£'million	Turnover	Operating Profit*
2005	148.9	5.7
2004	135.8	4.6

Communis Print Management Services made further progress in the year with turnover up 10% and profits improving by £1.1 million to £5.7 million. This performance was helped by the acquisition of Dataform in September 2004 which added significantly to our operational print and logistics capability.

During the year we launched a consolidation programme of our UK print management business. This is designed to enable us to serve all our customers from a single IT platform base in the North East, and at significantly lower cost.

Contract renewals in the year were achieved with the Post Office and Coors. In Europe we made further progress and opened Axa and Disney accounts in France; small to begin with but offering growth opportunities across Europe.

New business wins included the Department for Work and Pensions, RBS and Lloyds TSB but the highlight was the 5 year, £60 million deal with HBOS for the provision of direct mail and security printing services. The deal includes the roll out of Communis' document management software, c-store.

Barclays remains our largest contract, continuing to run at over £56 million turnover annually. In the year we paid £3 million to extend the contract until 2010 and also to access potential additional turnover; this includes working with the bank on international business.

Print Management in the UK continues to offer growth opportunities but at the smaller contract end there are now too many competitors and pricing has become commoditised. Communis is targeting the larger contracts that require management of the entire document process, utilising c-store and our logistics capability as well as world-class procurement. Here there are fewer competitors and our focus on the major banks distinguishes our offer.

It is essential that we continually develop our procurement capability especially in the areas of paper and print purchasing. We are extending the supplier base across Central Europe and the Far East, and we continue to develop our e-procurement tools with dedicated IT support and investment.

Communis will look to win the bigger contracts that require management of the customers' end-to-end document process; marketing campaigns through our c-store software; operational print and logistics and data-critical regulatory customer communications.

Print & Direct Mail Services

£'million	Turnover	Operating Profit*
2005	125.5	7.2
2004	139.3	10.1

Turnover in Print and Direct Mail Services fell 10% in the year due in the main to continued, significant pricing pressure. Despite the drive for efficiency improvements at each of our locations, profitability was inevitably affected, reducing by £2.9 million in the year to £7.2 million.

In Direct Mail we are the leading manufacturer predominantly serving the financial sector of the direct mail market. This market sector has deteriorated over the past 24 months in particular; as a consequence of a combination of reduced credit card mailings and highly competitive pricing. We are continually looking to optimise performance against this difficult trading background.

In the first half year we exited the remaining European Business Forms manufacturing leaving us with a single, well-invested UK facility. Communisis' inter-company work also supports this business which has also faced extreme pricing pressure over the past 12 months, particularly driven by e-auction processes. The business will benefit from cost efficiency programmes in 2006 and growth in statement base stock printing; recent wins being RBS and the HSBC outsourcing deal.

Transactional Print Services

£'million	Turnover	Operating Profit*
2005	27.1	5.4
2004	30.4	4.7

Despite the 10% decline in turnover Transactional Print Services, which has to date comprised Communisis' personalised cheque book business, increased its profits.

The normal annual decline in cheques is about 6% but it remains a strategic product for our customers. It is important to restate that we have 100% of the personalised cheque business for the top five banks; HSBC, RBS, Lloyds TSB, Barclays and HBOS. In the year we achieved a significant breakthrough winning the Allied Irish Bank's cheques business in Ireland. This opens the door to further business with the bank.

Communisis' position with the banks is helpful in developing new business. The 10 year, £250 million HSBC statement outsourcing deal is groundbreaking in the UK. With effect from 16th January 2006 we have taken over 255 staff in three locations and have committed to building a world-class statementing facility to be ready second quarter 2007. This will not only house all of HSBC but also other statementing business. We are actively pursuing the next opportunities.

This business sector offers Communisis attractive turnover and profits growth potential.

The Board

The composition of the Board has remained unchanged during 2005.

People

Communis continues its training and development strategy despite the difficult background trading environment. Our people distinguish the company from its competitors and are responsible for managing the most prestigious contracts in the industry; Barclays, HSBC, HBOS and Sainsbury's.

We continue our training programmes; Cranfield Business Leaders, Communis "bespoke" Management Development and Customer Service Relationship Management.

This approach, we believe, makes Communis attractive to the best people in the industry.

Outlook

We are well positioned to see progress this year, despite the challenging industry conditions.

We have a strong pipeline of growth opportunities, importantly the majority being with our existing customer base.

The HSBC outsourcing deal is a breakthrough for the company in our focus to partner with major customers.

*Before exceptional restructuring costs

Communis plc
Consolidated Income Statement
for the year ended 31 December 2005

	Note	2005 £000	Restated 2004 £000
Continuing operations			
Revenue	1	264,785	269,664
Changes in inventories of finished goods and work in progress		(79)	95
Raw materials and consumables used		(140,349)	(144,413)
Employee benefits expense		(70,139)	(76,454)
Depreciation and amortisation expense		(9,233)	(9,545)
Other operating expenses		(32,956)	(30,868)
Loss on sale of Datadocs operation		(4,865)	-
Profit from operations		7,164	8,479
Analysed as:			
Profit from operations before exceptional restructuring costs		15,073	15,266
Restructuring costs	2.2	(7,909)	(6,787)
Profit from operations		7,164	8,479
Finance revenue		252	351
Finance costs	2.1	(3,317)	(2,605)
Profit before taxation		4,099	6,225
Income tax expense	3	(2,014)	(1,215)
Profit for the year from continuing operations		2,085	5,010
Discontinued operations			
Profit / (loss) for the year from discontinued operations		512	(11,750)
Profit / (loss) for the year attributable to equity holders of parent		2,597	(6,740)
Earnings per share			
On profit / (loss) for the year attributable to equity holders	4		
- basic		1.81p	(4.69p)
- diluted		1.80p	(4.69p)
On profit for the year from continuing operations			
- basic		1.45p	3.49p
- diluted		1.45p	3.48p
Dividend per share			
- paid	5	5.502p	5.002p
- proposed		3.897p	3.549p

Dividends paid and proposed during the year were £7.9 million and £5.6 million respectively (31 December 2004: £7.2 million and £5.1 million respectively).

The accompanying notes are an integral part of this consolidated income statement.

Communis plc
Consolidated Balance Sheet
for the year ended 31 December 2005

	2005	Restated 2004
	£000	£000
ASSETS		
Non-current assets		
Property, plant and equipment	32,286	42,619
Intangible assets	173,797	176,537
Trade and other receivables	6,055	3,927
Deferred tax assets	8,417	6,956
	220,555	230,039
Current assets		
Inventories	13,089	15,982
Trade and other receivables	47,616	48,870
Cash and cash equivalents	9,778	12,963
	70,483	77,815
Non-current assets classified as held for sale	3,344	996
	294,382	308,850
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Issued capital	36,008	35,999
Share premium	152,287	152,261
Merger reserve	11,427	11,427
Share option reserve	602	359
ESOP reserve	(374)	(374)
Cumulative translation adjustment	(2)	(253)
Retained earnings	(56,631)	(49,191)
Total equity	143,317	150,228
Non-current liabilities		
Interest bearing loans and borrowings	33,500	29,500
Retirement benefit obligations	37,737	42,664
Provisions	408	698
	71,645	72,862
Current liabilities		
Interest bearing loans and borrowings	12,251	11,077
Trade and other payables	61,575	67,431
Income tax payable	5,550	6,125
Provisions	44	1,127
	79,420	85,760
Total liabilities	151,065	158,622
TOTAL EQUITY AND LIABILITIES	294,382	308,850

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

Communis plc
Consolidated Cash Flow Statement
for the year ended 31 December 2005

	Note	2005 £000	Restated 2004 £000
Cash flows from operating activities			
Cash generated from operations	6	6,408	18,332
Interest paid		(2,498)	(1,634)
Interest received		239	351
Income tax paid		(2,988)	(5,217)
Net cash flows from operating activities		1,161	11,832
Cash flows from investing activities			
Acquisition of subsidiary undertaking net of cash acquired		(1,137)	(16,804)
Proceeds from the sale of subsidiary undertakings		147	7,996
Purchases of property, plant and equipment		(3,857)	(7,778)
Proceeds from the sale of property, plant and equipment		3,997	1,557
Purchase of intangible assets		(539)	(569)
Tax on disposal of property, plant and equipment		(231)	-
Net cash flows from investing activities		(1,620)	(15,598)
Cash flows from financing activities			
Proceeds from issue of share capital		35	7
New borrowings		10,000	22,000
Repayment of borrowings		(5,000)	(12,500)
Repayment of borrowings assumed on acquisition		-	(4,216)
Dividends paid		(7,907)	(7,184)
Net cash flows from financing activities		(2,872)	(1,893)
Net decrease in cash and cash equivalents		(3,331)	(5,659)
Cash and cash equivalents at 1 January		9,386	15,343
Exchange rate effects		(28)	(298)
Cash and cash equivalents at 31 December		6,027	9,386
Cash and cash equivalents consist of:			
Cash and cash equivalents		9,778	12,963
Overdrafts		(3,751)	(3,577)
		6,027	9,386

The accompanying notes are an integral part of this consolidated cash flow statement.

Communis plc
Consolidated Statement of Recognised Income and Expense
for the year ended 31 December 2005

	2005	Restated 2004
	£000	£000
Currency translation gains / (losses) in year	98	(949)
Foreign currency translation difference transferred from reserves on sale of Colour Cards businesses	-	696
Foreign currency translation difference transferred from reserves on sale of Datadocs business	153	-
Exchange gains / (losses) on translation of foreign operations	251	(253)
Actuarial losses on defined benefit pension plans	(3,043)	(1,167)
Tax on items taken directly to equity	913	350
Net loss recognised directly in equity	(1,879)	(1,070)
Profit/(loss) for the year	2,597	(6,740)
Total recognised income and expense for the year	718	(7,810)
Attributable to:		
Equity holders of the parent	718	(7,810)

The accompanying notes are an integral part of this consolidated statement of recognised income and expense.

Notes to preliminary results

1 Business segments

The segment results for the year ended 31 December 2005 are as follows:

	Continuing operations				Total	Discontinued operations	Group
	Print Management Services £000	Print and Direct Mail Services £000	Transactional Print Services £000	Corporate expenses £000		Colour Solutions	
Revenue							
Total revenue	148,893	125,537	27,081	-	301,511	-	301,511
Inter-segment sales	(2,171)	(30,263)	(4,292)	-	(36,726)	-	(36,726)
External sales	146,722	95,274	22,789	-	264,785	-	264,785
Segment result before restructuring costs	5,710	7,205	5,377	(3,219)	15,073	-	15,073
Restructuring costs	(649)	(500)	(448)	(1,447)	(3,044)	-	(3,044)
Loss on sale of Datadocs operations	-	(4,865)	-	-	(4,865)	-	(4,865)
Profit on sale of property	-	-	-	-	-	1,048	1,048
Loss on closure of label printing operation	-	-	-	-	-	(418)	(418)
Profit / (loss) from operations	5,061	1,840	4,929	(4,666)	7,164	630	7,794

The segment results for the year ended 31 December 2004 are as follows:

	Continuing operations				Total	Discontinued operations	Group
	Print Management Services £000	Print and Direct Mail Services £000	Transactional Print Services £000	Corporate expenses £000		Colour Solutions	
Revenue							
Total revenue	135,783	139,266	30,415	-	305,464	17,114	322,578
Inter-segment sales	(3,271)	(28,747)	(3,782)	-	(35,800)	(1,171)	(36,971)
External sales	132,512	110,519	26,633	-	269,664	15,943	285,607
Segment result before restructuring costs	4,644	10,109	4,688	(4,175)	15,266	(962)	14,304
Restructuring costs	(330)	(5,914)	(543)	-	(6,787)	-	(6,787)
Loss on discontinued operations	-	-	-	-	-	(12,377)	(12,377)
Profit / (loss) from operations	4,314	4,195	4,145	(4,175)	8,479	(13,339)	(4,860)

2 Other expenses

2.1 Finance costs

	2005 £000	2004 £000
Bank loans and overdrafts	2,575	1,674
Retirement benefit related costs	744	1,068
	<u>3,319</u>	<u>2,742</u>
Continuing operations	3,317	2,605
Discontinued operations	2	137
	<u>3,319</u>	<u>2,742</u>

2.2 Restructuring costs

	2005 £000	2004 £000
Profit from operations is arrived at after charging the following items:		
Loss on sale of Datadocs operation	2,448	-
Write off of unamortised goodwill relating to sale of Datadocs operation	2,417	-
	<u>4,865</u>	<u>-</u>
Other restructuring costs including reorganisation and strategic review costs	3,044	6,787
	<u>7,909</u>	<u>6,787</u>

3 Income tax

	2005 £000	2004 £000
The tax charge in the consolidated income statement is disclosed as follows:		
Income tax expense on continuing operations	2,014	1,215
Income tax expense / (credit) on discontinued operations	116	(1,726)
	<u>2,130</u>	<u>(511)</u>

Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 30%). The differences are reconciled below:

	2005 £000	2004 £000
Accounting profit before tax from continuing operations	4,099	6,225
Profit/(loss) before tax from discontinued operations	628	(13,476)
Accounting profit / (loss) before income tax	<u>4,727</u>	<u>(7,251)</u>
At UK statutory income tax rate of 30% (2004 30%)	1,418	(2,175)
Disposal of goodwill not deductible for tax purposes	628	1,545
Expenses not deductible for tax purposes	136	158
Non-deductible loss on disposal of business	756	841
Unrelieved overseas losses	136	1,448
Share based payments	140	8
Change in deferred tax in respect of rolled over capital gains	(55)	(56)
Adjustments in respect of prior years	(1,029)	(2,280)
	<u>2,130</u>	<u>(511)</u>

4 Earnings per share

2005	2004
£000	£000

Basic and diluted earnings per share is calculated as follows:

Profit attributable to equity holders of the parent – continuing operations	2,085	5,010
Profit / (loss) attributable to equity holders of the parent – discontinued operations	512	(11,750)
Profit / (loss) attributable to equity holders of the parent	<u>2,597</u>	<u>(6,740)</u>

2005	2004
Thousands	Thousands

Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	143,710	143,625
Effect of dilution:		
Share options	244	326
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	<u>143,954</u>	<u>143,951</u>

309,628 (2004: 309,628) shares were held in trust at 31 December 2005.

Earnings per share from continuing operations before restructuring costs

Net profit from continuing operations before restructuring costs and attributable to equity holders of the parent is derived as follows:

2005	2004
£000	£000

Profit after taxation from continuing operations	2,085	5,010
Restructuring costs (Note 2.2)	7,909	6,787
Taxation on restructuring costs	(913)	(738)
Profit after taxation from continuing operations excluding restructuring costs	<u>9,081</u>	<u>11,059</u>

Adjusted earnings per share

Basic	6.32p	7.70p
Diluted	6.31p	7.68p

5 Dividends paid and proposed

2005	2004
£000	£000

Declared and paid during the year

Amounts recognised as distributions to equity holders in the year:

Final dividend of the year ended 31 December 2003 of 3.227p per share		4,634
Interim dividend of the year ended 31 December 2004 of 1.775p per share		2,550
Final dividend of the year ended 31 December 2004 of 3.549p per share	5,100	
Interim dividend of the year ended 31 December 2005 of 1.953p per share	2,807	
	<u>7,907</u>	<u>7,184</u>

Proposed for approval at AGM (not recognised as a liability as at 31 December)

Final equity dividend on ordinary shares for 2005 of 3.897p (2004 3.549p) per share	<u>5,600</u>	<u>5,100</u>
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6 Cash generated from operations

	2005	2004
	£000	£000
Continuing operations		
Profit before tax	4,099	6,225
Adjustments for:		
- depreciation and amortisation	9,233	9,545
- amortisation of contract premium payment	1,000	1,000
- excess of Income Statement pension charge over contributions paid	1,286	2,189
- loss on sale of Datadocs operation	4,865	-
- restructuring costs	3,044	6,787
- profit on sale of property, plant & equipment	(49)	(82)
- share-based payment charge	240	259
- net finance costs	3,065	2,254
Additional contribution to the defined benefit pension plan	(10,000)	-
Cash effect of restructuring continuing operations	(2,942)	(7,613)
Changes in working capital:		
Decrease / (increase) in inventories	1,361	(470)
(Increase) / decrease in trade and other receivables	(5,101)	200
(Decrease) / increase in trade and other payables	(3,926)	1,133
Cash inflow from operating activities on continuing operations	6,175	21,427
Discontinued operations		
Profit /(loss) before tax	628	(13,476)
Adjustments for:		
- depreciation and amortisation	-	719
- loss on sale of Color Cards operation	-	7,308
- loss on closure of label printing operation	-	4,850
- profit on sale of property, plant & equipment	(1,048)	(9)
- exchange difference transferred from reserves	-	696
- share-based payment charge	3	6
- net finance costs	2	137
Cash effect of closure of label printing operation	-	(2,432)
Changes in working capital:		
Decrease in inventories	-	100
Decrease/(increase) in trade and other receivables	3,327	(541)
Decrease in trade and other payables	(2,679)	(453)
Cash inflow / (outflow) from operating activities on discontinued operations	233	(3,095)
Cash generated from operations	6,408	18,332

7 Additional information

Communis plc is a public limited company incorporated and domiciled in England and Wales. The company's ordinary shares are traded on the London Stock Exchange.

The Group previously prepared its primary financial statements under UK generally accepted accounting principles ("UK GAAP"). From 2005 the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. For the purpose of this document the term IFRS includes International Accounting Standards.

The basis of transition to IFRS and a reconciliation between results previously reported under UK GAAP and the comparative information presented here was published on 16 September 2005. A full copy is also available in the published Interim Report and Accounts 2005 which can be obtained from the Company's website.

These results represent the first annual financial statements the Group has prepared in accordance with its accounting policies under IFRS and the comparatives for 2004 have been restated from UK GAAP to comply with IFRS. The accounting policies of the Group under IFRS can be found in the 2005 statutory accounts. A description of how the Group's reported performance and financial position are affected by this change can be found in the 2005 statutory accounts which will be delivered to shareholders on 23 March 2006.

The financial information for the year ended 31 December 2005 and 31 December 2004 is abridged and has been extracted from the 2005 statutory accounts of Communis plc which were approved by the Board of Directors on 2 March 2006, along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditors have issued an unqualified opinion on the 2005 statutory accounts. The 2004 statutory accounts, prepared under UK GAAP, have been delivered to the Registrar of Companies. The auditors' report on the 2004 statutory accounts was unqualified.