

12 September 2007

Communisis plc

Interim Results for the six months ended 30 June 2007

Financial Highlights:

- Profit after restructuring costs up 43% vs 1H06 to £4.0m
- Revenue up 8.6% vs 1H06
- Exceptional costs in line with expectations
- Cash generated from operations 503% vs 1H06 to £14.9m
- Net debt reduced by £5.8m to £39.1m
- Interim Dividend confirmed (0.8p/share)

Operating Highlights:

- First stage of recovery plan completed successfully
- Significant improvements in cost control, quality, efficiency and volumes at Leeds plant
- Account management structure implemented
- First landmark customers signed up to new Print Management business model
- New Speke factory opened on time and to budget

Commenting on the results, Steve Vaughan, Chief Executive, said:

"I am pleased to report that during the first half we have made considerable progress towards resolving the issues we identified at the start of the year. The first phase of our plan was to set the business on a strong foundation before concentrating on increasing the range of services to our customers. We have made good progress; in fact, better than expected in all areas of this first phase.

"Our financial performance in the first half, notably the significant improvement in working capital, shows we have introduced the right level of basic controls needed by the business. Account management has been implemented, and we have made great strides in our factory in Leeds, with important projects delivered to control costs and improve quality. This positive progress will feed through into our financial results in the second half, and carry through to next year. The plan now is to exploit our enviable customer base by cross-selling our services in marketing communications. This is a challenge, but we now have a great base to work from."

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Business Review

I am pleased to report that during the first half we have made considerable progress towards resolving the issues we identified at the start of the year. Our plan for the business is on track, and the first phase of that plan has been successful. Profit after restructuring costs was up 43% to £4.0m (2006: £2.8m) and cash generated from operations was up 503% to £14.9m (2006: £2.9m). An encouraging financial performance has been achieved when compared with the same period last year, which was distorted by one off property disposal profits.

As a reminder, our plan is in three phases. The first, Focus on Customers and Basics, is completed and the business is already benefiting from its implementation. The second, Focus on Cross-Sell and Value, is now underway, with some early successes giving us the confidence that we are on the right track. The third, Focus on Integrated Portfolio, is designed to deliver sustainable increasing profits from business services in marketing communications.

The plan is underpinned by our clear message to customers. We aim to make customer communication a more profitable process. We have the expertise and the technology to help our customers communicate more effectively and efficiently with their customers. Although the market for print itself remains difficult, there is good evidence that demand for these higher value services is growing. Our customers include all the major UK banks, many significant retailers, and important representatives in the FMCG, utilities and public sectors. These are the ingredients for a strong business.

First phase delivered

The first phase of our plan had four objectives: to put in place better basic processes, particularly around financial disciplines; to address the problems caused by the merger of the Leeds and Altrincham direct mail factories; to implement an account management structure; and to develop a new model for our Print Management services. These issues had to be resolved quickly to set the business on a strong foundation before concentrating on increasing the range of services to our customers. We have made good progress; in fact, better than expected on all four objectives.

Better basic processes

Our financial results are strong, and demonstrate the extent to which we have been successful in implementing good business practices where they were lacking. Working capital management was the major focus of attention during the first half. There has been a major reduction in receivables overdue from customers. At the end of 2006, 33% of all debts were overdue (outside contractual terms). At the end of the first half, this had been reduced to 17%. The resulting cash inflow has been the primary factor in bringing about a reduction in net debt of £5.8m from £44.9m to £39.1m. At the same time, capital investment, restructuring and additional pension contributions have all continued at the planned rate. This one achievement is indicative of the many excellent efforts of our staff to focus attention on the basics.

Recovery in Leeds

The merger of the group's two direct mail factories into one site at Leeds was an ambitious but problematic project. We had to resolve the resulting issues of cost control, quality, efficiency and of the mix and volume of work. The new management team in Leeds has made excellent progress since January. Cost control in particular has received attention. Long-standing issues such as inefficient shift patterns, manning levels and poor procurement practices have been rectified. For example, a new working pattern agreement negotiated with the workforce has reduced pressroom labour costs by about 29%. Quality has also been attended to; investments in technology and process have improved colour management and added integrity checking in the outbound mailroom. New systems have been installed for production planning and warehouse management. Removal of production bottlenecks has increased average press running speeds by 12%.

Cost control, quality and efficiency would have been insufficient without an improvement in the volume and mix of the work. We have also been able to address this, despite very competitive market conditions and margins remaining tight. Significant new contracts have been signed with HSBC and the Royal Bank of Scotland during the first half and strong relationships continue with

many other customers. Improvements to the mix of business have also begun, as the sales team increases efforts to sell value-added services. These include handling the data involved in personalised mailings, processing the responses to campaigns, and specialist services such as electronic voting for public company AGMs. This all helps to increase the average margin.

In the second half, work will continue to address the remaining problems from the merger project. However there is a very different feeling to this business. The major issues are behind us, the cost base is under control and quality has recovered. Efforts now are directed at progressive improvements in efficiency and waste reduction, where there is much still to go for. This business lost money in the first quarter, but made that all back in the second quarter, establishing a run rate which should show a good performance in the second half, and carry through to next year.

Implementing account management

Our strategy requires us to sell more services to existing customers as well as win new ones. Proper account management is an essential precursor. We now have account managers in place for our top 60 customers, with profit and growth responsibility for those relationships. This is a new role for many, so we have undertaken nearly 500 man-days of management development training in the first half, with about 400 more planned for the second half. Account development plans have been produced for all existing customer relationships spending over £500,000 per annum. More than 100 plan reviews have been held. This is a huge commitment to the process of understanding our customers and developing new business propositions for them.

It is early days to measure quantifiable results of these initiatives, but nonetheless there are some. We have grown our relationship with HSBC by winning a sole-source contract for all of their direct mail, implementing C-Store (our campaign workflow technology) and signing a group-wide agreement to provide sustainably-sourced paper. The number of our customers buying more than one service has increased from 14 at the end of 2006 to 18 at the end of June 2007.

A new print management model

Our new approach to Print Management is based on value-added services, not around marking up print bought for our customers. On 1 May 2007, Barclays, our biggest customer, signed up to this new Print Management model, which provided a big vote of confidence in our revised approach. Direct access to our print supply chain is a key feature of our new model, and this access provides the customer with transparency on pricing of print. The customer is able to make informed decisions on design, layout and delivery based on real market prices. In the long run, this produces considerable savings for the customer, whilst allowing Communisis to charge properly for the value-added service it provides.

Since the Barclays announcement, we have a second customer for our new model. Procter and Gamble have selected IQ – the software tool at the heart of our electronic supply chain – as the platform for their own print sourcing. We have now implemented this for them in 14 European countries, bringing their suppliers into our network. P&G pay us a recurring licence fee for the software and vendor management, but buy the print direct. This is Print Management with low revenue, but high margin – an important development.

These two contracts represent the initial landmark deals for new Print Management. It is an approach that provides customers important benefits – transparency and direct access to our expertise – and provides sustainable and value-based profits for Communisis. We have other interested customers, both existing and new.

Steady as she goes elsewhere

Performance in other areas has been encouraging. The first statements contract has been successfully transferred to our new factory in Speke, as planned. The second contract moves in Q4. We have won a third smaller contract that will fit in to Speke before the year end. Our pipeline is healthy, and there is 40% free capacity in the factory. The cheques business has proved resilient and continues to win market share and find efficiencies.

The business forms factory in Bath has been working near to capacity for much of the first half, with margins holding up quite well. We are winning market share in this very commoditised sector, and it is the scale and quality of our operation there that is making the difference in this segment.

Taken together, the performance of all of the parts of the company gives us confidence that we will achieve the financial results planned for the full year.

The second phase begins

Completion of the first phase places the business on a firm foundation. The second phase is designed to maximise the value of our principal asset – our customers. With account management in place and a range of higher value services emerging, we can now cross-sell. Our goal here is to provide services to our customers which cover their whole marketing communications process. Our technology, associated consultancy and expertise can help from the initial planning of the campaign through its creation, checking, production and distribution.

During the coming year, we will seek to expand the number of customers buying more than one service from us. We will steadily increase the range of value added services that we offer. This will help us outpace declining margins in the commodity parts of our business. This is the basis for sustainable value creation, which is the objective of the strategy.

Steve Vaughan
Chief Executive

Financial Review

Profitability

In a period of recovery and transformation for the Group, operating profit after exceptional restructuring costs has increased by 43% to £4.0m (2006: £2.8m). Revenue has grown by 8.6% following the commencement of our 7 year contract with Centrica in January.

In order to reflect the way in which we are now managing performance and to record very clearly progress with our strategy, we have taken the opportunity to realign our business segments. The old 'Print Management Services' segment will be replaced by a 'Technology & Services' segment and a 'Print Sourcing' segment. The former will include 'new model' print management contracts and all profits made from selling added value communication enhancing services and print or communication related consultancy.

Customers who have signed up to a 'new model' print management contract have full access to our print supply chain and are able to source print at the cost we can buy it. Where this is the case, revenue and cost associated with the print element of our offering to these customers is included in our 'Print Sourcing' segment. 'Print Sourcing' will also include 'old model' print management contracts that rely for profit on marking up print sourced elsewhere.

We will report performance against two further segments, 'Direct Mail & Business Forms', and 'Transactional'. Our 'Direct Mail & Business Forms' segment will include our activities in both these market sectors, predominantly undertaken in our Leeds and Bath facilities. Our 'Transactional' segment includes all of our cheque and cheque mailing activity along with our statement and billing operations. These activities are currently conducted at facilities located in Manchester, Crewe, Lisburn – Northern Ireland, Speke and Northampton.

'Technology & Services' has grown strongly in the first half of 2007 with the conversion of our class-leading contract with Barclays to our new print management model. Profits made from providing Barclays with access to our print supply chain and from other value-added services are included in this segment. Where we print in-house for Barclays, the profits made are recorded wholly in our 'Direct Mail & Business Forms' segment or in our 'Transactional' segment as appropriate.

The decline in 'Print Sourcing' reflects not only the conversion of the Barclays contract but the loss, primarily in the second half of 2006, of print management contracts based solely on marking up print bought elsewhere. It is our aim to convert further existing print management contracts to the new print management model and for this reason profits in the 'Print Sourcing' segment can be expected to decline. We have, however, reduced both direct and overhead costs incurred in this segment, the benefits of which will be felt in the second half of 2007.

The fall in profit in our 'Direct Mail & Business Forms' segment reflects primarily the problems reported at the end of 2006 with our Direct Mail business in Leeds. In fact our Leeds plant was in loss at the end of quarter one but as the improvements reported above took effect, returned strongly to profit in quarter two. Continuous improvement in our Business Forms operation has meant that after adjusting for the impact of increased rental costs following the sale and leaseback of the Bath property in June 2006, this business has returned profits in line with the previous year. Together however, these two factors have driven margins in this segment below 3%. As we enjoy the benefit of the significant changes in the Leeds operation, we expect margins to recover.

Our 'Transactional' segment has delivered further revenue and profit growth following the start up in January of our seven year contract with Centrica. Completion and occupation of our Speke facility in the first half means that margins in this segment are now anticipated to settle at more historic levels.

Our contract requires us to source postal services. Whilst this gives us further leverage in the management of postal services, this low margin aspect of our service is included within the 'Print Sourcing' segment.

In Central cost, we now record the cost of all Group-centred activity. In addition to the Corporate office, we account for the costs of our Group procurement team, our Group business development team and IT development. Previously the cost of these functions were absorbed by one or sometimes two business segments.

Exceptional restructuring costs have fallen in the first half from £5.8m to £1.9m. As forecast, we have continued to improve efficiency in our 'Transactional' business where the cost of improvements is similar to previous years and in line with our expectation. We have spent £1.2m to date on efficiency improvements in our direct mail business. In 'Print Sourcing' we have taken steps to further reduce the cost of our European business ensuring that this business remains profitable. In aggregate, our restructuring activity has delivered annualised benefits in excess of £3m. We expect to make further savings in the second half, particularly in direct mail where the planned changes have already been communicated to our employees, such that full year operational restructuring cost finishes in line with management expectations at £3m. As we enter the second phase of our plan, exceptional costs are expected to reduce still further and settle at around half their current level.

Our effective rate of tax at 17% (2006: 12%) continues to run well below the standard rate of tax paid by the Group due to adjustments in respect of prior years. We expect this rate to be sustained in the short term and then to move in line with standard rate.

Cash management

The focus on cash and working capital management in the first half of 2007 has delivered a net cash inflow from operations of £12.5m compared with an outflow of £0.3m in the first half of 2006 and an outflow of £1.4m for the full year 2006.

The main features of our cash flow performance and movements in net debt are summarised in the following table:

£m	6 months to 30 June 2007	6 months to 30 June 2006	Year ended 31 Dec 2006
Profit before exceptional items	5.9	8.6	15.1
Depreciation and other non cash items	4.9	5.6	10.4
Reduction / (increase) in working capital	10.5	(9.4)	(10.3)
Cash effect of restructuring	(3.3)	(1.8)	(9.6)
Additional pension contributions	(3.1)	-	(2.5)
Interest and tax	(2.4)	(3.3)	(4.5)
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Net cash inflow / (outflow) from operations	12.5	(0.3)	(1.4)
Investing activities	(6.0)	17.1	5.8
Financing activities excluding loan facility movements	(0.7)	(10.7)	(13.3)
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Reduction / (increase) in net debt	5.8	6.1	(8.9)
Opening net debt	(44.9)	(36.0)	(36.0)
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Closing net debt	(39.1)	(29.9)	(44.9)

As the table demonstrates, our successful focus on working capital management has enabled us to more than absorb the cost of further scheduled pension deficit repayments as well as the cash cost of restructuring activity. The working capital improvement, driven by the reduction in the percentage of debt overdue from 33% to 17%, has been delivered against a backdrop of both an increase in revenue and trading levels that are traditionally higher in the run up to the half year than the full year.

Investing activity in 2007 comprises almost exclusively capital investment with £3.3m of this being our investment in the new Transactional facility at Speke. In 2006 the investing inflow resulted from exceptional property disposals totalling £21.2m.

With the benefit of the new dividend policy primarily being felt in the first half of 2007 and no further share buy back activity, we have reduced financing outflows. The combined effect of our focus on cash management is a reduction in net debt of £5.8m, almost equivalent to that achieved in the comparable period of 2006 but without the benefit of exceptional property disposals.

With account managers now rewarded for both cash and profit delivery, we believe we have established an infrastructure that will enable us to maintain the focus on our working capital requirement and sustain this new lower level through to the year end.

Interest charges have risen in the first half of 2007, reflecting both rate rises, a gradual increase in the margin at which we are able to borrow and higher average debt levels than the equivalent period in 2006. The improvement in overall Group net debt, which we have achieved earlier than anticipated, is expected to result in a fall in the interest charge in the second half based on the market consensus view for rates generally.

Pension funding

During the half year, we have made significant progress with our review of the Company's pension arrangements for its employees. We have concluded that the interests of both scheme members and the Company are best served by closing the defined benefit section of the Communis Pension Plan ("the plan") to future benefit accruals. Accordingly, on 11 July, the Company announced that it has entered into consultations with the beneficiaries of the plan to this effect.

Discussions with the plan Trustees have also continued. The Trustees' actuarial valuation of the plan, last updated at 30 September 2005, recorded a deficit of £4.5m. For the purpose of comparison, the gross deficit under IFRS at 30 September 2005 was £25m. In light of the difference between these two valuations, the Company and Trustees have reviewed the assumptions used in preparing the actuarial valuation of the plan. This has resulted in adoption by the Trustees of stronger mortality assumptions and lower pre-retirement investment returns. These two changes combined result in a revised trustee deficit assessment of £25.1m, based on conditions in existence at 30 September 2005.

The Company and Trustees have agreed a new recovery plan to eliminate this higher deficit. After taking into account additional contributions already made, including £3.1m in January 2007, and allowing for post valuation date investment returns, the Company has agreed to pay an additional £1.2m in 2008 and five further payments of £2m in the five subsequent years.

The trustees' actuarial valuation of the plan will next be reassessed at 30 September 2008. This new valuation will enable us to reflect the significant reductions in scheme membership since 30 September 2005, the outcome of the current consultation process and market performance over the 3 year period. The new recovery plan will also be reassessed following completion of this valuation.

The gross deficit under IFRS at 30 June 2007 has fallen to £10.4m (31 December 2006: £17.3m). The reduction has been driven by the £3.1m additional contribution made by the Group in January 2007, and improvements in bond yields resulting in a higher liability discount rate offset by an increase in the long term inflation assumption.

Peter King
Finance Director

Consolidated Income Statement
for the half year ended 30 June 2007: unaudited

	Note	Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 Dec 2006 £000
Continuing operations				
Revenue	1	145,937	134,310	260,640
Changes in inventories of finished goods and work in progress		92	508	566
Raw materials and consumables used		(80,507)	(66,927)	(133,428)
Employee benefits expense		(39,918)	(41,710)	(79,005)
Depreciation and amortisation expense		(3,695)	(4,015)	(7,541)
Impairment of intangible assets		-	-	(31,561)
Other operating expenses		(17,951)	(19,407)	(39,395)
Profit on disposal of properties		-	13,132	13,132
Profit / (loss) from operations	1	3,958	15,891	(16,592)
Analysed as:				
Profit from operations before exceptional items		5,856	8,570	15,106
Exceptional restructuring costs		(1,898)	(5,811)	(13,269)
Profit from operations after exceptional restructuring costs		3,958	2,759	1,837
Impairment of intangible assets		-	-	(31,561)
Profit on disposal of properties		-	13,132	13,132
Profit / (loss) from operations		3,958	15,891	(16,592)
Finance revenue		424	165	619
Finance costs	2	(1,751)	(1,564)	(3,392)
Profit / (loss) before taxation		2,631	14,492	(19,365)
Income tax expense	4	(444)	(1,692)	(675)
Profit / (loss) for the period attributable to equity holders of parent		2,187	12,800	(20,040)
Earnings per share				
On profit / (loss) for the period attributable to equity holders – continuing operations	5			
- basic		1.58p	9.07p	(14.35)p
- diluted		1.57p	9.07p	(14.35)p
Dividend per share				
- paid		0.500p	3.897p	5.850p
- proposed		0.818p	1.953p	0.500p

Dividends paid and proposed during the period were £0.7 million and £1.1 million respectively (30 June 2006: £5.6 million and £2.7 million respectively, 31 December 2006: £8.2 million and £0.7 million respectively).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

30 June 2007: unaudited

	Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 December 2006 £000
ASSETS			
Non-current assets			
Property, plant and equipment	27,797	24,620	27,080
Intangible assets	151,601	177,641	151,182
Trade and other receivables	2,365	4,498	2,865
Deferred tax asset	3,016	5,591	3,955
	184,779	212,350	185,082
Current assets			
Inventories	12,724	13,716	13,272
Trade and other receivables	46,957	53,950	51,624
Cash and cash equivalents	6,949	20,955	2,133
	66,630	88,621	67,029
Non-current assets classified as held for sale	350	350	350
TOTAL ASSETS	251,759	301,321	252,461
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Equity share capital	34,633	34,633	34,633
Share premium	-	152,287	-
Merger reserve	11,427	11,427	11,427
Capital redemption reserve	1,375	1,375	1,375
ESOP reserve	(338)	(374)	(338)
Cumulative translation adjustment	(25)	(3)	(33)
Retained earnings	81,184	(46,997)	76,547
Total equity	128,256	152,348	123,611
Non-current liabilities			
Interest bearing loans and borrowings	39,517	40,575	38,521
Retirement benefit obligations	10,354	28,250	17,306
Provisions	196	324	211
	50,067	69,149	56,038
Current liabilities			
Interest bearing loans and borrowings	6,536	10,304	8,548
Trade and other payables	60,770	61,259	57,853
Income tax payable	5,248	5,545	4,783
Provisions	882	2,716	1,628
	73,436	79,824	72,812
Total liabilities	123,503	148,973	128,850
TOTAL EQUITY AND LIABILITIES	251,759	301,321	252,461

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
for the half year ended 30 June 2007: unaudited

	Note	Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 December 2006 £'000
Cash flows from operating activities				
Cash generated from operations	7	14,854	2,955	3,039
Interest paid		(1,797)	(1,393)	(3,177)
Interest received		89	165	619
Income tax paid		(680)	(2,055)	(1,912)
Net cash flows from operating activities		12,466	(328)	(1,431)
Cash flows from investing activities				
Acquisition of subsidiary undertaking net of cash acquired		-	(2,275)	(7,929)
Proceeds from the sale of subsidiary undertakings		-	636	1,600
Purchases of property, plant and equipment		(5,285)	(1,111)	(4,580)
Proceeds from the sale of property, plant and equipment		58	21,178	21,495
Purchase of intangible assets		(716)	(1,284)	(3,580)
Tax on disposal of property, plant and equipment		-	-	(1,191)
Net cash flows from investing activities		(5,943)	17,144	5,815
Cash flows from financing activities				
Purchase of own shares		-	(5,147)	(5,147)
New borrowings		2,000	13,075	13,075
Repayment of borrowings		(6,000)	(6,000)	(8,000)
Dividends paid	6	(691)	(5,600)	(8,223)
Net cash flows from financing activities		(4,691)	(3,672)	(8,295)
Net increase in cash and cash equivalents		1,832	13,144	(3,911)
Cash and cash equivalents at 1 January		2,085	6,027	6,027
Exchange rate effects		(4)	(20)	(31)
Cash and cash equivalents at end of period		3,913	19,151	2,085
Cash and cash equivalents consist of:				
Cash and cash equivalents		6,949	20,955	2,133
Overdrafts		(3,036)	(1,804)	(48)
		3,913	19,151	2,085

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Recognised Income and Expense
for the half year ended 30 June 2007: unaudited

	Half year ended 30 June 2007	Half year ended 30 June 2006	Year ended 31 December 2006
	£000	£000	£000
Currency translation gains / (losses) on translation of foreign operations	8	(1)	(31)
Purchase of own shares	-	(5,147)	-
Actuarial gains on defined benefit pension plans	4,615	9,756	19,176
Tax on items taken directly to equity	(1,638)	(2,927)	(5,752)
Net gain / (loss) recognised directly in equity	2,985	1,681	13,393
Profit / (loss) for the period	2,187	12,800	(20,040)
Total recognised income and expense for the period	5,172	14,481	(6,647)
Attributable to:			
Equity holders of the parent	5,172	14,481	(6,647)

The accompanying notes are an integral part of these consolidated financial statements.

1 Segmental information (continued)

Business segments (continued)

The segment results for the year ended 31 December 2006, restated to reflect the new segmental reporting structure adopted from 1 January 2007, are as follows:

	Technology & Services £000	Print Sourcing £000	Direct Mail & Business Forms £000	Transactional £000	Central cost £000	Total £000
Revenue	7,010	97,974	114,095	41,561	-	260,640
Operating profit before exceptional items	1,982	4,990	6,109	10,531	(8,506)	15,106
Exceptional restructuring costs	-	-	(617)	(489)	-	(1,106)
Transfer of business - PDM Altrincham	-	-	(8,260)	-	-	(8,260)
Other restructuring and corporate activity charges	-	(2,047)	-	-	(1,856)	(3,903)
Profit from operations after exceptional restructuring costs	1,982	2,943	(2,768)	10,042	(10,362)	1,837
Impairment of intangible assets	-	(9,115)	(22,446)	-	-	(31,561)
Profit on disposal of properties	-	-	9,559	-	3,573	13,132
Loss from operations	1,982	(6,172)	(15,655)	10,042	(6,789)	(16,592)
Net finance costs						(2,773)
Loss before taxation						(19,365)
Income tax expense						(675)
Loss for the year						(20,040)

The segment results for the year ended 31 December 2005, restated to reflect the new segmental reporting structure adopted from 1 January 2007, are as follows:

	Continuing operations					Discontinued operations		Group £000
	Technology & Services £000	Print Sourcing £000	Direct Mail & Business Forms £000	Transac- -tional £000	Central cost £000	Total £000	Colour Solutions £000	
External revenue	6,509	107,403	124,797	26,076		264,785	-	264,785
Operating profit before exceptional items	1,460	5,582	8,237	5,726	(5,932)	15,073	-	15,073
Operational restructuring costs	-	-	(500)	(448)	-	(948)	-	(948)
Loss on sale of Datadocs operations	-	-	(4,865)			(4,865)	-	(4,865)
Other restructuring and corporate activity charges	-	(649)	-	-	(1,447)	(2,096)	-	(2,096)
Profit from operations after exceptional restructuring costs	1,460	4,933	2,872	5,278	(7,379)	7,164	-	7,164
Loss on closure of label printing operation	-	-	-	-	-	-	(418)	(418)
Profit on disposal of property	-	-	-	-	-	-	1,048	1,048
Profit from operations	1,460	4,933	2,872	5,278	(7,379)	7,164	630	7,794
Net finance costs						(3,065)	(2)	(3,067)
Profit before taxation						4,099	628	4,727
Income tax expense						(2,014)	(116)	(2,130)
Profit for the year						2,085	512	2,597

2 Finance costs

	Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 Dec 2006 £000
Bank loans and overdrafts	1,751	1,493	3,346
Retirement benefit related cost	-	71	46
	<u>1,751</u>	<u>1,564</u>	<u>3,392</u>
Continuing operations	1,751	1,564	3,392
	<u>1,751</u>	<u>1,564</u>	<u>3,392</u>

3 Exceptional items

	Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 Dec 2006 £000
Profit from operations is arrived at after charging / (crediting) the following items:			
Operational restructuring costs	574	844	1,106
Loss on closure of PDM Altrincham	-	4,001	8,260
Other restructuring and corporate activity charges	1,324	966	3,903
Restructuring costs	<u>1,898</u>	<u>5,811</u>	<u>13,269</u>
Profit on disposal of properties	-	(13,132)	(13,132)
Impairment of intangible assets	-	-	31,561
Exceptional expense / (profit)	<u>1,898</u>	<u>(7,321)</u>	<u>31,698</u>

4 Income tax expense

The tax charge on continuing operations for the period is based upon the estimated effective tax rate for the period of 16.88%.

This rate is lower than the standard rate of tax at 30% primarily due to adjustments in respect of prior years.

5 Earnings per share

Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 Dec 2006 £000
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Basic and diluted earnings per share is calculated as follows:

Profit / (loss) attributable to equity holders of the parent – continuing operations	2,187	12,800	(20,040)
Profit / (loss) attributable to equity holders of the parent	<u>2,187</u>	<u>12,800</u>	<u>(20,040)</u>

Half year ended 30 June 2007 Thousands	Half year ended 30 June 2006 Thousands	Year ended 31 Dec 2006 Thousands
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Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	138,532	141,047	139,653
Effect of dilution:			
Share options	<u>456</u>	<u>-</u>	<u>877</u>
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	<u>138,988</u>	<u>141,047</u>	<u>140,530</u>

279,628 (30 June 2006: 309,628, 31 December 2006: 279,628) shares were held in trust at 30 June 2007.

Earnings per share from continuing operations before exceptional items

Profit from continuing operations before exceptional items and attributable to equity holders of the parent is derived as follows:

Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 Dec 2006 £000
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Profit / (loss) after taxation from continuing operations after exceptional items	2,187	12,800	(20,040)
Exceptional items (Note 3)	1,898	(7,321)	31,698
Taxation on exceptional items	(530)	486	(2,055)
Taxation – adjustment in respect of prior periods	<u>(410)</u>	<u>(1,130)</u>	<u>(1,494)</u>
Profit after taxation from continuing operations before exceptional items	<u>3,145</u>	<u>4,835</u>	<u>8,109</u>

Adjusted earnings per share			
Basic	2.27p	3.43p	5.81p
Diluted	2.26p	3.43p	5.77p

6 Dividends paid and proposed

	Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 Dec 2006 £000
Declared and paid during the period			
Amounts recognised as distributions to equity holders in the period:			
Final dividend of the year ended 31 December 2005 of 3.897p per share	-	5,600	5,523
Interim dividend of the year ended 31 December 2006 of 1.953p per share	-	-	2,700
Final dividend of the year ended 31 December 2006 of 0.500p per share	691	-	-
	691	5,600	8,223
Proposed for approval by the Board (not recognised as a liability at period end)			
Interim equity dividend on ordinary shares for 2007 of 0.818p (30 June 2006 interim 1.953p, 31 December 2006 final 0.50p) per share	1,128	2,706	691

7 Cash generated from operations

	Half year ended 30 June 2007 £000	Half year ended 30 June 2006 £000	Year ended 31 Dec 2006 £000
Continuing operations			
Profit before taxation	2,631	14,492	(19,365)
Adjustments for:			
- depreciation and amortisation	3,195	4,015	7,523
- amortisation of contract premium payment	500	500	1,000
- excess of Income Statement pension charge over contributions paid	1,100	948	1,547
- restructuring costs	1,904	5,811	13,269
- profit on sale of property, plant & equipment	(28)	(8)	(43)
- profit on exceptional property disposals		(13,132)	(13,132)
- share-based payment charge	164	150	259
- net finance costs	1,319	1,399	2,773
- impairment of goodwill and customer relationship assets	-	-	31,561
Additional contribution to the defined benefit pension plan	(3,100)	-	(2,484)
Cash effect of restructuring continuing operations	(3,290)	(1,827)	(9,636)
Changes in working capital:			
Decrease / (increase) in inventories	547	(627)	(183)
Decrease / (increase) in trade and other receivables	4,567	(6,379)	(3,734)
Increase / (decrease) in trade and other payables	5,345	(2,387)	(6,316)
Cash inflow from operating activities on continuing operations	14,854	2,955	3,039
Cash generated from operations	14,854	2,955	3,039

8 Additional information

The financial information for the half year ended 30 June 2007 and for the equivalent period in 2006 has not been audited or reviewed, with the exception of the change to segmental reporting disclosed in Note 1 which has been audited. It has been prepared on the basis of the accounting policies as set out in the 2006 Annual Report and Accounts.

The financial information in this statement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2006 on which the auditors have given an unqualified audit report, have been filed with the Registrar of Companies.