

27 August 2009

**Communis plc**

**(“Communis” or “the Company”)**

**Interim results for the six months ended 30 June 2009**

**H1 Financial Performance impacted by economic conditions:**

- Operating profit down to £2.7m (H1 2008: £7.6m)
- Operating cash outflow of £6.4m driven by increase in working capital
- Net debt increased to £24.8m from £13.1m in 2008 (£26.3m in 2007)
- Earnings per share of 1.2p (H1 2008: 3.3p)
- Interim dividend held at 0.86p per share

**H1 segmental performance:**

- Continued revenue and profit growth in Technology and Services
- Volume reductions have been strongly felt in Direct Mail, leading to a 25% reduction in like-for-like revenues
- Print Sourcing remains in profit despite significant volume reductions
- Revenue growth in Transactional Print Services, but margins impacted by market conditions

**Continued evidence of strategy improving long term prospects of the business:**

- All segments continuing to show a profit through focus on value-added services
- Integration of Ai services into mainstream customers proceeding well
- 35 of top 100 customers now buy more than one service, up from 26 a year ago
- Continued investment in building the integrated services portfolio

**Board changes:**

- Chief Executive Steve Vaughan standing down at the year end
- Group Sales Director Andy Blundell to become Chief Executive
- Board strengthened by appointment of Dave Rushton to the Board

**Peter Hickson, Chairman, commented:**

*“Trading in the first half of 2009 was difficult for Communis and resulted in a disappointing financial performance. The background of economic recession combined with the Company’s exposure to the financial services industry resulted in substantial volume reductions in our manufacturing plants.*

*“There are some indications that the worst of the conditions are behind us. Towards the end of Q2, some improvement was noticeable, particularly in order volumes in Direct Mail. We have had some success in winning new customers. Cost reduction exercises undertaken in the first half have been fully expensed already, but will only show full benefits during the second half, and on into next year. Taken together, we have some optimism that the second half will be better than the first and that 2010 will be better than 2009.*

*“Steve Vaughan, Chief Executive for the last three years, has decided to stand down at the end of this year. The Board is sorry to see him go and is grateful to him for the work he has done in taking the steps to turn around the Company. In his time as Chief Executive, he has reset our strategy, rationalised the manufacturing capability, established a good management team, and led the Company into higher value added activities. After a thorough selection process, we have appointed Andy Blundell to succeed Steve as Chief Executive. Andy has been a member of our senior leadership team since he joined Communis in January 2008 and has a very relevant background, having worked in the print services industry for 28 years with De La Rue and BemroseBooth.”*

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## Chairman's Statement

Trading in the first half of 2009 was difficult for Communisis and resulted in a disappointing financial performance. The background of economic recession combined with the Company's exposure to the financial services industry resulted in substantial volume reductions in most of our manufacturing plants, in particular direct mail in Leeds. As a result, turnover for the six months was £95 million compared with £148million last year. This was not a true reflection of performance as last year contained the Bath business which was sold last June. On a like for like basis, 2008 turnover for the half year was £122 million so the comparative decline was £27 million. Whilst the economic difficulties contributed to this fall, there was a welcome growth in the higher margin parts of the business in Technology and Services and Transactional Print Services.

Operating profit was £2.7 million compared with £7.6 million for the same period last year. This led to earnings per share of 1.22p compared with 3.33p for the same period last year. Notwithstanding the difficult trading conditions in the first half, the second quarter's trading was better than the first. The second half year will benefit from cost reductions implemented in the first half, together with new business won from our existing and new sectors, and the Board believes there are improving prospects for the business during the remainder of the year. Accordingly, it has decided to maintain the interim dividend at 0.86p, the same level as last year.

On the management front, Steve Vaughan, Chief Executive for the last three years, has decided to stand down at the end of this year. The Board is sorry to see him go and is grateful to him for the work he has done in taking the steps to turn around the Company. In his time as CEO, he has reset our strategy, rationalised the manufacturing capability, established a good management team, and led the Company into higher value added activities.

We have appointed Andy Blundell to succeed Steve as CEO. Andy has been a member of our senior leadership team since he joined Communisis in January 2008 and is responsible for our print sourcing business and is also group sales director. He has a very relevant background, having worked in this industry for 28 years with De La Rue and BemroseBooth. His selection followed a full review by the Board and I am delighted that we were able to make an internal appointment.

As part of the review process, we have also asked Dave Rushton, who has been with the group since 2003 and responsible for our manufacturing activities over the last 12 months, to join the Board. He and Andy will join the Board immediately and I am sure they will contribute greatly to our business.

There are some early indications that the worst of the uncertainties in our markets are behind us and we believe that we have an excellent team to take the Company forward. Our business is in a good position, and we look forward to continuing to build on the strategic progress we have made to date.

Peter Hickson  
Non-Executive Chairman

## Chief Executive's Review

Trading in the first half of 2009 has been difficult for many companies, and Communisis has not been immune from the impact of the economic downturn. Exposure to the Financial Services sector has resulted in significant reductions in volume in our manufacturing plants and our high operational gearing in these businesses has affected profitability. However, our strategy of pursuing higher margin services with our customers has helped us; we have new profit streams to cushion these unfavourable conditions. The balance sheet, which was strengthened considerably during 2007 and 2008, has given us a safety margin to weather the downturn.

£m	Revenue H1 2009	Revenue H1 2008	Profit H1 2009	Profit H1 2008
<b>Revenue</b>				
Technology & Services	9.9	5.0	2.8	2.4
Print Sourcing	29.1	55.3	0.2	1.3
Direct Mail (H1 2008 includes Bath Business Forms)	26.3	61.4	0.4	3.6
Transactional	29.7	26.4	4.3	5.5
Central costs	0.0	0.0	(5.0)	(5.2)
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	95.0	148.1	2.7	7.6

Within each segment, specific business drivers can be identified to explain the effect on the numbers, and I summarise these in the following sections. In general it can be said that the first quarter showed a marked deterioration in the trading environment from that observed in Q4 2008, where the downturn was already visible.

There are some indications that the worst of the conditions in our markets are behind us. Towards the end of Q2, some improvement was noticeable, particularly in order volumes in Direct Mail. We have had some success in winning new customers. Cost reduction exercises undertaken in the first half have been fully expensed already, but will only show full benefits during the second half, and on into next year. Our banking facilities were renewed around the beginning of this year for a further three years. Taken together, we have some optimism that the second half will be better than the first, and that 2010 will be better than 2009.

### Technology and Services

This business segment was created by the Company's new strategy and has continued to grow in both revenue and profit. The range of value-added services that we now provide has matured to cover the whole marketing process. We have been selling services in campaign management, artwork repository and web-based ordering for some time. We have now added data analysis and data management, with our acquisition of Absolute Intuistic Ltd ('Ai') on 22 December 2008.

Our rationale for this strategy is that marketing campaigns are becoming more sophisticated. The level of customer segmentation, and the need to design messages to target different types of customers, produces smaller but more numerous campaigns. Our services must expand to include the analysis and management of large amounts of customer data, and to make profits from helping marketing departments to use this data to better effect. Ai fits this need, complementing our investment in digital presses and automated workflow. Our customers are becoming increasingly aware of our capabilities, attracted by improved response rates to marketing campaigns that data services can achieve. Our pipeline is growing. New customers, such as the Cooperative Group, have selected Communisis to manage their customer data as well as the production of marketing print and statements.

Document composition is the other important growing revenue stream in this segment. In 2008, we invested £2.3m in a partnership with Hewlett Packard in the Exstream Dialogue software. It has revolutionised the way that documents in all of our factories are designed. Previously time-consuming and labour-intensive processes to compile data and formats into print ready files are now automated. We have taken on contracts with several customers to outsource this process, saving them money and radically reducing campaign time-to-market. This is a crucial step to enable statements to carry marketing messages – those messages must be flexible, agile and rapidly changing. A fast document composition process is at the heart of unlocking this communication channel. It has become a significant revenue stream for us.

The relevance and resilience of these services is demonstrated by the segment's results. Organic revenue growth in Technology and Services has continued. Ai revenues have contributed further to growth in revenues. Profits have responded similarly. Margin has reduced because Ai revenues include a significant element of bought out data, passed through to the customer largely at cost. Service margins on a like for like basis are largely unchanged from 2008. That is not to say that this segment is isolated from the economic downturn. As we said in July, we have noticed a tendency amongst many customers to delay decisions on the purchase of some higher technology services and products from us. For example, Procter & Gamble have delayed the rollout of IQ to the next geographic region until 2010 and some Ai high end analysis service opportunities are being delayed. However, the sales pipeline continues to indicate willingness in the longer term to acquire these services, and should set a strong basis for growth in the future.

### **Print Sourcing**

Revenue has reduced significantly in Print Sourcing compared to the first half of 2008. The majority of this fall is due to the loss of the Sainsbury's contract, and considerable reductions in the bought-out print volume for one other customer. We also sold our small Dutch business in mid-2008, and have been sourcing more material from internal manufacturing (in which case the revenue is counted in other segments).

Despite this reduction in revenue, profits have remained largely unchanged from the run-rate of late 2008. Print Sourcing is not a long term source of profit, because prices are commoditised. However, we remain able to attract customers initially with a print sourcing offering, and then add services from other segments. This makes the overall profit outcome attractive. Several contract wins in the first half have demonstrated this ability, including those with new customers T-Mobile and the Department for Children, Schools and Families. Cost reductions also enabled us to defend our overall profitability in this most low margin of our segments.

### **Direct Mail**

The Direct Mail operation in Leeds has borne the brunt of the downturn in marketing spend that the whole sector has experienced. This began in the fourth quarter of 2008, and has continued throughout the first half. Earlier this year we estimated the reduction at about 20% from the levels of early 2008. We currently estimate the downturn to be about to 25%. The picture is very variable across the customer base, however. Some customers have actually increased spending levels, either to win market share or by diverting spend from television advertising. Others have held levels about the same, whereas many have cut back. Two of our large financial services customers have reduced spend by between 40% and 60%. Speculative mailings to potential new customers by banks and insurance companies have been particularly reduced, losing the factory significant regular blocks of work.

We have also seen changes in the mix of work that we are winning. Overall margins are falling because some products with better margins have seen bigger reductions in demand. We also planned for strong growth in digital print and response handling for 2009. Digital print is running at about 2008 levels, so has escaped cutbacks, but not shown the growth hoped for. Response handling is significantly reduced. There is also no doubt that pricing pressure has increased due to continued over capacity in the market. As a result of these factors, margin has reduced by 2.5 percentage points to 3.7% (H2 2008: 6.2%).

## **Transactional Print Services**

We have seen revenue growth in both parts of this segment – Statements & Bills and Cheques. The statement contract for Cooperative Financial Services is now in full production. Our acquisition of the order book of Mail Solutions Ltd in late 2008 has added revenue of about £0.4m to the half. In cheques books, we have continued to win some of the last remaining parts of the market not held by us. In addition, we have added two significant new contracts for cheque mailers. Taken together, this has offset the volume erosion in the cheque book market as a whole, which we estimate is continuing to run at between 8 and 10% per annum.

Profits are down, however, mostly due to a number of market-related factors. We have seen volume erosion in our two main statement production contracts. The nature of this erosion has reduced our revenue on those contracts by more than we have been able to adjust our costs. The cheque mailer market is now uncertain due to government and regulatory announcements on their use. Some customers cut their orders during the first half, resulting in lost profit opportunities. We have also not seen any special cheque projects, such as rebranding, which have regularly occurred in the past. Customers are seeking to save money in this regard, and this reduces our ability to make profits.

On the cost side, we have experienced some increases in costs that were not anticipated. The contracts acquired from Mail Solutions have proved more difficult than expected to incorporate into our existing Speke operations, and required additional resources. We have also incurred additional costs in both labour and equipment to meet some customer service level requirements.

## **Response to market conditions**

We have taken robust action to respond to the current difficult trading conditions. We ran cost reduction projects in two tranches during the period. The costs involved have been taken in the first half, but benefits have only begun to be felt late in the period. These benefits will be fully felt in the second half, and will continue into 2010. In implementing cost reduction initiatives, we have been careful to avoid damaging our long term growth opportunities. We have not removed any significant production capacity, and our investment in new services has been protected, or even increased in some cases. We have spent considerable time, effort and investment to establish our momentum in new services, so will not abandon them now.

Our second major response to market conditions has been a big investment in our sales force. We have refreshed the sales team in several parts of our business, particularly in Direct Mail, with a view to expanding our customer base outside of financial services. The sales cycle is not too long, and we can begin to see some results already. New customers in retail, charities, home shopping and travel are already secured. This expansion of sales resource will continue during the second half – we plan to win market share from competitors less able to survive the harsh economic environment.

## **Summary**

Trading conditions have not been easy during the last nine months. Although there are some signs that conditions are beginning to improve, we are anticipating only a slow recovery. Our strategy of value-added services has brought wider and deeper customer relationships, better and more resilient margins, enduring competitive advantage and a stronger balance sheet. These stand us in good stead for the future. As a result, the board has decided to pay an unchanged Interim Dividend of 0.86p.

I have very much enjoyed my last three years as Chief Executive. During this time, the Group has made the most of its strengths and limited or, where possible, removed its weaknesses. Our strategy gives us a clear place in the market – to help our customers communicate more profitably with their customers. I have also enjoyed working with the great team in the Company to achieve this, and I am pleased that one of my direct reports – Andy Blundell, who I brought into the Company in 2008 – will be taking my place to continue to realise the value of the strategy.

Steve Vaughan  
Chief Executive

## Financial Performance Report

After completing two years of strong recovery, Communisis entered 2009 with a strong balance sheet, a portfolio of tried and tested higher margin service offerings, and some new ones to exploit. Undoubtedly, the impact of recession has been greater than we anticipated. All of our reportable business segments have been affected, though those where long term contract protection is a feature, much less so. Financially we remain strong. Our debt levels have increased, but are still 45% below the peak reached in 2006, and we are well within both our new bank facilities and covenant limits. The second half will see the benefit of both first half cost reductions as well as recent new business wins.

### Revenue

The difficult trading conditions described in the preceding Business Review have impacted the Group's financial performance. Revenue has fallen to £95m from £148m in H1 2008 though this comparison is misleading. During 2008 we disposed of our high revenue but low margin Business Forms operations. The table below compares revenue in our four business segments over the last three consecutive half years with 2008 adjusted to exclude revenue associated with Business Forms.

	H1 09	H2 08	H1 08
<b>Technology &amp; Services</b>	9.9	6.9	5.0
<b>Print Sourcing</b>	29.1	41.4	55.3
<b>Direct Mail</b>	26.3	30.4	35.1
<b>Transactional</b>	29.7	30.9	26.4
	<b>95.0</b>	<b>109.6</b>	<b>121.8</b>

Helped by the acquisition of Ai right at the end of 2008 which contributed revenue of £4m in H1 2009, the decline in revenue is 22% when compared with the equivalent half in 2008. The major falls are in Print Sourcing and in Direct Mail. Much of the Print Sourcing fall is attributable to bought out print that previously passed through at cost and the loss of the Sainsbury's contract in September 2008. The loss of this revenue impacts working capital but has minimal impact on profit. The reduction in Direct Mail revenue has largely driven the continued fall in Direct Mail profits along with a reduction in the proportion of more complex work that is higher margin.

### Profitability

Despite trading conditions without recent precedent, Communisis delivered a profit from operations before exceptional items of £2.7m (2008: £7.6m). Whilst the performance of the print based segments is disappointing, it is not surprising given both the changes in customer behaviour and the operational gearing these segments still have. As we anticipated, the Technology & Services business has been far more resilient, in fact it has grown relative to the equivalent period in 2008, strongly underpinned by our acquisition of Ai in December 2008.

The first half result is further depressed by an operational restructuring charge of £1.6m (2008: £0.6m). This is significantly higher than 2008, reflecting management's response to the downturn. We have also made investments that will improve efficiency and expect to reap the benefit of both restructuring and investment from the second half of 2009 onwards.

Overall, the interest charge at £0.9m, is a little lower than the £1.0m charge for the first half of 2008. In fact the underlying net interest charge payable to the Group's lenders is down by 73% at £0.3m (2008: £1.1m). Whilst average debt levels have been no higher than the equivalent period in 2008, we have benefited from the significant reduction in interest rates as well as interest receipts on tax repayments. Towards the end of the first half we took the opportunity to fix our interest charge for a three year period on £10m of debt at a rate of 2.9%. Prior to this, under the terms of our banking facilities, the Group was fully exposed to fluctuations in LIBOR. The major element of the interest charge in H1 2009 is, as forecast, higher pension costs including costs of £0.2m in respect of our project to reduce and substantially de-risk defined benefit pension liabilities.

Management have continued to review and optimise the Group's tax position. At the half year, the tax charge of £71,000 has been arrived at by applying the effective tax rate that is anticipated in respect of the 2009 full year result to profit before tax at the half year. We expect to see an effective rate of just 4% as a result of new claims submitted in respect of prior years and the successful resolution of some long outstanding claims. The effective rate in 2008 was 32% due to the high rate of tax associated with the disposal of the Bath Business Forms operation (99%) which was partially offset by the release of contingent provisions of £1.7m in the second half of 2008.

Overall, profit after tax has declined to £1.7m (2008: £4.6m) and earnings per share to 1.2 p (2008: 3.3p). We look forward to some improvement in the second half.

## Cashflow and net debt

The table below summarises the Group's key cashflows:

£m	Half year ended 30 June 2009	Half year ended 30 June 2008	Year ended 31 Dec 2008
Profit from operations before exceptional items	2.7	7.6	15.0
Depreciation and other non-cash items	4.2	4.3	7.9
(Increase) / decrease in working capital	( 8.8)	(0.7)	1.7
Additional pension scheme contributions	( 2.5)	(1.2)	(1.2)
Interest and tax	( 1.9)	(1.7)	(3.8)
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Net cash (outflow)/inflow from operating activities	( 6.3)	8.3	19.6
Net capital expenditure	( 2.8)	(2.9)	(6.9)
Business disposals	0.5	8.2	8.2
Business acquisitions	( 0.6)	-	(4.5)
Dividends	( 2.3)	(2.3)	(3.5)
Exchange rate movements	( 0.2)	-	0.3
	-----	-----	-----
(Increase) / reduction in net debt	( 11.7)	11.3	13.2
Opening net debt	( 13.1)	(26.3)	(26.3)
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Closing net debt	(24.8)	(15.0)	(13.1)

At the 2009 half year, the Group's net level of debt has increased from £13.1m at the end of 2008 to £24.8m. Whilst a number of our significant cash outflows are weighted to the first half, for example pension scheme deficit payments, restructuring and dividends, the major driver for the increase in debt is a working capital outflow of £8.8m. The significant reductions in bought out print, particularly those associated with contracts where the Group enjoyed very prompt customer payment terms coupled with longer terms from the suppliers, have largely driven our working capital performance. The Group's working capital fluctuates with this revenue. The other significant working capital driver is a reduction in the level of accruals and provisions retained at H1 2009. This follows the settlement of long standing liabilities and almost no provision for bonuses in recognition of economic conditions. Despite challenging trading conditions, in which we have seen major customers arbitrarily implementing longer payment terms, we have had further success in reducing overdue debt, achieving our lowest ever level with just 5% now overdue (31 December 2008: 7%).

Investment in the business has been maintained at planned levels. To preserve cash resources we have entered into finance leases totalling £2.2m. The cash inflow associated with business disposals reflects the first tranche of deferred consideration in respect of the Forms business, whilst the business acquisitions outflow represents fees and costs from the Ai acquisition at the end of 2008. We have declared an interim dividend of 0.86 pence per share, unchanged from that of last year, payable on 16 October 2009 to shareholders on the register at the close of business on 18 September 2009.

The Group has three principal bank facility related covenants. Net debt must be no more than three times the previous 12 months adjusted EBITDA. At the half year it is just 1.5 times. The underlying interest charge must be at least 3 times covered by EBITA. At the half year it is covered 9 times. Finally, Group net assets must remain above £113m. At the half year Group net assets are £124m leaving £11m of headroom. The major risks to the level of Group net assets continue to be the legacy defined benefit pension deficit, which has shown considerable volatility over the last 12 months, and goodwill associated with the Print Sourcing and Direct Mail business segments. With anticipated improvements in trading in the second half of 2009 coupled with lower cash outflows, we expect to see a reduction in the current debt level and our profit driven covenant performance should remain strong.

## **Pensions**

The Annual Report for 2008 outlined our plan to reduce the sizeable liability imposed on our balance sheet by the Group's closed defined benefit pension scheme. We have made progress with this plan during the first half, completing the early retirement exercise. The take-up rate for early retirement offers was considerably ahead of our expectations (50% against an expectation of 20%). This confirmed our initial view that scheme members would be keen to accept offers to take benefits out of the scheme.

The second stage of the plan is the Enhanced Transfer Value exercise, and preparations for this are underway. We are, however, planning to progress more slowly than expected. Market conditions remain unstable, and we want to be sure that we do not over-commit our cash resources. However, we remain committed to executing this plan successfully. The fact that the pension deficit has nearly doubled in the last six months, largely as a result of the deterioration in the outlook for inflation, despite the benefits of the early retirement exercise and our deficit reduction payment of £2.5m shows the need to complete this project.

## **Risks and uncertainties**

The principal risks and uncertainties relating to the business at 31 December 2008 were set out in the Business Review on page 15 of the Annual Report. The view of the Board of Directors is that the nature of these risks has not changed since 26 February 2009 and that they represent our current best understanding of the situation faced by the Company. In terms of risk mitigation, management will continue to be vigilant to anticipate and respond to any problems caused or exacerbated by the current economic uncertainty.

## **Directors' responsibility statement**

The directors are responsible for preparing the condensed set of financial statements, in accordance with applicable law and regulations. The directors confirm, to the best of their knowledge that:

- the condensed set of financial statements on pages 10 to 19 has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union; and that
- the condensed set of financial statements on pages 10 to 19 includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8.R of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

The Chief Executive's Review on pages 4 to 6 refers to important events which have taken place during the period.

There were no related party transactions during the period which require disclosure.

Peter King  
Finance Director

**Consolidated Income Statement**  
for the half year ended 30 June 2009: unaudited

	Note	Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
Revenue	1	94,959	148,054	257,730
Changes in inventories of finished goods and work in progress		489	277	106
Raw materials and consumables used		(48,429)	(81,785)	(138,645)
Employee benefits expense		(28,010)	(36,662)	(65,316)
Other operating expenses		(12,943)	(18,985)	(32,464)
Depreciation and amortisation expense		(3,411)	(3,290)	(6,435)
Gains arising on disposal of Bath business		-	1,380	1,380
Exceptional property provisions		-	-	(1,969)
<b>Profit from operations</b>	1	<b>2,655</b>	8,989	14,387
<b>Analysed as:</b>				
Profit from operations before exceptional items		2,655	7,609	14,976
Gains arising on disposal of Bath business		-	1,380	1,380
Exceptional property provisions		-	-	(1,969)
<b>Profit from operations</b>		<b>2,655</b>	8,989	14,387
Finance revenue		356	237	731
Finance costs		(1,255)	(1,274)	(2,392)
	2	<b>(899)</b>	(1,037)	(1,661)
<b>Profit before taxation</b>		<b>1,756</b>	7,952	12,726
Income tax expense	3	(71)	(3,351)	(4,095)
<b>Profit for the period attributable to equity holders of the parent</b>		<b>1,685</b>	4,601	8,631
<b>Earnings per share</b>	4			
On profit for the period attributable to equity holders and from continuing operations				
- basic		1.22p	3.33p	6.24p
- diluted		1.20p	3.30p	6.15p
<b>Dividend per share</b>	5			
- paid		1.635p	1.635p	2.495p
- proposed		0.860p	0.860p	1.635p

Dividends paid and proposed during the period were £2.3 million and £1.2 million respectively (30 June 2008: £2.3 million and £1.2 million respectively, 31 December 2008: £3.5 million and £2.3 million respectively).

The accompanying notes are an integral part of these Consolidated Financial Statements.

All income and expenses relate to continuing operations.

**Consolidated Statement of Comprehensive (Loss) / Income**  
for the half year ended 30 June 2009: unaudited

	Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
<b>Profit for the period</b>	<b>1,685</b>	4,601	8,631
Exchange differences on translation of foreign operations	(20)	(71)	(67)
Actuarial (losses) / gains on defined benefit pension plans	<b>(13,919)</b>	(5,866)	1,240
Income tax thereon	<b>3,897</b>	1,642	(347)
Loss on cash flow hedges taken directly to equity	<b>(505)</b>	-	(239)
Income tax thereon	<b>142</b>	-	67
<b>Other comprehensive (loss) / income for the period, net of tax</b>	<b>(10,405)</b>	(4,295)	654
<b>Total comprehensive (loss) / income for the period, net of tax</b>	<b>(8,720)</b>	306	9,285
Attributable to:			
Equity holder of the parent	<b>(8,720)</b>	306	9,285

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Consolidated Cash Flow Statement**  
for the half year ended 30 June 2009: unaudited

		Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
<b>Cash flows from operating activities</b>				
Cash generated from operations	6	(4,500)	10,044	23,385
Interest paid		(1,018)	(1,317)	(2,764)
Interest received		356	111	358
Income tax paid		(1,226)	(582)	(1,423)
<b>Net cash flows from operating activities</b>		<b>(6,388)</b>	<b>8,256</b>	<b>19,556</b>
<b>Cash flows from investing activities</b>				
Receipt of consideration from the sale of Bath business		500	8,200	8,200
Acquisition of subsidiary undertakings including overdraft acquired		(600)	-	(4,459)
Purchase of property, plant and equipment		(1,788)	(2,296)	(5,444)
Proceeds from the sale of property, plant and equipment		38	693	705
Purchase of intangible assets		(999)	(1,258)	(2,111)
<b>Net cash flows from investing activities</b>		<b>(2,849)</b>	<b>5,339</b>	<b>(3,109)</b>
<b>Cash flows from financing activities</b>				
Receipt from sharesave options exercised		-	5	30
New borrowings		24,000	-	800
Repayment of borrowings		(16,000)	(1,000)	(4,300)
Dividends paid	5	(2,262)	(2,261)	(3,450)
<b>Net cash flows from financing activities</b>		<b>5,738</b>	<b>(3,256)</b>	<b>(6,920)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(3,499)</b>	<b>10,339</b>	<b>9,527</b>
Cash and cash equivalents at 1 January		17,940	8,221	8,221
Exchange rate effects		(268)	(71)	192
<b>Cash and cash equivalents at end of period</b>		<b>14,173</b>	<b>18,489</b>	<b>17,940</b>
<b>Cash and cash equivalents consist of:</b>				
Cash and cash equivalents		14,216	18,489	17,940
Overdrafts		(43)	-	-
		<b>14,173</b>	<b>18,489</b>	<b>17,940</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Consolidated Balance Sheet**  
30 June 2009: unaudited

	Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	24,156	22,839	23,752
Intangible assets	157,261	148,357	157,170
Trade and other receivables	3,715	5,465	4,965
Deferred tax assets	3,781	2,874	-
	<b>188,913</b>	<b>179,535</b>	<b>185,887</b>
<b>Current assets</b>			
Inventories	6,790	7,950	7,248
Trade and other receivables	33,436	38,767	28,234
Cash and cash equivalents	14,216	18,489	17,940
	<b>54,442</b>	<b>65,206</b>	<b>53,422</b>
	<b>243,355</b>	<b>244,741</b>	<b>239,309</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the equity holders of the parent</b>			
Equity share capital	34,651	34,638	34,651
Share premium	22	5	22
Merger reserve	11,427	11,427	11,427
Capital redemption reserve	1,375	1,375	1,375
ESOP reserve	(338)	(338)	(338)
Cumulative translation adjustment	(163)	(147)	(143)
Retained earnings	77,053	79,845	87,773
<b>Total equity</b>	<b>124,027</b>	<b>126,805</b>	<b>134,767</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	24,000	21,000	6,000
Retirement benefit obligations	22,500	18,600	11,100
Provisions	654	641	1,323
Deferred tax liability	-	-	353
Financial liability	485	-	81
	<b>47,639</b>	<b>40,241</b>	<b>18,857</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	15,043	12,500	25,000
Trade and other payables	52,116	58,463	53,650
Income tax payable	3,153	5,048	4,213
Provisions	1,118	1,684	2,664
Financial liability	259	-	158
	<b>71,689</b>	<b>77,695</b>	<b>85,685</b>
<b>Total liabilities</b>	<b>119,328</b>	<b>117,936</b>	<b>104,542</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>243,355</b>	<b>244,741</b>	<b>239,309</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

for the half year ended 30 June 2009: unaudited

### Half year ended 30 June 2009

	Issued capital	Share premium	Merger reserve	ESOP reserve	Capital redemption reserve	Cumulative translation adjustment	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>As at 1 January 2009</b>	<b>34,651</b>	<b>22</b>	<b>11,427</b>	<b>(338)</b>	<b>1,375</b>	<b>(143)</b>	<b>87,773</b>	<b>134,767</b>
Profit for the period	-	-	-	-	-	-	1,685	1,685
Other comprehensive loss	-	-	-	-	-	(20)	(10,385)	(10,405)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>(8,700)</b>	<b>(8,720)</b>
Employee share option schemes: - value of services provided	-	-	-	-	-	-	242	242
Dividends paid	-	-	-	-	-	-	(2,262)	(2,262)
<b>As at 30 June 2009</b>	<b>34,651</b>	<b>22</b>	<b>11,427</b>	<b>(338)</b>	<b>1,375</b>	<b>(163)</b>	<b>77,053</b>	<b>124,027</b>

### Half year ended 30 June 2008

	Issued capital	Share premium	Merger reserve	ESOP reserve	Capital redemption reserve	Cumulative Translation adjustment	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>As at 1 January 2008</b>	<b>34,636</b>	<b>4</b>	<b>11,427</b>	<b>(338)</b>	<b>1,375</b>	<b>(76)</b>	<b>81,470</b>	<b>128,498</b>
Profit for the period	-	-	-	-	-	-	4,601	4,601
Other comprehensive loss	-	-	-	-	-	(71)	(4,224)	(4,295)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71)</b>	<b>377</b>	<b>306</b>
Employee share option schemes: - value of services provided	-	-	-	-	-	-	259	259
Dividends paid	-	-	-	-	-	-	(2,261)	(2,261)
Shares issued	2	1	-	-	-	-	-	3
<b>As at 30 June 2008</b>	<b>34,638</b>	<b>5</b>	<b>11,427</b>	<b>(338)</b>	<b>1,375</b>	<b>(147)</b>	<b>79,845</b>	<b>126,805</b>

### Year ended 31 December 2008

	Issued capital	Share premium	Merger reserve	ESOP reserve	Capital redemption reserve	Cumulative translation adjustment	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>As at 1 January 2008</b>	<b>34,636</b>	<b>4</b>	<b>11,427</b>	<b>(338)</b>	<b>1,375</b>	<b>(76)</b>	<b>81,470</b>	<b>128,498</b>
Profit for the year	-	-	-	-	-	-	8,631	8,631
Other comprehensive income	-	-	-	-	-	(67)	721	654
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67)</b>	<b>9,352</b>	<b>9,285</b>
Employee share option schemes: - value of services provided	-	-	-	-	-	-	404	404
Dividends paid	-	-	-	-	-	-	(3,450)	(3,450)
Shares issued	15	18	-	-	-	-	(3)	30
<b>As at 31 December 2008</b>	<b>34,651</b>	<b>22</b>	<b>11,427</b>	<b>(338)</b>	<b>1,375</b>	<b>(143)</b>	<b>87,773</b>	<b>134,767</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

## Notes to the Financial Statements

for the half year ended 30 June 2009: unaudited

### 1 Segmental information

At 30 June 2009, the Group is organised into four main business segments: Technology & Services, Print Sourcing, Direct Mail & Business Forms, and Transactional.

#### Business segments

The segment results for the half year ended 30 June 2009 are as follows:

	Continuing operations					Total £000
	Technology & Services £000	Print Sourcing £000	Business Mail & Forms £000	Trans- actional £000	Central Cost £000	
Revenue	9,923	29,077	26,325	29,634	-	94,959
Profit from operations	2,750	193	377	4,254	(4,919)	2,655

The segment results for the half year ended 30 June 2008 were as follows:

	Continuing operations					Total £000
	Technology & Services £000	Print Sourcing £000	Business Mail & Forms £000	Trans- actional £000	Central Cost £000	
Revenue	4,993	55,330	61,353	26,378	-	148,054
Profit from operations before exceptional items	2,372	1,279	3,663	5,515	(5,220)	7,609
Gains arising on disposal of Bath business	-	-	1,380	-	-	1,380
Profit from operations	2,372	1,279	5,043	5,515	(5,220)	8,989

The segment results for the year ended 31 December 2008 were as follows:

	Continuing operations					Total £000
	Technology & Services £000	Print Sourcing £000	Business Mail & Forms £000	Trans- actional £000	Central Cost £000	
Revenue	11,851	96,727	91,816	57,336	-	257,730
Profit from operations before exceptional items	5,127	1,308	5,445	13,329	(10,233)	14,976
Gains arising on disposal of Bath business	-	-	1,380	-	-	1,380
Exceptional property provisions	-	-	-	-	(1,969)	(1,969)
Profit from operations	5,127	1,308	6,825	13,329	(12,202)	14,387

## 2 Net finance costs

	Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
Interest on receivables measured at amortised cost	356	112	419
Interest expense for borrowings at amortised cost	(660)	(1,250)	(2,392)
Net interest from financial assets and financial liabilities not at fair value through profit and loss	(304)	(1,138)	(1,973)
Loss on foreign currency financial liabilities	(83)	(24)	62
Retirement benefit related (cost) / income	(512)	125	250
Finance costs	<b>(899)</b>	<b>(1,037)</b>	<b>(1,661)</b>

Included within retirement benefit related cost in the current period is £249,000 in relation to costs associated with de-risking of the defined benefit pension scheme.

## 3 Income tax

The tax charge on continuing operations for the period is based upon the estimated effective tax rate for the year of 4%.

The rate is lower than the standard rate of 28% primarily as a result of adjustments in respect of prior year tax provisions.

## 4 Earnings per share

	Half year ended 30 Jun 2009 £000	Half year ended 30 Jun 2008 £000	Year ended 31 Dec 2008 £000
Basic and diluted earnings per share are calculated as follows:			
Profit attributable to equity holders of the parent	1,685	4,601	8,631
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	138,323	138,269	138,285
Effect of dilution:			
Share options	1,745	1,341	2,060
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	<b>140,068</b>	139,610	140,345

279,628 (30 June 2008: 279,628, 31 December 2008: 279,628) shares were held in trust at 30 June 2009.

#### 4 Earnings per share (continued)

##### Earnings per share from continuing operations before exceptional items

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

	Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
Profit after taxation from continuing operations	1,685	4,601	8,631
Exceptional items:			
Gains arising on disposal of Bath business	-	(1,380)	(1,380)
Exceptional property provision	-	-	1,969
Taxation – adjustments in respect of prior years	(505)	-	(1,147)
Taxation on exceptional items	-	1,372	821
Profit after taxation from continuing operations excluding exceptional items	<u>1,180</u>	<u>4,593</u>	<u>8,894</u>
Adjusted earnings per share			
Basic	<b>0.85p</b>	3.32p	6.43p
Diluted	<b>0.84p</b>	3.29p	6.34p

Adjusted earnings per share uses the same weighted average number of ordinary shares as reported above.

#### 5 Dividends paid and proposed

	Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
<b>Declared and paid during the period</b>			
Amounts recognised as distributions to equity holders in the period:			
Final dividend of the year ended 31 December 2007 of 1.635p per share	-	2,261	2,261
Interim dividend of the year ended 31 December 2008 of 0.860p per share	-	-	1,189
Final dividend of the year ended 31 December 2008 of 1.635p per share	<u>2,262</u>	-	-
	<u>2,262</u>	<u>2,261</u>	<u>3,450</u>
<i>Proposed for approval by the Board (not recognised as a liability at period end)</i>			
Interim equity dividend on ordinary shares for 2009 of 0.860p (30 June 2008: interim 0.860p, 31 December 2008: final 1.635p) per share	<u>1,192</u>	<u>1,189</u>	<u>2,262</u>

## 6 Cash generated from operations

	Half year ended 30 June 2009 £000	Half year ended 30 June 2008 £000	Year ended 31 Dec 2008 £000
<b>Continuing operations</b>			
Profit before tax	1,756	7,952	12,726
Adjustments for:			
Depreciation and amortisation	3,411	3,290	6,438
Amortisation of contract premium payment	500	500	1,000
Excess of Income Statement pension charge over normal contributions paid	-	237	85
Gains arising on disposal of Bath business	-	(1,380)	(1,380)
Exceptional property provisions	-	-	1,969
(Profit) / loss on sale of property, plant & equipment	(8)	30	55
Share-based payment charge	242	259	404
Net finance costs	899	1,037	1,661
Additional contribution to the defined benefit pension plan	(2,500)	(1,200)	(1,200)
Changes in working capital:			
Decrease / (increase) in inventories	425	(297)	447
(Increase) / decrease in trade and other receivables	(4,669)	(4,064)	7,801
(Decrease) / increase in trade and other payables	(4,556)	3,680	(6,621)
<b>Cash generated from operations</b>	<b>(4,500)</b>	<b>10,044</b>	<b>23,385</b>

## 7 Related party transactions

There were no related party transactions during the period which require disclosure.

## 8 Additional information

The financial information for the half year ended 30 June 2009 and for the equivalent period in 2008 has not been audited or reviewed. It has been prepared in accordance with IAS 34 ('Interim Financial Reporting') and on the basis of the accounting policies as set out in the 2008 Annual Report and Accounts, except for the adoption of new Standards and Interpretations as of 1 January 2009 which are applicable to the Group, as noted below:

### *IFRS 2 Share-based Payment – Vesting Conditions and Cancellations*

The amendment to IFRS 2 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions and, whereas a failure to achieve such a condition was previously regarded as a forfeiture (giving rise to a reversal of amounts previously charged to profit), it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge, or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or counterparty.

The Group has treated the employees' withdrawal from the SAYE schemes as a cancellation, this has resulted in an acceleration of the charge because the withdrawal is under the control of the employees. The adoption of this amendment did not have a material effect for the period ended 30 June 2008 or for the year ended 31 December 2008. There is no impact on the financial statements as of 1 January 2008.

### *IFRS 8 Operating Segments*

This Standard requires disclosure of information about the Group's operating segments based on information presented to the Board and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of the Standard did not have any effect on the determination of operating segments, financial position or performance of the Group.

*IAS 1 Revised Presentation of Financial Statements*

The Standard introduces the Statement of Comprehensive Income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The improvements to IFRS introduced by the IASB, applicable for periods commencing on or after 1 January 2009 did not have any impact on the accounting policies, financial position or performance of the Group.

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.