3 March 2016

Communisis plc

("Communisis" or the "Group")

Preliminary Results for the year ended 31 December 2015

Leading provider of integrated marketing services Communisis plc (LSE:CMS), reports preliminary results for the year ended 31 December 2015.

Commenting on the results Communisis Chief Executive, Andy Blundell, said:

"We have delivered an improvement across all key performance metrics during 2015. Adjusted operating margin moved further ahead and bottom-line profitability contributed to a doubling in free cash flow. Significant contract renewals and our new business pipeline will enable us to continue delivering growth, profitability and value in 2016."

Financial Highlights

- **Significant improvement across all key performance metrics**
- **Strong growth in profitability, operating margin and earnings per share**
- **Free cash flow doubled**
- **Dividend increase for the fifth consecutive year**

Comparison of 2015 to 2014

	2015 £m	**2014 £m**	**As Reported**	**Constant Currency***
Total revenue	354.2	343.0	+3%	+6%
Adjusted operating profit**	18.3	16.0	+14%	+20%
Adjusted operating margin**	7.6%	6.9%	+10%	+13%
Adjusted earnings per share***	5.18p	4.62p	+12%	+21%
Dividend per share	1.47p	1.33p	+10%	+10%
Profit before tax	17.3	(13.2)		
Free cash flow	12.0	6.0		
Net debt	39.4	35.9		

** Constant currency: the reported numbers excluding the effects of changes in exchange rates on the translation into Sterling of results denominated in foreign currencies.*

*** Adjusted operating profit and operating margin (excluding pass through): before exceptional items and the amortisation of acquired intangibles.*

**** Adjusted earnings per share: fully diluted and excluding the after tax effects of exceptional items and the amortisation of acquired intangibles.*

Operational Highlights

Growth

- Organic sales growth

  Significant new multi-year contractual relationships:
  - Contractual renewals with Barclays, RBS, Centrica and EE, improving long-term visibility
  - New contract with Legal & General for printed matter and print logistics services. Three years commencing in April 2016
  - New contract with AXA UK for incoming and outgoing marketing and customer communication services. Awarded in February 2015 for a six-year term

- Broadened service offering
  - Increasing focus on offering Clients an integrated service across all Divisions
  - Capabilities extended through acquisition of insight-led shopper marketing agency Life Marketing Consultancy
  - New digital services platform developed, providing multi-channel customer messaging services

- Increased international presence

  - Increase in the number of Clients active in overseas markets to 28
  - Three new locations in Bucharest, Milan and Warsaw. New hub opening in Dubai in March 2016
  - Encouraging new business pipeline

Efficiency

- Progress to optimise cost base

  - Further site consolidation across the Group
  - Establishment of shared-services function to maximise back-office synergies across three Divisions
  - Improved productivity including targeted investment in high-speed technology

People

- Delivery becomes more people orientated

  - Streamlined Board structure and re-alignment of senior leadership
  - Focus on succession planning with significant progress in building our talent pipeline. 12 middle managers enrolled on fast-track development programme
  - Graduate recruitment programme re-instated and Apprenticeships programme expanded

For further information please contact:

Communisis plc **020 7382 8952**
Andy Blundell / Mark Stoner

FTI Consulting **020 3727 1000**
Matt Dixon / Emma Appleton

About Communisis
Communisis is an integrated marketing services company which improves communication between brands and their customers. We create engaging content and deliver it across multiple customer touch-points; in digital, broadcast and print channels.

Chairman's statement

Results

Our aim is to build on our heritage as *a trusted partner* to our Clients in physical communication whilst driving the pace of digital adoption. To achieve this we focus on a strategy which is based on three pillars - *Growth, Efficiency and People*. 2015 showed good progress on all these fronts.

The Group has doubled in scale over the past 5 years and, on behalf of our Clients, we now communicate with the majority of the UK's adult population and nearly every household on a regular basis. The past 5 years has also seen our international presence expand to a fifth of total revenue.

In 2015 Communisis has delivered a strong performance with a sixth consecutive year of growth, underpinned by long-term contracts and increasingly embedded Client relationships.

There has been improvement across all key financial metrics in 2015. Adjusted operating profit increased 14% to £18.3m (2014 £16.0m) on revenue that was 3% ahead at £354.2m (2014 £343.0m). Improvement was also seen in operating margin on sales (excluding pass through) which increased from 6.9% in 2014 to 7.6%. Free cash generation was strong, doubling in the year from £6m to £12m and delivering a net debt of £39.4m.

At the profit before tax level there has been a significant improvement from last year's loss of £13.2m to a profit of £17.3m in 2015. This is the combined result of an increase in operating profits, and a decrease in exceptional costs. In 2014, exceptional costs included a £21m goodwill impairment. Conversely, in the current year, exceptional items includes a credit of £6.7m in relation to the re-negotiation of the earn-out agreement for the Life acquisition. As a result there has been improvement in both basic and adjusted earnings per share during the year. Basic earnings per share was 6.98p, (2014 loss of 7.67p), with adjusted earnings per share (fully diluted and excluding the after tax effects of exceptional items and acquired intangibles) up 12% at 5.18p (2014 4.62p).

Client successes included the renewal of long-term contracts with Barclays, RBS, Centrica and EE, plus new relationships with AXA and Legal & General. These deals give us good long-term visibility and the opportunity to further expand the service offerings over time.

Market leadership in key service lines has been maintained and is reaping rewards; our Produce division is the UK's number one provider of outbound transactional services for billing and statements, with a Client focus in financial services and utilities. Deploy is a growth engine taking advantage of the emerging strategic market to manage brand equity such as point-of-sale on an international basis for Fast Moving Consumer Goods ("FMCG") Clients. We are rapidly moving into new geographies, the latest being our Dubai office as well as upstream service areas, such as shopper-marketing. The first phase to build capability in our Design division is complete; this will offer the key capabilities for customer engagement both directly and in combination with the rest of the Group.

Successful delivery of the Group's strategy is dependent upon attracting, developing and retaining a high calibre team. The Board would like to thank everyone who has contributed to another successful year for the Group.

Dividend

The proposed final dividend of 1.47p per share brings the total dividend for the year to 2.20p per share, an increase of 10% over 2014, reflecting the operating performance in 2015. The dividend will be payable on 20 May 2016 to shareholders on the register at 22 April 2016.

Board changes

Peter Harris was appointed as Senior Independent Director on 7 May 2015, alongside his role as Audit Committee Chairman.

The Board would like to express thanks to two Directors who stepped down on 31st January 2016. Nigel Howes was appointed as Non-Executive Director in December 2007 and most recently had the role of Strategic and Corporate Development Director. Dave Rushton joined Communisis in 2003 as General Manager for Transactional Print and most recently fulfilled the position of Group Managing Director. The Board is most grateful for their contribution over many years and wishes them well for the future.

Outlook

We are encouraged by increasing demand for the Group's integrated marketing services. In 2016 contract wins, together with our new business pipeline, position Communisis for another year of profitable growth. The Board is focussed on the creation of value; meaning bottom-line profit translating to improving free cash flow and progressively lower debt.

Peter Hickson
Chairman
3 March 2016

Strategic report

What do we do?

Communisis is an integrated marketing services company which improves communication between brands and their customers. We create engaging content and deliver it across multiple customer touch-points; in digital, broadcast and print channels.

Our Three Propositions

- **Customer Engagement**
- **Personalised Communications**
- **Brand Deployment**

We enable Clients to deliver marketing, operational and regulatory customer communications through multiple channels, including print, mobile, social media and in-store. We help our Clients overcome challenges such as legacy IT systems and the lack of in-house expertise. Ultimately our role is to provide engaging and relevant messaging consistently across all channels. We achieve this within an environment of rapid change and increasing consumer control by providing our Clients with insight and understanding of customer content and context and with the ability to use mobile and apps to ensure consistent messaging across all channels.

Customer Engagement (reported in the Design segment)

We offer strategic marketing expertise, communications consultancy and creative services specialising in Customer Relationship Marketing; Shopper Marketing; Brand Activation and Financial Services Content. Supporting these we have depth in: Social Media; Data Insight and Marketing Technology. This broad capability enables us to deeply understand our Clients' customers, and to then create content and communications that transform their brand experience.

Personalised Communications (reported in the Produce segment)

We are the UK's number one provider of outbound transactional services for billing and statements, with a market leading position in Financial Services and Utilities. In parallel we have also developed a sizeable inbound service to support our Clients. The trend to outsourcing is an important growth driver for the business as Clients, such as those in financial services for example Lloyds Banking Group, focus on their core business. Our capabilities include document composition, workflow management and digital output such as email.

The Produce capability is at the heart of Communisis. The majority of our major Client relationships start here and the majority of our technical expertise resides here.

Brand Deployment (reported in the Deploy segment)

Our Brand Deployment proposition responds to increased demand from FMCG Clients to better manage strategic communications, such as point-of-sale, on an international basis. Our Deploy division is now well established across EMEA and we are rapidly moving into new territories with the opening of the Dubai office being the most recent. There is an obvious synergy between our Shopper Marketing capability (LIFE) and the Deploy segment: a new combined proposition is already finding good traction with prospects.

Brand Deployment has six core international service lines underpinning its proposition; campaign management, studio services, supplier sourcing, governance, in-store activation and warehousing & logistics.

Market Dynamics

Macro Environment

The UK economy has continued to recover and we have seen growth in marketing budgets. There is also a focus on value, resulting in increased demand for outsourced customer communications, providing new business opportunities both in the UK and overseas.

Our approach is to broaden our service sector mix and expand internationally, in order to create a natural hedge against individual market volatility.

Market trends

The Group operates in rapidly evolving markets. Major trends include:

- Outsourcing of incoming and outgoing customer communication and associated services,
- Precision marketing through personalised communications,
- More consistent messaging in global campaigns,
- Clients reducing the number of service providers: the winners being those with scale and a broad range of services,
- Client brands focussing on improving customer retention and attraction in challenging consumer driven markets.

Channel Mix

The millennial generation and its relationship with technology are transforming marketing communications. Digital disruption is apparent across all markets. Digital marketing spend in the UK is estimated to be £8bn. This is forecast to grow in 2016 to £8.64bn, with investment in localised content through social and mobile platforms. Mobile now accounts for 17.7% of the display market - a growth rate of 72.5% compared with 2013. Online video advertising has also shown strong growth, now representing 15.1% of the display market.

The aggressive growth of digital has resulted in challenges for major brands, who struggle with the complexity of huge volumes of data available from multiple sources: This is reflected in the demand for marketing services providers to have the most accurate single customer view (“SCV”). Brand owners also face the challenges of legacy IT infrastructure and increased consumer demand for integrated, personalised multi-channel communications. Marketing has undergone rapid change in recent years in order to reflect the increasing channel complexity. More traditional in-house marketing communication departments are challenged to cover the entire necessary skills required to meet these new complexities: This provides opportunities for Communisis through outsourcing models, which drive deeply embedded Client relationships.

Underlying volume erosion associated with printed output is a driver in some of the Group’s more mature markets such as cheque book production, and the Group continues to adapt its business model accordingly. Overall print remains a key component in the marketing mix for many Clients, particularly when effectively integrated with digital channels. Communisis’ involvement in print is highly specialist and frequently mission-critical, including the transactional market which is now the largest constituent of the Produce segment. The Group is therefore less prone to pressures affecting more commoditised manufacturing.

Point of Sale products and services drive customer decision-making in store and remain an important part of the marketing mix. Clients want to work with companies like Communisis who can manage campaigns on an international basis.

The Design division benefits from the trend for Clients to operate with a single below-the-line Agency with multiple capabilities.

Three clear strategies, creating value for stakeholders

GROWTH	EFFICENCY	PEOPLE
• Grow sales organically • Extend activities to broaden and deepen the service offering • Increase international presence	• Optimise direct cost and overhead base • Capitalise on synergy • Improve capacity utilisation	• Attract the best people • Engage, develop and reward • Optimise structures

How have we performed?

Good progress was made during the year against all three strategic initiatives.

GROWTH

Grow sales organically

The Group's growth strategy is generally focused on organic opportunities within existing Client relationships where long-term contracts are already in place for a broad range of services. Extended sales lead times and the preference for Client culture to be aligned with Communisis, mean that our approach to new business is highly selective and qualified.

The following new or extended contracts have been announced in 2015;

- Barclays for marketing print and direct mail services. Renewed for three years with the option of a further two-year extension.
- RBS for Business and Corporate & Commercial banking marketing. Extension of existing relationship.
- Centrica for outgoing transactional communication services. Extended for a further five years until October 2020.
- EE for marketing communications. Extended for two years until March 2017.
- AXA UK for incoming and outgoing marketing and customer communication services. Awarded in February 2015 for a six-year term.
- Legal & General for printed matter and print logistics services. Three years commencing in April 2016.

The Group has traditional strength in highly regulated sectors including financial services, but has been diversifying its Client portfolio in recent years. 2015 has seen new Clients in the drinks, consumer goods, healthcare and technology sectors. Our Client base now includes all of the major UK banks, the top ten building societies, major telecoms, media groups, utilities, global consumer goods distributors, high street retailers and supermarkets, as well as government departments and charities. Many of the Group's largest Clients are leaders in their sectors*.* Consequently, credit risk is very low with little bad debt history in recent years.

About 75% of revenues are underpinned by multi-year contractual arrangements, giving good medium-term visibility in the business. The average contract life is currently five years. Many of the contracts are for personalised, business-critical communications, such as invoices, statements and cheque books, or for multi- territory marketing campaigns. As a result of the nature of these services, Communisis becomes deeply embedded with its Clients, with our best relationships taking the form of trusted partnerships. The

Group normally negotiates to extend or renew relationships as long as service levels are met, far extending the average contract life.

Extend activities to broaden and deepen the service offering

The Group has increased the number of services available to Clients through strategic acquisitions, innovation and synergy between Communisis businesses.

Communisis has a well-established management process around the key-accounts, aimed at achieving high degrees of Client satisfaction through service excellence, and identifying growth opportunities by developing the Client relationship.

For our largest Clients we frequently have account teams either co-located at a main Client hub or across several Client sites. The teams sit alongside the Client's marketing teams and are therefore perfectly placed to identify and develop new growth opportunities. Most large Clients have a philosophy of doing more with fewer strategic suppliers, which suits Communisis' approach.

The Design division complements our activities in Produce and Deploy – recognising the relationship between controlling content and higher-margin services. The following examples demonstrate how Design plays an important part in business development for the Group:

- Our data business helps lead our drive into the insurance sector – to quote one of our main Clients "Insight is everything"
- Our LIFE shopper-marketing business is working with Deploy to create a new joined-up solution for major brands in the healthcare and consumer goods sectors
- Our EDITIONS FINANCIAL content marketing business provides compelling copy to major financial services providers, many of whom are also Clients for our transactional services.

The Group is taking steps to better publicise current innovation initiatives to a wider audience. This will also support the growth agenda by positioning Communisis differently. One example is the new digital services platform, which provides multi-channel customer messaging services. This has already been used by Nationwide Building Society for messages associated with its enabling of Apple Pay.

In 2015 the Group offered selected Clients the opportunity to trial a new service introducing them to the latest disruptive technology, via access to over 4,000 new inventions from a worldwide innovation network. The aim is to clearly position Communisis as enabling Client innovation. The first step is for Clients to take part in an ideation workshop to identify and prioritise their marketing communication challenges. At the end of the programme, Clients are then offered the opportunity to trial this technology. This is becoming a key point of differentiation for the business, positioning Communisis as a "thought-leader".

Increase international presence

The Group has extended its international presence significantly in recent years. This growth has been driven by the demands of our major Clients in Deploy. As brand-owners, they recognise the opportunity to deliver a common marketing services strategy across a range of international geographies. They need a partner like Communisis that can mobilise quickly in response to Client demand for better central visibility and control over their point-of-sale supply chain, whilst still keeping Clients regional offices informed and empowered. As this important strategic market has opened up Communisis has established regional hubs including Paris, Madrid, Rome, Frankfurt and, most recently Istanbul. These hubs are supported by smaller Communisis operations in neighbouring countries so that, in total, we now have c. 170 people based overseas. It is important to note that we do not manufacture anything outside of the UK – value-add comes from the skills of our people and our technology.

We have recently announced that we are opening a new regional hub in Dubai, which will be operational from March 2016. This is an example of how international growth is de-risked by pilot Clients. In this case, an existing Client in the healthcare sector invited us in to the territory and the investment in the start-up is recouped by growth in relationships with multiple Clients in the region. This approach has resulted in an increase in the number of overseas Clients to 28.

Communisis will look at the opportunity to expand beyond EMEA, with the clear sponsorship of brand-owners. This is logical, given the assumed adoption of global strategies for marketing services, over time.

EFFICENCY

Optimise direct cost and overhead base, capitalising on synergies

The Group continues to drive efficiency improvements and optimise return on investment.

The Produce segment is delivering continued progress in delivering competitive unit costs, with further automation and efficiency plans underway. 2015 saw a 15% relative efficiency improvement in the Inbound business as a result of better operational efficiency, the closure of one site within the network and overall headcount reduction. In the Leeds Direct Mail facility, targeted investment in high-speed enclosing equipment and associated headcount reduction resulted in a significant year on year improvement in performance.

In Deploy, we are now handling multiple Clients from our international hubs and therefore obtaining better resource utilisation. A single software platform will be installed across our entire network, to accommodate the growth we are experiencing.

In the Design segment the cost base has been reduced as the recently acquired businesses undergo integration. Multiple businesses have now been successfully relocated into a single location in London, to optimise sales and cost synergies.

The Group is focussing its divisions on sales growth and efficient delivery to Clients. The Group will move to a Shared Service model for support functions over 2016. This will reduce costs by avoiding duplication, increasing efficiency and therefore enabling tighter control. The activities will include strategic sourcing, information technology and project management. These can be more effectively managed within a centralised model to realise benefits.

Improve capacity utilisation

Communisis has already made significant investment in high-speed colour digital technology within the manufacturing locations. This early-stage commitment was vital to winning major outsource projects such as the Lloyds Banking Group and AXA transactional contracts and provides competitive differentiation.

Ongoing investment in technology and automation is delivering benefits in the form of better output, lower production costs and improved inter-site operability.

As the profile of the Group becomes less capital-intensive, future expenditure will be increasingly focussed on software to support delivery of workflow and multi-channel control.

PEOPLE

Our aim is to attract, retain and develop the best people.

In 2015 we launched a new graduate recruitment programme and hired graduates who will complete a two-year development programme before taking on roles within the business.

In addition to the graduate programme, we have broadened our apprenticeship programme. This now encompasses roles available in IT, business administration and digital marketing. Plans are in place to have apprentices over four sites: Liverpool, Edinburgh, Leeds and Andover.

In 2015 we enrolled 12 managers onto our Inspire Programme, which was formulated to support and develop middle tier management so that they could better deliver our strategic goals, and at the same time enhance their prospects of career progression within Communisis.

We appreciate that employee engagement and wellbeing is not only beneficial for our employees, but also has a direct impact upon the performance of our business. During 2015 we held information and consultation forums, communicated with the entire workforce as widely as possible and carried out an all-employee survey to gain feedback.

Communisis is committed to providing our employees with a safe place to work combined with excellent occupational health services. The aim is to ensure that our people work within an environment which is conducive to decent health and wellbeing and that the programmes and initiatives positively affect employees' lives both inside and outside of work.

Creating value

Divisional reporting

The Divisional reporting is aligned with the Group's strategic direction and the way in which the activities are managed. Revenue, operating profit and margins before exceptional items are reported in three segments: Produce, Deploy and Design. Pass-through revenues, being those purchased materials that are passed on to Clients at cost with no added value, are reported separately, as are unallocated central costs that support integrated service offerings.

Clients can access services either from a single segment or on an integrated basis across some or all segments. The Group's account management process encourages the delivery of a broader range of services by targeting the Client's total available market.

FINANCIAL OVERVIEW

Results

The table below is an extract from the Group's segmental Income Statement.

	2015	**2014**
Revenue	**£m**	**£m**
Produce	**151.6**	150.7
Deploy	**53.8**	55.2
Design	**35.4**	26.5
Pass Through	**113.4**	110.6
	354.2	343.0
Adjusted profit from operations		
Produce	**19.3**	18.9
Deploy	**14.1**	13.8
Design	**4.3**	3.4
Central Costs	**(13.0)**	(13.5)
Corporate Costs	**(6.4)**	(6.6)
Adjusted operating profit	**18.3**	16.0
Amortisation of acquired intangibles	**(1.2)**	(1.0)
Profit from operations before exceptional items	**17.1**	15.0
Exceptional items	**4.0**	(24.7)
Net finance costs	**(3.8)**	(3.5)
Profit / (loss) before tax	**17.3**	(13.2)
Tax	**(2.8)**	(1.9)
Profit / (loss) after tax	**14.5**	(15.1)
Earnings / (loss) per share		
Basic (p)	**6.98**	(7.67)
Adjusted fully diluted (p)	**5.18**	4.62
Adjusted EBITDA (£m)	**29.2**	26.5
Operating margin (on adjusted operating profit excluding pass through)	**7.6%**	6.9%

Group

Total revenue increased by 3%, from £343m in 2014 to £354.2m, which represented a 6% increase on a constant currency basis. Adjusted operating margin improved to 7.6% (2014 6.9%) which delivered an adjusted operating profit of £18.3m, 14% up on the prior year and 20% on a constant currency basis.

Profit before tax has increased from a loss of £13.3m in 2014 to a profit of £17.3m in 2015. This is the combined result of the increase in operating profits, and the variance in exceptional costs explained in more detail below.

Exceptional items

In 2015, two substantial credits totalling £7.1m have been recognised within exceptional items. Of this, £6.7m relates to the re-negotiation of the earn-out agreement for the Life acquisition after a slower than expected start for the acquired business, and a further credit of £0.4m relates to the release of a property provision which has been settled during the year. These credits have been offset by exceptional costs related to restructuring activities of £2m, and the £0.5m write off of certain customer relationships acquired over the last two years. In the prior year, exceptional items included a £21m non-cash provision for goodwill impairment. The combined effect of last year's charge, and the current year's credit, along with the increased operating results, has resulted in a significant improvement in basic earnings per share from (7.67)p to 6.98p.

Adjusted diluted EPS, the measure most commonly recognised by the market, has increased from 4.62p to 5.18p including shares issued as consideration for the acquisition of Life.

All segments contributed to the increase in adjusted operating profit.

Produce

Revenue ended in line with prior year where increases in Transactional and Inbound were offset by lower Direct Mail and Cheques volumes. Transactional benefitted from new contracts and lower volume erosion associated with printed output, which decreased from 8% to 5% over the year. New contract wins contributed to the improved Inbound results. Despite the fall in volumes, a strong operating performance within Direct Mail plus the delivery of targeted efficiency improvements across the manufacturing sites, helped to deliver higher returns in Produce and improved overall contribution margin.

Deploy

Adjusted operating profit improved by 2% (8% on a constant currency basis) to £14.1m.

Revenue and contribution within Deploy were impacted during the year by an unfavourable reporting translation rate between Euro and Sterling from the European subsidiaries. Additional revenues from new territories for brand deployment services (including Turkey and the Balkans) were therefore offset by currency translation variances.

Design

Revenue in Design increased by 34% primarily due to annualisation of the most recent acquisitions. Life, the Group's shopper marketing agency acquired in January 2015, had a slower than expected start due to some reduction or deferral in certain Client's spend and to the phasing of new business opportunities. This resulted in a lower margin for the segment when compared with the prior year. Adjusted operating profit increased 29% from £3.4m to £4.3m, with the shortfall in Life being offset by recovery of profitability within the Data business where an increasing focus on analytics has driven additional revenue and margin.

Central and Corporate Costs

The increased focus on management of cost across the Group has contributed to the decrease in Central and Corporate Costs.

Tax

The effective tax charge for 2015 was 16.2%, which is below the UK standard rate due primarily to the non-taxable fair value adjustment of contingent consideration in relation to the Life acquisition. The underlying tax rate remains at 23.9% (excluding the non-taxable goodwill impairment in 2014).

Dividend

The Board has proposed a final dividend of 1.47p per share bringing the total dividend for the year to 2.20p, an increase of 10% over 2014, reflecting the operating performance in 2015. Dividend remains well covered at 2.4 times.

Cash Flow and Net Debt

The table below summarises the cash flows for the year and the closing net debt position.

	2015	2014
	£m	£m
Profit from operations before exceptional items	**17.1**	15.0
Depreciation and other non-cash items	**12.2**	12.1
Decrease in working capital	**0.2**	1.1
Pension scheme contributions	**(2.9)**	(1.2)
Interest and tax	**(3.7)**	(4.7)
Net operating cash flow before exceptional items	**22.9**	22.3
Exceptional items	**(2.6)**	(5.1)
Net operating cash flow	**20.3**	17.2
Free cash flow	**12.0**	6.0
Net capital expenditure	**8.8**	11.2
Acquisition costs included in exceptional items	**(0.5)**	-
Net operating cash flow	**20.3**	17.2
Net capital expenditure	**(8.8)**	(11.2)
Investment in new contracts	**(2.2)**	(3.2)
Acquisition of subsidiary undertaking	**-**	(6.5)
Dividends paid	**(4.3)**	(3.7)
Debt arrangement fees	**-**	(0.1)
Share issues net of directly attributable expenses	**0.6**	0.3
Other	**(0.4)**	(0.9)
Decrease / (Increase) in bank debt	**5.2**	(8.1)
Opening bank debt	**(33.5)**	(25.4)
Closing bank debt	**(28.3)**	(33.5)
Bank debt	**(28.3)**	(33.5)
Unamortised borrowing costs	**0.3**	0.5
Net bank debt	**(28.0)**	(33.0)
Finance lease creditor	**(2.1)**	(2.9)
Promissory loan notes	**(9.3)**	-
Net debt	**(39.4)**	(35.9)

Free cash flow (being the residual cash inflow available for investment, dividend payments and financing arrangements, after deducting the cash required for continuing operation of the business) significantly improved from £6m to £12m over the year. This was driven by higher underlying earnings, a balanced working capital position, lower capital expenditure following a period of significant investment in new capacity along with a much reduced exceptional cash cost. These were partly offset by increased pension scheme contributions which have risen in line with a recently agreed deficit reduction plan.

The dividend payments represented the final dividend for 2014 and the interim 2015 payment with the higher amount reflecting both the 10% increase in the dividend per share for that year and the greater number of shares in issue.

The net cash inflow of £5.2m was used to reduce bank debt at the year end to £28.3m, a level that is less than 50% of the Group's facilities of £70m. Average bank debt during the year was £43.5m due to significant intra period movements. Bank debt at the period end and average bank debt during the year were respectively 1.0 times and 1.5 times EBITDA for the twelve months to December 2015. Interest cover from adjusted operating profit for the period was 4.8 times. Both measures reflect the Group's disciplined approach to debt management. Net debt ended at £39.4m, £3.5m higher than the prior year, due to the £9.3m two year promissory loan notes entered into as part of the Life acquisition, offset by the underlying reduction in bank debt of £5.2m.

Net Assets

Net assets as at 31 December 2015 increased by £11.1m, the biggest impact being the acquisition of Life which increased goodwill by £18.6m, offset by accrued consideration in the form of two promissory loan notes and an element of contingent consideration. The contingent consideration was revised downwards subsequent to acquisition following a slower than expected start to the year for the acquired business.

Pensions

The Pension Scheme accounting deficit at the year-end has increased to £41.1m (2014 £39.1m). This is primarily due to an increase in inflation indices, used in the actuarial calculation of the Pension Scheme liabilities. Cash contributions to the Pension Scheme are determined by reference to the triennial actuarial valuation, the latest of which was performed as at 31 March 2014, where the deficit reduced to £19.5m (2011 £38m). Contributions to the Scheme have now been agreed at £1.5m for the next eight years (subject to re-assessment following future triennial valuations), increasing in line with the progressive dividend, in addition to the previously agreed rental payments through the Central Asset Reserve arrangement.

Key Performance Indicators

The key performance indicators, that are commented upon individually elsewhere in this Strategic Report comprise:

	2015	2014
Financial		
Profit / (loss) after taxation (£million)	**14.5**	(15.1)
Adjusted operating profit (£million)	**18.3**	16.0
Adjusted dividend cover	**2.42**	2.40
Bank debt (£million)	**28.3**	33.5
Trade debtors outside credit terms (%)	**7.5**	5.4
Operating margin on sales (excluding pass through) (%)	**7.6**	6.9
Overseas revenue (%)	**18.2**	19.4
Pension deficit (£million)	**41.1**	39.1
Sales to financial services Clients (%)	**39.5**	43.0

Risks and Uncertainties

The Group is subject to a number of risks and uncertainties that bring both challenge and opportunity. The Group's principal risks and uncertainties, together with the mitigating actions, are set out in more detail below.

Corporate Social Responsibility

The Group embraces corporate social responsibility and our policies make Communisis more resilient, more productive and more predictable in performance, whilst delivering economic and environmental benefits to society as a whole.

Andy Blundell
Chief Executive
3 March 2016

Mark Stoner
Finance Director

Delivering our Strategy by Managing Risk

To successfully deliver against the Group's strategic initiatives, we must first understand the risks faced and plan to manage them to an acceptable level.

OUR APPROACH

The Board is accountable for ensuring the identification and appropriate management of potential risks faced by the Group. In fulfilment of this responsibility, the Board has extended the remit of the internal audit function which acts independently and reports directly to the Audit Committee Chairman. The internal audit functions responsibilities include overseeing the effectiveness of the internal control environment of the Group, and the implementation of an on-going risk management programme. This process is designed to identify, evaluate and manage the principal risks faced by the business in line with the Group Risk Policy. Risk management is the extent to which the Group responds to the opportunities faced, whilst at the same time understanding and seeking to control any threats that could prevent its achievement of business objectives and successful execution of our business strategy. The aim of our risk management programme is therefore to improve the awareness of the consequences of risk-taking activities, reduce the frequency of damaging events occurring and minimise the severity of the consequences if they do occur. Part of this approach includes operation or certification to a number of standards. This helps the business to work to legal, regulatory and contractual requirements using a set of clearly defined frameworks and management systems.

Material risks are identified via both a bottom up and top down approach. Policy requires that Business Unit heads demonstrate that they conform to the requirements of the Communisis Group Risk programme. Assessments must be undertaken, risks identified, controls identified and action managed for all activities that are identified as being critical to Communisis. During the year, all business segments are required to report their top 10 risks on a monthly basis to the internal audit function enabling independent review and reporting to the Board and senior management teams. Impact assessments are carried out to ascertain the likelihood of occurrence of each risk and the potential impact on the Group.

The Board also carries out a regular top down risk assessment of the most significant strategic risks that are linked to the achievement of the Group's strategic initiatives. The overall aim is to safeguard shareholders' investment and the Group's assets' and ultimately to eliminate the risk of failure.

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over a three-year period to December 2018 and can confirm that they have a reasonable expectation that the Group will continue to operate and meets its liabilities as they fall due for the next three years.

In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the three-year period. The Directors consider the period to December 2018 to be appropriate as this is in line with the period covered by the Group's financial and strategic planning. Clients have shown an increased willingness to enter into longer contractual terms resulting in improved visibility for the Group from a financial perspective. With more emphasis being placed internally on identifying and managing pervasive risk, the Directors are confident that that the Group will operate in line with the three-year strategic plan.

The three-year strategic plan considers the Group's key financial ratios and cash flows over the three-year period. The potential impact of the occurrence of any combination of the Group's principal risks is assessed as part of the stress testing process to give the Director's increased assurance that the Group can continue to operate in line with the strategic three-year plan.

Whilst the review has considered all the principal risks identified in the table below, three have been identified for enhanced stress testing as they are considered to have the most significant plausibility and impact. These are: response to technological change, safeguarding of data and cyber risk and the loss of major Clients. Testing in isolation was considered inappropriate as ultimately the occurrence of any of these risks would lead to the loss of major Clients (either through reputational damage or failure to respond to Client's progressive adoption of digital communication channels). The three-year strategic plan has therefore been stress tested by overlaying the impact of the loss of the Group's top three customers.

Whilst the occurrence of these risks is possible, the Group are confident that the mitigating actions detailed in the table below are sufficient to minimise the impact. Accordingly, the Board continues to adopt and consider appropriate the going concern basis in preparing the Annual Report and Financial Statements.

Going concern

The directors, after making enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

Risks and Uncertainties

The principal risks and uncertainties facing the business are taken directly from the risk registers and are detailed below. The Group faces other risks which are subject to regular review and, have been assessed as lower risk and are therefore not included here. Some risk factors remain beyond the direct control of the Group and the Risk Management Programme. We can therefore, only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

Risk Area	**Impact**	**Mitigating Actions and Management**
The Group must be able to respond to market and technological change	Clients' and their customers' progressive adoption of digital formats and channels may impact Group strategy and market demand for products and services. The impact is that the systems and equipment utilised by the Group could be superceded earlier than anticipated by management.	• Continued investment in technology and new services maintains and enhances the Group's competitive position. • Specific teams have been introduced within the business to lead Change and Innovation. • The Group is committed to developing or procuring new types of technology in order to be able to provide the latest services to Clients and therefore maintain its competitive position.
Safeguarding of data and Cyber risk	The Group processes personal and sensitive data on behalf of Clients as part of its core services. The impacts are that: • A failure to maintain a secure and fully functional IT infrastructure could result in an inability to meet contractual service obligations; and • The confidentiality, integrity and availability of information processed by the Group could be compromised by human error, systems failure, equipment malfunction or deliberate unauthorised action, any of which could result in reputational damage and financial loss.	• Continued investment in IT infrastructure, security and monitoring, guards against the inappropriate use of Client data and maintains and enhances the effectiveness of controls. • Established information and security standards are subject to regular third-party audits. • Processes to deal with Cloud Computing assessment and risk management have been implemented. Core areas of the Group are subject to Certification including ISO/IEC 27001.
Existing Client concentration may mean that the loss of a major Client could materially decrease sales	A substantial percentage of the Group's revenues are derived from a relatively small number of Clients and therefore the loss of one or more of these Clients could have a material impact on the Group's sales. This could result in a material decrease in profitability whilst new contracts are sought and excess capacity reduced. In the year ended 31 December 2015 the top five Clients of the Group accounted for approximately 57 per cent of sales.	• A strategic account management programme operates to preserve Client relationships, monitor compliance with service level agreements and expand the services offered to key Clients. • Business development activities continue to promote the Group's services in a broad range of market sectors and into international markets, reducing the historical reliance on the financial services sector. • Long-term Client relationships and associated contractual commitments are developed.
The Group continues to pursue	The Group now operates in 16 countries (15 in 2014) outside the UK. International	• The Group has implemented a Work Stream Forum team that

international expansion	exposure to geo-political volatility and social instability may put the Group operations at risk. Movements in foreign exchange rates can impact the Group's Sterling reported Financial Statements. The Group operates in a range of jurisdictions where non-compliance with local laws may expose the company to fines or other restrictions.	specifically deals with the management of operations that are carried out in non UK locations. • A country Risk Assessment process has been developed along with Country Management Manuals. • Foreign currency balances and cash flow forecasts are regularly reviewed to monitor exposure. Principal exposure is Euro denominated territories. • Advice is sought from expert legal and tax partners.
Deterioration in the economic environment may decrease profitability	The impact is that that macro-economic issues may quickly and detrimentally affect consumer expenditure, which could impact the trading performance of the Group's Clients and reduce their discretionary spend resulting in lower sales and profitability.	• Market trends are monitored and factored into the Group's business planning, budgeting and management processes. • Volume erosion protection is included in contract terms where possible.
The Group continues to integrate acquisitions to meet its strategic objectives	The Group may be unable to integrate the operations that have been acquired successfully and may not achieve the expected cost base control or increased revenues anticipated as a result of these acquisitions.	• The Group has clear strategy for ensuring growth. This includes assessment of the alignment of the products and services supported by positive and robust integration. • Due diligence is performed in advance of acquisition and contract signature. • In some acquisitions, part of the consideration is contingent, payable upon delivery of expected returns.
Clients rely upon proven resilient business operations	Certain Group operations depend upon the uninterrupted delivery of products and services that rely on complex computer networks and systems. The impact is that the Group may face a significant business continuity incident that will materially affect its ability to deliver products or services to its Clients, and associated financial penalties.	• A Business Continuity Management (BCM) System and BCM plans are in place. These are exercised and audited for core areas of the Group.
Talent and skills recruitment and retention	Without learning, development resource and succession planning, there is a risk that the Group will be unable to develop, retain and motivate highly skilled employees that are necessary to support operations, expand and build Client relationships.	• The Group actively monitors senior leadership to ensure motivation is maintained, that succession plans are in place and applied to relevant team members. • The Group has policies and procedures in place for training and development. Business operational expansion and acquisitions also help to ensure that the Group has the right skills. • The Group provides regular training on health and safety for

		all employees and monitors performance to ensure compliance with all relevant regulations and employment laws across all jurisdictions in which the Group operates.
Due to high operational gearing, a reduction in revenues could significantly impact profitability	The impacts are that the Group will not: • Adapt sufficiently quickly to any technological change or downturn in demand, with a consequent loss of competitiveness and profitability; • have adequate resources to invest in new technology and services; • retain its major Client portfolio, without replacement, or recover debts; and • diversify sufficiently into other market sectors.	• The Group's cost base is regularly reviewed and aligned with projected demand to avoid margin erosion. • A range of financing facilities are utilised with a reasonable degree of headroom over projected funding requirements. • Client credit is closely monitored and controlled to minimise the amount of overdue debt. Credit insurance is obtained against larger non-financial services sector debts. • Working capital and capital expenditure are actively managed to ensure that banking covenants are not breached. • Business development activities in a range of sectors reduce the historic reliance on the financial services sector.
A change in pension scheme assumptions could increase the pension deficit	Communisis has continuing obligations under a defined benefit pension scheme that is now closed to new entrants. The IAS 19 pension deficit was £41.1 million as at 31 December 2015. The impact is that any changes in assumptions, such as interest rates, equity returns or discount rates could require substantial future cash contributions to eliminate any resulting increase in the pension scheme deficit and therefore decrease the Group's ability to expand the business through continued investment or to pay dividends to shareholders.	• The Group works closely with the Pension Scheme Trustees to adopt programmes that optimise returns on Pension Scheme assets reduce the ultimate pension liabilities and minimise the level of additional cash contributions required to eliminate any deficit. • The triennial valuation completed in 2014 has fixed the deficit payments until 2022 (subject to re-assessment following future triennial valuations) providing certainty of cashflow for the Group.
Potential lease liabilities from past disposals could result in high cash costs to the Group	The Group has contingent liabilities arising from lease commitment guarantees on past corporate disposals. The principal impact is that current leasehold occupants will become insolvent and that guarantees will be called, resulting in a material cash cost to the Group.	• The financial status of the leasehold occupants is monitored on a regular basis. • Action will be taken to minimise the cost to the Group when default is anticipated. • Break clauses are reviewed and exercised where possible.

Consolidated Income Statement
for the year ended 31 December 2015

	Note	2015 Before amortisation of acquired intangibles and exceptional items £000	2015 Amortisation of acquired intangibles and exceptional items (Note 3) £000	2015 Total £000	2014 Before amortisation of acquired intangibles and exceptional items £000	2014 Amortisation of acquired intangibles and exceptional items (Note 3) £000	2014 Total £000
Revenue	1	**354,220**	-	**354,220**	343,026	-	343,026
Changes in inventories of finished goods and work in progress		**(284)**	-	**(284)**	303	-	303
Raw materials and consumables used		**(181,363)**	-	**(181,363)**	(188,330)	-	(188,330)
Employee benefits expense		**(94,605)**	**(2,043)**	**(96,648)**	(87,301)	(3,258)	(90,559)
Other operating expenses		**(48,709)**	**6,024**	**(42,685)**	(41,178)	(21,421)	(62,599)
Depreciation and amortisation expense		**(10,967)**	**(1,174)**	**(12,141)**	(10,505)	(1,008)	(11,513)
Profit / (loss) from operations		**18,292**	**2,807**	**21,099**	16,015	(25,687)	(9,672)
Finance revenue	2	**81**	-	**81**	6	-	6
Finance costs	2	**(3,915)**	-	**(3,915)**	(3,592)	-	(3,592)
Profit / (loss) before taxation		**14,458**	**2,807**	**17,265**	12,429	(25,687)	(13,258)
Income tax expense	4	**(3,701)**	**911**	**(2,790)**	(3,060)	1,209	(1,851)
Profit / (loss) for the year attributable to equity holders of the parent		**10,757**	**3,718**	**14,475**	9,369	(24,478)	(15,109)
Earnings / (loss) per share	6						
On profit / (loss) for the year attributable to equity holders and from continuing operations							
- basic		**5.19p**		**6.98p**	4.75p		(7.67)p
- diluted		**5.18p**		**6.97p**	4.62p		(7.45)p
Dividend per share	7						
- paid				**2.04p**			1.84p
- proposed				**1.47p**			1.33p

Dividends paid and proposed during the year were £4.3 million and £3.1 million respectively (2014 £3.7 million and £2.8 million respectively).

All income and expenses relate to continuing operations.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	2015 £000	2014 £000
Profit / (loss) for the year	**14,475**	(15,109)
Other comprehensive loss to be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	**(167)**	(296)
Gain / (loss) on cash flow hedges taken directly to equity	**74**	(252)
Income tax thereon	**(19)**	50
Items not to be reclassified to profit or loss in subsequent years:		
Adjustments in respect of prior years due to change in tax rate	**(782)**	-
Actuarial losses on defined benefit pension plans	**(3,559)**	(11,329)
Income tax thereon	**641**	2,266
Other comprehensive loss for the year, net of tax	**(3,812)**	(9,561)
Total comprehensive income / (loss) for the year, net of tax	**10,663**	(24,670)
Attributable to:		
Equity holders of the parent	**10,663**	(24,670)

Consolidated Balance Sheet
31 December 2015

	2015 £000	2014 £000
ASSETS		
Non-current assets		
Property, plant and equipment	**23,083**	25,246
Intangible assets	**192,367**	175,545
Trade and other receivables	**631**	265
Deferred tax assets	**3,906**	4,726
	219,987	205,782
Current assets		
Inventories	**7,775**	8,379
Trade and other receivables	**55,106**	56,098
Cash and cash equivalents	**32,719**	24,503
	95,600	88,980
TOTAL ASSETS	**315,587**	294,762
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Equity share capital	**52,302**	49,757
Share premium	**5,986**	8,036
Merger reserve	**15,600**	11,427
ESOP reserve	**(10)**	(72)
Capital redemption reserve	**1,375**	1,375
Cumulative translation adjustment	**(802)**	(635)
Retained earnings	**52,363**	45,818
Total equity	**126,814**	115,706
Non-current liabilities		
Interest-bearing loans and borrowings	**62,189**	59,612
Trade and other payables	**11,474**	2,638
Provisions	**42**	-
Financial liability	**162**	273
Retirement benefit obligations	**41,145**	39,098
	115,012	101,621
Current liabilities		
Interest-bearing loans and borrowings	**592**	738
Trade and other payables	**71,756**	75,684
Income tax payable	**1,351**	382
Provisions	**25**	631
Financial liability	**37**	-
	73,761	77,435
Total liabilities	**188,773**	179,056
TOTAL EQUITY AND LIABILITIES	**315,587**	294,762

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Cash generated from operations	**24,153**	21,987
Interest paid	**(2,318)**	(1,799)
Interest received	**33**	6
Income tax paid	**(1,557)**	(2,914)
Net cash flows from operating activities	**20,311**	17,280
Cash flows from investing activities		
Acquisition of subsidiary undertakings (net of cash acquired)	**(42)**	(6,476)
Purchase of property, plant and equipment	**(4,349)**	(6,532)
Purchase of intangible assets	**(6,841)**	(8,524)
Proceeds from the sale of property, plant and equipment	**196**	602
Net cash flows from investing activities	**(11,036)**	(20,930)
Cash flows from financing activities		
Share issues net of directly attributable expenses	**570**	343
New borrowings	**3,000**	14,000
Debt arrangement fees	**(10)**	(100)
Dividends paid	**(4,273)**	(3,665)
Net cash flows from financing activities	**(713)**	10,578
Net increase in cash and cash equivalents	**8,562**	6,928
Cash and cash equivalents at 1 January	**24,503**	18,642
Exchange rate effects	**(346)**	(1,067)
Cash and cash equivalents at 31 December	**32,719**	24,503
Cash and cash equivalents consist of:		
Cash and cash equivalents	**32,719**	24,503

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	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
As at 1 January 2014	48,601	6,799	11,427	(77)	1,375	(339)	73,369	141,155
Loss for the year	-	-	-	-	-	-	(15,109)	(15,109)
Other comprehensive loss	-	-	-	-	-	(296)	(9,265)	(9,561)
Total comprehensive loss	-	-	-	-	-	(296)	(24,374)	(24,670)
Employee share option schemes - value of services provided	-	-	-	-	-	-	493	493
Shares issued – exercise of options	327	16	-	-	-	-	-	343
Shares issued from ESOP	-	-	-	5	-	-	(5)	-
Acquisition of subsidiary	829	1,221	-	-	-	-	-	2,050
Dividends paid	-	-	-	-	-	-	(3,665)	(3,665)
As at 31 December 2014	**49,757**	**8,036**	**11,427**	**(72)**	**1,375**	**(635)**	**45,818**	**115,706**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**14,475**	**14,475**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(167)**	**(3,645)**	**(3,812)**
Total comprehensive profit	**-**	**-**	**-**	**-**	**-**	**(167)**	**10,830**	**10,663**
Employee share option schemes - value of services provided	**-**	**-**	**-**	**-**	**-**	**-**	**148**	**148**
Shares issued – exercise of options	**548**	**120**	**-**	**-**	**-**	**-**	**(98)**	**570**
Shares issued from ESOP	**-**	**-**	**-**	**62**	**-**	**-**	**(62)**	**-**
Acquisition of subsidiary	**1,997**	**-**	**2,003**	**-**	**-**	**-**	**-**	**4,000**
Transfer between reserves	**-**	**(2,170)**	**2,170**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(4,273)**	**(4,273)**
As at 31 December 2015	**52,302**	**5,986**	**15,600**	**(10)**	**1,375**	**(802)**	**52,363**	**126,814**

Notes to the Consolidated Financial Statements
for the year ended 31 December 2015

1 Segmental information

Business segments

The Group's activities are predominantly focused in three main areas which are:

- Produce;
- Deploy; and
- Design

There have been no changes to the basis of segmental reporting in 2015.

The Communisis Board, being the Chief Operating Decision Maker, considers the performance of Produce, Deploy and Design in assessing the performance of the Group and making decisions about the allocation of resources. Segmental disclosures have therefore been presented on this basis.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements. However, Corporate Costs, Central Costs, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer pricing between business segments is set on an arm's length basis in a manner similar to transactions with third parties.

The revenue and operating profit figures reviewed by the Chief Operating Decision Maker exclude sales between business segments and, as such, sales between business segments are excluded from the figures in the segmental results tables below.

Revenue to external customers disclosed in geographical information are based on the customers' geographical location.

The segment results for the year ended 31 December 2015 are as follows:

	Produce £000	Deploy £000	Design £000	Pass Through £000	Central Costs £000	Corporate Costs £000	Total £000
Revenue	**151,632**	**53,765**	**35,402**	**113,421**	**-**	**-**	**354,220**
Profit from operations before amortisation of acquired intangibles and exceptional items	**19,261**	**14,062**	**4,324**	**-**	**(12,958)**	**(6,397)**	**18,292**
Amortisation of acquired intangibles	**(169)**	**-**	**(1,005)**	**-**	**-**	**-**	**(1,174)**
Profit from operations before exceptional items	**19,092**	**14,062**	**3,319**	**-**	**(12,958)**	**(6,397)**	**17,118**
Exceptional items	**(1,062)**	**(34)**	**5,924**	**-**	**-**	**(847)**	**3,981**
Profit from operations	**18,030**	**14,028**	**9,243**	**-**	**(12,958)**	**(7,244)**	**21,099**
Net finance costs							**(3,834)**
Profit before tax							**17,265**
Income tax expense							**(2,790)**
Profit for the year							**14,475**

2 Net finance costs

	2015 £000	2014 £000
Interest on financial assets measured at amortised cost	**33**	6
Interest on financial liabilities measured at amortised cost	**(2,493)**	(2,416)
Net interest from financial assets and financial liabilities not at fair value through Income Statement	**(2,460)**	(2,410)
Gain on foreign currency liabilities	**48**	-
Retirement benefit related cost	**(1,422)**	(1,176)
	(3,834)	(3,586)

3 Amortisation of acquired intangibles and exceptional items

	2015 £000	2014 £000
Profit from operations is arrived at after charging the following items:		
Acquisition and set up costs	**537**	389
Contingent consideration write off	**(6,665)**	(500)
Customer relationship write off	**486**	-
Release of exceptional provision	**(382)**	-
Exceptional restructuring costs	**2,043**	3,258
Trade name write off	**-**	368
Pension deficit reduction projects	**-**	164
Impairment of goodwill	**-**	21,000
Exceptional items	**(3,981)**	24,679
Non-exceptional depreciation and amortisation – amortisation of acquired intangibles	**1,174**	1,008
	(2,807)	25,687

Acquisition and set up costs relate to non-recurring professional fees for acquisition related activities.

During 2015 the Group incurred £2,043,000 (2014 £3,258,000) in respect of significant organisational restructuring projects, including Board reorganisation, Group rationalisation and integration costs relating to the new Design agency, Psona, and LBG activities. Of the £2,043,000, £776,000 is unpaid at 31 December 2015.

The £6,665,000 primarily relates to the release of part of the contingent consideration following the re-negotiation of the Life earn-out agreement. The £500,000 write off in 2014 related to the acquisition of The Communications Agency Limited.

The £486,000 customer relationship write off relates to customer relationships valued as part of recent acquisition accounting in the Design segment, and is indicative of the current nature of client turnover in this area of the business.

The £382,000 exceptional provision release relates to a property provision set up in 2008. This has now been settled in full and the remainder released to the Income Statement.

In 2014 the annual test for impairment of goodwill arising from business combinations resulted in an impairment in the Produce segment of £21,000,000 against goodwill which arose on acquisitions made at the beginning of the last decade. The impairment arose due to a prudent view taken by management of the long-term reduction in demand for these more mature product lines, and also an increase in the underlying discount rate used to value the future cash flows of the Produce segment.

The £368,000 trade name write off in 2014 related to the creation of Psona, which resulted in statutory name changes for Kieon Limited and The Communications Agency Limited, to Communisis Digital Limited and Psona Limited.

The £164,000 pension deficit reduction costs related to legal and consultancy expenses for projects undertaken during 2014.

4 Income tax

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	2015 £000	2014 £000
Tax charged in the Income Statement		
Current income tax		
UK Corporation Tax	**2,553**	1,486
Adjustments in respect of prior years	**(133)**	(314)
Overseas tax on profits for the year	**994**	709
Total current income tax charge	**3,414**	1,881
Deferred income tax		
Origination and reversal of temporary differences	**(607)**	(73)
Adjustments in respect of prior years	**50**	43
Adjustments in respect of prior years – due to change in tax rate	**(67)**	-
Total deferred tax credit	**(624)**	(30)
Tax charge in the Consolidated Income Statement	**2,790**	1,851
Tax relating to items charged or credited to other comprehensive income		
Deferred income tax		
Actuarial losses on pension scheme current year credit	**(641)**	(2,266)
Adjustment in respect of prior years – due to change in tax rate	**782**	-
Tax on financial liability	**19**	(50)
Income tax credit reported in Consolidated Statement of Comprehensive Income	**160**	(2,316)

Current tax adjustments in respect of prior years relate to the release of provisions created in respect of prior years' tax submissions, agreed in the current year.

Reconciliation of the total tax charge

The tax expense in the Income Statement for the year is lower (2014 higher) than the average standard rate of Corporation Tax in the UK of 20.25% (2014 21.5%). The differences are reconciled below:

	2015 £000	2014 £000
Profit / (loss) before income tax	**17,265**	(13,258)
At UK statutory income tax rate of 20.25% (2014 21.5%)	**3,497**	(2,850)
Impairment of goodwill not deductible for tax purposes	**-**	4,515
Expenses not deductible for tax purposes	**275**	340
Non-taxable income	**(1,333)**	(108)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**290**	181
Share-based payments	**234**	69
Change in deferred tax in respect of rolled over capital gains	**(23)**	(25)
Adjustments in respect of prior years	**(83)**	(271)
Adjustment in respect of prior years – due to change in tax rate	**(67)**	-
Tax charge in the Consolidated Income Statement	**2,790**	1,851

The non-taxable income noted in the reconciliation above is principally in respect of the release of part of the contingent consideration following the re-negotiation of the Life earn-out agreement; see Note 3.

5 Acquisition of business

On 5 January 2015, the Group acquired the entire share capital of Life Marketing Consultancy Limited ("Life"). Life is an award-wining, research and insight-led shopper marketing agency. Life's clients are leading consumer goods groups especially in the food, drinks, technology and pharmaceutical sectors.

The acquisition was at an enterprise value (on a debt free, cash free basis) of £22,600,000, including Life's net assets at completion of £1,400,000. The consideration payable by Communisis amounted to a maximum of £23,300,000, including acquired cash of £743,000.

Communisis has acquired Life for an initial consideration of £14,000,000. The initial consideration was satisfied by the issue of a two-year, bank guaranteed promissory note of £9,300,000, £700,000 in cash, and through the issue to the vendors of 7,988,015 new ordinary shares of 25p each in the share capital of Communisis (the "Initial Consideration Shares") to the value of £4,000,000, based on an average middle market closing price of 50.1 pence per ordinary share. The Initial Consideration Shares will rank equally in all respects with Communisis' existing ordinary shares. The Initial Consideration Shares are subject to an absolute lock-in for one year after the acquisition. After the first anniversary of the acquisition the Initial Consideration Shares will only be tradable in an orderly market basis through the Group's brokers.

As part of the purchase agreement two contingent consideration mechanisms were agreed. An amount of up to a maximum of £6,000,000 (the "Earn Out Consideration") would be payable to the sellers at the end of the earn-out period (being the two years ended 31 December 2016) subject to the company generating an average adjusted EBITDA of £3,000,000. If the company failed to generate an average adjusted EBITDA of £3,000,000, but generates an average adjusted EBITDA greater than £1,900,000, contingent consideration of 5.4545 times the excess over £1,900,000 would be paid. If the company failed to generate an average adjusted EBITDA of greater than £1,900,000 no contingent consideration would be payable under this mechanism. Two-thirds of the Earn Out Consideration would be satisfied in cash and therefore total a maximum of £4,000,000, and one-third would be satisfied by the issue of new ordinary shares of 25p each in the share capital of Communisis (the "Earn Out Consideration Shares"). As at the date of acquisition, the fair value of the Earn-Out Consideration was estimated at £4,640,000, determined using a probability-weighted payout approach.

An amount up to a maximum of £3,300,000 (the "Additional Consideration") would be payable to the sellers based on the achievement of defined synergies over Life's three financial years ended 31 December 2017. The Additional Consideration was payable in cash. As at the date of acquisition, the fair value of the Additional Consideration was estimated at £2,517,000, determined using a probability-weighted payout approach. As at the acquisition date, the fair value of all contingent consideration was estimated to be £7,157,000. Significant unobservable valuation inputs are provided below:

Probability-adjusted EBITDA of Life during the earn-out period	£2,800,000 - £3,200,000
Synergies generated over the 3 years ended 31 December 2017	£3,000,000 - £3,600,000
Discount rate	8.3%

Significant decrease in the EBITDA or synergies of Life would result in lower fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability.

Since acquisition Life has not performed as anticipated. As a result, under the original mechanism, no contingent consideration is payable. In order to maintain incentivisation for the management of Life, the contingent consideration mechanisms were consequently revised. The earn-out consideration (being a maximum of £6,000,000), EBITDA thresholds and multiple of 5.454 remain unchanged, however the earn-out period was extended by one year (being the three years ended 31 December 2018). The additional consideration element, based on achieved synergies no longer applies.

As at 31 December 2015, the fair value of all contingent consideration has been revised to £500,000. Significant unobservable valuation inputs are provided below:

Probability-adjusted EBITDA of Life during the earn-out period	£1,700,000 - £2,100,000
Discount rate	8.3%

A reconciliation of fair value measurement of the contingent consideration liability is provided below:

	2015 **£000**
As at 1 January 2015	
Liability arising on business acquisition	**7,157**
Unrealised fair value changes recognised in profit and loss	**(6,657)**
As at 31 December 2015	**500**

The final contingent consideration liability will be measured and paid to the former shareholders in December 2019.

Details of the consideration paid and fair values of assets and liabilities acquired are set out below. This transaction has been accounted for by the purchase method of accounting.

	Fair value to Group*
	£000
Property, plant and equipment	116
Other intangible assets	31
Customer relationships	995
Trade name	512
Work in progress	274
Trade and other receivables	3,950
Cash at bank	743
Trade and other payables	(3,580)
Income tax payable	(122)
Deferred tax	(326)
Fair value of net assets acquired	**2,593**
Goodwill	18,564
Consideration	**21,157**

Satisfied by:	
Initial consideration:	
Cash	700
Shares	4,000
Loan Note	9,300
Contingent consideration:	
Cash	5,610
Shares	1,547
Fair value at acquisition	**21,157**

The net cash outflow arising from the acquisition was as follows:

Cash consideration, as above	(700)
Cash acquired, as above	743
Net inflow of cash	**43**

*Measurement period adjustments to the fair value of net assets acquired have been made in accordance with IFRS 3. Trade and other payables have increased by £153,000 due to the identification of a provision that existed at the date of acquisition and the method of calculation for the customer relationships has been amended as the original accounting was based on a misinterpretation of facts which were available at the acquisition date in accordance with IAS 8. This has resulted in a decrease of £516,000 to the original fair value of customer relationships which has consequently reduced the deferred tax liability.

The results of this business are included within Design as it has been fully integrated into the Design segment to benefit from the synergies in this area.

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items represent significant opportunities for synergy benefits and cost savings. Goodwill also comprises the value of Life's assembled workforce of highly skilled marketing consultants. None of the goodwill recognised above is expected to be deductible for income tax purposes.

The acquired business contributed revenue of £6,840,000 and a profit of £26,000 from the date of acquisition (5 January 2015) to 31 December 2015. Due to the proximity of the acquisition date to the beginning of the year, revenue and profit from operations would not materially differ had the acquisition taken place on 1 January 2015.

Acquisition and set up costs of £544,000 have been expensed and included in exceptional items.

In the year ending 31 December 2015, there have been no changes to valuation inputs of prior year acquisitions. There have however been movements in contingent consideration as a result of payments under the original agreements in relation Psona Films Limited and The Meaningful Marketing Group Limited as outlined below.

On 25 April 2014, the Group acquired the entire issued share capital of Jacaranda Productions Limited ("Jacaranda"). On 30 June 2014 the Company's name was changed to Psona Films Limited.

The consideration payable by Communisis amounted to £1,676,000, including acquired cash of £117,000. The consideration was satisfied in cash of £876,000 and through the issue of 913,242 new ordinary shares of 25p each in the share capital of Communisis (the "Consideration Shares") to the value of £600,000 based on the middle market closing price of 65.7 pence per ordinary share.

As part of the purchase agreement a contingent consideration was agreed. An amount equal to ten percent of annual gross profits of the company was payable to the sellers at the end of each of the three earn-out periods, being the years ended 30 April 2015, 2016 and 2017. The total contingent consideration would in no circumstance exceed the value of £500,000. As at the date of acquisition, the fair value of the contingent consideration was estimated at £200,000, determined using a discounted cash flow method. Significant unobservable valuation inputs are provided below:

Assumed Gross Profit of Jacaranda for the 3 year earn-out period	£2,000,000
Discount rate	8.3%

As at 31 December 2015, a total of £80,000 had been paid out under this arrangement for the earn-out period ended 30 April 2015. A reconciliation of the fair value of the contingent consideration liability is provided below:

	2015 **£000**
As at 1 January 2015	**200**
Total consideration paid during period	**(80)**
As at 31 December 2015	**120**

The results of this business are included within the Design business segment.

On 15 August 2014, the Group acquired the entire issued share capital of The Meaningful Marketing Group Limited ("Geronimo").

The consideration payable by Communisis amounted to £647,000, satisfied in cash of £390,000 and an amount of up to £625,000 being payable to the sellers, spread over the earn-out periods (being the 12 months to 14th August 2015 , 2016,2017,2018 and 2019). The amount payable for each earn-out period was equal to 10% of Gross Profit between £1m and £1.5m, and 12.5% of Gross Profit over £1.5m. As at the date of acquisition, the fair value of the contingent consideration was estimated at £257,000, determined using a discounted cash flow method. Significant unobservable valuation inputs are provided below:

Assumed Gross Profit of Geronimo for the 5 year earn-out period	£8,000,000
Discount rate	8.3%

As at 31 December 2015, a total of £5,418 had been paid out under this arrangement for the earn-out period ended 14 August 2015. A reconciliation of the fair value of the contingent consideration liability is provided below:

	2015 **£000**
As at 1 January 2015	**257**
Total consideration paid during period	**(5)**
As at 31 December 2015	**252**

The results of this business are included within the Design business segment.

6 Earnings per share

	2015 **000**	**2014** **000**
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**207,306**	197,111
Effect of dilution:		
Share options	**408**	5,764
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**207,714**	202,875

18,722 (2014 134,675) shares were held in trust at 31 December 2015.

Share options in issue for which exercise is currently unlikely (as the option price is higher than the market price) total 2,443,158 (2014 3,216,021) options.

	2015 **£000**	**2014** **£000**
Basic and diluted earnings per share is calculated as follows:		
Profit / (loss) attributable to equity holders of the parent	**14,475**	(15,109)

Earnings / (loss) per share:		
Basic	**6.98p**	(7.67)p
Diluted	**6.97p**	(7.45)p

Earnings per share from continuing operations before exceptional items and amortisation of acquired intangibles

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

	2015 £000	**2014 £000**
Profit / (loss) after taxation from continuing operations	**14,475**	(15,109)
Exceptional items (Note 3)	**(3,981)**	24,679
Taxation on exceptional items	**(521)**	(736)
Amortisation of acquired intangibles	**1,174**	1,008
Taxation on amortisation of acquired intangibles	**(307)**	(202)
Taxation – adjustments in respect of prior years	**(83)**	(271)
Profit after taxation from continuing operations excluding exceptional items and amortisation of acquired intangibles	**10,757**	9,369
Adjusted earnings per share:		
Basic	**5.19p**	4.75p
Diluted	**5.18p**	4.62p

The basis of measurement of adjusted EPS is to reflect more accurately the measure of EPS used by the market.

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

7 Dividends paid and proposed

Declared and paid during the year	**2015 £000**	**2014 £000**
Amounts recognised as distributions to equity holders in the year:		
Final dividend of the year ended 31 December 2013 of 1.20p per share	**-**	2,333
Interim dividend of the year ended 31 December 2014 of 0.67p per share	**-**	1,332
Final dividend of the year ended 31 December 2014 of 1.33p per share	**2,758**	-
Interim dividend of the year ended 31 December 2015 of 0.73p per share	**1,515**	-
	4,273	3,665
Proposed for approval at AGM (not recognised as a liability as at 31 December)		
Final equity dividend on ordinary shares of 1.47p (2014 1.33p) per share (based on issued share capital at the date of approval of the Financial Statements)	**3,076**	2,754

8 Cash generated from operations

	2015 £000	**2014 £000**
Continuing operations		
Profit / (loss) before tax	**17,265**	(13,258)
Adjustments for:		
Amortisation of intangible assets arising on business acquisitions	**1,174**	1,008
Depreciation and other amortisation	**10,967**	10,505
Exceptional items	**(3,981)**	24,679
(Profit) / loss on sale of property, plant & equipment	**(7)**	85
Share-based payment charge	**148**	493
Net finance costs	**3,834**	3,586
Additional contribution to the defined benefit pension plan	**(2,941)**	(1,150)
Cash cost of exceptional items	**(2,553)**	(5,055)
Changes in working capital:		
Decrease in inventories	**845**	1,361
Decrease / (Increase) in trade and other receivables	**3,311**	(5,678)
(Decrease) / Increase in trade and other payables	**(3,909)**	5,411
Cash generated from operations	**24,153**	21,987

9 Additional information

Communisis 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 preliminary announcement is prepared on the same basis as set out in the previous year's Financial Statements.

The financial information for the year ended 31 December 2015 and 2014 is abridged and has been extracted from the 2015 statutory accounts of Communisis plc which were approved by the Board on 3 March 2016, 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 2015 statutory accounts. The 2014 statutory accounts have been delivered to the Registrar of Companies. The auditors' report on the 2014 statutory accounts was unqualified.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

We confirm that to the best of our knowledge:

- the accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the directors' report includes a fair review of the development and performance of the business and the position of the issuer and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.