Communicate more profitably with communisis

26 July 2012

Communisis plc

("Communisis" or the "Group")

Interim Results for the six months ended 30 June 2012

Leading marketing services provider Communisis plc (LSE: CMS), reports its Interim Results for the six months ended 30 June 2012. The Group increased operating profitability significantly as it continued to execute successfully on its growth strategy. Communisis made three acquisitions during this period to develop and expand its capabilities in on-line communication, social media and specialist content management.

Financial Highlights

- Operating profit before exceptional items increased by 22% to £4.4m (H1 2011: £3.6m)
  - Operating margin on sales (excluding pass through) increased to 5% (H1 2011: 4.4%)
  - International sales grew significantly, accounting for 5% of total turnover (H1 2011: 3%)
- Operating cash inflow before exceptional restructuring costs was £2.6m (H1 2011: £3.5m)
- Adjusted earnings per share (excluding exceptional items) up 13% at 1.94p (H1 2011: 1.71p)
- Profit after tax and basic earnings per share £2.1m (H1 2011: £2.5m) and 1.50p (H1 2011: 1.85p) respectively
- Interim dividend 10% higher at 0.55p (H1 2011: 0.50p)

Operational Highlights

- **Expanding through acquisition**
  - Completed three acquisitions in strategic growth areas: Kieon, Yomego and The Garden Marketing
  - Expanding the Group's growing capabilities in on-line communication, social media and specialist content management
  - Supporting the Group's strategy to broaden and increase the value of its service portfolio

- **Delivering growth**
  - Trend towards personalised communication continues, supporting the Group's positioning
  - Broadening the Group's revenue base, with growth outside of financial services in the Fast Moving Consumer Goods (FMCG), retail and telecommunications sectors
  - New business secured across multiple service lines with clients in the public and private sectors and, in the mutual sector, we now work with all of the top ten building societies in Britain.

- **Realising the benefits from advanced technology and operational effectiveness**
  - Two new high speed colour digital lines fully functional at our Liverpool site, opening up new service opportunities as well as improving efficiency
  - Tracking and measurement systems for strategic accounts fully in place and delivering returns
  - Seeing the financial and operational benefits of prior restructuring programmes

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

"The first half of 2012 has seen Communisis deliver a further set of strong results and we remain on track for a full year performance that meets our expectations. The results reflect our continued focus on a growth strategy that helps clients communicate more effectively with their customers in fast-changing markets"

For further information please contact:

Communisis plc	**0113 277 0202**
Andy Blundell / Nigel Howes	
FTI Consulting LLP	**020 7831 3113**
Matt Dixon / Clare Thomas	
N+1 Brewin	**0845 213 1000**
Sandy Fraser	

About Communisis

Communisis is a leading marketing services provider delivering services that support its clients' marketing programmes and transactional communications.

Communisis offers a broad range of services that can be delivered either separately or in combination to make its clients' communications with their customers more targeted and more efficient and therefore more effective and more profitable.

Chief Executive's Review

Summary

In the first half of 2012, Communisis continued to execute its growth strategy successfully, delivering strong results and securing further growth in operating profitability. The Group made three acquisitions during this period to develop and expand its capabilities in on-line communication, social media and specialist content management.

Aspiration

The Group's aspiration is to be the UK's leading marketing services provider ("MSP") with a growing client-led international profile. Our target is to deliver a double-digit operating margin on sales (excluding pass through) over the medium term.

Results

Communisis delivered a further set of strong results for the first half of 2012.

Operating profit before exceptional items increased by 22% to £4.4m on turnover that was 15% higher at £112.6m whilst the overall margin on sales (excluding pass through) grew from 4.4% in 2011 to 5.0% in 2012.

Adjusted earnings per share, excluding the effects of exceptional items, increased by 13% between the first halves of 2011 and 2012 whereas overall profit after tax and basic earnings per share were down 19%.

An interim dividend of 0.55p per share will be paid for 2012, an increase of 10% on the prior year.

Markets

The overall trend toward direct forms of marketing has continued with communication being precisely focused on the single customer view or "audience of one". Regulation in financial services is having an increasing impact on some of our clients' initiatives. The Retail Distribution Review, for example, is set to redraw the landscape for financial services providers by changing the ways in which financial products are marketed to consumers. Utilities consumers want to be engaged in an "honest conversation" and this requires absolute clarity of message. Outsourcing continues to gather pace as companies focus on core capabilities and are increasingly willing to outsource business-critical activities to the appropriate, trusted partners. Marketing disciplines are converging to ensure that brand messages are consistent across communication formats and channels.

Such trends suit Communisis and our growth strategy. They each require an increasing emphasis on content management, on front-end capabilities in creative services and on data-analytics. These are areas in which Communisis excels and where our acquisitions will help us to grow further.

Clients

In our business, trust is vital. Communisis communicates every day on its clients' behalf with millions of consumers. We recognise that each piece of correspondence has to be precisely right. Our clients acknowledge that we have the systems and focus to ensure this quality and consistency. Our scale differentiates us in the marketplace and we continue to invest in specialist people and technology that answer real and growing client needs.

Our programme for solution sales and strategic accounts is now well established. We can precisely track the penetration of service lines across our top accounts and this improved from 32% in 2011 to 45% in the first half of 2012. During the 12 months to June 2012 the proportion of total sales from the financial services sector further reduced to 48% from 57% in the corresponding period in 2011, as our activities grew in sectors such as FMCG, retail and telecommunications.

Our Creative services are expanding and saw an enlarged on-site presence across client sites. New projects were also undertaken in various sectors, in particular the charity sector for The Prince's Trust.

Communisis Data Intelligence experienced a reduction during the period in core demand from the insurance sector because of competitive pressures on our clients from comparison websites. However, as part of its new product development programme the Data Intelligence team delivered a database management project for Speedy Hire in addition to rolling out a forecasting and catalogue planning tool for Office Depot (Viking Direct).

The Direct Mail market has seen further price and margin pressure, however, to counter this trend, our focus rests increasingly and successfully on specialist project work as opposed to commoditised output. We are winning more AGM communications; the Electoral Reform Services Limited commissioned us to produce the ballot papers for the Greater London Authority Assembly and Mayoral elections and we have carried out a successful project for the Standards Testing Agency (STA). Such activity exemplifies the power of combining data analytics with the personalisation capabilities of high-speed colour digital output. Our penetration of the mutual sector, which is centred on the Direct Mail facility, continues and we now work with all of the top ten building societies in Britain.

Growing our international profile is an important long-term strategic aim for the Group. We made further progress during the period with one of our largest clients. This client relationship was originally focused in Germany and Italy but has been extended to Austria, Switzerland and France and we expect other countries to follow. The reach of our services has also grown to encompass further pan-European premier brands from this client. International sales grew significantly in the first half of 2012, accounting for 5% of total turnover in the period (2011: 3%).

Our experience of managing business-critical, large-scale customer communications has also been recognised by the same client. We have now completed the first wave of its flagship brands' loyalty mailing programmes in Belgium and the Netherlands. This is part of the largest "direct to consumer" project currently of its kind in Europe. This client engagement model, and the process that underpins it, offer both scalability with other similar large clients and global reach.

Our focus on driving and delivering higher margin services remains at the heart of our growth plan. This is illustrated by the further increase in the number of clients taking our postal sortation services from 43 in March this year to 50 in June. The changing dynamics of an increasingly de-regulated market provide Communisis with a range of opportunities to work on behalf of our clients with both the downstream access providers and Royal Mail.

Acquisition synergies

Communisis completed three acquisitions during the period. Each was carefully chosen to add specific capabilities to the Group's MSP offering, bringing new technologies, new people and new clients. Sales synergies were a prime motivation, especially where the Group can offer these capabilities to its existing strategic account base. It also allows the acquired companies to access opportunities which they could not have accessed independently with the associated benefits being reflected in the trading performance for 2013 and beyond.

The first two transactions were announced in May; the acquisition of Kieon Limited ("Kieon") and the purchase of the trade and certain assets of Yomego Limited ("Yomego"). Kieon is a UK-based specialist software production agency, with an offshore development facility in Bangalore, India. It currently generates annual revenues in the region of £0.9m. The addition of Kieon to the Group widens and deepens Communisis' creative services capabilities to include the building of websites and mobile and other digital applications. Kieon is now identifying and progressing opportunities within the Group's client base. Since acquiring Kieon, we have expanded the office location in Bangalore.

Yomego is a specialist social media agency that advises on the role of social media as an integral part of broader on-line and off-line marketing campaigns. Yomego is able to measure a campaign's effectiveness and provide insights into brand reputation and sentiment across social media sources. Yomego's current annual revenues are in the region of £0.7m. Since the acquisition of Yomego several opportunities have presented themselves within our client base, which Yomego is now following up and developing.

The third transaction was announced in June when Communisis acquired a 49% equity stake in The Garden Marketing Limited ("TGML") with an option to acquire the remaining 51%.

TGML is a full service integrated marketing agency based in London. TGML was founded in 1987 and generates annual revenues in the region of £1.0m. TGML specialises in creating lead generation and collateral marketing communications for financial services and technology clients. It delivers print and digital marketing assets, advertising and direct mail campaigns across both consumer and business-to-business channels.

The investment in TGML extends the Group's creative services offering, adding further strategic planning expertise, conceptual creative services, copywriting and artworking resources to Communisis' strong and growing marketing services proposition. The investment also brings to Communisis a significant new client relationship with a major blue-chip financial services provider.

Furthermore, TGML's insight into financial services regulations has enhanced Communisis' proposition in three recent client tenders; TGML is now pursuing two major projects for a leading life assurance company that integrate some of Communisis' newest and most sophisticated technology services, print-on-demand and data-driven multi channel output.

Operational excellence

Communisis has been at the forefront of high-speed colour digital technology deployment in the UK for some time. Two HP T300 lines were installed in the Leeds facility during 2010 and 2011. They sit at the heart of our new offering into the Direct Mail market and played a key role in our successful delivery of the STA project.

Two HP T400 lines are now fully functional in our transactional centre of excellence in Liverpool. This facility is going to revolutionise the UK market for statements and billing and we expect to transition all of our major clients to these platforms over the next 12 months, whilst also attracting new clients directly onto the technology. The benefits of wholly variable content, in colour and at high definition, are a winning combination.

One of our major transactional clients is leading this trend in the utility sector under the "clear-bill" initiative, which seeks an honest conversation with consumers. This client has embraced our technology to manage its customer journey and relationships more effectively, to improve retention, reduce call centre traffic and increase on-line adoption. The market has moved on from simply adding marketing messaging to bills to using bills as an integrated transactional communications tool.

The plan to consolidate all our client-facing software into one platform, which we call "Mantl" is advancing and similarly all back-office functions will be consolidated into one platform called "Skyline." The benefits of this to our clients include improved transparency on workflow and cost-reduction opportunities. Consequently, the customer experience will be enhanced by ease of access to the transacting company and the receipt of personalised communications through their preferred channel.

On-site teams are a valuable part of our client service and business development model. The Group now has 111 employees operating with 11 clients across 18 client sites whereas in March 2012 there were 94 employees operating with 11 clients across 16 client sites.

The Communisis site structure has increased from 10 to 13 during the period following the addition of the offices of Kieon (Bangalore), Yomego (Glasgow) and TGML (London). The London operations of Kieon have already moved to our expanding base in the City and TGML will probably also do so in due course.

Corporate costs reduced during the period by 5% from £1.9m (H1 2011) to £1.8m (H1 2012) as the benefits of earlier re-structuring initiatives flowed through.

People

We announced two important appointments to our senior team during the period.

Jane Griffiths joined the plc Board as a Non-Executive Director. Jane is Marketing Director EMEA for Citibank NA and, as a senior advertising and marketing executive, has previously worked for a number of major global agencies including Ogilvy in New York and Korea, Arc Worldwide London (part of the Leo Burnett Group), TBWA\GGT London and was a Board Director of OgilvyOne London.

Tanya Cooper joined the Executive Board as Marketing Director. Tanya was previously Director of Marketing, EMEA and Latin America for SunGard Financial Systems. Prior to that she acted as Client Services Director at Best and Co and Group Account Director at GA Corporate Marketing. She has over 20 years experience in the marketing industry.

The Board would also like to take this opportunity to express its thanks to all Communisis employees for their contribution to our results in the first half of 2012.

Outlook

A substantial proportion of the Group's activity is of a transactional or regulatory nature and therefore of operational necessity for clients. It is largely unaffected by the continuing economic uncertainty that tends to have an impact on those parts of our business that are more commoditised or more dependent on discretionary marketing spend. Within the overall mix of activity there is a balance of risk and opportunity for the second half of the year.

Notwithstanding some challenges in the market, the strong trading results for the first half of the year, combined with a number of new business opportunities that we expect to secure in the second half support the Board's view that the full year results will be in line with our expectations.

Andy Blundell
Chief Executive
26 July 2012

FINANCIAL PERFORMANCE REPORT

Profitability
The table below is an extract from the Group's segmental profit and loss account.

	Half Year ended 30 June 2012 £m	Half Year ended 30 June 2011 £m
Turnover		
IDC	13.6	11.3
SPS	74.6	71.3
Pass Through	24.4	15.2
	112.6	97.8
Profit from operations before exceptional items		
IDC	1.6	1.5
SPS	4.6	4.0
Corporate Costs	(1.8)	(1.9)
	4.4	3.6
Operating margin (excluding pass through)		
IDC	11.8%	13.3%
SPS	6.2%	5.6%
	5.0%	4.4%
Exceptional items		
Other exceptionals	(0.7)	(0.3)
	(0.7)	(0.3)
Profit from operations after exceptional items	3.7	3.3
Net finance costs	(1.0)	(0.4)
Profit before tax	2.7	2.9
Tax	(0.6)	(0.4)
Profit after tax	2.1	2.5
Earnings per share		
Basic (p)	1.50	1.85
Adjusted (p)	1.94	1.71

Operating profit before exceptional items increased by 22% to £4.4m on turnover that was 15% higher than the prior period at £112.6m. This strong overall performance reflects the growth in managed services across a number of European markets, the positive effects of operational gearing resulting from additional transactional volumes and the ongoing benefit of previous cost management programmes.

These results were achieved against the backdrop of continuing reductions in volumes, prices and margins arising in certain competitive market sectors and from the progressive migration of communications from printed to digital formats.

Revenue and operating profit in the first half of 2012 have increased across both the IDC and SPS segments whilst corporate costs have fallen compared to the same period in 2011. The mix of revenues can change between periods, so that the relative contributions of the two segments vary, but the overall result is underpinned by a portfolio of services that can be offered to clients, either individually or in combination, to meet their changing needs.

Our success in continuing to manage and deliver a comprehensive range of services is reflected in a further improvement in the overall first half margin on sales (excluding pass through) from 4.4% in 2011 to 5.0% in 2012. Margins in the first half of the year are typically lower than for the year as a whole. Turnover is usually weighted towards the second half of the year so that, with a more consistent fixed cost base throughout the year, the second half margins tend to be higher.

The three acquisitions completed in the second quarter of 2012, each of which adds specific and complementary competencies to our marketing services proposition, contributed minimal amounts to the first half results.

The diversification of revenues by sector has continued with those from financial services accounting for 48% of the total over the 12 months to June 2012 compared to 57% in the corresponding period to June 2011. Sales in territories outside the UK also grew significantly in line with our stated objective to develop the Group's international profile, accounting for 5% of total turnover in the period (2011: 3%). Most of these sales are pass through with both purchases and sales being denominated in Euros so that the currency exposure is limited. Given our international expansion plans, the currency implications of trading in other currencies, including the Euro, will be incorporated into our risk management programme.

Exceptional costs in both 2011 and 2012 relate primarily to non-recurring professional fees for acquisition related activities.

Net finance costs included a pension credit of £0.1m in H1 2012 (H1 2011: credit of £0.4m), being the difference between the expected return and the expected interest cost on the pension fund assets and liabilities respectively.

The 2012 tax charge is based on the estimated effective tax rate for the year of 23.9%, which is below the standard rate, after taking account of both the benefits of non-taxable income and the non tax-deductible elements of the exceptional costs. The tax charge in 2011 was reduced by credits resulting from a favourable settlement of prior year group relief claims.

Overall profit after tax and basic earnings per share have decreased by 19% to £2.1m (H1 2011: £2.5m) and 1.50p (H1 2011: 1.85p) respectively whilst adjusted earnings per share, which excludes the effects of the exceptional items, have increased by 13%.

Dividends of 1p per share were paid during the period in respect of 2011 and an interim dividend of 0.55p per share will be paid for 2012, an increase of 10% on the prior year. The dividend will be paid on 5 October 2012 to shareholders on the register at the close of business on 7 September 2012.

Cash Flow and Net Debt

The table below summarises the Group's principal cash flows.

	Half Year ended 30 June 2012 £m	Half Year ended 30 June 2011 £m
Profit from operations before exceptional items	4.4	3.6
Depreciation and other non-cash items	3.7	3.4
Increase in working capital	(4.5)	(3.5)
Exceptional items	(2.1)	(0.1)
Interest and tax	(1.0)	-
Net cash inflow from operating activities	0.5	3.4
Net capital expenditure	(2.3)	(2.2)
Business disposals	0.5	-
Acquisition of subsidiary undertaking (net of cash acquired)	(0.4)	(6.8)
Debt arrangement fees	-	(0.8)
Dividends paid	(1.4)	(1.2)
Other	(0.1)	(0.2)
Increase in net debt	(3.2)	(7.8)
Opening bank debt	(22.7)	(15.8)
Closing bank debt	(25.9)	(23.6)
Bank debt	(25.9)	(23.6)
Unamortised borrowing costs	0.5	0.7
Net bank debt	(25.4)	(22.9)
Finance lease creditor	(2.1)	(3.0)
Net debt	(27.5)	(25.9)

Operating cash flow in the first half of 2012 was £2.9m lower than in 2011, despite the increased profitability, principally due to an increase in working capital attributable to the payment deferrals by three clients referred to below (£1.0m), the cash consequences of exceptional costs reported in 2011 (£2.1m) and the non-recurrence of exceptional tax recoveries in the prior period. This reduction in operating cash inflows also largely accounted for the bank debt at June 2012 being £2.3m higher than at June 2011. As June is typically a peak trading month, working capital is usually higher at June than at December.

The final instalment of the consideration arising from the disposal of the Bath forms operation in 2008 was received in 2012 (£0.5m). The initial consideration for the three acquisitions (excluding payments for acquired cash), referred to above, was settled before the period end with a further £0.8m due to be paid in the third quarter of 2012.

As reported in the 2011 Annual Report the Group's fully revolving credit facility of £40m was extended to £45m in February 2012. This facility is committed until August 2014. The Group also has a £5m overdraft facility which is renewable annually.

The management of trading working capital (being stock plus trade debtors less trade creditors) has improved over the last three years, when comparing the half year balances, and will continue to be a focus of attention. Tight credit control is maintained and the Group experiences minimal bad debt. Nevertheless overdue debt at June 2012 increased to 9.7% as a result of substantial payment deferrals by three clients over the period end. Had these amounts been received when due at the end of June,

rather than on the first trading day of July, the overdue debt would have been around 4% and in line with previous experience.

Retirement Benefit Obligations

In early 2012, as detailed in the 2011 Annual Report, the Group and the Pension Scheme Trustees agreed to an arrangement involving the securitisation of a rental stream on one of the Group's freehold properties. The effect of this arrangement was to reduce both the funding deficit and the Group's cash payments to the Pension Scheme substantially.

Nigel Howes
Finance Director
26 July 2012

Consolidated Income Statement

for the half year ended 30 June 2012: unaudited

	Note	**Half year ended 30 June 2012 £000**	Half year ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Revenue	1	**112,560**	97,800	208,276
Changes in inventories of finished goods and work in progress		**(715)**	(360)	(116)
Raw materials and consumables used		**(61,197)**	(51,549)	(113,577)
Employee benefits expense		**(28,482)**	(26,169)	(53,552)
Other operating expenses		**(14,098)**	(12,815)	(24,701)
Depreciation and amortisation expense		**(3,649)**	(3,341)	(6,924)
Exceptional items		**(700)**	(227)	(4,333)
Profit from operations	1	**3,719**	3,339	5,073
Analysed as:				
Profit from operations before exceptional items		**4,419**	3,566	9,406
Exceptional items		**(700)**	(227)	(4,333)
Profit from operations		**3,719**	3,339	5,073
Finance revenue	2	**181**	612	1,192
Finance costs	2	**(1,184)**	(965)	(2,105)
Profit before taxation		**2,716**	2,986	4,160
Income tax expense	3	**(650)**	(445)	(89)
Profit for the period attributable to equity holders of the parent		**2,066**	2,541	4,071
Earnings per share	4			
On profit for the period attributable to equity holders and from continuing operations				
- basic		**1.50p**	1.85p	2.96p
- diluted		**1.45p**	1.76p	2.86p
Dividend per share	5			
- paid		**1.00p**	0.86p	1.36p
- proposed		**0.55p**	0.50p	1.00p

Dividends paid and proposed during the period were £1.4 million and £0.8 million respectively (30 June 2011 £1.2 million and £0.7 million respectively, 31 December 2011 £1.9 million and £1.4 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 Income

for the half year ended 30 June 2012: unaudited

	Half year ended 30 June 2012 £000	Half year ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Profit for the period	**2,066**	2,541	4,071
Exchange differences on translation of foreign operations	**(38)**	12	(19)
Adjustments in respect of prior years due to change in tax rate	**(142)**	-	(194)
Actuarial (losses) / gains on defined benefit pension plans	**(1,311)**	1,444	(8,868)
Income tax thereon	**327**	(375)	2,217
Gain on cash flow hedges taken directly to equity	**-**	8	26
Income tax thereon	**-**	(2)	(7)
Other comprehensive (loss) / income for the period, net of tax	**(1,164)**	1,087	(6,845)
Total comprehensive income / (loss) for the period, net of tax	**902**	3,628	(2,774)
Attributable to:			
Equity holders of the parent	**902**	3,628	(2,774)

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

Consolidated Cash Flow Statement

for the half year ended 30 June 2012: unaudited

	Note	Half year ended 30 June 2012 £000	Half year ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Cash flows from operating activities				
Cash generated from operations	6	**1,489**	3,371	8,773
Interest paid		**(1,069)**	(848)	(1,882)
Interest received		**17**	71	108
Income tax received		**88**	801	788
Net cash flows from operating activities		**525**	3,395	7,787
Cash flows from investing activities				
Acquisition of subsidiary undertakings (net of cash acquired)		**(414)**	(6,839)	(7,749)
Disposal of subsidiary undertakings		**450**	-	-
Purchase of property, plant and equipment		**(1,501)**	(1,884)	(3,305)
Proceeds from the sale of property, plant and equipment		**5**	19	308
Purchase of intangible assets		**(828)**	(313)	(1,058)
Net cash flows from investing activities		**(2,288)**	(9,017)	(11,804)
Cash flows from financing activities				
Purchase of own shares		**-**	(197)	(197)
Sharesave options exercised		**-**	-	12
New borrowings		**9,000**	42,000	50,000
Repayment of borrowings		**(9,000)**	(29,000)	(33,000)
Debt arrangement fees		**-**	(790)	(790)
Dividends paid	5	**(1,378)**	(1,190)	(1,879)
Net cash flows from financing activities		**(1,378)**	10,823	14,146
Net (decrease) / increase in cash and cash equivalents		**(3,141)**	5,201	10,129
Cash and cash equivalents at 1 January		**13,280**	3,202	3,202
Exchange rate effects		**(77)**	24	(51)
Cash and cash equivalents at end of period		**10,062**	8,427	13,280
Cash and cash equivalents consist of:				
Cash and cash equivalents		**10,062**	8,427	13,280

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

Consolidated Balance Sheet

30 June 2012: unaudited

	Half year ended 30 June 2012 £000	Half year ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
ASSETS			
Non-current assets			
Property, plant and equipment	**19,942**	22,068	21,003
Intangible assets	**163,911**	162,710	162,675
Trade and other receivables	**125**	-	124
Deferred tax assets	**1,256**	215	1,571
	185,234	184,993	185,373
Current assets			
Inventories	**8,336**	7,059	7,914
Trade and other receivables	**39,509**	32,724	34,545
Cash and cash equivalents	**10,062**	8,427	13,280
	57,907	48,210	55,739
TOTAL ASSETS	**243,141**	233,203	241,112
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Equity share capital	**34,663**	34,651	34,663
Share premium	**22**	22	22
Merger reserve	**11,427**	11,427	11,427
Capital redemption reserve	**1,375**	1,375	1,375
ESOP reserve	**(535)**	(535)	(535)
Cumulative translation adjustment	**(219)**	(150)	(181)
Retained earnings	**81,662**	89,051	82,021
	128,395	135,841	128,792
Non-current liabilities			
Interest-bearing loans and borrowings	**36,685**	33,709	37,107
Trade and other payables	**766**	-	223
Retirement benefit obligations	**15,170**	7,544	14,186
Provisions	**1,006**	925	1,127
	53,627	42,178	52,643
Current liabilities			
Interest-bearing loans and borrowings	**930**	574	903
Trade and other payables	**57,886**	51,762	56,224
Income tax payable	**940**	1,746	644
Provisions	**1,363**	880	1,798
Financial liability	**-**	222	108
	61,119	55,184	59,677
Total liabilities	**114,746**	97,362	112,320
TOTAL EQUITY AND LIABILITIES	**243,141**	233,203	241,112

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 2012: unaudited

	Issued capital £000	Share premium £000	Merger reserve £000	ESOP reserve £000	Capital redemption reserve £000	Cumulative translation adjustment £000	Retained earnings £000	Total equity £000
As at 1 January 2012	**34,663**	**22**	**11,427**	**(535)**	**1,375**	**(181)**	**82,021**	**128,792**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**2,066**	**2,066**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(38)**	**(1,126)**	**(1,164)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(38)**	**940**	**902**
Employee share option schemes: - value of services provided	**-**	**-**	**-**	**-**	**-**	**-**	**79**	**79**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(1,378)**	**(1,378)**
As at 30 June 2012	**34,663**	**22**	**11,427**	**(535)**	**1,375**	**(219)**	**81,662**	**128,395**

	Issued capital £000	Share premium £000	Merger reserve £000	ESOP reserve £000	Capital redemption reserve £000	Cumulative translation adjustment £000	Retained earnings £000	Total equity £000
As at 1 January 2011	34,651	22	11,427	(338)	1,375	(162)	86,523	133,498
Profit for the period	-	-	-	-	-	-	2,541	2,541
Other comprehensive income	-	-	-	-	-	12	1,075	1,087
Total comprehensive income	-	-	-	-	-	12	3,616	3,628
Employee share option schemes: - value of services provided	-	-	-	-	-	-	102	102
Purchase of own shares	-	-	-	(197)	-	-	-	(197)
Dividends paid	-	-	-	-	-	-	(1,190)	(1,190)
As at 30 June 2011	34,651	22	11,427	(535)	1,375	(150)	89,051	135,841

	Issued capital £000	Share premium £000	Merger reserve £000	ESOP reserve £000	Capital redemption reserve £000	Cumulative translation adjustment £000	Retained earnings £000	Total equity £000
As at 1 January 2011	34,651	22	11,427	(338)	1,375	(162)	86,523	133,498
Profit for the year	-	-	-	-	-	-	4,071	4,071
Other comprehensive loss	-	-	-	-	-	(19)	(6,826)	(6,845)
Total comprehensive loss	-	-	-	-	-	(19)	(2,755)	(2,774)
Employee share option schemes: - value of services provided	-	-	-	-	-	-	132	132
Shares issued – exercise of options	12	-	-	-	-	-	-	12
Purchase of own shares	-	-	-	(197)	-	-	-	(197)
Dividends paid	-	-	-	-	-	-	(1,879)	(1,879)
As at 31 December 2011	34,663	22	11,427	(535)	1,375	(181)	82,021	128,792

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

Notes to the Financial Statements
for the half year ended 30 June 2012: unaudited

1 Segmental information

At 30 June 2012, the Group is organised into two main segments: Intelligence Driven Communications ("IDC") and Specialist Production and Sourcing ("SPS").

Business segments
The segment results for the half year ended 30 June 2012 are as follows:

	Continuing operations				
	IDC £000	SPS £000	Pass Through £000	Corporate Costs £000	Total £000
Revenue	**13,598**	**74,568**	**24,394**	**-**	**112,560**
Profit from operations before exceptional items	**1,566**	**4,674**	**-**	**(1,821)**	**4,419**
Exceptional items	**(140)**	**-**	**-**	**(560)**	**(700)**
Profit from operations	**1,426**	**4,674**	**-**	**(2,381)**	**3,719**

The segment results for the half year ended 30 June 2011 were as follows:

	Continuing operations				
	IDC £000	SPS £000	Pass Through £000	Corporate Costs £000	Total £000
Revenue	11,252	71,310	15,238	-	97,800
Profit from operations before exceptional items	1,422	4,016	-	(1,872)	3,566
Exceptional items	-	(227)	-	-	(227)
Profit from operations	1,422	3,789	-	(1,872)	3,339

The segment results for the year ended 31 December 2011 were as follows:

	Continuing operations				
	IDC £000	SPS £000	Pass Through £000	Corporate Costs £000	Total £000
Revenue	25,016	144,791	38,469	-	208,276
Profit from operations before exceptional items	3,177	9,971	-	(3,742)	9,406
Exceptional items	(422)	(3,529)	-	(382)	(4,333)
Profit from operations	2,755	6,442	-	(4,124)	5,073

2 Net finance costs

	Half year ended 30 June 2012 £000	Half year ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Interest on financial assets measured at amortised cost	**16**	74	122
Interest on financial liabilities measured at amortised cost	**(1,174)**	(928)	(2,089)
Net interest from financial assets and financial liabilities not at fair value through Income Statement	**(1,158)**	(854)	(1,967)
Change in fair value of derivatives	**108**	107	203
Loss on foreign currency financial liabilities	**(10)**	(37)	(16)
Retirement benefit related income	**57**	431	867
Finance costs	**(1,003)**	(353)	(913)

3 Income tax

The tax charge on continuing operations for the period is based upon an effective rate of 23.9%.

On 21 March 2012 it was announced that the corporation tax rate was to be reduced to 24% from 1 April 2012 and then to 23% from 1 April 2013 (with a further reduction planned in a future Finance Bill to 22% from 1 April 2014). At the balance sheet date the legislation introducing the reduction to 23% was not substantively enacted and therefore the provision for deferred tax has been made at 24%. If this rate change had been substantively enacted at the balance sheet date the deferred tax asset would have reduced by approximately £63,000.

4 Earnings per share

	Half year ended 30 June 2012 £000	Half year ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Basic and diluted earnings per share are calculated as follows:			
Profit attributable to equity holders of the parent	**2,066**	2,541	4,071
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**137,765**	137,717	137,765
Effect of dilution:			
Share options	**4,955**	6,867	4,739
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**142,720**	144,584	142,504

886,138 (30 June 2011 886,138, 31 December 2011 886,138) shares were held in trust at 30 June 2012.

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 2012 £000	Half year ended 30 June 2011 £000	Year ended 31 Dec 2011 £000
Profit after taxation from continuing operations	**2,066**	2,541	4,071

Exceptional items:			
Exceptional items	**700**	227	4,333
Taxation on exceptional items	**(98)**	(39)	(1,116)
Taxation – adjustments in respect of prior years	**-**	(369)	(1,206)
Profit after taxation from continuing operations excluding exceptional items	**2,668**	2,360	6,082
Adjusted earnings per share			
Basic	**1.94p**	1.71p	4.41p
Diluted	**1.87p**	1.63p	4.27p

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 2012	**Half year ended 30 June 2011**	**Year ended 31 Dec 2011**
	£000	**£000**	**£000**
Declared and paid during the period			
Amounts recognised as distributions to equity holders in the period:			
Final dividend of the year ended 31 December 2010 of 0.86p per share	**-**	1,190	1,190
Interim dividend of the year ended 31 December 2011 of 0.50p per share	**-**	-	689
Final dividend of the year ended 31 December 2011 of 1.00p per share	**1,378**	-	-
	1,378	1,190	1,879
Proposed for approval by the Board (not recognised as a liability at period end)			
Interim equity dividend on ordinary shares for 2012 of 0.55p (30 June 2011 interim 0.50p, 31 December 2011 final 1.00p) per share	**758**	689	1,378

6 Cash generated from operations

	Half year ended 30 June 2012	Half year ended 30 June 2011	Year ended 31 Dec 2011
	£000	**£000**	**£000**
Continuing operations			
Profit before tax	**2,716**	2,986	4,160
Adjustments for:			
Amortisation of intangible assets arising on business acquisitions	**349**	177	516
Depreciation and other amortisation	**3,300**	3,164	6,408
Excess of contributions paid over Income Statement pension costs	**(37)**	-	(95)
Exceptional items	**700**	227	4,333
Profit / (loss) on sale of property, plant and equipment	**5**	18	(240)
Share-based payment charge	**79**	102	132
Net finance costs	**1,003**	353	913
Additional contribution to the defined benefit pension plan	**-**	-	(2,975)
Cash cost of exceptional items	**(2,096)**	(122)	(3,926)
Changes in working capital:			
(Increase) / decrease in inventories	**(431)**	308	(567)
Increase in trade and other receivables	**(5,803)**	(4,936)	(7,431)
Increase in trade and other payables	**1,704**	1,094	7,545
Cash generated from operations	**1,489**	3,371	8,773

7 Acquisitions

On 18 April 2012, the Group acquired the whole issued share capital of Kieon Limited ("Kieon"). Kieon is a UK-based specialist software production agency, with an offshore development facility in Bangalore India. The addition of Kieon to the Group widens and deepens Communisis' creative services capabilities to include the building of websites and mobile and other digital applications. Details of the consideration paid and book values of assets and liabilities acquired are set out below. This transaction has been accounted for by the purchase method of accounting.

	Provisional fair value to Group £000
Fixed assets	**17**
Separately identifiable intangibles	**173**
Cash at bank	**327**
Trade and other receivables	**340**
Trade and other payables	**(121)**
Deferred tax	**(6)**
Fair value of net assets acquired	**730**
Goodwill	**226**
Consideration	**956**

Satisfied by:	
Cash	**73**
Deferred consideration	**883**
Total consideration	**956**

The net cash inflow arising from the acquisition was as follows:	
Cash consideration, as above	**(73)**
Cash acquired, as above	**327**
Net inflow of cash	**254**

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include an assembled workforce and the expected value of synergies through future earning capacity and cost savings.

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

The acquired business contributed revenue of £213,000 and a profit of £44,000 from the date of acquisition (18 April 2012) to 30 June 2012. If the combination had taken place at the beginning of the year the consolidated profit of the Group would have been £2,108,000 and revenue from continuing operations would have been £112,840,000.

Acquisition and set up costs of £46,000 have been expensed and are included in exceptional items.

On 3 May 2012, the Group acquired the trade and certain assets of Yomego Limited ("Yomego"). Yomego is a specialist social media agency that advises on the role of social media as an integral part of broader on-line and off-line marketing campaigns, measures its effectiveness and provides insights into brand reputation and sentiment across social media sources. Details of the consideration paid and book values of assets and liabilities acquired are set out below:

	Provisional fair value to Group
	£000
Fixed assets	**5**
Separately identifiable intangibles	**55**
Deferred tax	**(13)**
Fair value of net assets acquired	**47**
Goodwill	**328**
Consideration	**375**
Satisfied by:	
Cash	**375**

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

Cash consideration, as above	**375**
Net outflow of cash	**375**

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include an assembled workforce and the expected value of synergies through future earning capacity and cost savings.

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

The acquired business contributed revenue of £78,000 and a loss of £48,000 from the date of acquisition (3 May 2012) to 30 June 2012. If the combination had taken place at the beginning of the year the consolidated profit of the Group would have been £2,036,000 and revenue from continuing operations would have been £112,787,000.

Acquisition and set up costs of £56,000 have been expensed and are included in exceptional items.

On 14 June 2012, the Group acquired 49% of the voting shares of The Garden Marketing Limited for a cash consideration of £392,000. The Group also holds a call option to purchase the remaining 51% of the voting shares for a consideration of £543,000.

Due to the limited time available between the acquisition and the approval of the financial statements, the Group is still in the process of establishing the fair value of the assets and liabilities acquired. The book value of the net assets acquired was £184,000.

The acquired business contributed revenue of £18,000 and a loss of £4,000 from the date of the acquisition (14 June 2012) to 30 June 2012. If the combination had taken place at the beginning of the year, the consolidated profit of the Group would have been £2,366,000 and revenue from continuing operations would have been £112,920,000.

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

Acquisition and set up costs of £38,000 have been expensed and are included in exceptional items.

8 Directors' responsibility statement

The directors are responsible for preparing the condensed set of financial statements, in accordance with applicable law and regulations. Andy Blundell, Chief Executive and Nigel Howes, Finance Director confirm that, to the best of their knowledge:

- the condensed set of financial statements on pages 11 to 22 has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union; and

- the information set out on this page and on pages 1 to 10 includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

9 Risks and Uncertainties

Communisis has a robust internal control and risk management process outlined on pages 41 and 42 of the Corporate Governance Report of the 2011 Annual Report.

The principal risks and uncertainties relating to the business at 31 December 2011 were set out in the Business Review on pages 16 and 17 of the 2011 Annual Report. These include the ability of the Group to adapt products and services to technological change, the degree of customer concentration within the Group, the complexity of the Group's framework contracts, the smooth and uninterrupted operation of the Group's IT networks, the Group's continuing obligations under defined benefit pension scheme arrangements and contingent liabilities arising from lease commitment guarantees on past disposals.

The view of the Board of Directors is that, subject to the due diligence and risk assessments to be completed in respect of recent acquisitions, the nature of the risks has not changed since 1 March 2012 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 alert to the need for action in respect of any problems caused or exacerbated by the current economic climate, especially as it affects our ability to forecast reliably the market demand for some of our newer services.

10 Additional information

General information
The information for the year ended 31 December 2011 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. 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 498 (2) or (3) of the Companies Act 2006.

The financial information for the half year ended 30 June 2012 and for the equivalent period in 2011 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 2011 Annual Report and Financial Statements.

Going Concern
The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the interim report.