1 March 2012

Communisis plc

("Communisis" or the "Group")

Preliminary Results for the year ended 31 December 2011

Leading marketing services provider ("MSP") Communisis plc (LSE: CMS), reports preliminary results for the year ended 31 December 2011. The Group continued to execute its strategy successfully, delivered a strong increase in operating profitability (before exceptional items) and confirms that it is making progress towards achieving a double-digit operating margin on sales (excluding pass through) over the medium term.

Financial Highlights

- Profit from operations (before exceptional items) up 19% to £9.4m (2010 £7.9m)
- Operating margin on sales (excluding pass through) of 5.5% (2010 4.7%)
- After exceptional items, profit after tax of £4.1m (2010 £4.4m) and basic earnings per share 2.96p (2010 3.20p)
- Adjusted earnings per share (excluding after-tax effects of exceptional items) up 47.5% to 4.41p (2010: 2.99p)
- Final dividend of 1p per share. Full year dividend up 16% to 1.5p per share (2010: 1.29p)
- Operating net cash inflow of £7.8m (2010 £6.2m) after £3.9m of exceptional items (2010: £nil)
- Asset-backed, prepaid contribution reduces the pension funding deficit by £9.8m and the Group's cash payments to the Pension Scheme by £5.5m over the next 3 years with a tax benefit over 4 years

Operational Highlights

MSP proposition established

- Aligned with market trend toward precision marketing
- Growing demand for data, insight and services to support digital media
- Competitive differentiation built on strength of end-to-end offer from the Group's Intelligence Driven Communications and Specialist Production and Sourcing segments

Customer focus

- New customers including Boots, Premium Credit, Speedy Hire, Virgin Money (Northern Rock), Nationwide and Proximity London (BBC TV Licensing)
- Third party customer audit – significant improvement in satisfaction levels achieved
- Expansion of customer on-site teams – now 94 people, 16 sites and 11 customers
- International growth – presence established in Germany and Italy with P&G

Higher margin services and acquisition synergies

- Orchestra Bristol/BBC TV Licensing work – successfully integrated, transition to Liverpool completed
- Acquisition pipeline strengthening with prospects in creative and digital marketing
- Service extension – continued momentum and uptake by new customers for postal sortation services (with TNT), data services (with Equifax) and e-billing and e-statements (with Sorriso)

Cost reduction and better capacity utilisation

- Major high-speed colour digital expansion at Leeds and Liverpool to create UK centres of excellence
- Restructuring programme completed at manufacturing facility in Leeds
- Site consolidation – operating units and office locations reduced from 14 to 10
- New central London office established
- Chartered Institute of Purchasing and Supply Gold accreditation – one of only 13 UK organisations to have achieved this standard

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

"Our 2011 operating results before exceptional items showed a marked improvement on 2010 and signalled the Group's continued success in executing its strategy as a leading UK marketing services provider.

The macro-economic environment presents a blend of risks and opportunities and Communisis is well positioned to respond to both. Trading in the early weeks of 2012, together with new and existing customer prospects, support our expectation of further financial progress for the current year as a whole."

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About Communisis
Communisis is a UK leading Marketing Services Provider, specialising in helping customers make their communications processes more profitable. It helps to reduce costs and improve the effectiveness of the whole business process of customer communications.

Through its proven experience and scale, it works with clients to transform their customer communications processes by enhancing and deploying customer data; providing technology to automate and streamline workflows; and has world-class production capabilities that can output via print and electronic channels.

Chairman's Statement

Results

Communisis delivered substantial growth in profit from operations before exceptional items in 2011. The Group made real progress during the year towards its dual aspirations to be the leading UK marketing services provider with a growing customer-led international profile and to achieve a double-digit operating margin on sales (excluding pass through) over the medium term.

Profit from operations before exceptional items increased to £9.4m: a 19% increase on 2010. This represented an operating margin of 5.5% on sales (excluding pass through) compared to 4.7% in 2010. The net effect of exceptional items was to reduce profit after tax and basic earnings per share from £4.4m to £4.1m and from 3.20p to 2.96p respectively. Exceptional items related principally to the costs of a phased restructuring programme with £3.7m charged in 2011 (2010: £2.9m offset by a £2.6m gain on the settlement of certain pension obligations). Adjusted earnings per share, which excluded the after-tax effect of exceptional items, increased by 47.5% from 2.99p to 4.41p.

The proposed final dividend of 1p per share brings the total dividend for the year to 1.5p per share: an increase of 16% over 2010, reflecting both the strong operating performance in 2011 and the Board's confidence in the future of the business. The dividend will be payable on 14 May 2012 to shareholders on the register at 13 April 2012.

Board Changes

As reported in the 2010 Annual Report, Nigel Howes assumed the Finance Director role in March 2011.

In November 2011 Alistair Blaxill resigned from the Board and Dave Rushton took over his responsibilities having been promoted to the newly created position of Group Managing Director.

Roger Jennings is not seeking re-appointment at the Annual General Meeting on 2 May 2012 having served for nine years as a non-executive director. The Board would like to thank Roger for his significant contribution over this long period during which Communisis has changed considerably.

The Board, through its Nomination Committee, expects to appoint a further non-executive director in due course.

Outlook

Trading in the early weeks of 2012, together with new and existing customer prospects, supports our expectation of further financial progress for the current year as a whole.

Macro-economic uncertainties are expected to continue during 2012. Such factors are less likely to impact our activities in transactional and regulatory communications but could affect our customers' discretionary marketing spend.

This situation provides both challenge and opportunity as marketeers seek to improve their investment returns or decide to outsource more of their core marketing services. Communisis continues to deploy advanced technology and invest in people with the skills and experience to deliver its broader proposition. The Group is therefore well positioned to benefit from the developing trends towards more personalised and targeted marketing campaigns and further outsourcing of marketing activities.

Peter Hickson

Chairman

Chief Executive's Review

Summary

Profit from operations before exceptional items showed a considerable improvement on 2010 and signalled the Group's continued success in executing its strategy as a leading UK marketing services provider.

This has been achieved through a combination of new business wins, better margin services and cost reductions. Organic growth has been complemented by our first acquisition since 2008 – Orchestra Bristol and the contract with Proximity London for BBC TV Licensing.

Communisis is making progress towards achieving a double-digit operating margin on sales (excluding pass through) over the medium term.

What we do

The company is an end-to-end marketing services provider ("MSP") specialising in mission-critical communications

This MSP proposition is delivered from two strategic business units:

Intelligence Driven Communications (IDC) which identifies campaign targets, designs messages, measures effectiveness and enables customers to outsource processes. This is our "front-end" built on our capabilities in creative and data analytics.

Specialist Production and Sourcing (SPS) which produces mission-critical communications in digital and paper formats. Communisis deploys advanced technology to support specialist in-house manufacturing and digital distribution, whilst managing other activity in the third-party supply chain. In combination, this is our multi-channel delivery network.

The Group operates in an overall market which is attractive and fast-moving. There is a trend toward precision marketing and both Bellwether Marketing and The Direct Marketing Association have recently commented on the shift in marketeers' behaviour toward direct marketing, online advertising and sales promotion. There continues to be a growing demand for data, insight and services to support digital media. Communisis is also benefiting from an emerging recognition that marketing services can be outsourced effectively.

Competitive differentiation is built on the relevance and strength of the end-to-end offer in marketing campaigns, the depth of embedded expertise and innovative capabilities and the scale of the Group's operations. Communisis acts as a trusted partner to many of the UK's largest and most respected brands under long-term relationships with significant growth potential.

Aspiration

The Group's aspiration is to be the UK's leading marketing services provider with a growing customer-led international profile.

Our target is to deliver a double-digit operating margin on sales (excluding pass through) over the medium term.

To achieve this, Communisis will flex the strength of the combined IDC and SPS product and service offerings and pursue the following strategic objectives:

- growing sales both organically and by acquisition;
- extending activities to broaden and deepen our service offering;
- diversifying our customer portfolio beyond the financial services sector;
- following our international customers into overseas markets;
- investing in specialist manufacturing – notably high-speed colour digital; and
- continuing to optimise our direct cost and overhead base.

Progress during the year

Higher margin services

The Group has expanded its activities in higher margin services during the year in postal sortation, in the use of credit data for marketing purposes and for e-billing and e-statements.

A number of commercial partnerships underpin these new services: with TNT for postal sortation; with Equifax for credit data; and with Sorriso, a leading technology provider, for e-billing and e-statements.

Our postal sortation service made significant progress during the period and now serves 43 customers: an increase of 37 in the year. The impending privatisation of Royal Mail and the growing impact of downstream access provides good growth potential in this area.

Four new credit data based products were launched in the last quarter of the year and these have already been adopted by three major customers.

Since announcing the arrangement with Sorriso in October 2011, there has been a strong interest from a number of customers, including a large international professional membership body. E-billing and e-statements will provide further opportunities for customers to benefit from Communisis' ability to place personalised marketing messages on regular transactional documents, thus improving the use and value of the communication.

Communisis continues to analyse acquisition targets in areas such as creative and digital marketing and presently has a strong pipeline of opportunities. Each prospective acquisition is assessed by reference to its coherence with our strategic objectives and its capacity to deliver acceptable financial returns.

Cost reduction initiatives and improved capacity utilisation

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 and Communisis has worked with 18 major customers to date to realise the benefits of the technology platform. The Group has announced a further significant development in this area with the installation of two HP T400 lines in Liverpool with commissioning in January and June 2012.

The installation also trebles digital capacity across the Group and allows all the existing Liverpool production to be migrated onto a digital print platform. Consequently, from June 2012, Communisis will have the ability to produce digitally about 30% of its current six billion page output. Centrica is the first customer to adopt the technology in Liverpool and this product has been in the market since February 2012. A number of the Group's other major transactional customers are expected to adopt the T400 technology and access the benefits of transpromotional communications.

The Group continuously reviews its cost base to derive the most efficient and cost-effective operational design for the future. The operational network has been further rationalised with the closure of four sites being the production facilities in Bristol, offices in Eastcote and Rickmansworth and the logistics facilities in Leicester following the successful transfer of the warehousing and fulfilment activities to Newcastle.

Communisis' new offices in central London have now been open for a year and are proving an effective base for our data analysis and southern print sourcing activities.

A further phase of restructuring at the Leeds facility was completed during the year, which involved the streamlining of the middle-management structure and headcount reduction in the enclosing areas. This is expected to yield substantial annual payroll cost savings.

In the final quarter of the year, Communisis' strategic expertise in purchasing and supply chain management was recognised through the award of Gold accreditation by the Chartered Institute of Purchasing and Supply ("CIPS"). The Group's sourcing processes, which CIPS Chief Executive Officer, David Noble, described as "world class" are vital component parts of Communisis' managed service offering to customers. Communisis is proud to be one of only 13 UK companies to have achieved this prestigious standard.

Customers

Communisis is privileged to count some of the best-known and respected companies in the UK amongst its customers. In 2011 and the early part of 2012 a number of new customers were added to the portfolio including Boots, Premium Credit, Speedy Hire, Virgin Media, Virgin Money (Northern Rock), Nationwide and Proximity (BBC TV Licensing). Collectively new business wins in 2011 are expected to contribute £24m toward the revenue growth targets in 2012.

The percentage of revenue derived from the financial services sector has reduced from 58% in 2010 to 51% in 2011 and our involvement in other sectors, especially consumer goods, media and retail is increasing.

Larger contracts typically have an average term of 3-5 years and, due to the nature of the work, Communisis often becomes deeply embedded within our customer's organisations. A substantial proportion of sales are normally provided under multi-year framework contract relationships. These arrangements and the mission-critical nature of many of the transactional and regulatory communications for our customers give a reasonable degree of predictability when planning the Group's performance.

In June 2011 Communisis acquired the trade and assets of Orchestra Bristol Limited and simultaneously novated a four year contract for the BBC TV Licensing work with Proximity London. The process of transferring this work to our Liverpool facility has now been completed and the Bristol site was closed in January 2012. Service levels have been maintained throughout the transfer and the performance of the acquired activities is as expected and encouraging.

Communisis' established position in the mutual sector has been strengthened recently with the extension of our relationship with the UK's largest building society, Nationwide, with annual revenues expected to increase fourfold to around £10m. The new contract resulted in Communisis assuming responsibility for a 15 strong on-site team at Nationwide's Swindon headquarters. There are now 16 on-site teams at various customer sites across the UK and mainland Europe, with a total of 94 Communisis specialists working alongside each customer's marketing department. This structure facilitates rapid response and gives immediate access to growth opportunities.

International expansion opportunities are being pursued with P&G. The initial phase of the Group's underlying print management services contract is live and the first teams are in place in Germany and Italy. They are using Communisis' technology and experience to optimise supply chains for marketing collateral in these territories and the new arrangements offer P&G enhanced central visibility and control. There is considerable scope to scale this contract in other regions as well as expanding it into additional product areas.

The Group is developing its key account management structure with two prime aims: to give assurance and visibility on service levels to the customer and to identify growth opportunities in new areas. As an example, our work with one major customer, which is delivered through three on-site teams totalling 38 people, now includes creative activity and digital marketing within its remit. The process for new business sales is complementary to that for key accounts and ensures that wherever the initial point of engagement occurs, "the available market" per customer, comprising opportunities for other relevant products and services, is being considered. Various software tools are being used to support the sales effort and improve its effectiveness so that sales people in the field have better visibility of, and build cumulative knowledge around, each prospect.

The "Crusade for Customers" programme is now entering its third year and has been successful in raising awareness of the importance of improving customer service throughout the organisation. Key to the programme has been a third-party audit which was first run in May 2010 and repeated in November 2011. The feedback from the recent study, which ran 40 detailed interviews across 30 of the top customers, confirmed that Communisis has achieved a significant improvement over the eighteen month intervening period. Moreover, it is now known, from this objective third-party source, that these customers rate Communisis better than the competition. The study included a conclusion that "the (Communisis) brand is also now closely related to being professional, passionate and environmentally aware" as well as being trusted in the provision of mission-critical services. The Crusade for Customers will continue and there will be a third audit of satisfaction in 2013.

Communisis is a significant supplier of chequebooks to the UK market. As such, it welcomed the decision by the Payments Council during the year to remove the immediate uncertainty surrounding the future of cheques by announcing that it has withdrawn plans for closing cheque clearing in 2018 and that cheques will remain a primary payment mechanism for as long as needed. The Payments Council confirmed that it will focus on making all payments fit for the 21st century by encouraging innovation in new and existing types of payments. The Group has significant long-term contracts for the production of chequebooks with the majority of its financial services customers and continues to work with all interested parties to investigate such alternative payment solutions. The Group's capability in security print is being extended to other areas, such as payslips, prescription forms and match tickets so that the resulting new business offsets any reducing demand for chequebooks. In the meantime, the cost base continues to be managed to maintain margins.

Corporate Social Responsibility

The Group is committed to providing a safe and satisfying working environment and delivering on its broader environmental responsibilities. Its performance in these areas was sustained or improved during 2011.

There were 87 accidents including 8 reportable incidents (2010 90 accidents including 8 reportable incidents) under the Health and Safety regulations. Whilst none are acceptable, the number is small in relation to the size of the workforce and the complexity and geographic spread of the Group's operations.

The Group's environmental record improved with further increases in recycled waste from 98.68% in 2010 to 98.92% in 2011 and reductions between years of 8.23% and 10.2% in carbon footprint and water consumption respectively.

Communisis is also actively involved in supporting young people and the wider communities in which we operate. Our work with the Prince's Trust and other initiatives are set out in more detail in the 2011 Annual Report.

2011 has been a demanding but successful year on many fronts and I would like to thank all our employees for the contribution they have made in delivering this strong performance.

Andy Blundell

Chief Executive

Finance Review

Profitability
The table below is an extract from the segmental Income Statement.

	2011 £m	2010 £m
Turnover		
IDC	25.0	25.5
SPS	144.8	142.1
Pass Through	38.5	25.6
	208.3	193.2
Profit from operations before exceptional items		
IDC	3.2	4.1
SPS	10.0	8.3
Corporate Costs	(3.8)	(4.5)
	9.4	7.9
Operating margin (excluding pass through)		
IDC	12.8%	16.1%
SPS	6.9%	5.8%
	5.5%	4.7%
Exceptional items		
Exceptional restructuring costs	(3.7)	(2.9)
Pensions ETV settlement gain	-	2.6
Other exceptionals	(0.6)	-
	(4.3)	(0.3)
Profit from operations after exceptional items	5.1	7.6
Net finance costs	(0.9)	(2.1)
Exceptional finance costs	-	(0.6)
Profit before tax	4.2	4.9
Tax	(0.1)	(0.5)
Profit after tax	4.1	4.4
Earnings per share		
Basic (p)	2.96	3.20
Adjusted (p)	4.41	2.99

Profit from operations before exceptional items increased by 19% to £9.4m on turnover (excluding pass through) that was broadly unchanged from 2010. This was achieved in challenging market conditions through a combination of new business wins, better margin services and cost reductions, especially in the SPS segment, so that the overall operating margin on sales (excluding pass through) improved from 4.7% in 2010 to 5.5%.

New business wins during the year largely offset the reduction in sales due to the progressive migration of communications from printed to digital formats and the effects of lower prices in some of the more competitive market sectors.

The mix of revenues and the relative contributions from the two segments were different to that in 2010 and will continue to vary as demand patterns change. The proportion of pass through revenues, which reflect purchases passed on to customers at cost, also vary for the same reason.

The improvement in the overall result reflects the strength of the Group's proposition as a marketing services provider as well as its resilience in being able to deliver a range of tailored services, either individually or in combination, that meet the particular and changing needs of each customer.

Two of the Group's key strategic objectives are to broaden and deepen the service offering, so that each element has critical mass and credibility in the marketplace, and to diversify the revenues by growing the client portfolio in sectors other than financial services. Further progress has been made during 2011 with investments in new services, including e-billing, e-statements and postal sortation, and major client wins in the consumer goods, retail and media sectors. Over the three years 2009 to 2011, the proportion of revenues from the financial services sector has reduced from 63% to 51% whilst that from other sectors has increased from 37% to 49%.

Both the IDC and SPS segments, whether people-based or capital intensive, have a degree of operational gearing with certain costs being fixed in the short to medium term. Any change in the level and mix of turnover therefore has an impact on profitability. This is reflected in the results for IDC as profit and margins have fallen with the reduction in turnover and also in SPS where profit and margins, with the added benefit of cost reductions, have both improved.

The first phase of a restructuring programme, announced in November 2010 and charged as an exceptional cost of £2.9m in that year, was largely completed and paid for during the year.

The exceptional items in 2011 include: £2.2m relating to the second phase of a restructuring programme, announced in July, covering the Leeds manufacturing facility, site consolidation and headcount reduction elsewhere; £1.7m associated with the acquisition of Orchestra Bristol in June and the subsequent closure of the site, announced in December, following the transfer of production for the Proximity London (BBC TV Licensing) contract to the Liverpool facility; and £0.4m of non-recurring costs connected with the Pension Scheme and other projects. The benefits from the resulting efficiencies will predominantly flow in 2012 and beyond. £1m of the estimated cash cost of £4.3m for these items was incurred in 2011 with £3m scheduled to be paid in 2012 and £0.3m in subsequent years.

Included within finance costs for the year is a credit of £0.9m being the difference between the expected return and the expected interest cost on the Pension Scheme assets and liabilities respectively (2010: charge of £0.5m).

The 2011 tax charge has been reduced from the average standard rate for the year of 26.5%, and largely eliminated, following the favourable settlement of group relief claims and the repayment of prior year tax in the first half and the release of provisions no longer required after the successful agreement of certain open tax years in the second half. The 2010 tax charge was reduced by the write-back of provisions following the successful resolution of an outstanding tax issue in respect of a former subsidiary based in the USA. The tax charge in 2012 and beyond is expected to be below the standard rate due to the benefit of the asset backed pension contribution referred to below which will be amortised over four years.

The resulting profit after tax has decreased by 7% to £4.1m (2010: £4.4m) and basic earnings per share by 7.5% to 2.96p (2010: 3.20p). Adjusted earnings per share, which exclude the after-tax effect of exceptional items, have increased by 47.5% to 4.41p (2010: 2.99p). This percentage improvement is greater than that of operating profit before exceptional items because the after-tax interest charge in 2011 is relatively lower than that in 2010.

Cash Flow and Net Debt

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

	2011 £m	2010 £m
Profit from operations before exceptional items	9.4	7.9
Depreciation and other non-cash items	6.8	6.4
Increase in working capital	(0.5)	(2.4)
Exceptional items	(3.9)	-
Pension scheme contributions	(3.0)	-
Pensions ETV exercise	-	(2.9)
Interest and tax	(1.0)	(2.8)
Net cash inflow from operating activities	7.8	6.2
Net capital expenditure	(4.1)	(2.1)
Acquisition of subsidiary undertakings	(7.7)	-
Contract acquisition	-	(1.8)
Debt arrangement fees	(0.8)	-
Dividends paid	(1.9)	(1.2)
Other	(0.2)	(0.1)
(Increase)/decrease in net debt	(6.9)	1.0
Opening bank debt	(15.8)	(16.8)
Closing bank debt	(22.7)	(15.8)
Bank debt	(22.7)	(15.8)
Unamortised borrowing costs	0.6	-
Net bank debt	(22.1)	(15.8)
Finance lease creditor	(2.6)	(3.4)
Net debt	(24.7)	(19.2)

Operating cash flow improved during 2011 with a net cash inflow of £7.8m (2010: £6.2m) after £3.9m of exceptional items (2010: £nil).

Bank debt disclosed in the table above reflects bank loans of £36m net of cash deposits of £13.3m.

Year-end net debt increased to £24.7m in 2011 from £19.2m in 2010. Within the overall amount, bank debt increased by £6.9m and finance lease creditors decreased by £0.8m as the capital value was repaid with no new finance leases being taken out. Intra-period fluctuations in working capital increase the level of indebtedness during the year with the average bank debt during 2011 being £30.5m.

The final earn-out payment for the acquisition of Absolute Intuistic Limited of £5.5m and the costs associated with the acquisition of Orchestra Bristol in June 2011 more than accounted for the overall increase in bank debt during the year.

The management of trading working capital (being stock plus trade debtors less trade creditors) has improved over the last 3 years and will continue to be a focus of attention in 2012. Tight control over customer credit has been maintained with only 4.1% of debt being overdue at the year end and with little bad debt during the year.

The £3.9m cash cost of exceptional items has been a substantial outflow during the year. Of this amount, £2.9m related to the exceptional costs accrued or provided in 2010 or prior and £1m to the exceptional costs charged in 2011.

Investment in both segments has continued through the year. It is reflected largely in payroll costs in IDC and in capital equipment in SPS. Capital expenditure was relatively low in both 2010 and 2011 as major deployments of leading technology were provided through operating leases, principally the two HP T300 high-speed colour digital platforms. The approximate capital value of these digital platforms is £2.5m each.

An interim dividend for 2011 of 0.5p per share was paid in September and a final dividend of 1p per share has been proposed, bringing the full year dividend to 1.5p: an increase of 16% on the prior year.

Balance Sheet

The Balance Sheet reflects three legacy issues that largely stem directly or indirectly from the original formation and early development of the Group through acquisitions – goodwill, net debt and retirement benefit obligations.

Goodwill
The carrying value of goodwill has to be assessed for impairment at least annually under IFRS.

The impairment review conducted on the goodwill carrying value at 31 December 2011 of £153.7m, together with the underlying assumptions and estimates, reflected a more cautious outlook than previously in the context of current economic conditions. Consequently, the resulting overall headroom (being the excess of the recoverable amount of goodwill over its carrying value) reduced from £44m in 2010 to £29m in 2011.

The approach adopted in determining the value in use, as a measure of the recoverable amount of goodwill, used a discounted cash flow methodology that necessarily involved numerous assumptions and estimates about revenue growth, operating margins, appropriate discount rates and working capital requirements. Future events or changes in market conditions, business activities and reporting structures or significant shortfalls in estimated cash flows could change any subsequent assessment of the recoverable amounts and lead to an impairment provision in the future that could have a material impact on the Group's Balance Sheet and results.

Net Debt
The Group's continuing operations are funded through equity and bank debt in combination with finance and operating leases and trade creditors.

The bank facilities were renewed in February 2011 under a syndicated arrangement with Barclays, Lloyds Banking Group and HSBC. They comprise a fully revolving credit facility of £40m, which the banks agreed to extend by £5m to £45m in February 2012, and committed until August 2014 together with an overdraft facility of £5m, renewable annually.

Year-end bank debt increased from £15.8m in 2010 to £22.7m in 2011 (excluding £0.6m of unamortised borrowing costs) due principally to the cash cost of debt-funded acquisitions.

No new finance leases were entered into during 2011. As part of the ongoing commitment to the deployment of advanced technology, the Group entered into an operating lease for a second HP T300 high-speed colour digital platform, in April 2011, with a capital value of approximately £2.5m. In November 2011 the Group committed to a further operating lease for two HP T400 high-speed colour digital platforms, with installation planned in the first half of 2012. These platforms have a combined capital value of approximately £10m.

The Group's objectives are to ensure that bank debt excluding any acquisition funding but including intra-period fluctuations (which gave rise to average net bank debt of £30.5m during 2011) is not more than twice EBITDA and to generate sufficient free cash flow to reduce net debt progressively over the medium term. Free cash flow for these purposes is calculated after deducting all operating and non-acquisition related investment expenditure, pension contributions and dividends. The use of equity or debt to fund any future acquisitions will be determined on a case-by-case basis.

Retirement Benefit Obligations
The retirement benefit obligations recorded under IFRS, reflecting a deficit on the Pension Scheme, increased from £9.7m at 31 December 2010 to £14.2m at the end of 2011 due principally to the effect of underlying changes in gilt yields and investment returns.

The pension deficit needs to be eliminated over time through additional contributions that are both agreed with the Pension Scheme Trustees and approved by the Pensions Regulator in the context of a triennial valuation conducted by the Scheme's advisers.

The triennial valuation in 2008 produced an actuarially calculated deficit of £40.7m. Over the last 3 years the Group has been actively managing these Pension Scheme obligations and, in agreement with the Trustees, has initiated an early retirement programme, undertaken an Enhanced Transfer Value exercise, changed the inflation measurement basis for determining statutory increases in retirement benefits from the Retail to the Consumer Prices Index and made additional contributions. The combined effect of these initiatives, together with better-than-plan performance on Scheme assets has been to reduce the deficit by £23.7m to £17m. However interest on the deficit of £6.1m and subsequent market-related and other factors, especially the fall in gilt rates that are used to calculate the present values of future obligations, have more than doubled the deficit to £38.3m at 31 March 2011, the date of the latest triennial valuation.

Fluctuations in the actuarially determined pension deficit tend to reflect relatively short-term volatility in market rates, compared to the very long-term nature of the obligations, rather than any substantial change in the underlying benefits that are ultimately payable. The Group will continue to manage the deficit within this broader market context by working with the Trustees to optimise the Scheme's investment strategy and assets, reduce the obligations and make additional contributions at an appropriate and affordable level.

Following the latest triennial valuation, the Group and the Trustees have agreed to additional annual contributions of £3m, subject to review by the Pensions Regulator.

Subsequent to the year-end the Group and the Trustees have also agreed to an arrangement involving the securitisation of a rental stream on one of the Group's freehold properties. Under the arrangement the Pension Scheme will be entitled to annual rent of £1.15m for 15 years. The present value of the rental stream of £9.8m will be treated as an additional pension contribution and an asset that reduces the deficit by the same amount. As part of the arrangement, the Trustees have agreed that the £9.8m constitutes a prepayment of contributions for the 3 years from 2012 to 2014 inclusive. Consequently the cash payments to the Pension Scheme will be limited to the annual rental on the property of £1.15m between 2012 and 2014 and then increase to £4.15m from 2015 onwards. The aggregate effect of the arrangement over this 3 year period will be to reduce the Group's cash payments to the Pension Scheme by £5.5m.

The Group's objectives are to manage its obligations to the Pension Scheme responsibly and to ensure that any future contributions are at committed levels that are affordable over the medium term without constraining the implementation of the Group's development strategies.

Nigel Howes

Finance Director

Risks and Uncertainties

Risks and Impact	Mitigating Actions and Management
Financial Performance	
Economic Environment	
Macro-economic uncertainties affect marketeers' behaviour and the level and mix of discretionary marketing spend.	Market trends are monitored and factored into the Group's business planning and management processes with volume erosion protection clauses being included in contract terms where possible.
Technological Change	
Changes in the application of technology, especially customers' progressive adoption of digital formats and channels, impact market demand for the Group's products and services and necessitate the development of new offerings either organically or through acquisition.	Continued investment in advanced technology and new services maintains and enhances the Group's competitive position. Due diligence together with the monitoring of development projects and integration plans ensures that new products and services are cost-effectively introduced and acquisitions are successfully implemented.
Customer Concentration	
A substantial percentage of Group revenues are derived from a relatively small number of customers and from the financial services sector so that there is material exposure to the loss of one or more large customers or to the systemic failure of this sector.	A key account management programme operates to preserve customer relationships, monitor compliance with service level agreements and expand the Group's services. Business development activities promote the Group's services in a broad range of market sectors and into international markets.
Operational Gearing	
The Group is operationally geared with a cost base that is reasonably fixed in the short to medium term so that any loss of volume impacts profitability and cash flow. The principal risks 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 or to meet any shortfall in projected cash flow; - retain its major customer portfolio, without replacement, or recover debts; - diversify sufficiently into other market sectors; and - comply with banking covenants and maintain its funding facilities.	The Group's cost base is regularly reviewed and aligned with projected demand to avoid margin erosion. Sufficient financing facilities are arranged with a reasonable degree of headroom over projected funding requirements. Customer credit is closely monitored and controlled to minimise the amount of overdue debt. Working capital and capital expenditure are actively managed to ensure that banking covenants are not breached.

Framework Contracts A substantial proportion of the Group's activities are conducted within the terms of multi-year framework contracts with customers, often for a range of different services. The contract terms usually contain complex commercial, legal and financial arrangements. The principal risk is that over the life of the contract the practical working relationships may differ from those anticipated at the outset giving rise to the potential for dispute, commercial damage and financial loss.	Policy guidelines require executive director approval for unusual or high risk terms. Compliance with contract terms, particularly any service level agreement, is monitored and, when required, reported to customers on a regular basis. Periodic reviews of contract terms are conducted to highlight any emerging anomalies between the original intent and the current working practices.
Network and Information Security The Group's operations depend upon the smooth and uninterrupted operation of complex computer networks and systems and on the ability to access the networks of other parties. The Group also processes confidential and personal data on behalf of customers as part of many core services. The principal risks 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, either of which could result in reputational damage and financial loss.	Robust business continuity plans are in place. Established information and security standards are subject to regular third party audits. Continued investment in IT infrastructure, security and monitoring guards against the inappropriate use of sensitive data and maintains and enhances the effectiveness of controls.
Pension Liabilities The Group has continuing obligations under a defined benefit pension scheme that is now closed to new entrants. The principal risk is that any changes in life expectancy or other assumptions or in interest rates and equity returns could require substantial and unsustainable future cash contributions to eliminate any resulting increase in the Pension Scheme deficit.	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.
Liabilities from Past Disposals The Group has contingent liabilities arising from lease commitment guarantees on past corporate disposals. The principal risk is that the current leasehold occupants will become insolvent in the current economic climate and that the guarantees will be called with a substantial cash cost to the Group.	The financial status of the leasehold occupants is monitored on a regular basis. Action is taken to minimise the cost to the Group when default is anticipated.

Consolidated Income Statement
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Revenue		**208,276**	193,166
Changes in inventories of finished goods and work in progress		**(116)**	842
Raw materials and consumables used		**(113,577)**	(99,793)
Employee benefits expense		**(53,552)**	(54,779)
Other operating expenses		**(24,701)**	(24,713)
Depreciation and amortisation expense		**(6,924)**	(6,863)
Exceptional items	3	**(4,333)**	(309)
Profit from operations		**5,073**	7,551
Analysed as:			
Profit from operations before exceptional items		**9,406**	7,860
Exceptional items	3	**(4,333)**	(309)
Profit from operations		**5,073**	7,551
Finance revenue		**1,192**	205
Finance costs before exceptional items		**(2,105)**	(2,277)
Recycling of cash flow hedge		**-**	(401)
Accelerated amortisation of debt issue costs		**-**	(161)
Total finance costs		**(2,105)**	(2,839)
Profit before taxation		**4,160**	4,917
Income tax expense	4	**(89)**	(497)
Profit for the year attributable to equity holders of the parent		**4,071**	4,420
Earnings per share			
On profit for the year attributable to equity holders and from continuing operations			
- basic	5	**2.96p**	3.20p
- diluted		**2.86p**	3.08p
Dividend per share			
- paid	6	**1.36p**	0.86p
- proposed		**1.00p**	0.86p

Dividends paid and proposed during the year were £1.9 million and £1.4 million respectively (2010 £1.2 million and £1.2 million respectively).

All income and expenses relate to continuing operations.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	2011	2010
	£000	£000
Profit for the year	**4,071**	4,420
Exchange differences on translation of foreign operations	**(19)**	(10)
Adjustments in respect of prior years due to change in tax rate	**(194)**	(175)
Actuarial (losses) / gains on defined benefit pension plans	**(8,868)**	2,230
Income tax thereon	**2,217**	(602)
Gain / (loss) on cash flow hedges taken directly to equity	**26**	(151)
Income tax thereon	**(7)**	42
Recycling of cash flow hedge	**-**	401
Income tax thereon	**-**	(112)
Other comprehensive (loss)/ income for the year, net of tax	**(6,845)**	1,623
Total comprehensive (loss)/ income for the year, net of tax	**(2,774)**	6,043
Attributable to:		
Equity holders of the parent	**(2,774)**	6,043

Consolidated Balance Sheet
31 December 2011

	2011 £000	2010 £000
ASSETS		
Non-current assets		
Property, plant and equipment	**21,003**	22,803
Intangible assets	**162,675**	160,839
Trade and other receivables	**124**	450
Deferred tax assets	**1,571**	699
	185,373	184,791
Current assets		
Inventories	**7,914**	7,356
Trade and other receivables	**34,545**	27,320
Cash and cash equivalents	**13,280**	3,202
	55,739	37,878
TOTAL ASSETS	**241,112**	222,669
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent		
Equity share capital	**34,663**	34,651
Share premium	**22**	22
Merger reserve	**11,427**	11,427
Capital redemption reserve	**1,375**	1,375
ESOP reserve	**(535)**	(338)
Cumulative translation adjustment	**(181)**	(162)
Retained earnings	**82,021**	86,523
Total equity	**128,792**	133,498
Non-current liabilities		
Interest-bearing loans and borrowings	**37,107**	19,531
Trade and other payables	**223**	-
Retirement benefit obligations	**14,186**	9,679
Provisions	**1,127**	1,457
Financial liabilities	**-**	89
	52,643	30,756
Current liabilities		
Interest-bearing loans and borrowings	**903**	2,786
Trade and other payables	**56,224**	54,206
Income tax payable	**644**	608
Provisions	**1,798**	567
Financial liabilities	**108**	248
	59,677	58,415
Total liabilities	**112,320**	89,171
TOTAL EQUITY AND LIABILITIES	**241,112**	222,669

Consolidated Cash Flow Statement
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Cash generated from operations	7	**8,773**	9,052
Interest paid		**(1,882)**	(1,919)
Interest received		**108**	110
Income tax received / (paid)		**788**	(1,021)
Net cash flows from operating activities		**7,787**	6,222
Cash flows from investing activities			
Acquisition of subsidiary undertakings		**(7,749)**	-
Contract acquisition		**-**	(1,820)
Purchase of property, plant and equipment		**(3,305)**	(2,125)
Proceeds from the sale of property, plant and equipment		**308**	669
Purchase of intangible assets		**(1,058)**	(639)
Net cash flows from investing activities		**(11,804)**	(3,915)
Cash flows from financing activities			
Purchase of own shares		**(197)**	-
Sharesave options exercised		**12**	-
New borrowings		**50,000**	13,000
Repayment of borrowings		**(33,000)**	(30,000)
Debt arrangement fees		**(790)**	-
Dividends paid		**(1,879)**	(1,190)
Net cash flows from financing activities		**14,146**	(18,190)
Net increase / (decrease) in cash and cash equivalents		**10,129**	(15,883)
Cash and cash equivalents at 1 January		**3,202**	19,178
Exchange rate effects		**(51)**	(93)
Cash and cash equivalents at 31 December		**13,280**	3,202
Cash and cash equivalents consist of:			
Cash and cash equivalents		**13,280**	3,202

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	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 2010	34,651	22	11,427	(338)	1,375	(152)	81,283	128,268
Profit for the year	-	-	-	-	-	-	4,420	4,420
Other comprehensive (loss) / income	-	-	-	-	-	(10)	1,633	1,623
Total comprehensive (loss) / income	-	-	-	-	-	(10)	6,053	6,043
Employee share option schemes: - value of services provided	-	-	-	-	-	-	377	377
Dividends paid	-	-	-	-	-	-	(1,190)	(1,190)
As at 31 December 2010	**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**

1 Segmental information

Business segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

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

- Intelligence Driven Communications ('IDC') which aims to help businesses increase the revenue that they generate from their customer base, utilising data to deliver more targeted and relevant marketing programmes across a range of different channels. Three key services are offered under the IDC banner – Data & Analysis, Campaign Management and Creative.

- Specialist Production and Sourcing ('SPS') which aims to help businesses improve the efficiency and quality of their supply chains at reduced cost. Four key services are offered under the SPS banner – Print Sourcing, Direct Mail, Transactional Services and Cheques.

In addition, certain revenues are classed as pass through revenues, being revenues representing print, postal and other marketing material which are passed onto clients at cost.

The Communisis Board considers the performance of IDC and SPS 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, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

A software asset with a net book value of £1,831,000 (2010 £2,063,000) has been allocated to segment assets as follows: IDC £546,000, SPS £1,185,000 and Corporate Costs £100,000. The amortisation charge on the asset for 2011 has been allocated to segments as follows: IDC £30,000 (2010 £30,000) and SPS £202,000 (2010 £202,000). Parts of this asset are still in development and so are not being depreciated.

Transfer pricing between business segments is set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment profits include sales between business segments. Those sales are eliminated on consolidation and are not included in the revenue figures over the page.

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

Business segments

The segment results for the year ended 31 December 2011 are 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**
Net finance costs before exceptional items					**(913)**
Profit before tax					**4,160**
Income tax expense					**(89)**
Profit for the year					**4,071**

Revenue includes sales to four customers who each individually represent more than 10% of the Group's total revenue. Sales to Customer 1 were £30.5m, Customer 2 £26.2m, Customer 3 £23.9m and Customer 4 £29.0m, and included transactions with each business segment.

The segment results for the year ended 31 December 2010 are as follows:

	Continuing operations				
	IDC £000	**SPS £000**	**Pass Through £000**	**Corporate Costs £000**	**Total £000**
Revenue	**25,513**	**142,120**	**25,533**	**-**	**193,166**
Profit from operations before exceptional items	**4,121**	**8,302**	**-**	**(4,563)**	**7,860**
Exceptional items	**(674)**	**(1,934)**	**-**	**2,299**	**(309)**
Profit from operations	**3,447**	**6,368**	**-**	**(2,264)**	**7,551**
Finance costs before exceptional items					**(2,072)**
Recycling of cash flow hedge					**(401)**
Accelerated amortisation of debt issue costs					**(161)**
Profit before tax					**4,917**
Income tax expense					**(497)**
Profit for the year					**4,420**

Revenue includes sales to four customers who each individually represent more than 10% of the Group's total revenue. Sales to Customer 1 were £30.8m, Customer 2 £28.2m, Customer 3 £26.7m and Customer 4 £26.3m, and included transactions with each business segment.

2 Finance costs and finance revenue by category of financial instruments

	2011 £000	**2010 £000**
Interest on financial assets measured at amortised cost	**122**	115
Interest on financial liabilities measured at amortised cost	**(2,089)**	(1,748)
Net interest from financial assets and financial liabilities not at fair value through Income Statement	**(1,967)**	(1,633)
Change in fair value of derivatives	**203**	90
Loss on foreign currency liabilities	**(16)**	(48)
Recycling of cash flow hedge	**-**	(401)
Accelerated amortisation of debt issue costs	**-**	(161)
Retirement benefit related income / (expense)	**867**	(481)
	(913)	(2,634)

3 Exceptional items

	2011 £000	**2010 £000**
Profit from operations is arrived at after charging / (crediting) the following items:		
Acquisition and set up costs	**236**	-
Pension deficit reduction project	**400**	-
Exceptional restructuring costs	**3,697**	2,894
Pensions ETV settlement gain	**-**	(2,585)
Exceptional items	**4,333**	309

Acquisition and set up costs totalling £236,000 relate to the acquisition of the trade and assets of Orchestra Bristol Limited and were fully paid during the year. A further £1,452,000 incurred in relation to the closure of the Bristol site is included in the £3,697,000 exceptional restructuring costs

During the year the Group incurred costs of £3,697,000 in respect of the Orchestra Bristol Limited acquisition and the second phase of our restructuring and organisational change project which included further site consolidation and headcount reduction across the Group. Of this amount, £1,266,000 is included in provisions, and £1,724,000 is included in accruals at 31 December 2011.

Legal and consultancy costs of £400,000 relate to a pension deficit reduction project undertaken during 2011. None of this had been paid at 31 December 2011.

Last year the Group incurred costs of £2,894,000 in respect of restructuring, of which £1,094,000 related to the closure of the Leicester facility and the remainder related to further optimisation of the overall cost base of the Group to create the right organisational structure to move the Group forward. Since the project related to transforming the business for the future, these costs were not directly related to current operations and therefore disclosed as exceptional.

The £2,585,000 settlement gain relates to an Enhanced Transfer Value exercise completed in 2010 for deferred members of the defined benefit pension scheme. The amount is the net of the £5,526,000 settlement gain partially offset by £2,941,000 enhancements and associated fees.

4 Income tax

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	2011 £000	2010 £000
Tax charged in the Income Statement		
Current income tax		
UK Corporation Tax	**557**	491
Adjustments in respect of prior years	**(1,350)**	(908)
Overseas tax on profits for the year	**41**	18
Total current income tax credit	**(752)**	(399)
Deferred income tax		
Origination and reversal of temporary differences	**758**	925
Adjustments in respect of prior years	**144**	19
Adjustments in respect of prior years – due to change in tax rate	**(61)**	(48)
Total deferred tax charge	**841**	896
Tax charge in the Consolidated Income Statement	**89**	497
Tax relating to items charged or credited to other comprehensive income		
Deferred income tax		
Actuarial gains on pension scheme current year (credit) / charge	**(2,217)**	602
Adjustment in respect of prior years – due to change in tax rate	**194**	175
Tax on financial liability	**7**	70
Income tax (credit) / expense reported in Consolidated Statement of Comprehensive Income	**(2,016)**	847

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 (2010 lower) than the average standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are reconciled below:

	2011 £000	2010 £000
Profit before income tax	**4,160**	4,917
At UK statutory income tax rate of 26.5% (2010 28%)	**1,102**	1,377
Expenses not deductible for tax purposes	**299**	94
Unrelieved overseas losses	**4**	48
Untaxed overseas profits	**(22)**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(32)**	(22)
Share-based payments	**40**	(40)
Change in deferred tax in respect of rolled over capital gains	**(35)**	(23)
Adjustments in respect of prior years	**(1,206)**	(889)
Adjustment in respect of prior years – due to change in tax rate	**(61)**	(48)
Tax charge in the Consolidated Income Statement	**89**	497

Unrecognised tax losses

The Group has unrecognised losses, which arose outside of the UK, for which there is no expiry date, of £820,000 (2010 £3,079,000) that are available for offset against future taxable profits of the companies in which the losses arose. No deferred tax assets have been recognised in respect of any of these losses as their future utilisation is uncertain and they may not be used to offset taxable profits elsewhere in the Group.

5 Earnings per share

	2011 000	2010 000
Weighted average number of ordinary shares (excluding ESOP shares) for basic earnings per share	**137,765**	138,323
Effect of dilution:		
Share options	**4,739**	5,315
Weighted average number of ordinary shares (excluding ESOP shares) adjusted for the effect of dilution	**142,504**	143,638

886,138 (2010 279,628) shares were held in trust at 31 December 2011.

Share options in issue for which exercise is currently unlikely (as the option price is higher than the average market price) total 1,324,250 (2010 2,375,867) options. As a consequence, these options have not been included in the diluted earnings per share in the current year.

	2011 £000	2010 £000
Basic and diluted earnings per share is calculated as follows:		
Profit attributable to equity holders of the parent	**4,071**	4,420
Earnings per share		
Basic	**2.96p**	3.20p
Diluted	**2.86p**	3.08p

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:

	2011 £000	2010 £000
Profit after taxation from continuing operations	**4,071**	4,420
Exceptional items (Note 3):		
Exceptional costs	**4,333**	309
Exceptional finance costs (Note 2):		
Recycling of cash flow hedge	**-**	401
Accelerated amortisation of debt issue costs	**-**	161
	8,404	5,291
Taxation on exceptional items	**(1,116)**	(266)
Taxation – adjustments in respect of prior years	**(1,206)**	(889)
Profit after taxation from continuing operations excluding exceptional items	**6,082**	4,136
Adjusted earnings per share		
Basic	**4.41p**	2.99p
Diluted	**4.27p**	2.88p

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

6 Dividends paid and proposed

	2011	2010
Declared and paid during the year	**£000**	**£000**
Amounts recognised as distributions to equity holders in the year:		
Final dividend of the year ended 31 December 2009 of 0.43p per share	**-**	595
Interim dividend of the year ended 31 December 2010 of 0.43p per share	**-**	595
Final dividend of the year ended 31 December 2010 of 0.86p per share	**1,190**	-
Interim dividend of the year ended 31 December 2011 of 0.50p per share	**689**	-
	1,879	1,190
Proposed for approval at AGM (not recognised as a liability as at 31 December)		
Final equity dividend on ordinary shares for 2011 of 1.00p (2010 0.86p) per share	**1,378**	1,190

7 Cash generated from operations

	2011	2010
	£000	**£000**
Continuing operations		
Profit before tax	**4,160**	4,917
Adjustments for:		
Amortisation of intangible assets arising on business acquisitions	**516**	354
Depreciation and other amortisation	**6,408**	6,509
Excess of contributions paid over Income Statement pension costs	**(95)**	(109)
Pensions ETV exercise	**-**	(2,892)
Exceptional items	**4,333**	309
Profit on sale of property, plant & equipment	**(240)**	(669)
Share-based payment charge	**132**	377
Net finance costs	**913**	2,634
Additional contribution to the defined benefit pension plan	**(2,975)**	-
Cash cost of exceptional items	**(3,926)**	-
Changes in working capital:		
(Increase)/decrease in inventories	**(567)**	(932)
(Increase)/decrease in trade and other receivables	**(7,431)**	(905)
Increase/ (decrease) in trade and other payables	**7,545**	(541)
Cash generated from operations	**8,773**	9,052

8 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 2011 and 31 December 2010 is abridged and has been extracted from the 2011 statutory accounts of Communisis plc which were approved by the Board of Directors on 1 March 2012, 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 2011 statutory accounts. The 2010 statutory accounts have been delivered to the Registrar of Companies. The auditors' report on the 2010 statutory accounts was unqualified.