4 August 2016

Communisis plc
(“Communisis” or the “Group”)

Interim Results for the six months ended 30 June 2016

Leading provider of integrated marketing services Communisis plc (LSE: CMS), reports interim results for the half year ended 30th June 2016.

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

“Communisis has grown profitability, sustained strong cash generation, further reduced net debt and increased the dividend. Trading in our main markets has been good and we have won significant new, long-term contracts. A simplified two divisional structure addresses our main client opportunities and reduces cost. We remain confident of delivering on our full year expectations for the Group.”

Highlights

Continued Financial progress

- Adjusted EPS +20% at 2.42p, with adjusted profit before tax improving from £5.4m to £6.5m.
- Dividend increased +10% to 0.81pps.
- Net debt reduced by £4.5m since the year end to £34.9m due to continuing strong free cash generation.

	As reported H1 2016	As reported H1 2015	As Reported	Constant Currency*
Total Revenue (£m)	**174.9**	174.6	+0.2%	(0.5)%
Adjusted operating profit (£m)**	**7.7**	7.2	+8%	+5%
Adjusted profit before tax (£m) **	**6.5**	5.4	+21%	+19%
Adjusted earnings per share (p)***	**2.42**	2.01	+20%	+19%
Profit before tax (£m)	**4.4**	3.2	+37%	+33%
Dividend per share (p)	**0.81**	0.73	+10%	+10%
Free cash flow (£m)	**6.1**	6.0	+2%	+2%
Net debt (£m)	**34.9**	43.4	-	-

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

*** Adjusted operating profit and adjusted profit before tax: before exceptional items and the amortisation of acquired intangibles.*

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

Operational Highlights

Strategy

- The Group has adopted a two divisional structure to reduce complexity and provide clear value propositions to clients within core vertical segments – namely Brand Deployment (former Deploy and Shopper agencies) and Customer Experience (former Produce and the remaining parts of Design).

Growth

- New contract with LV= (Liverpool Victoria Friendly Society) for a six year term from March 2016 for customer fulfilment services. There are three main service lines, being document composition, digital archiving and transactional output, for its UK General Insurance Customers.
- Multi-territory agreement with new healthcare client for marketing print management across EMEA. Activity began under a three year contract, with a staged roll-out commencing in the Middle East from our new base in Dubai, and Iberia.
- Expansion in international sales which now account for 24% of total revenue (H1 2015 18%).
- Legal & General contract for printed matter and print logistics services, successfully implemented.

Efficiency

- Cost reduction will be achieved as a result of the new two divisional structure; including de-layering of management, outsourcing of non-core activities and reduced central/corporate costs. Annualised benefit of circa. £3m for an investment in exceptional costs in 2016 of approximately £4m.
- The (former) Design division has been restructured to focus on four offerings and the opportunities withinin Group clients.
- Manufacturing efficiency in our transactional operations improved over 5% half on half.

People

- New initiatives implemented for staff, including a flexible benefits package and e-learning training courses.
- London teams to be co-located in one office in Little Portland Street from September 2016, to reduce overheads and further improve collaboration and business development.

For further information please contact:

Communisis plc **020 7382 8952**

Andy Blundell / Mark Stoner

FTI Consulting **020 3727 1000**

Matt Dixon / Emma Appleton

About Communisis

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

STRATEGY & IMPLEMENTATION

Performance Review

The Group's strategic initiatives are set out below, and are consistent with the 2015 Annual Report. This review summarises the performance against those strategic initiatives and the key financial targets during the first half of 2016.

Strategy

The Group has adopted a two divisional structure to reduce complexity and provide clear value propositions to clients within core vertical segments – namely Brand Deployment (former Deploy and Shopper agencies) and Customer Experience (former Produce and the remaining parts of Design).

The new structure simplifies the Group and makes it more readily understood by all stakeholders. Crucially, it makes sense for existing clients and new prospects.

The characteristics of each division are:

- Brand Deployment; an end-to-end service starting with the brand activation piece (LIFE/Twelve) and "the brief" through to project execution meaning the control of the international supply chain for point-of-sale and associated marketing collateral. Typical clients are global FMCG companies; deployment happens across the full range of retail environments. Our clients in Brand Deployment include Procter & Gamble, Kellogg's and Bacardi.

- Customer Experience; in this division we provide mission-critical, personalised communication to known individuals, on behalf of our clients. The main activities are "transactional" being billing, statements, cheques and inbound services. In addition, this division includes the Content business (Editions Financial), Creative Agency (Psona) and other service lines previously contained within the Design division. All of our Customer Experience activity takes place in the UK. Our clients in Customer Experience include Lloyds Banking Group, Centrica and AXA.

Strategic initiatives

The Group's aspiration is pursued through a number of strategic initiatives including:

Growth

- Growing sales organically,
- Extending activities to broaden and deepen the service offering,
- Increasing international presence.

Efficiency

- Continuing to optimise the direct cost and overhead base,
- Capitalising on synergies,
- Improving capacity utilisation.

People

- Attracting the best people,
- Engaging, developing and rewarding those people,
- Optimising structures.

Improving the capital structure and managing the exposure to the pension deficit are also priorities, as is the dividend policy that is important for most investor categories.

Growth

The trend for clients to seek more services from fewer strategic suppliers continues and suits Communisis – we expect consolidation in our industry to remain a theme. Our aim remains to transform our business over time toward progressively more service provision and digital activity.

New business development included the agreement of a six year contract with LV= (Liverpool Victoria Friendly Society) for the provision of customer fulfilment services including document composition, digital archiving and transactional output.

In addition, a three year multi-territory agreement with a new healthcare client was awarded in May 2016 for marketing print management provision within EMEA including Premiums, Point of Sale and Shopper / Creative Insight services. This demonstrates the value of the combined Shopper and Deploy proposition under the new 'Brand Deployment' segment.

The Group commenced working for Legal & General from April 2016, where it is providing print and related logistics services.

Our creative areas encountered lower market demand in the period. This follows a similar pattern for the creative industry as a whole, borne out in a recent report by the industry body for this market, the AAR which indicates that new business pitches were down 12% for the industry in H1 2016 versus the same period last year. Nonetheless new business was won including LIFE/Twelve for GSK, Thornton's and Weetabix and by our content marketing arm, Editions Financial for Blackrock and a major new banking assignment in New York, as well as being appointed Content Marketing Agency for LinkedIn Financial Services. Our film unit has traded strongly and produced award-winning work for clients such as BP for the Paralympics "On the road to Rio" campaign.

Overseas expansion of the Group's brand activation services has continued during 2016, including the commencement of operations in Dubai. Additional clients continue to be added within the European network, further extending the Brand Deployment business. The Group continues to assess new international opportunities, which are increasingly outside EMEA; such expansion meets clients' requirements for an increasingly global approach to marketing services. Communisis can thus enter new territories, on a "sponsored" basis and trade profitably, relatively quickly.

Efficiency

Cost reduction will be achieved as a result of the new structure including de-layering of management, outsourcing of non-core activities and reduced central/corporate costs. We expect an annualised benefit of circa. £3m for an investment in exceptional costs in 2016 of about £4m.

We have de-layered management structures across the Group. Notable examples would be the creative areas, where we have gone from ten profit centres to four, and our main transactional sites in Copley and Liverpool, where we have shortened reporting lines between the sites' executive and shop floor operations.

Relative efficiency is tracked in Transactional, which improved over 5% half on half, and volume erosion in paper-based channels at 1%, was less than anticipated.

Out-sourcing some of our own functions represents an important opportunity for cost reduction and better capacity utilisation. We have already outsourced the majority of our legal function and facilities management. IT is undergoing a strategic review which will present further opportunities for cost reduction over time. The combined central/corporate costs have been reduced by nearly £1m when compared to the first half of last year, by decreasing the size of the corporate office and addressing complexity within reporting lines.

People

Our people are at the heart of the success of our business. Expectations that employees have of their employers are shifting and evolving. Hence, we have implemented new initiatives for our teams including a flexible benefits package and e-learning training courses. The former allows the Group to provide choice to our employees of the benefits they can enjoy while being part of Communisis, whilst the latter facilitates cost effective training across an increasingly international footprint.

The Group's London headquarters at Chiswell Street will be relocated and consolidated with operations based at Little Portland Street from September 2016. This will facilitate further integration, encourage collaboration and reduce overheads.

CREATING VALUE

Summary financial performance

Communisis continued to deliver profitable growth, strong free cash flow and reduced net debt in the first half of 2016. The results were ahead of the same period last year, enabling the Group to increase its interim dividend for the first six months of 2016 by 10%.

Improving profitability, tight control of working capital, lower capital expenditure and exceptional items, delivered strong free cash flow during the period. With capital expenditure continuing to be refocused and reduced towards maintenance levels and a mix change to software rather than equipment procurement, the Group retained a higher proportion of cash generated. This has facilitated a reduction in net debt of £8.5m from H1 2015.

Divisional Reporting

Revenue, operating profit and margins before exceptional items have been reported under revised segments during H1, being Customer Experience and Brand Deployment. The previous segmental analysis is also included as a comparator. Pass-through revenue, being those purchased materials that are passed on to clients at cost with no added value, is reported separately, as are unallocated central costs that support integrated service offerings.

The translation of foreign currency results into sterling has had a favourable impact on the reported numbers in 2016 due principally to the weakening of Sterling.

Profitability

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

	HY 2016 £m	**HY 2015 £m**
Revenue		
Customer Experience	**87.1**	92.2
Brand Deployment	**53.8**	26.6
Pass Through	**34.0**	55.8
	174.9	174.6
Adjusted profit from operations		
Customer Experience	**10.6**	11.8
Brand Deployment	**6.4**	5.7
Central Costs	**(6.7)**	(6.6)
Corporate Costs	**(2.6)**	(3.7)
	7.7	7.2
Amortisation of acquired intangibles	**(0.4)**	(0.8)
Profit from operations before exceptional items	**7.3**	6.4
Exceptional items	**(1.7)**	(1.4)
Net finance costs	**(1.2)**	(1.8)
Profit before tax	**4.4**	3.2
Tax	**(1.0)**	(0.7)
Profit after tax	**3.4**	2.5
Earnings per share		
Basic (p)	**1.62**	1.20
Adjusted fully diluted (p)	**2.42**	2.01

Comparator figures under previous segmentation:	HY 2016 £m	HY 2015 £m
Revenue		
Produce (now Customer Experience)	**74.4**	78.2
Deploy (now Brand Deployment)	**49.7**	24.1
Design (now allocated)	**16.8**	16.5
Pass Through	**34.0**	55.8
	174.9	174.6
Adjusted profit from operations		
Produce (now Customer Experience)	**10.7**	9.7
Deploy (now Brand Deployment)	**6.0**	5.8
Design (now allocated)	**0.3**	2.0
Central Costs	**(6.7)**	(6.6)
Corporate Costs	**(2.6)**	(3.7)
	7.7	7.2

Group

Total revenue ended in line with prior year at £174.9m (H1 2015 £174.6m). The proportion derived from overseas was 24% (H1 2015 18%). Due to a change in the commercial model of a significant client, £18m of revenue previously classified as Pass Through is now reported in Brand Deployment net revenue. This has impacted Group operating margin (calculated excluding Pass Through), reducing it to 5.5% (H1 2015 6.0%).

Adjusted operating profit increased 8% to £7.7m (H1 2015 £7.2m), 5% on a constant currency basis. Adjusted profit before tax has improved from £5.4m to £6.5m, with adjusted diluted EPS increasing 20% from 2.01p to 2.42p. This includes £0.7m of unrealised foreign exchange gain on Euro denominated balances.

Profit after tax increased by 36% to £3.4m (H1 2015 £2.5m), 33% on a constant currency basis. Basic earnings per share were 35% higher at 1.62p (H1 2015 1.20p), 32% on a constant currency basis.

Segmental performance

Customer Experience

Revenues ended 6% lower than prior year, primarily due to the ongoing impact of conversion from print to digital and service based revenues. However the level of erosion for printed bills and statements continued to be lower than expected at 1%. Customers show reluctance to migrate from paper to digital formats at the rate anticipated.

Adjusted operating profit for the segment was £1.2m lower than prior year. A strong performance from the production units generated £1.0m of year on year improvement, particularly within Transactional and Direct Mail service lines where the impact of lower volume erosion and efficiency improvements are supporting underlying growth in profitability. This was offset by disappointing results from the Psona Agency and cross media production design activities, which experienced significant marketing budget pressure and lower margins. Restructuring and cost reduction within these areas are underway and should deliver an improved second half performance.

Brand Deployment

Total revenues increased, with the overseas proportion growing to 24%, with a favourable average Euro rate throughout the period. The change in commercial model for a significant client, moved £18m of revenue from pass-through to net revenue during the period, reducing the reported margin in this segment to 12%. The first half benefitted from additional client activity from core clients, a full half of volume from the additional offices opened in 2015, and revenue from the new Dubai office. Operating profit from Deployment services moved ahead by £0.2m.

In addition, Shopper marketing (previously reported within the Design segment) improved profitability due to the impact of favourable volumes, lower costs and the resolution of a client dispute.

Central and corporate costs reduced by £1m as the financial benefits of a smaller corporate office and lower associated costs were realised.

Exceptional items, interest and foreign exchange gains

The exceptional charge of £1.7m includes restructuring costs principally associated with efficiency improvements within the inbound and outbound transactional operations. In addition, £0.2m related to the write-down of certain acquired trade names. Lower period-end foreign currency translation rates significantly impacted revaluation of non-Sterling related balances, delivering a positive £0.7m profit impact.

Tax

The 2016 tax charge is based on the estimated effective rate for the year of 23.16%, which is higher than the UK standard rate of 20%, as it includes the taxation of certain overseas profits in higher-rate jurisdictions.

Dividend

Dividends of 1.47p per share were paid in the first half of 2016 in respect of 2015 and an interim dividend of 0.81p per share will be paid for 2016, an increase of 10% on the prior year. The dividend will be paid on 13 October 2016 to shareholders on the register at the close of business on 16 September 2016.

Cash and net debt

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

	HY 2016	**HY 2015**
	£m	**£m**
Profit from operations before exceptional items	**7.3**	6.4
Depreciation and other non-cash items	**5.4**	6.4
Increase in working capital	**(1.1)**	(0.6)
Pension scheme contributions	**(0.6)**	(0.6)
Interest and tax	**(1.6)**	(0.5)
Net operating cash flow before exceptional items	**9.4**	11.1
Exceptional items	**(1.1)**	(1.7)
Net operating cash flow	**8.3**	9.4
Net capital expenditure	**(2.2)**	(3.4)
Free cash flow	**6.1**	6.0
Investment in new contracts	**(0.6)**	(1.1)
Acquisition of subsidiary undertakings	**(0.1)**	-
Dividends paid	**(3.1)**	(2.8)
Share issues/purchase of shares	**(0.1)**	-
Other	**2.1**	(0.7)
Decrease in bank debt	**4.3**	1.4
Opening bank debt	**(28.3)**	(33.5)
Closing bank debt	**(24.0)**	(32.1)
Bank debt	**(24.0)**	(32.1)
Unamortised borrowing costs	**0.3**	0.4
Net bank debt	**(23.7)**	(31.7)
Finance lease creditor	**(1.9)**	(2.4)
Promissory loan notes	**(9.3)**	(9.3)
Net debt	**(34.9)**	(43.4)

Cash generation continued to improve during 2016, with free cash flow sustained at £6.1m. This was principally due to reduced capital expenditure and lower exceptional cash cost. Interest and tax increased from 2015 due to the receipt of a non-recurring tax repayment of £1.9m during 2015. Customer debt outside terms was below 5%, representing a disciplined approach to debt management.

Bank debt reduced by £4.3m since the year end to a borrowing level that was less than 35% of the Group's facilities of £70m. Intra-period fluctuations in working capital increased the level of indebtedness between reporting periods so that average bank debt during the period was £34.7m. Bank debt at the period end and average bank debt during the period were respectively 0.8 times and 1.2 times EBITDA for the twelve months to June 2016. Interest cover from adjusted operating profit for the period was 6.3 times. Covenants remain well covered.

Net debt reduced by £4.5m in the period, and ended £8.5m lower than at the corresponding point in the prior year, reflecting the ongoing delivery of a significant reduction in the Group's borrowings from a targeted cash management approach. The two year promissory loan notes valued at £9.3m remain repayable in Q1 2017.

Pensions

The Pension Scheme accounting deficit has increased to £44.3m (H1 2015 £39.2m). This is primarily due to a fall in discount rates and reduction in gilt rates, which fell significantly towards the end of the reporting period. Cash contributions to the Pension Scheme are determined by reference to the triennial actuarial valuation, the latest of which was performed as at 31 March 2014, where the deficit reduced to £19.5m (2011 £38m). Deficit reduction contributions to the Scheme are £1.5m per annum, increasing in line with dividend increases, in addition to the previously agreed rental payments through the Central Asset Reserve arrangement. The next triennial actuarial valuation is due as at 31 March 2017.

EU Referendum impact

Whilst it is still too early to assess the long-term effects of the Referendum result, there have been some immediate changes. First we have seen exchange rate benefits as a result of the relative weakness of Sterling to the Euro. The fall in gilt rates has adversely affected the (notional) pension liability, but the amount the Company contributes to the Scheme remains unaffected for the time being.

Trading is thus far unaffected, but we anticipate resilience in our EU operations because they are providing services in-country, linked to the marketing services supply chain for fast moving consumer goods. In the UK it is conceivable that clients might reduce marketing spend, but the bulk of our operations would be unaffected because they are in statutory communications such as statements. Communisis has already been the beneficiary in the trend for outsourcing services, which we expect to accelerate in the event of any downturn.

Outlook

Our growth trend is expected to continue, as the new long-term contracts benefit trading. Substantial steps have been taken to simplify our main propositions to clients and drive them from a reduced cost base. Overall we remain confident of delivering on our full year expectations for 2016.

Andy Blundell **Chief Executive**	**Mark Stoner** **Finance Director**

Consolidated Income Statement
for the half year ended 30 June 2016

	Note	Half year ended 30 June 2016 (unaudited)			Half year ended 30 June 2015 (unaudited)			Year ended 31 Dec 2015 (audited)		
		Before amortisation of acquired intangibles and exceptional items £000	Amortisation of acquired intangibles and exceptional items (Note 2) £000	Total £000	Before amortisation of acquired intangibles and exceptional items £000	Amortisation of acquired intangibles and exceptional items (Note 2) £000	Total £000	Before amortisation of acquired intangibles and exceptional items £000	Amortisation of acquired intangibles and exceptional items (Note 2) £000	Total £000
Revenue	1	**174,942**	**-**	**174,942**	174,576	-	174,576	354,220	-	354,220
Changes in inventories of finished goods and work in progress		**(154)**	**-**	**(154)**	(613)	-	(613)	(284)	-	(284)
Raw materials and consumables used		**(90,719)**	**-**	**(90,719)**	(88,719)	-	(88,719)	(181,363)	-	(181,363)
Employee benefits expense		**(48,093)**	**(1,332)**	**(49,425)**	(47,338)	(805)	(48,143)	(94,605)	(2,043)	(96,648)
Other operating expenses		**(23,237)**	**(324)**	**(23,561)**	(25,235)	(551)	(25,786)	(48,709)	6,024	(42,685)
Depreciation and amortisation expense		**(5,024)**	**(432)**	**(5,456)**	(5,495)	(783)	(6,278)	(10,967)	(1,174)	(12,141)
Profit from operations	1	**7,715**	**(2,088)**	**5,627**	7,176	(2,139)	5,037	18,292	2,807	21,099
Finance revenue	3	**711**	**-**	**711**	113	-	113	81	-	81
Finance costs	3	**(1,928)**	**-**	**(1,928)**	(1,925)	-	(1,925)	(3,915)	-	(3,915)
Profit before taxation		**6,498**	**(2,088)**	**4,410**	5,364	(2,139)	3,225	14,458	2,807	17,265
Income tax expense	4	**(1,430)**	**409**	**(1,021)**	(1,065)	326	(739)	(3,701)	911	(2,790)
Profit for the period attributable to equity holders of the parent		**5,068**	**(1,679)**	**3,389**	4,299	(1,813)	2,486	10,757	3,718	14,475
Earnings per share	5									
On profit for the period attributable to equity holders and from continuing operations										
- basic		**2.42p**		**1.62p**	2.08p		1.20p	5.19p		6.98p
- diluted		**2.42p**		**1.62p**	2.01p		1.16p	5.18p		6.97p
Dividend per share	6									
- paid				**1.47p**			1.33p			2.04p
- proposed				**0.81p**			0.73p			1.47p

Dividends paid and proposed during the period were £3.1 million and £1.7 million respectively (30 June 2015 £2.8 million and £1.5 million respectively, 31 December 2015 £4.3 million and £3.1 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 2016

	Half year ended 30 June 2016 (unaudited) £000	Half year ended 30 June 2015 (unaudited) £000	Year ended 31 Dec 2015 (audited) £000
Profit for the period	**3,389**	2,486	14,475
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	**1,074**	(521)	(167)
(Loss) / gain on cash flow hedges taken directly to equity	**(119)**	81	74
Income tax thereon	**28**	(17)	(19)
Items not to be reclassified to profit or loss in subsequent periods:			
Adjustments in respect of prior years due to change in tax rate	**-**	-	(782)
Actuarial losses on defined benefit pension plans	**(3,319)**	(135)	(3,559)
Income tax thereon	**664**	27	641
Other comprehensive loss for the period, net of tax	**(1,672)**	(565)	(3,812)
Total comprehensive income for the period, net of tax	**1,717**	1,921	10,663
Attributable to:			
Equity holders of the parent	**1,717**	1,921	10,663

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

Consolidated Balance Sheet
30 June 2016

	Half year ended 30 June 2016 (unaudited) £000	Half year ended 30 June 2015 (unaudited) £000	Year ended 31 Dec 2015 (audited) £000
ASSETS			
Non-current assets			
Property, plant and equipment	**21,923**	24,599	23,083
Intangible assets	**189,535**	193,789	192,367
Trade and other receivables	**784**	446	631
Deferred tax assets	**4,979**	4,622	3,906
	217,221	223,456	219,987
Current assets			
Inventories	**6,960**	6,808	7,775
Trade and other receivables	**68,688**	66,833	55,106
Cash and cash equivalents	**34,019**	25,915	32,719
	109,667	99,556	95,600
TOTAL ASSETS	**326,888**	323,012	315,587
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Equity share capital	**52,340**	51,868	52,302
Share premium	**5,996**	10,043	5,986
Merger reserve	**15,600**	11,427	15,600
ESOP reserve	**(10)**	(10)	(10)
Capital redemption reserve	**1,375**	1,375	1,375
Cumulative translation adjustment	**272**	(1,156)	(802)
Retained earnings	**50,023**	45,556	52,363
Total equity	**125,596**	119,103	126,814
Non-current liabilities			
Interest-bearing loans and borrowings	**58,974**	59,398	62,189
Trade and other payables	**1,427**	17,929	11,474
Provisions	**42**	-	42
Financial liability	**306**	192	162
Retirement benefit obligations	**44,265**	39,224	41,145
	105,014	116,743	115,012
Current liabilities			
Interest-bearing loans and borrowings	**600**	606	592
Trade and other payables	**93,526**	83,722	71,756
Income tax payable	**2,115**	2,172	1,351
Provisions	**25**	666	25
Financial liability	**12**	-	37
	96,278	87,166	73,761
Total liabilities	**201,292**	203,909	188,773
TOTAL EQUITY AND LIABILITIES	**326,888**	323,012	315,587

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

Consolidated Cash Flow Statement
for the half year ended 30 June 2016

	Note	Half year ended 30 June 2016 (unaudited) £000	Half year ended 30 June 2015 (unaudited) £000	Year ended 31 Dec 2015 (audited) £000
Cash flows from operating activities				
Cash generated from operations	7	**9,944**	9,977	24,153
Interest paid		**(1,050)**	(1,108)	(2,318)
Interest received		**12**	7	33
Income tax (paid) / received		**(583)**	571	(1,557)
Net cash flows from operating activities		**8,323**	9,447	20,311
Cash flows from investing activities				
Acquisition of subsidiary undertakings (net of cash acquired)		**(139)**	(37)	(42)
Purchase of property, plant and equipment		**(941)**	(2,320)	(4,349)
Proceeds from the sale of property, plant and equipment		**10**	110	196
Purchase of intangible assets		**(1,861)**	(2,308)	(6,841)
Net cash flows from investing activities		**(2,931)**	(4,555)	(11,036)
Cash flows from financing activities				
Share issues net of directly attributable expenses		**48**	20	570
Purchase of shares		**(148)**	-	-
New borrowings		**5,000**	-	3,000
Repayment of borrowings		**(8,000)**	-	-
Debt arrangement fees		**-**	(10)	(10)
Dividends paid	6	**(3,077)**	(2,758)	(4,273)
Net cash flows from financing activities		**(6,177)**	(2,748)	(713)
Net (decrease) / increase in cash and cash equivalents		**(785)**	2,144	8,562
Cash and cash equivalents at 1 January		**32,719**	24,503	24,503
Exchange rate effects		**2,085**	(732)	(346)
Cash and cash equivalents at end of period		**34,019**	25,915	32,719
Cash and cash equivalents consist of:				
Cash and cash equivalents		**34,019**	25,915	32,719

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 2016

	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 2016	**52,302**	**5,986**	**15,600**	**(10)**	**1,375**	**(802)**	**52,363**	**126,814**
Profit for the period	-	-	-	-	-	-	3,389	3,389
Other comprehensive income / (loss)	-	-	-	-	-	1,074	(2,746)	(1,672)
Total comprehensive income	-	-	-	-	-	1,074	643	1,717
Employee share option schemes - value of services provided	-	-	-	-	-	-	242	242
Shares issued - exercise of options	38	10	-	-	-	-	-	48
Purchase of own shares	-	-	-	-	-	-	(148)	(148)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
Shares issued from ESOP	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(3,077)	(3,077)
As at 30 June 2016 (unaudited)	**52,340**	**5,996**	**15,600**	**(10)**	**1,375**	**272**	**50,023**	**125,596**

As at 1 January 2015	49,757	8,036	11,427	(72)	1,375	(635)	45,818	115,706
Profit for the period	-	-	-	-	-	-	2,486	2,486
Other comprehensive loss	-	-	-	-	-	(521)	(44)	(565)
Total comprehensive (loss) / income	-	-	-	-	-	(521)	2,442	1,921
Employee share option schemes - value of services provided	-	-	-	-	-	-	214	214
Shares issued - exercise of options	114	4	-	-	-	-	(98)	20
Acquisition of subsidiaries	1,997	2,003	-	-	-	-	-	4,000
Shares issued from ESOP	-	-	-	62	-	-	(62)	-
Dividends paid	-	-	-	-	-	-	(2,758)	(2,758)
As at 30 June 2015 (unaudited)	51,868	10,043	11,427	(10)	1,375	(1,156)	45,556	119,103

As at 1 January 2015	49,757	8,036	11,427	(72)	1,375	(635)	45,818	115,706
Profit for the year	-	-	-	-	-	-	14,475	14,475
Other comprehensive loss	-	-	-	-	-	(167)	(3,645)	(3,812)
Total comprehensive (loss) / income	-	-	-	-	-	(167)	10,830	10,663
Employee share option schemes - value of services provided	-	-	-	-	-	-	148	148
Shares issued - exercise of options	548	120	-	-	-	-	(98)	570
Shares issued from ESOP	-	-	-	62	-	-	(62)	-
Acquisition of subsidiaries	1,997	-	2,003	-	-	-	-	4,000
Transfer between reserves	-	(2,170)	2,170	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(4,273)	(4,273)
As at 31 December 2015 (audited)	52,302	5,986	15,600	(10)	1,375	(802)	52,363	126,814

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

1 Segmental information

Change in segmental reporting

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

- Customer Experience
- Brand Deployment

The key changes to the previously reported segments are:

- The activities of the previously named Design segment (with the exception of Shopper Marketing) are now included under the new Customer Experience segment along with Direct Mail, Cheques, Statements and Inbound.
- Included within the new Brand Deployment segment are Print Sourcing, Managed Services and Shopper Marketing.
- Central costs, comprising Marketing, IT, Sourcing and Strategic Accounts, continue to be reported separately.
- Corporate Costs representing the cost of the head office and other plc related costs, and Pass Through representing pre-agreed or contracted revenues that include an element regarding print, postal and other marketing material which are passed onto clients at cost as part of a wider service continue to be reported separately.

The segment results for the half year ended 30 June 2016 are as follows:

	Customer Experience £000	Brand Deployment £000	Pass Through £000	Central Costs £000	Corporate Costs £000	Total £000
Revenue	87,131	53,772	34,039	-	-	174,942
Profit from operations before amortisation of acquired intangibles and exceptional items	10,638	6,375	-	(6,693)	(2,605)	7,715
Amortisation of acquired intangibles	(307)	(125)	-	-	-	(432)
Profit from operations before exceptional items	10,331	6,250	-	(6,693)	(2,605)	7,283
Exceptional items	(1,299)	(343)	-	(14)	-	(1,656)
Profit from operations	9,032	5,907	-	(6,707)	(2,605)	5,627

The re-segmented results for the half year ended 30 June 2015 are as follows:

	Customer Experience £000	Brand Deployment £000	Pass Through £000	Central Costs £000	Corporate Costs £000	Total £000
Revenue	92,156	26,583	55,837	-	-	174,576
Profit from operations before amortisation of acquired intangibles and exceptional items	11,854	5,688	-	(6,596)	(3,770)	7,176
Amortisation of acquired intangibles	(481)	(302)	-	-	-	(783)
Profit from operations before exceptional items	11,373	5,386	-	(6,596)	(3,770)	6,393
Exceptional items	(772)	-	-	7	(591)	(1,356)
Profit from operations	10,601	5,386	-	(6,589)	(4,361)	5,037

The re-segmented results for the year ended 31 December 2015 are as follows:

	Customer Experience £000	Brand Deployment £000	Pass Through £000	Central Costs £000	Corporate Costs £000	Total £000
Revenue	180,194	60,605	113,421	-	-	354,220
Profit from operations before amortisation of acquired intangibles and exceptional items	23,559	14,088	-	(12,958)	(6,397)	18,292
Amortisation of acquired intangibles	(872)	(302)	-	-	-	(1,174)
Profit from operations before exceptional items	22,687	13,786	-	(12,958)	(6,397)	17,118
Exceptional items	(1,795)	6,623	-	-	(847)	3,981
Profit from operations	20,892	20,409	-	(12,958)	(7,244)	21,099

2 Amortisation of acquired intangibles and exceptional items

	Half year ended 30 June 2016 £000	Half year ended 30 June 2015 £000	Year ended 31 Dec 2015 £000
Profit from operations is arrived at after charging the following items:			
Exceptional restructuring costs	**1,332**	780	2,043
Trade name impairment	**232**	-	-
Customer relationship write off	**92**	-	486
Contingent consideration write off	**-**	-	(6,665)
Acquisition and set up costs	**-**	529	537
Pension deficit reduction projects	**-**	47	-
Release of exceptional provision	**-**	-	(382)
Exceptional items	**1,656**	1,356	(3,981)
Non-exceptional depreciation and amortisation – amortisation of acquired intangibles	**432**	783	1,174
	2,088	2,139	(2,807)

During the first half of 2016 the Group incurred £1,332,000 in respect of organisational restructuring which included ongoing integration costs relating to the agency PSONA, and a significant management restructure within the Customer Experience segment. Of the £1,332,000, £600,000 is unpaid at 30 June 2016.

The trade name impairment of £232,000 is in relation to Life Marketing Consultancy Limited ("Life"). The trade name was assigned a value of £512,000 at acquisition on 5th January 2015. Trading within this business has been lower than expected resulting in the trade name impairment.

The £92,000 customer relationship write off (and the £486,000 in the year ended December 2015) relates to customer relationships valued as part of acquisition accounting in recent years. It is indicative of the current nature of client turnover in agency businesses where revenues are project based and not usually underpinned by long term contracts.

The £6,665,000 contingent consideration write off in 2015 related to the release of part of the contingent consideration following the re-negotiation of the Life earn-out agreement.

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

The pension deficit reduction costs related to legal and consultancy expenses for projects undertaken during 2015.

The £382,000 exceptional provision release in 2015 related to a property provision set up in 2008. This was settled in full last year.

3 Net finance costs

	Half year ended 30 June 2016 £000	Half year ended 30 June 2015 £000	Year ended 31 Dec 2015 £000
Interest on financial assets measured at amortised cost	**12**	7	33
Interest on financial liabilities measured at amortised cost	**(1,164)**	(1,219)	(2,493)
Net interest from financial assets and financial liabilities not at fair value through Income Statement	**(1,152)**	(1,212)	(2,460)
Gain on foreign currency liabilities	**699**	106	48
Retirement benefit related cost	**(764)**	(706)	(1,422)
Net finance costs	**(1,217)**	(1,812)	(3,834)

4 Income tax

The tax charge on continuing operations for the period is based upon an effective rate of 23.16%. The provision for deferred tax has been made at rates between 18% and 20% depending on the anticipated time of reversal, reflecting the legislation included in Finance Act 2015 reducing the rate of Corporation Tax to 18% from 1 April 2020.

5 Earnings per share

Basic and diluted earnings per share are calculated as follows:	Half year ended 30 June 2016 £000	Half year ended 30 June 2015 £000	Year ended 31 Dec 2015 £000
Profit attributable to equity holders of the parent	**3,389**	2,486	14,475
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share ('000)	**209,328**	207,166	207,306
Effect of dilution:			
Share options	**-**	6,686	408
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution ('000)	**209,328**	213,852	207,714

6,316 (30 June 2015 18,722, 31 December 2015 18,722) shares were held in trust at 30 June 2016.

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

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

	Half year ended 30 June 2016 £000	Half year ended 30 June 2015 £000	Year ended 31 Dec 2015 £000
Profit after taxation from continuing operations	**3,389**	2,486	14,475
Exceptional items	**1,656**	1,356	(3,981)
Taxation on the above	**(331)**	(169)	(521)
Amortisation of acquired intangibles	**432**	783	1,174
Taxation on the above	**(78)**	(157)	(307)
Taxation – adjustments in respect of prior years	**-**	-	(83)
Profit after taxation from continuing operations excluding exceptional items and amortisation of acquired intangibles	**5,068**	4,299	10,757
Adjusted earnings per share:			
Basic	**2.42p**	2.08p	5.19p
Diluted	**2.42p**	2.01p	5.18p

The basis of measurement of adjusted EPS is to reflect more accurately the measure of EPS used by the market. Adjusted earnings per share uses the same weighted average number of ordinary shares as reported above.

6 Dividends paid and proposed

	Half year ended 30 June 2016 £000	Half year ended 30 June 2015 £000	Year ended 31 Dec 2015 £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 2014 of 1.33p per share	**-**	2,758	2,758
Interim dividend of the year ended 31 December 2015 of 0.73p per share	**-**	-	1,515
Final dividend of the year ended 31 December 2015 of 1.47p per share	**3,077**	-	-
	3,077	2,758	4,273
Proposed for approval by the Board (not recognised as a liability at period end)			
Interim equity dividend on ordinary shares for 2016 of 0.81p (30 June 2015 interim 0.73p, 31 December 2015 final 1.47p) per share	**1,695**	1,515	3,076

7 Cash generated from operations

	Half year ended 30 June 2016 £000	Half year ended 30 June 2015 £000	Year ended 31 Dec 2015 £000
Continuing operations			
Profit before tax	**4,410**	3,225	17,265
Adjustments for:			
Amortisation of intangible assets arising on business acquisitions	**432**	783	1,174
Depreciation and other amortisation	**5,024**	5,495	10,967
Non-cash pension settlements	**(278)**	-	-
Exceptional items	**1,656**	1,356	(3,981)
Loss / (profit) on sale of property, plant and equipment	**17**	(67)	(7)
Share-based payment charge	**242**	214	148
Net finance costs	**1,217**	1,812	3,834
Additional contribution to the defined benefit pension plan	**(575)**	(575)	(2,941)
Cash cost of exceptional items	**(1,089)**	(1,684)	(2,553)
Changes in working capital:			
Decrease in inventories	**874**	1,810	845
(Increase) / decrease in trade and other receivables	**(12,629)**	(8,159)	3,311
Increase / (decrease) in trade and other payables	**10,643**	5,767	(3,909)
Cash generated from operations	**9,944**	9,977	24,153

8 Acquisitions

In the period ending 30 June 2016, there have been no significant movements in valuation inputs and no movements in contingent consideration for prior year acquisitions.

There was a payment of £139,000 deferred consideration relating to the acquisition of The Communications Agency Limited, leaving £244,000 still to pay.

9 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 Mark Stoner, Finance Director confirm that, to the best of their knowledge:

- the condensed set of Financial Statements on pages 9 to 19 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 19 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.

10 Risks and Uncertainties

Communisis has a robust internal control and risk management process outlined on page 53 of the Corporate Governance Report in the 2015 Annual Report.

The principal risks and uncertainties relating to the business at 31 December 2015 were set out in the Strategic Report on pages 26 to 29 of the 2015 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, managing international exposure from expansion outside the UK, the smooth and uninterrupted operation of the Group's IT networks to ensure safe guarding of data and uninterrupted delivery of products/services, talent and skills shortage, deterioration in the economic environment which may decrease the Group's profitability, a high operational gearing which means that a reduction in revenues could significantly impact profitability, the Group being able to successfully integrate the operations of new acquisitions, 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 the nature of the risks has not changed since 4 March 2016 and that they represent our current best understanding of the situation faced by the Group. 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.

11 Additional information

General information

The information for the year ended 31 December 2015 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 financial information for the year ended 31 December 2015 has been extracted from the Group Financial Statements for that period. Those Financial Statements were prepared in accordance with IFRS as adopted by the EU. 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 2016 and for the equivalent period in 2015 has not been audited. 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 2015 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.

INDEPENDENT REVIEW REPORT TO COMMUNISIS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 11, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Leeds
4^{th} August 2016