

INTERIM STATEMENT 2000

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CHAIRMAN'S STATEMENT

Results

We are pleased to report further improved results for the 26 weeks ended 28 January 2000. Turnover was £239.0 million (1999 – £223.2 million), an increase of 7.1 per cent on the previous year: turnover excluding paper increased by 9.7 per cent. Profit before taxation of £32.0 million (1999 – £27.3 million) represents an increase of 17.3 per cent. Basic earnings per share were 21.3p (1999 – 18.04p), up 18.1 per cent compared with the first half of the previous year.

Dividend

An interim dividend of 4.75p per share has been declared. This represents an increase of 11.8 per cent over the interim dividend of 4.25p declared in respect of the first half of last year.

Trading Conditions

The encouraging result for the first half of the year demonstrates the benefits of our commitment to service and quality and of continuing investment in modern, flexible equipment and the systems to support it. Our exposure to a broad range of markets, each with different dynamics, remains a strength.

Both in Europe and North America, a number of our competitors have installed additional capacity and, in the UK, some have lost less time sensitive work overseas. As a result, while many of our markets have been busy, they have also been extremely competitive. These factors have affected our web offset capacity serving both commercial and publishing markets. Nevertheless, we have made further considerable progress.

Books

Clays has performed well. Sales, especially of cased books, have grown. We have increased our share of the UK trade and general market, principally by continuing to provide a faster, more reliable service than any of our competitors. We have been especially successful in winning orders to print or reprint best selling titles. Commencement of construction work on our proposed new site close to our existing factory awaits detailed planning consent.

Direct Response & Commercial

In the UK the direct response and commercial markets continue to grow. We have improved our sales mix by undertaking more specialist, shorter run work, and our recent investment in additional mailing and personalisation equipment has helped us to achieve this. Since the half year replacement sheetfed presses have been installed at Bradford and Romford. The integration of the Hunters Armley companies with our other businesses serving these markets was completed before the start of the period and has enabled us to achieve better utilisation and greater efficiency.

In Germany, the markets which we serve have remained extremely competitive. A modest improvement in the performance of Johler Druck has been offset on translation by the further strengthening of sterling against the Deutsche mark.

At St Ives Cleveland (formerly The Perlmutter Printing Company) in the USA volumes increased in a competitive market. Delays in the construction of the factory extension and installation of a new binding line led to reduced efficiency in the bindery and higher than planned outwork.

In corporate financial markets we were considerably more busy than in the first half of the previous financial year, producing documentation both for new equity issues and cross border merger and acquisition transactions. Activity levels reduced around Christmas and the New Year, but business has since picked up, especially for European customers. Shortly after the end of the half year, we commissioned a new sheetfed press at Westerham Press to serve the Report and Accounts and high quality commercial markets.

Financial

In the UK, we have experienced fluctuating demand. Overall, volumes were flat. Paginations were high in October and November, but below seasonal norms towards the end of the half year. Volumes for shorter run, specialist magazines have been more robust than for longer run, more general titles. We are well placed to supply the continuing growth in demand for perfect bound, as opposed to saddle-stitched, product. In February, a replacement web press was commissioned at our Plymouth factory.

Magazines

In the USA, greater than expected growth in pagination during the autumn led to our doing more work than we could produce efficiently despite the commissioning of our new press last summer.

Volumes of music product have been maintained, in a market which continues to experience highly competitive pricing. We have made progress in broadening our product and customer base by doing more work for packaging of internet access CDs and other multimedia products. February saw the commissioning of a new sheetfed press at our Blackburn factory, principally to supply the commercial market in the North West of England.

Multimedia

At the half year, shareholders' funds had increased to £202.9 million. Implementation of our extensive capital expenditure programme announced at the end of last year continues. This mainly comprises replacement equipment aimed at improving efficiency and maintaining our cost effectiveness relative to competing media. However, it includes associated property construction, some of which has been delayed while planning and similar consents are obtained. As a result our net cash resources, which totalled £49.8 million at the half year, are temporarily greater than planned.

Balance Sheet

CHAIRMAN'S STATEMENT *continued*

Outlook

Our capital investment programme is directed at ensuring that the inherent advantages of print in mass market communication (eg quality, immediacy, browsability, portability) continue to be available to our customers on terms which are competitive with other media. The new digital technologies have helped us to make further improvements to the speed and flexibility of the service which we offer our customers. The internet has created rather than displaced demand for print in many of our markets, both through the introduction of new products and through increased demand for existing products. The signs are that these trends will continue.

Markets for longer run or less time sensitive commercial products remain extremely competitive: this is mainly the result of the installation of additional capacity by our competitors and, in the UK, the continuing strength of sterling. In the USA, while our magazine volumes continue to run modestly ahead of last year, demand for commercial products has become more volatile. Current levels of activity in the market for financial print are high. Otherwise, conditions in our markets are similar to those at this time last year.

We continue to look forward to meeting our expectations and to a satisfactory outcome for the year as a whole.

Miles Emley
Chairman
18 April 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	26 weeks to 28 January 2000	26 weeks to 29 January 1999	52 weeks to 30 July 1999
	£'000	£'000	£'000
Turnover (note 2)	239,018	223,210	452,237
Cost of sales	(174,949)	(165,645)	(331,477)
Gross profit	64,069	57,565	120,760
Sales and distribution costs	(11,841)	(10,102)	(21,528)
Administration expenses	(21,261)	(20,300)	(40,684)
Other operating income	162	123	954
Operating profit (note 2)	31,129	27,286	59,502
Interest receivable	1,607	861	2,085
Interest payable	(713)	(856)	(1,482)
Profit before taxation	32,023	27,291	60,105
Taxation (note 1)	(9,927)	(8,733)	(19,053)
Profit after taxation	22,096	18,558	41,052
Dividends (note 3)	(4,938)	(4,371)	(15,207)
Retained profit	17,158	14,187	25,845
Earnings per share (note 4)	21.30p	18.04p	39.87p
Diluted Earnings per share (note 4)	20.98p	17.95p	39.63p
Dividend per ordinary share	4.75p	4.25p	14.7p

All transactions are derived from continuing activities.

CONSOLIDATED BALANCE SHEET

	28 January 2000	29 January 1999	30 July 1999
	£'000	£'000	£'000
Tangible fixed assets	171,180	180,955	170,306
Current assets			
Stocks	17,830	13,012	14,692
Debtors	81,290	79,380	76,342
Cash at bank and in hand	69,952	35,917	64,233
	169,072	128,309	155,267
Creditors – due within one year	(113,876)	(107,498)	(112,173)
Net current assets	55,196	20,811	43,094
Total assets less current liabilities	226,376	201,766	213,400
Creditors – due after more than one year	(6,722)	(10,225)	(8,868)
Provisions and deferred taxation	(14,181)	(15,178)	(14,982)
Deferred income	(2,578)	(3,288)	(2,984)
	202,895	173,075	186,566
Capital and reserves			
Called up share capital	10,380	10,289	10,366
Share premium account	41,304	38,995	40,875
Capital redemption reserve	1,040	1,040	1,040
Profit and loss account	150,171	122,751	134,285
Equity shareholders' funds	202,895	173,075	186,566

This interim statement was approved by the Board of Directors on 18 April 2000.

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

	26 weeks to 28 January 2000	26 weeks to 29 January 1999	52 weeks to 30 July 1999
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net cash inflow from operating activities	34,982	35,383	92,344
Returns on investments and servicing of finance	879	374	852
Tax paid	(6,121)	(3,743)	(21,381)
Capital expenditure	(13,197)	(13,258)	(19,291)
Acquisitions	-	-	(312)
Equity dividends paid	(10,841)	(9,205)	(13,581)
Net cash inflow before financing	5,702	9,551	38,631
Financing			
Issue of shares	443	65	2,022
Decrease in debt	(2,113)	(2,636)	(4,395)
Increase in cash	4,032	6,980	36,258

NOTES TO THE SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

	26 weeks to 28 January 2000	26 weeks to 29 January 1999	52 weeks to 30 July 1999
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net cash inflow from operating activities			
Operating profit	31,129	27,286	59,502
Depreciation	13,573	14,757	29,537
Other non cash movements	(515)	(483)	(1,694)
Changes in working capital	(9,205)	(6,177)	4,882
Other items	-	-	117
	34,982	35,383	92,344

NOTES TO THE SUMMARISED CONSOLIDATED CASH FLOW STATEMENT *continued*

	26 weeks to 28 January 2000	26 weeks to 29 January 1999	52 weeks to 30 July 1999
	£'000	£'000	£'000
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period	4,032	6,980	36,258
Cash outflow from decrease in debt and lease financing	2,113	2,636	4,395
Change in net funds resulting from cash flows	6,145	9,616	40,653
New finance lease	–	(1,021)	(1,021)
Exchange adjustments	(274)	81	(64)
Movement in net funds in the period	5,871	8,676	39,568
Opening net funds	43,947	4,379	4,379
Closing net funds	49,818	13,055	43,947

	30 July 1999	Cashflow	Other non cash changes	Exchange movements	28 January 2000
	£'000	£'000	£'000	£'000	£'000
Analysis of net funds					
Cash at bank and in hand	64,233	6,109	–	(390)	69,952
Overdrafts	–	(2,077)	–	(1)	(2,078)
		4,032			
Bank loans –					
due within one year	(9,379)	425	(255)	29	(9,180)
due after one year	(3,906)	735	255	88	(2,828)
Finance leases	(7,001)	953	–	–	(6,048)
	43,947	6,145	–	(274)	49,818

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	26 weeks to 28 January 2000	26 weeks to 29 January 1999	52 weeks to 30 July 1999
	£'000	£'000	£'000
Profit after taxation	22,096	18,558	41,052
Exchange differences	(1,272)	535	35
Total recognised gains and losses	20,824	19,093	41,087

MOVEMENTS IN SHAREHOLDERS' FUNDS

	26 weeks to 28 January 2000	26 weeks to 29 January 1999	52 weeks to 30 July 1999
	£'000	£'000	£'000
Opening shareholders' funds	186,566	158,288	158,288
Total recognised gains and losses	20,824	19,093	41,087
Dividends	(4,938)	(4,371)	(15,207)
Issue of ordinary shares	443	65	2,022
Goodwill adjustment	–	–	376
Closing shareholders' funds	202,895	173,075	186,566

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The interim statements have been prepared in accordance with the accounting policies set out in, and are consistent with, the Group's Annual Report for 1999 except that the taxation charge for the period is based on the estimated charge for the fifty-two weeks to 28 July 2000.

The interim statements are neither audited nor reviewed. The financial information set out in these statements does not comprise statutory accounts for the purposes of Section 240 of the Companies Act 1985. The abridged information for the fifty-two weeks to 30 July 1999 has been prepared from the Group's statutory accounts for that period, which have been filed with the Registrar of Companies. The auditors' report on the accounts of the Group for that period was unqualified and did not contain a statement under either Section 237(2) or Section 237(3) of the Companies Act 1985.

The comparative figures for the 26 weeks to 29 January 1999 have been restated to reflect the difference between the provisional FRS 12 adjustment that was made in the interim results for January 1999 and that which was finalised in July 1999.

2. Geographical analysis

The geographical analysis of turnover and operating profit by origin is stated below:

	26 weeks to 28 January 2000	26 weeks to 29 January 1999	52 weeks to 30 July 1999
	£'000	£'000	£'000
Turnover			
United Kingdom	186,858	170,962	351,925
United States of America	36,789	34,206	68,799
Rest of the World	15,371	18,042	31,513
	239,018	223,210	452,237
Operating profit			
United Kingdom	27,032	22,378	50,894
United States of America	2,583	3,466	6,708
Rest of the World	1,514	1,442	1,900
	31,129	27,286	59,502

The directors consider that the Group has only one class of business and consequently no further analysis of turnover or profit is given.

3. Dividends

The directors have declared an interim dividend of 4.75p (1999 — 4.25p) net per share. The payment date will be 2 June 2000 and the record date will be 8 May 2000.

4. Earnings per share

The calculation of the basic earnings per share is based on profit after taxation as disclosed in the profit and loss account of £22,096,000 (1999: January £18,558,000; July £41,052,000) and on a weighted average of 103.7 million (1999: January — 102.9 million; July — 103.0 million) shares in issue during the period.

The calculation of the diluted earnings per share is based on profit after taxation as disclosed in the profit and loss account and on a diluted weighted average of 105.3 million (1999: January — 103.4 million; July — 103.6 million) shares during the period.

The difference between the number of shares used in the basic and diluted earnings per share calculation is 1.6 million (1999: January — 0.5 million; July — 0.6 million) representing dilutive share options held but not yet exercised. Dilution has been restricted to share options where the individual option price is less than the average market value of shares during the period, which was 580.0p (1999: January — 366.0p; July — 435.8p).

5. A copy of this interim statement has been sent to all shareholders.

