

INTERIM STATEMENT 2002

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CHAIRMAN'S STATEMENT

Results

The results for the twenty-six weeks ended 1 February 2002 show turnover of £241.1 million (2001 — £233.3 million) and profit before taxation, exceptional items and amortisation of goodwill of £16.6 million (2001 — £30.7 million). Profit before taxation, which is struck after goodwill amortisation of £1.1 million and exceptional costs of £9.4 million relating to rationalisation measures completed or announced throughout the Group, was £6.1 million (2001 — £30.3 million). Earnings per share before exceptional items and goodwill amortisation were 10.93p (2001 — 20.33p).

Dividend

An interim dividend of 5.00p per share (2001 — 5.00p) has been declared, which will be paid on 5 June 2002 to shareholders on the register on 3 May 2002.

Trading Conditions

In most of our markets conditions have been more challenging than at any time in recent history. There has been a widespread reduction in advertising expenditure which has affected direct response, commercial and magazine markets in the geographic areas in which we operate; the uncertainties facing global capital markets have led to a dearth of corporate financial documentation; and demand for music and multimedia related product is weak. The effect of reducing demand has been exacerbated by the significant excess of capacity over demand which was already in evidence in mid-2001 and, in the UK, by the continued strength of sterling against the euro. Only the UK market for books has shown some resilience.

We have reacted swiftly to the hostile environment by reducing costs and taking steps to retire our least efficient capacity. Regrettably, most of these initiatives involve reductions in the number of people employed, and, in the UK and Europe, lengthy consultations can be required before they are finalised. As ever, we keep our cost base under continuous review.

Books

Overall demand for monochrome consumer books in the UK has been steady. We have produced the majority of best-selling titles during the half year by virtue of our ability to offer a faster and more responsive service than our competitors. Sales of paperback books were strong, partly because we produced a number of titles associated with recent film releases.

Direct Response & Commercial

In the UK we have experienced reduced demand overall and competitive pricing, mainly as a result of falling advertising expenditure and continued overseas competition for longer-run, less time-sensitive products. We continue to concentrate on more specialist products which require a higher level of service and for

which demand has been generally more resilient. Towards the end of the period we announced proposals to reduce capacity by decommissioning three of our older presses, which were less suited to the production of specialist material, and associated finishing equipment, at our Leeds factory. These actions are now complete.

The profitability of our business in Germany serving these markets has been further affected by weak demand and pricing pressure resulting from excess capacity. As a result we decommissioned one of our 32 page presses towards the end of the half-year.

In the USA we experienced particularly sharp reductions in demand in the travel and leisure sectors as well as for high quality retail advertising material, which made for volatile utilisation and persistent pricing pressure. We have taken some costs out of the business as a result of the consolidation of Avanti and Case-Hoyt with our pre-existing US business, mitigating the adverse effects of the challenging economic environment.

As a result of unsettled conditions in global capital markets, demand for corporate financial print remained at extremely low levels throughout the half-year in the USA, UK and Europe. We have sustained our market share in this depressed market. In France, we were particularly successful in winning a very high proportion of the few global transactions that were launched. The cost base of this business has been further reduced both in the UK and USA. We are also maintaining our share of the market for Annual Reports and Accounts, the majority of which are produced in the second half of our financial year.

Financial

In the UK falling advertising demand, especially in the travel and internet related sectors, has resulted in reduced paginations and a number of title closures, the effect of which has been exacerbated by a surplus of web offset capacity. The fashion and lifestyle sectors were more resilient. Generally, the consumer titles which we print, many of which are market leaders in their fields, have maintained circulation levels. At the end of the period, we announced proposals to close our factory at Gillingham in Kent which should enable us to take advantage of under-utilised capacity at our other sites.

Magazines

Similar factors have affected our business serving the US market for these products, where the reduction in page count in the travel and leisure sectors has been more marked, but where internet related titles represent a smaller proportion of our volumes.

CHAIRMAN'S STATEMENT *continued***Multimedia**

Levels of demand for both music and multimedia related products deteriorated and adversely affected our plants in both the UK and Holland. As yet we have not experienced any significant growth in our customers' requirements for DVD-related packaging. Pricing continues to be extremely competitive and short term volatility in demand makes it hard to achieve acceptable utilisation.

Balance Sheet

The Group's financial position remains strong. Our commitment to continued investment in the business is undiminished. In the last eighteen months we have invested in excess of £50 million in further improving the flexibility and productivity of our equipment. Shareholders' funds at the end of the period stood at over £237 million and net debt was below £4 million.

Outlook

In the UK book market, supply and demand have recently moved towards equilibrium. All our other markets are experiencing significant excess capacity and there is little sign of an upturn in demand. Against this background, progress will be hard to achieve in the short term. In the longer term, the steps recently announced to reduce costs and rationalise capacity, together with our long standing policy of investing in the most modern and flexible equipment, make us well placed to respond to an upturn when it occurs.

Miles Emley
Chairman
23 April 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	26 weeks to 1 February 2002			26 weeks to 26 January 2001 (Restated)	53 weeks to 3 August 2001 (Restated)
	Before exceptional items and goodwill amortisation	Exceptional items and goodwill amortisation (note 6)	Total		
	£'000	£'000	£'000		
Turnover (note 2)	241,124	–	241,124	233,309	498,154
Cost of sales	(183,468)	(4,007)	(187,475)	(167,907)	(361,063)
Gross profit	57,656	(4,007)	53,649	65,402	137,091
Sales and distribution costs	(16,368)	(503)	(16,871)	(14,247)	(31,223)
Administrative expenses					
Goodwill amortisation	–	(1,096)	(1,096)	(394)	(1,546)
Exceptional items	–	(4,074)	(4,074)	–	–
Other administrative expenses	(24,787)	–	(24,787)	(22,498)	(46,151)
	(24,787)	(5,170)	(29,957)	(22,892)	(47,697)
Other operating income/(costs)	362	(845)	(483)	655	889
Operating profit (note 2)	16,863	(10,525)	6,338	28,918	59,060
Interest receivable	402	–	402	1,624	2,563
Interest payable	(649)	–	(649)	(270)	(1,164)
Profit before taxation	16,616	(10,525)	6,091	30,272	60,459
Taxation (note 3)	(5,397)	3,277	(2,120)	(9,478)	(18,628)
Profit after taxation	11,219	(7,248)	3,971	20,794	41,831
Dividends (note 4)	(5,137)	–	(5,137)	(5,243)	(17,711)
Retained (loss)/profit	6,082	(7,248)	(1,166)	15,551	24,120
Basic earnings per share (note 5)			3.87p	19.97p	40.20p
Diluted earnings per share (note 5)			3.86p	19.83p	40.00p
Earnings per share before exceptional items and goodwill amortisation (note 5)	10.93p			20.33p	41.59p
Dividend per ordinary share			5.00p	5.00p	17.15p

Comparative figures for the 26 weeks to 26 January 2001 and the 53 weeks to 3 August 2001 have been restated to reflect a change in accounting policy for deferred taxation following the adoption of FRS19 "Deferred Taxation" (see notes 1 and 3).

All transactions are derived from continuing activities.

CONSOLIDATED BALANCE SHEET

	1 February 2002	26 January 2001 (Restated)	3 August 2001 (Restated)
	£'000	£'000	£'000
Fixed assets			
Intangible assets	43,228	17,590	44,328
Tangible assets	205,640	179,962	205,580
	248,868	197,552	249,908
Current assets			
Stocks	17,343	18,014	21,134
Debtors	82,321	81,534	87,521
Cash at bank and in hand	26,826	63,761	32,961
	126,490	163,309	141,616
Creditors – due within one year	(114,889)	(103,720)	(137,827)
Net current assets	11,601	59,589	3,789
Total assets less current liabilities	260,469	257,141	253,697
Creditors – due after more than one year	(3,295)	(4,930)	(3,817)
Provisions and deferred taxation	(18,303)	(14,518)	(10,887)
Deferred income	(1,728)	(1,955)	(1,786)
	237,143	235,738	237,207
Capital and reserves			
Called up share capital	10,271	10,419	10,256
Share premium account	44,070	42,419	43,568
Capital redemption reserve	1,238	1,040	1,238
Profit and loss account	181,564	181,860	182,145
Equity shareholders' funds	237,143	235,738	237,207

This interim statement was approved by the Board of Directors on 23 April 2002.

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

	26 weeks to 1 February 2002	26 weeks to 26 January 2001	53 weeks to 3 August 2001
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net cash inflow from operating activities	32,262	33,491	81,618
Returns on investments and servicing of finance	(305)	1,396	1,463
Tax paid	(8,614)	(8,144)	(21,781)
Capital expenditure	(16,670)	(11,188)	(35,212)
Acquisitions	–	(4,591)	(35,489)
Equity dividends paid	(12,467)	(12,654)	(17,866)
Net cash outflow before financing	(5,794)	(1,690)	(27,267)
Financing			
Issue of shares	517	928	2,112
Purchase of own shares	–	–	(8,370)
(Decrease)/increase in debt	(784)	(1,319)	1,292
Decrease in cash	(6,061)	(2,081)	(32,233)

NOTES TO THE SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

	26 weeks to 1 February 2002	26 weeks to 26 January 2001	53 weeks to 3 August 2001
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net cash inflow from operating activities			
Operating profit	6,338	28,918	59,060
Depreciation	16,734	14,449	31,556
Goodwill amortisation	1,096	394	1,546
Other non cash movements	6,670	(977)	(1,542)
Changes in working capital	1,283	(9,293)	(9,122)
Other items	141	–	120
	32,262	33,491	81,618

NOTES TO THE SUMMARISED CONSOLIDATED CASH FLOW STATEMENT *continued*

	26 weeks to 1 February 2002	26 weeks to 26 January 2001	53 weeks to 3 August 2001
	£'000	£'000	£'000
Reconciliation of net cash flow to movement in net (debt)/funds			
Decrease in cash in the period	(6,061)	(2,081)	(32,233)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	784	1,319	(1,292)
Change in net funds resulting from cash flows	(5,277)	(762)	(33,525)
Loans acquired with subsidiary	–	–	(20,815)
Exchange adjustments	(199)	268	(670)
Movement in net funds in the period	(5,476)	(494)	(55,010)
Opening net funds	1,740	56,750	56,750
Closing net (debt)/funds	(3,736)	56,256	1,740

	3 August 2001	Cashflow	Other non cash changes	Exchange movements	1 February 2002
	£'000	£'000	£'000	£'000	£'000
Analysis of net (debt)/funds					
Cash at bank and in hand	32,961	(6,293)	–	158	26,826
Overdrafts	(232)	232	–	–	–
		(6,061)			
Bank loans –					
due within one year	(26,033)	262	(209)	(359)	(26,339)
due after one year	(2,145)	–	209	2	(1,934)
Finance leases	(2,811)	522	–	–	(2,289)
	1,740	(5,277)	–	(199)	(3,736)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	26 weeks to 1 February 2002	26 weeks to 26 January 2001 (Restated)	53 weeks to 3 August 2001 (Restated)
	£'000	£'000	£'000
Profit after taxation	3,971	20,794	41,831
Exchange differences	585	1,540	1,626
Total recognised gains and losses relating to the period	4,556	22,334	43,457
Prior year adjustment	–	(802)	(802)
Total recognised gains and losses since last Annual Report	4,556	21,532	42,655

MOVEMENTS IN SHAREHOLDERS' FUNDS

	26 weeks to 1 February 2002	26 weeks to 26 January 2001 (Restated)	53 weeks to 3 August 2001 (Restated)
	£'000	£'000	£'000
Opening shareholders' funds	237,834	218,521	218,521
Prior year adjustment	(627)	(802)	(802)
Opening shareholders' funds (as restated)	237,207	217,719	217,719
Total recognised gains and losses	4,556	22,334	43,457
Dividends	(5,137)	(5,243)	(17,711)
Issue of ordinary shares	517	928	2,112
Purchase of own shares	–	–	(8,370)
Closing shareholders' funds	237,143	235,738	237,207

The prior year adjustments shown in the total recognised gains and losses and the movement in shareholders' funds for the periods ended 1 February 2002, 26 January 2001 and 3 August 2001 are a result of the adoption of FRS19 (see notes 1 and 3).

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The interim statements have been prepared in accordance with the accounting policies set out in the Group's Annual Report for 2001 except for the adoption of Financial Reporting Standard 19 "Deferred Taxation" (FRS19). Deferred taxation is now provided on all non-permanent timing differences which have originated but not reversed by the balance sheet date. Deferred taxation provisions at 26 January 2001 and 3 August 2001 have been restated by a prior year adjustment to reserves with a consequent tax credit in the profit and loss account of prior periods to reflect this change in policy. As permitted by FRS19, the group has adopted an accounting policy of not discounting deferred taxation provisions to reflect the time value of money. Deferred taxation is not provided on gains on sales of assets deferred by rollover relief, or taxation arising on the distribution of retained earnings of overseas subsidiaries.

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-three weeks to 3 August 2001 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.

2. Geographical analysis

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

	26 weeks to 1 February 2002	26 weeks to 26 January 2001	53 weeks to 3 August 2001
	£'000	£'000	£'000
Turnover			
United Kingdom	152,465	171,063	340,875
United States of America	76,523	48,024	130,878
Rest of the World	12,136	14,222	26,401
	241,124	233,309	498,154
Operating profit/(loss)			
United Kingdom	7,448	25,806	53,976
United States of America	1,760	2,651	6,962
Rest of the World	(1,774)	855	(332)
	7,434	29,312	60,606
Goodwill amortisation – USA	(1,096)	(394)	(1,546)
	6,338	28,918	59,060
Operating profit/(loss) before exceptional items and goodwill amortisation			
United Kingdom	16,054	25,806	53,976
United States of America	1,815	2,651	6,962
Rest of the World	(1,006)	855	(332)
	16,863	29,312	60,606

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

3. Taxation

The tax charge is analysed below:

	26 weeks to 1 February 2002	26 weeks to 26 January 2001 (Restated)	53 weeks to 3 August 2001 (Restated)
	£'000	£'000	£'000
United Kingdom taxation	2,901	9,004	17,697
Overseas taxation	(781)	474	931
	2,120	9,478	18,628

NOTES TO THE FINANCIAL STATEMENTS *continued*

The taxation charge for the period ended 1 February 2002 is based on the estimated charge for the fifty-two weeks to 2 August 2002.

The effect of adopting FRS19, and therefore providing taxation on non-permanent timing differences, is to increase last year's interim profit after tax by £88,000 and final profit after tax by £175,000. The adoption of FRS19 also increases deferred taxation provisions by £627,000, £714,000 and £802,000 at 3 August 2001, 26 January 2001 and 30 July 2000 respectively. The profit after tax for the twenty-six weeks ended 1 February 2002 would have been materially unchanged if FRS19 had not been adopted.

4. Dividends

The directors have declared an interim dividend of 5.00p (2001 — 5.00p) net per share. The payment date will be 5 June 2002 and the record date will be 3 May 2002.

5. 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 £3,971,000 (2001: January £20,794,000; July £41,831,000). Earnings per share before exceptional items and goodwill amortisation is calculated by adding back exceptional items and goodwill amortisation, as adjusted for taxation, to the profit after taxation. Basic earnings per share and earnings per share before exceptional items and goodwill amortisation are calculated on a weighted average of 102.6 million (2001: January — 104.1 million; July — 104.1 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 103.0 million (2001: January — 104.8 million; July — 104.6 million) shares during the period.

6. Exceptional items and goodwill amortisation

Goodwill amortisation of £1,096,000 was charged in the twenty-six weeks ended 1 February 2002. The exceptional items of £9,429,000, before taxation, relate to rationalisation measures completed or announced throughout the Group. They include redundancy costs, losses and provisions for losses on asset disposals less realised gains, and provision for lease termination.

No exceptional items arose in the twenty-six weeks ended 26 January 2001 or in the fifty-three weeks ended 3 August 2001.

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

