INTERIM STATEMENT 2003

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Chairman's Statement

Results

The results for the twenty six weeks ended 31 January 2003 show turnover of £222.9 million (2002 – £241.1 million) and profit before taxation and amortisation of goodwill of £16.2 million (2002 – £7.2 million). Profit before taxation, goodwill amortisation and exceptional items was £16.7 million (2002 – £16.6 million). Profit before taxation was £15.1 million (2002 – £6.1 million). Earnings per share before goodwill amortisation and exceptional items were 10.77p (2002 – 10.93p).

Dividend

An interim dividend of 5.00p per share (2002 – 5.00p) has been declared, which will be paid on 21 May 2003 to shareholders on the register on 22 April 2003.

Trading Conditions

The market for books in the UK remained steady. Our other markets, both in the UK and overseas, continued to suffer from weak or volatile demand and over-capacity, especially in web offset, leading to further pressure on margins. Despite these challenging conditions, sales were only some 5 per cent lower than in the first half of the previous year (after taking into account the effect of currency movements on the conversion of the results of overseas businesses). We were able broadly to maintain trading profitability and increase margin overall, as a result of the cost reduction exercises undertaken over the last eighteen months and through improved control of waste, better utilisation, greater labour flexibility and further refinement of our mix of work.

Books

Sales of both cased and paperback books grew during the period. We supply almost all the leading publishing houses in the UK and, in most cases, produce a majority of their monochrome, trade and general work, particularly where short lead times and quick reprints are required. Our sales benefited from the flexibility afforded by our investment in additional equipment as well as from the closure of two of our competitors in the early part of 2002.

Direct Response and Commercial

UK

Following the closure of web offset operations at our Leeds factory in January 2002, we reduced sales of longer-run, less time-sensitive products to commercial markets in the UK. Better utilisation of our remaining capacity and increased focus on those parts of the market with a requirement for shorter-run work and higher service levels led to some improvement in returns.

Germany

Falling demand and continued pressure on prices led to a further deterioration in the financial performance of our business serving these markets in Germany, despite the reduction in capacity undertaken at the beginning of 2002.

USA

In the USA, reduced volumes and continuing pricing pressure contributed to lower sales and returns. Short-term fluctuations in demand made for less than optimal utilisation.

Financial

The uncertainties facing global capital markets resulted in a continuing absence of activity in corporate financial markets in the UK, Europe and the USA. As a result our sales were below those achieved in the first half of the previous year. We have been successful in winning a good share of the few transactions that have been launched, especially in London and Paris. However, despite further cost reduction measures, levels of activity have not been sufficient to enable us to make a profit serving these markets. Sales to the funds, annual reports and fine art markets, which mainly occur in the second half of our financial year, were modestly higher overall.

Magazines

UK

We were successful in winning a number of new contracts, but not so as to offset fully the effects of reduced paginations and title closures. We lost some work because it was only available at prices which did not provide an acceptable economic return. The level of new launch activity remains subdued. The transfer of work from our factory in Gillingham following its closure at the end of the previous financial year helped to mitigate the effects of lower activity levels in our remaining plants.

USA

Sales to the magazine market in the USA remained steady and profitability was maintained. The effects of pricing pressure were offset by the benefits of last year's cost reductions and improved utilisation resulting from the reorganisation of our south Florida sites.

Multimedia

In a difficult market, sales of music and multimedia products increased from all three of our sites serving these markets. Two of our competitors closed facilities in the UK during the first half of 2002, and we gained additional work for production at our factory in Holland as a result of a customer's closure of one of its own facilities in the UK. We made some improvement in the utilisation of both people and machinery.

Balance Sheet and Investment

The Group's financial position remains strong, with net cash resources and shareholders' funds of £12.7 million and

Chairman's Statement *continued*

£239 million respectively at the end of the half-year. Capital expenditure, mainly on replacement equipment, amounted to £11 million during the period.

Outlook

Demand for monochrome, consumer books in the UK remains resilient. There is no sign of an upturn in demand in any of our other markets and volatility has increased as a result of the current global uncertainties. Our markets continue to experience the effects of over-capacity. Insurance and employment benefit costs are rising and changes in UK tax, employment and environmental legislation have put upward pressure on costs. While we continue to work at improving productivity and utilisation, increasing flexibility and reducing waste, economic conditions remain uncertain and it will be a challenge to deliver significant progress. In the longer term, however, our strong balance sheet, skilled work force and well invested asset base, together with the systems which support them, make us well placed to take advantage of any improvement in market conditions when it occurs.

Miles Emley
Chairman
9 April 2003

Consolidated Profit and Loss Account

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Turnover (note 2)	**222,916**	241,124	466,806
Cost of sales	**(169,352)**	(187,475)	(356,986)
Gross profit	**53,564**	53,649	109,820
Sales and distribution costs	**(14,708)**	(16,871)	(31,699)
Administrative expenses			
Goodwill amortisation	**(1,077)**	(1,096)	(2,250)
Other administrative expenses	**(23,153)**	(28,861)	(51,875)
	(24,230)	(29,957)	(54,125)
Other operating income/(costs)	**343**	(483)	567
Operating profit (note 2)	**14,969**	6,338	24,563
Interest receivable	**530**	402	787
Interest payable	**(348)**	(649)	(1,074)
Profit before taxation	**15,151**	6,091	24,276
Taxation (note 3)	**(5,303)**	(2,120)	(8,449)
Profit after taxation	**9,848**	3,971	15,827
Dividends (note 4)	**(5,162)**	(5,137)	(17,688)
Retained profit/(loss)	**4,686**	(1,166)	(1,861)
Basic earnings per share (note 5)	**9.54p**	3.87p	15.40p
Diluted earnings per share (note 5)	**9.54p**	3.86p	15.36p
Earnings per share before exceptional items and goodwill amortisation (note 5)	**10.77p**	10.93p	24.33p
Dividend per ordinary share	**5.00p**	5.00p	17.15p

All transactions are derived from continuing activities.

Exceptional items included above are detailed in note 6.

Consolidated Balance Sheet

	31 January 2003	1 February 2002	2 August 2002
	£'000	£'000	£'000
Fixed assets			
Intangible assets	**39,762**	43,228	40,839
Tangible assets	**193,695**	205,640	201,558
	233,457	248,868	242,397
Current assets			
Stocks	**15,900**	17,343	15,444
Debtors	**69,478**	82,321	69,391
Cash at bank and in hand	**37,452**	26,826	39,768
	122,830	126,490	124,603
Creditors: due within one year	**(102,112)**	(114,889)	(113,525)
Net current assets	**20,718**	11,601	11,078
Total assets less current liabilities	**254,175**	260,469	253,475
Creditors: due after more than one year	**(838)**	(3,295)	(1,189)
Provisions and deferred taxation	**(13,332)**	(18,303)	(15,946)
Deferred income	**(1,318)**	(1,728)	(1,523)
	238,687	237,143	234,817
Capital and reserves			
Called up share capital	**10,319**	10,271	10,317
Share premium account	**45,518**	44,070	45,455
Capital redemption reserve	**1,238**	1,238	1,238
Profit and loss account	**181,612**	181,564	177,807
Equity shareholders' funds	**238,687**	237,143	234,817

This interim statement was approved by the board of directors on 9 April 2003.

Summarised Consolidated Cash Flow Statement

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Net cash inflow from operating activities	**25,090**	32,262	73,196
Returns on investments and servicing of finance	**(11)**	(305)	(150)
Tax paid	**(2,180)**	(8,614)	(14,731)
Capital expenditure	**(11,698)**	(16,670)	(32,621)
Acquisitions	**–**	–	332
Equity dividends paid	**(12,537)**	(12,467)	(17,619)
Net cash (outflow)/inflow before financing	**(1,336)**	(5,794)	8,407
Financing			
Issue of shares	**65**	517	1,948
Decrease in debt	**(656)**	(784)	(2,286)
(Decrease)/increase in cash	**(1,927)**	(6,061)	8,069

Notes to the Summarised Consolidated Cash Flow Statement

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Net cash inflow from operating activities			
Operating profit	**14,969**	6,338	24,563
Depreciation	**17,187**	16,734	33,847
Goodwill amortisation	**1,077**	1,096	2,250
Other non cash movements	**(593)**	6,670	1,963
Changes in working capital	**(7,029)**	1,283	10,432
Other items	**(521)**	141	141
	25,090	32,262	73,196

Notes to the Summarised Consolidated Cash Flow Statement *continued*

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash in the period	**(1,927)**	(6,061)	8,069
Cash outflow from decrease in debt and lease financing	**656**	784	2,286
Change in net funds resulting from cash flows	**(1,271)**	(5,277)	10,355
Exchange adjustments	**589**	(199)	1,255
Movement in net funds in the period	**(682)**	(5,476)	11,610
Opening net funds	**13,350**	1,740	1,740
Closing net funds/(debt)	**12,668**	(3,736)	13,350

	2 August 2002	Cashflow	Other non cash changes	Exchange movements	**31 January 2003**
	£'000	£'000	£'000	£'000	**£'000**
Analysis of net funds					
Cash at bank and in hand	39,768	(1,927)	–	(389)	**37,452**
Bank loans –					
due within one year	(25,006)	168	(102)	980	**(23,960)**
due after one year	(100)	–	102	(2)	**–**
Finance leases	(1,312)	488	–	–	**(824)**
	13,350	(1,271)	–	589	**12,668**

Statement of Total Recognised Gains and Losses

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Profit after taxation	**9,848**	3,971	15,827
Exchange differences	**(881)**	585	(2,477)
Total recognised gains and losses	**8,967**	4,556	13,350

Movements in Consolidated Shareholders' Funds

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Opening shareholders' funds	**234,817**	237,207	237,207
Total recognised gains and losses	**8,967**	4,556	13,350
Dividends	**(5,162)**	(5,137)	(17,688)
Issue of ordinary shares	**65**	517	1,948
Closing shareholders' funds	**238,687**	237,143	234,817

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 2002 except that the taxation charge for the period is based on the estimated charge for the fifty two weeks to 1 August 2003.

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 2 August 2002 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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Geographical analysis

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

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Turnover			
United Kingdom	144,952	152,465	303,362
United States of America	65,170	76,523	141,504
Rest of the World	12,794	12,136	21,940
	222,916	241,124	466,806
Operating profit/(loss) before exceptional items and goodwill amortisation			
United Kingdom	17,302	16,054	34,970
United States of America	65	1,815	3,613
Rest of the World	(890)	(1,006)	(2,221)
	16,477	16,863	36,362
Exceptional items			
United Kingdom	(440)	(8,606)	(8,660)
United States of America	(206)	(55)	(103)
Rest of the World	215	(768)	(786)
	(431)	(9,429)	(9,549)
Operating profit/(loss)			
United Kingdom	16,862	7,448	26,310
United States of America	(141)	1,760	3,510
Rest of the World	(675)	(1,774)	(3,007)
	16,046	7,434	26,813
Goodwill amortisation – USA	(1,077)	(1,096)	(2,250)
	14,969	6,338	24,563

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 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
United Kingdom taxation	**5,728**	2,901	8,621
Overseas taxation	**(425)**	(781)	(172)
	5,303	2,120	8,449

The taxation charge for the period ended 31 January 2003 is based on the estimated charge for the fifty two weeks to 1 August 2003.

4. Dividends

The directors have declared an interim dividend of 5.00p (2002 – 5.00p) net per share. The payment date will be 21 May 2003 and the record date will be 22 April 2003.

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 £9,848,000 (2002: January – £3,971,000; July – £15,827,000). 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 103.2 million (2002: January – 102.6 million; July – 102.8 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 103.2 million (2002: January – 103.0 million; July – 103.0 million) shares during the period.

6. Exceptional items and goodwill amortisation

Goodwill amortisation of £1,077,000 was charged in the twenty six weeks ended 31 January 2003. The exceptional items of £431,000, before taxation, relate to rationalisation measures completed or announced throughout the Group. They include redundancy costs and realised gains on asset disposals.

NOTES TO THE FINANCIAL STATEMENTS *continued*

6. Exceptional items and goodwill amortisation *continued*

The exceptional items that are included within the profit and loss account shown on page 5 are as follows:

	26 weeks to 31 January 2003	26 weeks to 1 February 2002	52 weeks to 2 August 2002
	£'000	£'000	£'000
Costs/(income)			
Cost of sales	**394**	4,007	4,316
Sales and distribution costs	**197**	503	537
Administrative expenses	**55**	4,074	4,013
Other operating (income)/costs	**(215)**	845	683
	431	9,429	9,549

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

Typeset and printed by **St Ives Burrups**