

COMMUNISIS PLC

Company Number: 02916113

Registered office: Communisis House, Manston Lane, Leeds, LS15 8AH

Annual Report and Financial Statements 2014

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Communis is has delivered another substantial improvement in adjusted operating profit and an average annual growth rate of 20% over a five-year period.

2014 has been a successful year during which we have built and launched a new digital agency; continued to win important contracts for outsourced customer communication services and expanded rapidly overseas.

Andy Blundell Chief Executive Officer 5 March 2015

Highlights

Financial highlights

- Turnover 27% ahead at £343.0m (2013 £270.1m)
- Overseas revenues increased by 36% to £66.5m (2013 £48.9m).
Now over 19% of total turnover
- Adjusted operating profit* up 21% to £16.0m (2013 £13.3m)
- Operating margin on sales (excluding pass through) maintained at 6.9% (2013 6.9%)
- Adjusted earnings per share** increased 10% to 4.62p (2013 4.19p)
- Final dividend of 1.33p per share. Full year dividend up 11% to 2.0p per share (2013 1.80p)
- A £21m non-cash provision for the impairment of goodwill that arose on acquisitions made in the early years of the last decade resulted in a loss after tax of £15.1m (2013 profit £4.9m). Basic loss per share was 7.67p (2013 earnings 2.65p)
- Free cash flow improved by £11.6m to £6.0m (2013 outflow £5.6m) principally due to tighter working capital management
- Year-end net debt at £35.9m (2013 £25.7m). Increase attributable to investment during the year

2014 triennial pension deficit valuation substantially reduced at £19.5m (2011 £38m deficit). Annual deficit reduction payments halved at an initial £1.5m (previously £3m)

**Adjusted operating profit means profit from operations before exceptional items and the amortisation of acquired intangibles*

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

Operational highlights

Continued Growth

Integrated agency model developed and launched under new brand name PSONA

- Higher margin creative services expanded through five acquisitions
- Complementary services provide revenue synergy opportunities
- Now over 300 employees in the Design segment

Multi-year contractual relationships secured or extended

- Lloyds Banking Group ("LBG") for new incoming customer communication

- services – ten-year term
- AXA UK (“AXA”) for incoming and outgoing marketing and operational customer communication services – six-year term. Awarded in February 2015
- Procter & Gamble Europe S.A. (“P&G”) for brand building services in Europe – extended for a further five-year term
- Other consumer goods clients in the drinks, healthcare and technology sectors for brand deployment services – two to three-year terms

Infrastructure and geographic reach expanded to support the ongoing growth in services, clients and revenues

- Sixteen new locations during 2014 with a further four added since the year-end
- Now operating from 51 locations (including 18 client sites) in 16 countries, delivering services into 73 countries
- 2200 employees with over 150 based overseas

Chairman's Statement

Results

Communis is continues to deliver strong performances with adjusted operating profit increasing substantially for a fifth consecutive year. Over this period, the current management team has grown adjusted operating profit from £6.6m in 2009 to £16.0m in 2014, at an average annual growth rate of 20%.

Communis has invested over £40m in the Design segment and has built and launched PSONA, an integrated digital agency, through the recruitment of talented individuals and the acquisition of carefully selected agencies. These acquisitions have been made over a number of years with each bringing relevant and complementary skills and adding leading brands to the Group's growing portfolio of blue-chip clients. Life Marketing Consultancy is the largest and most recent acquisition that was completed in January 2015. It is an insight-led shopper marketing agency that not only expands the services offered by Design, but also complements those provided to clients of Deploy.

The Group's reputation and leadership in outsourced customer communications services has continued to attract and secure significant long-term contracts for the Produce segment. Most contracts are for outgoing communications from the Group's clients to their customers. However the range of services was extended early in the year with the acquisition of imaging and mail processing capabilities for incoming customer communications under an outsourcing contract with LBG.

The most recent new contract award, in February 2015, was a six-year commitment from AXA for both incoming and outgoing marketing and operational customer communication services for all its UK brands including SunLife, Wealth, Insurance and PPP healthcare. This contract win is a clear testament to the breadth and depth of Communis' customer communication services that now span the entire customer life cycle.

The Deploy segment has experienced another successful year. Its contract with P&G was extended until December 2019 whilst revenues from its brand deployment services grew significantly, both through an expanded network of European offices and from the addition of new consumer goods clients in the drinks, healthcare and technology sectors. Overseas revenues grew by 36% to £66.5m (2013 £48.9m) and are now over 19% of total turnover, close to the Group's medium-term target of 20%. A new longer term goal is for overseas turnover to account for one third of the total.

Adjusted operating profit increased 21% to £16.0m (2013 £13.3m) on turnover that was 27% ahead at £343.0m (2013 £270.1m). The operating margin on sales (excluding pass through) was maintained at the 2013 level of 6.9%. Progress toward a realistic double-digit target is expected to resume in 2015. The exceptional items at £24.7m (2013 £3.5m) include non-recurring costs associated with restructuring, pension projects and acquisition activity together with a £21m non-cash provision for the impairment of goodwill that arose on acquisitions made in the early years of the last decade. For these reasons the profit after tax of £4.9m in 2013 was reduced to an after tax loss of £15.1m in 2014. The basic loss per share was 7.67p (2013 earnings 2.65p) but adjusted earnings per share (fully diluted and excluding the after-tax effects of exceptional items and acquired intangibles) was 10% up at 4.62p (2013 4.19p).

Dividend

The proposed final dividend of 1.33p per share brings the total dividend for the year to 2.0p per share, an increase of 11% over 2013, reflecting both the strong operating performance in 2014 and the Board's confidence in the future of the business. The dividend will be payable on 15 May 2015 to shareholders on the register at 17 April 2015.

Pensions

The latest triennial valuation of the Group's Pension Scheme at 31 March 2014 resulted in a substantially reduced deficit at £19.5m (2011 £38m deficit) and annual deficit reduction payments that have been halved to £1.5m from the previous level of £3m.

Board of directors

Mark Stoner joined the Board as Finance Director in August 2014 having held a number of senior executive positions within the Group. Nigel Howes, who had been Finance Director since March 2011, became Strategic and Corporate Development Director on Mark's appointment.

Helen Keays joined the Board as a Non-Executive Director in August 2014. She was appointed Chairman of the Remuneration Committee in October 2014.

Mike Firth stood down from the Board as a Non-Executive Director in October 2014, a position he had held since 2002. The Board is most grateful to Mike for his contribution over many years and will miss him.

Outlook

All three segments have established strong market positions with blue-chip clients. Design has built and launched a substantial new integrated digital agency; Produce has the capabilities and expertise that continue to secure multi-year contracts for both incoming and outgoing customer communications; and Deploy has expanded rapidly overseas with a service that is valued by a growing number of leading brands in the consumer goods sectors.

The Board is optimistic about the future, confident in its belief that Communisis can deliver another year of profitable growth in 2015 and build a sustainable platform for continuing success thereafter.

Peter Hickson

Chairman

5 March 2015

Strategic Report

Strategy and Implementation

What we do

Communis is a leading provider of personalised customer communication services that specialises in helping clients communicate with their customers more effectively and more profitably in fast-changing markets.

The Group has a reputation for production excellence and innovation and is trusted by many leading, consumer-facing brands to design, produce and deploy multi-channel personalised customer communications accurately, securely, reliably and at scale.

Services are focused on the integrated design, production and deployment of personalised customer communications. These communications are typically of a marketing, operational or regulatory nature and can be distributed either on paper or in digital formats, through e-mail, text message, mobile content, social media or as in-store marketing collateral.

There are three operational segments supported by centrally managed service functions:

- Design segment services support brand strategies by utilizing creative, data analytic and digital marketing skills to devise and implement marketing campaigns that captivate and engage customers.
- Produce segment services are mostly provided under multi-year contracts and comprise the specialist, high volume and predominantly personalised printing of outgoing customer communications of an operational nature, such as direct mail, invoices, statements and chequebooks, the processing of incoming customer correspondence and the production of shareholder mailings such as AGM notices and dividend cheques.
- Deploy segment services provide brand deployment support through the management of third party supply chains for the sourcing and distribution of in-store marketing collateral, mainly in overseas markets.

The Group offers a broad range of services that can be delivered either separately or in combination to make its clients' communications more targeted, more efficient and more profitable. Many of these services are business critical and of operational necessity for clients thus providing a degree of stability and predictability in revenue streams irrespective of macroeconomic and other market conditions.

Competitive differentiation is built on the breadth of the Group's portfolio of customer communication services, which is matched by few competitors, its market-leading technology, the scale of its operations, the depth of its embedded expertise and innovative capabilities, its closeness to clients and the strength of its leadership team. Clients can draw on the combined skills within Communis to improve their customer experience and ensure that it is positive and consistent at every touch point.

Technology

The Group's commitment to market-leading technology is a source of competitive advantage, notably its deployment of Hewlett Packard ("HP") T series high-speed digital platforms. The installed fleet of eight machines, all of which are provided under operating leases but which represent an aggregate capital value of approximately £30m, is unmatched in the UK and the largest in Europe for operational applications. The scale of

the capital commitment, together with operational know-how gained over several years represent real barriers to entry.

The HP technology uses white paper rather than pre-printed base stock in the production process, thus reducing stockholding requirements and production costs. Its flexibility allows any colour image to be produced and personalised in high definition, at speed and at scale, enabling marketing messages to be superimposed on substantial volumes of operational documents. This is an emerging market that facilitates product innovation and enhances returns on clients' marketing spend through lower production and postage costs and improved response rates on promotional offers.

Other technology developments during the year included work on:

- production automation, to enable value to be driven from the HP technology investments;
- the replacement of legacy systems to improve productivity and support overseas growth;
- multi-channel document management, supporting client needs to provide a seamless customer experience regardless of channel; and
- analytics and decision-making tools that increase clients' return on investment and help them to target their customers more effectively.

Locations and employees

The Group currently operates from 13 principal locations in the UK, from one in India and from 19 satellite offices and 18 client sites in the UK and 14 other European countries. Services are delivered into 73 countries.

There are around 2,200 employees with over 150 based overseas.

Aspiration

The Group's aspiration is to be a market leader in providing personalised customer communication services both in the UK and internationally.

The key financial targets for the medium term are to deliver a double-digit margin on sales (excluding pass through) and to derive more than 20% of total revenues from overseas sources whilst continuing to grow UK sales. The new longer-term goal is for overseas revenues to account for one third of the total.

Strategic initiatives

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

- growing sales both organically and through niche acquisitions;
- extending activities to broaden and deepen the service offering;
- further diversifying the client portfolio beyond the financial services sector;
- following international clients into overseas markets;
- investing in specialist, market-leading technologies; and
- continuing to optimise the direct cost and overhead base.

Improvement in margins is delivered through the combined effect of better capacity utilisation, the benefit of cost reduction programmes, synergies from acquisitions and a focus on growing volumes of higher margin services.

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

Market dynamics

Economy

The domestic economy continued to recover in 2014, providing a welcome boost to business confidence and marketing budgets. Ongoing cost and profitability pressures, especially within the financial services sector, stimulated further outsourcing of customer communication activities, leading to new business opportunities both in the UK and overseas. However, these beneficial effects need to be weighed against the uncertainties surrounding the outcome of the UK General Election in 2015, from economic weakness in the eurozone and further afield and from the many causes of political and social unrest elsewhere in the world.

Meanwhile, recent falls in commodity prices have allowed pay rate increases to move ahead of price inflation so that there should be less immediate pressure on household budgets and consumer spending. This could be beneficial for the Group's clients as they seek to maintain or improve their own margins. Any improvement in the profitability of their customer communications should flow from better returns on their marketing spend and from improved cost effectiveness of their operational communications, both areas in which Communisis can make significant contributions.

Market trends

The Group operates in an overall market that is attractive and fastmoving.

There are growing trends toward:

- the outsourcing of incoming and outgoing customer communication services;
- precision marketing through personalised communications;
- more consistent messaging in global campaigns;
- a reduction by clients in the number of their service providers with the winners being those with scale and a broad range of services; and
- client-led differentiation of creative service providers.

There is an underlying volume erosion in some of the Group's more mature markets, such as those for chequebooks, but margins are maintained through tiered pricing mechanisms and adjustments to the cost base. The progressive switch from paper to digital communications is an important trend and the Group is adapting its business model accordingly. In particular Communisis aims to present innovative propositions that deliver value both for clients and for the Group.

There is also a growing client need to demonstrate improved returns on operational processing and marketing spend.

In this context, the proliferation of marketing channels, the rapid expansion of 'big data', the rise in demand for content marketing, a growing recognition by clients of the importance both of engaging more with their customers and of measuring, analyzing and understanding their responses to marketing campaigns, are creating demand for innovative propositions and new market opportunities.

With a broad range of services and a growing reputation as a trusted supplier, Communisis is well-positioned to capitalise on these trends and gain market share.

Clients

The Group has a traditional strength in the financial services sector but has been diversifying the client portfolio in recent years. Clients now span a number of sectors with many leading consumer brands. They include all the major UK banks, the top ten building societies, major telecoms and media groups, utilities, global consumer goods distributors, high street retailers and supermarkets, Government departments and charities.

Financial services accounted for 43% of total revenues in 2014 (2013 43%) a percentage that was maintained as the new contracts in the sector, with Nationwide Building Society and LBG, became fully operational, offsetting volume erosion from the more mature products. A notable trend is the growing proportion of total revenues derived from the consumer goods sector which increased to 24% in 2014 (2013 21%).

Revenues by sector

Revenues by sector 2014		Revenues by sector 2013	
Financial Services	43%	Financial Services	43%
Consumer Goods	24%	Consumer Goods	21%
Utilities	8%	Utilities	10%
Retail and Distribution	5%	Retail and Distribution	6%
Telecoms	4%	Telecoms	5%
Public Sector	7%	Public Sector	3%
Other	9%	Other	12%

Many of the Group's largest clients are blue-chip companies. The credit risk is perceived to be very low and there has been little bad debt history in recent years. The top five clients accounted for approximately 62% of total revenues in 2014 (2013 55%) but with no undue concentration on any one client.

About 85% of revenues are usually underpinned by multi-year contractual arrangements, giving good medium-term visibility in the business.

The average contract life is currently five years. Many of the contracts are for personalised, business critical communications, such as invoices, statements and chequebooks, so that moving them to other suppliers would be a complex exercise with both cost and risk implications. Consequently the Group normally expects to extend or renew them as long as demanding service levels are met, making an average contract life much longer in practice.

Clients are showing an increased willingness to enter into much longer contractual terms. This reflects the scale of the investment on both sides and a move toward the implementation of sustainable commercial models that share risk and reward. The longer contract terms are expected to lead to more embedded relationships and a continuing need for the Group to act flexibly, promoting innovative propositions for consideration and implementation.

Progress against strategic initiatives

Good progress was made during the year against all the strategic initiatives as described in the following sections.

Results

Adjusted operating profit increased by 21% to £16.0m (2013 £13.3m) on turnover that was 27% ahead at £343.0m (2013 £270.1m).

The operating margin on sales (excluding pass through) was somewhat diluted by the proportion of lower margin sales in the overall revenue mix but was nevertheless maintained at the 2013 level of 6.9%. Progress toward a realistic double-digit target is expected to resume in 2015.

The Group's client-led international expansion accelerated during the year. Overseas revenues grew by 36% to £66.5m (2013 £48.9m) and are now over 19% of total revenues, close to the Group's medium-term target of 20%. A new longer term goal is for overseas turnover to be one third of the total.

Virtually all the overseas revenues are from clients of the Deploy segment and in the consumer goods sector, contributing to the overall diversification of the portfolio.

Growth

The Group's growth strategy is generally focused on organic opportunities within existing client relationships where long-term contracts are already in place for a broad range of services. The approach to new business is highly selective where long-term contracts are being tendered because of the extended sales lead times and the need for client culture to be aligned with that of Communisis. Two major new contracts with LBG and AXA, that will underpin revenues in the UK for many years, have been announced, either during the year or after the year-end.

New contracts

Lloyds Banking Group

In February 2014 the Group was awarded a further new outsourcing arrangement with LBG for the imaging and processing of incoming mail from customers. The arrangement is for an initial ten-year term with a five-year renewal option. It involved an investment of about £7.5m in working capital and mobilisation costs, approximately £3.2m of which was paid during 2014, with the balance falling due in 2015 and 2016.

Under the arrangements, Communisis is handling more than 30 million incoming customer documents annually for LBG and for all other brands within the Bank including TSB, Halifax and Scottish Widows. Documents are scanned and digitised with the content being indexed for archiving and onward distribution and processing by the Bank. Communisis is also responsible for the design and creation of operational customer-facing documents.

The arrangement brought a new service line to the Group and resulted in the acquisition of fourteen existing LBG sites in the UK, with the main operational centres being in

Edinburgh, Leeds and Andover.

This outsourcing contract followed a similar award in the previous year for LBG's outgoing customer communications. Combining the outsourcing of both incoming and outgoing communications with a single strategic provider offers LBG an end-to-end service, with considerable scope for optimising customer communication, and provides the Group with a significantly expanded client relationship and substantial new capabilities and growth opportunities.

AXA UK

In February 2015, Communisis was awarded a new six-year contract with AXA for the provision of incoming and outgoing marketing and operational customer communication services including creative, print, digital and postal distribution and document management services. The contract covers all AXA's UK brands including SunLife, Wealth, Insurance and PPP healthcare.

Under the outsourcing arrangements, the Group will assume responsibility for a number of AXA's existing UK inbound and print centres including those at Lytham St Annes, Ipswich, Bristol and Basingstoke with around 115 staff transferring to Communisis under TUPE regulations.

Overseas expansion

Overseas expansion of the Group's managed services has continued throughout 2014 and into the early months of 2015. Communisis now supports clients by delivering services into 72 countries outside the UK, principally providing brand building services under multi-year contracts to P&G and increasingly to other consumer goods clients in the drinks, healthcare and technology sectors.

The P&G contract was extended during the year until December 2019, justifying the Group's continuing development of the infrastructure needed to grow its overseas activities substantially both with P&G and with other consumer goods brands.

Acquisitions

Acquisitions are also an important component of the Group's growth strategy, especially the client-driven initiatives to broaden the range of the Group's service offering.

Five acquisitions were completed during the year or shortly after the year-end. All added specific skills and expertise in support of the Group's strategy to build a comprehensive range of integrated services and critical mass in the Design segment. Jacaranda Productions Limited (Jacaranda) and Public Creative Limited (Public Creative) were acquired in April, The Communications Agency Limited (TCA) was acquired in June, The Meaningful Marketing Group Limited (Geronimo) was acquired in August and Life Marketing Consultancy Limited (Life) was acquired in January 2015.

The combined initial consideration for the five acquisitions, excluding acquired cash, was £23.2m satisfied through £17.1m in cash and £6.1m in Communisis shares with restrictions over disposal, giving most of the principal vendors a vested interest in the future success of the Group. Further performance related consideration of up to a maximum of £10.4m in aggregate is payable over the next five years in respect of these

acquisitions.

Jacaranda is a video and film production specialist, creating, managing and measuring the effectiveness of video content for global brands.

Public Creative creates and drives brand awareness with digital media using web and mobile applications to build loyalty and encourage customer advocacy.

TCA specialises in brand response and customer relationship marketing. Its broad capabilities and experience across all media channels including TV, experiential and digital are central to the development of Communisis' integrated and differentiated agency model.

Geronimo is a customer relationship marketing agency with specialist knowledge of the financial services sector.

Life is an insight-led shopper marketing agency. Shopper marketing focuses distinctly on understanding and influencing consumer behaviour within the shopping environment whilst also taking account of retailer strategies and requirements. It is an important component of the marketing budgets of large consumer goods brands.

These acquisitions in combination offer considerable scope for growth. They provide opportunities for revenue synergies both within the Group's existing client portfolio and through the cross-selling of other marketing services in social media, video, digital production and content marketing.

A credible proposition, supported by a comprehensive range of capabilities, has been built within the Design segment, through the recruitment of talented individuals and the acquisition of carefully selected agencies. The proposition is now being taken to market as PSONA, the Group's new agency brand that is based in separate premises in London's West End.

Operational excellence

The Group made a substantial commitment to the development of a second transactional centre of excellence within LBG's facility at Copley, West Yorkshire to mirror that at Liverpool, and to allow the transfer of production from, and the closure of, the other LBG transactional site at Crawley. Net capital expenditure during the year has consequently been higher than normal at £14.2m of which £3m was provided under finance leases. Of this £14.2m, £9.2m relates to Copley, including £3m of capital equipment purchased from LBG. Additional expenditure of £1.4m to complete the facility will be incurred in 2015. Two market-leading HP T400 and one T300 high-speed colour digital platforms were also commissioned as part of this overall investment in Copley, all under operating leases.

Segmental reporting

The segmental reporting is aligned with the Group's strategic direction and the way in which the activities are managed. Turnover, operating profit and margins before exceptional items are reported in three segments, being Design, Produce and Deploy. Pass through revenues, being those purchased materials that are passed on to clients at cost with no added value, are reported separately, as are unallocated central costs that support integrated service offerings. Design, Produce and Deploy is a logical process flow

across the three segments that demonstrate how content, the ultimate source of value, is first created (in Design) and then produced and distributed on a targeted basis either through specialist manufacturing (Produce) or through managed services in the third-party supply chain (Deploy).

Clients can access services either from a single segment or on an integrated basis across some or all segments. The Group's account management process encourages the delivery of a broader range of services to clients by targeting the available market in each one and setting growth targets accordingly. Communisis' integrated service capability is considered to be a source of competitive advantage.

Results

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

	2014 £m	* 2013 £m
Revenue		
Design	26.5	20.9
Produce	150.7	117.3
Deploy	55.2	55.9
Pass Through	110.6	76.0
	343.0	270.1
Adjusted profit from operations		
Design	3.4	3.6
Produce	18.9	17.1
Deploy	13.8	9.6
Central Costs	(13.5)	(11.4)
Corporate Costs	(6.6)	(5.6)
	16.0	13.3
Amortisation of acquired intangibles	(1.0)	(0.8)
Profit from operations before exceptional items	15.0	12.5
Contribution to overheads (on adjusted operating profit excluding pass through)		
Design	12.8%	17.2%
Produce	12.5%	14.6%
Deploy	25.0%	17.2%
Operating margin (on adjusted operating profit excluding pass through)	6.9%	6.9%
Exceptional items	(24.7)	(3.5)
(Loss) / profit from operations after exceptional items	(9.7)	9.0
Net finance costs	(3.5)	(2.7)
(Loss) / profit before tax	(13.2)	6.3
Tax	(1.9)	(1.4)
(Loss) / profit after tax	(15.1)	4.9
Earnings/(loss) per share		
Basic (p)	(7.67)	2.65
Adjusted (p)	4.75	4.31
Adjusted fully diluted (p)	4.62	4.19

Group

Adjusted operating profit increased by 21% to £16.0m (2013 £13.3m) on total turnover that was 27% ahead at £343.0m (2013 £270.1m).

The operating margin on sales (excluding pass through) was somewhat diluted by the proportion of lower margin sales in the overall revenue mix but was nevertheless maintained at the 2013 level of 6.9%. Progress toward a realistic double-digit target is expected to resume in 2015.

Segmental split of turnover 2014		Segmental split of turnover 2013	
Design	8%	Design	8%
Produce	44%	Produce	43%
Deploy	16%	Deploy	21%
Pass Through	32%	Pass Through	28%

Segmental contribution 2014		Segmental contribution 2013	
Design	9%	Design	12%
Produce	53%	Produce	56%
Deploy	38%	Deploy	32%

Design

The 25% growth in turnover is predominantly attributable to the revenues from acquisitions offset by a substantial reduction in data sales. This resulted from a continuing decline in demand for prospect lists from the insurance sector that has been the historical focus of the Group's data activities. The loss of contribution from the data sales together with the costs associated with a reorganisation of the business and refocusing its activities on data analytics has had a more significant adverse effect on adjusted operating profits of the segment and the contribution margin.

Produce

The two new LBG contracts accounted for most of the growth in turnover offset by an 8% reduction in demand for transactional documents and higher margin chequebooks, due to the ongoing migration from print to digital formats and the changing pattern of payment methods. Whilst the additional turnover contributed to higher adjusted operating profit, non-recurring costs incurred during the transition phases of new contracts together with a loss of contribution from changes in product mix resulted in a lower overall contribution margin.

Deploy

The small decline in turnover was the net effect of a 13% increase in managed fee income, linked to the international expansion of brand deployment services for P&G, and a 14% decrease in other revenue following a strategic decision to withdraw from, or outsource, low margin commodity print management services. These same factors, together with a 46% increase in pass through revenues associated with the growth in overseas turnover generated a 44% increase in adjusted operating profits and a substantially improved contribution margin.

Central and corporate costs

The increase in central and corporate costs was mainly due to investments in the systems infrastructure, strategic accounts management resource and the legal team needed to support both existing client contracts and new business development opportunities.

Certain of the central costs were reallocated on a directly attributable basis to the operating segments during the year and the comparatives have been restated on a consistent basis accordingly.

Exceptional items

A further rationalisation at the Leeds facility was undertaken during the year. This, together with certain ongoing costs from previously announced restructuring programmes (£3.3m), acquisition and pension scheme related expenses (net £0.4m), and a £21m non-cash provision for goodwill impairment, has resulted in an exceptional charge of £24.7m in 2014. Most of the related cash cost of these items has been incurred during the year with £0.5m being payable in 2015.

Tax

The effective tax charge (before impairment of goodwill) for 2014 was 23.9% (2013 22.5%). The rate for 2014 is above the UK standard rate due to the larger proportion of profits that are now generated in overseas jurisdictions with higher tax rates.

Loss after tax and (loss) / earnings per share

The exceptional goodwill impairment provision was the principal reason for the profit after tax of £4.9m in 2013 becoming an after tax loss of £15.1m in 2014. The basic loss per share was 7.67p (2013 earnings 2.65p) and adjusted earnings per share (fully diluted and excluding the after-tax effects of exceptional items and acquired intangibles) were up 10% at 4.62p (2013 4.19p).

Dividend

The Board maintained its progressive dividend policy by proposing a final dividend of 1.33p per share, giving a full-year dividend of 2.0p per share, an 11% increase on the prior year (2013 1.80p).

Cash Flow and Net Debt

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

	2014 £m	2013 £m
Profit from operations before exceptional items	15.0	15.0
Depreciation and other non-cash items	12.1	8.4
Decrease / (Increase) in working capital	1.1	(9.3)
Pension scheme contributions	(1.2)	(1.7)
Interest and tax	(4.7)	(2.0)
Net operating cash flow before exceptional items	22.3	7.9
Exceptional items	(5.1)	(5.2)
Net operating cash flow	17.2	2.7
Net capital expenditure	(11.2)	(8.3)
Free cash flow	6.0	(5.6)
Investment in new contracts	(3.2)	(11.7)
Acquisition of subsidiary undertaking	(6.5)	(4.1)
Dividends paid	(3.7)	(3.3)
Debt arrangement fees	(0.1)	(0.6)
Share issues net of directly attributable expenses	0.3	18.4
Other	(0.9)	–
Increase in bank debt	(8.1)	(6.9)
Opening bank debt	(25.4)	(18.5)
Closing bank debt	(33.5)	(25.4)
Bank debt	(33.5)	(25.4)
Unamortised borrowing costs	0.5	0.5
Net bank debt	(33.0)	(24.9)
Finance lease creditor	(2.9)	(0.8)
Net debt	(35.9)	(25.7)

Growth in operating profit before exceptional items and depreciation along with better working capital management delivered substantially improved net operating cash both before and after exceptional items of £22.3m (2013 £7.9m) and £17.2m (2013 £2.7m) respectively. Within working capital, the percentage of overdue debt at year-end, a key measure, was lower at 5.4% (2013 8.7%) and with no indication of any significant credit risk within the Group's blue-chip client portfolio.

Net recurring capital expenditure was broadly equivalent to depreciation excluding the non-cash items relating to the amortisation of intangibles.

Free cash flow is defined as the net movement in bank debt adjusted to exclude cash flows in respect of investments in new contracts, acquisitions, disposals, dividends paid to shareholders and other cash movements in relation to the arrangement of debt facilities and equity. This is an important measure of the effectiveness of the Group's cash management process. This showed an £11.6m improvement in 2014 with cash inflow of £6.0m (2013 outflow of £5.6m). The net outflow in 2013 resulted from the exceptional costs of funding the continuing restructuring programmes, the additional working capital associated with growing the business, investment in new contracts and the costs of

acquiring a new agency, Editions Financial, for which purpose additional equity capital of £18.4m, net of attributable expenses, was raised earlier in that year.

The cash cost of acquisitions during the year at £6.5m accounted for most of the £8.1m increase in the year-end bank debt to £33.5m (2013 £25.4m), less than half of the total current facilities of £70m. The Group operates well within its bank facilities but intra-period fluctuations in working capital increase the level of indebtedness during the year. The average bank debt during 2014 was £41.4m.

The additional capital expenditure associated with the new Copley facility included £3m under finance leases that increased the net debt to the expected level of £35.9m (2013 £25.7m). Net debt is defined as bank debt plus finance lease creditors, less unamortised loan arrangement fees.

Net assets

Two non-cash accounting adjustments have together reduced net assets at 31 December 2014 by £32.4m. Neither adjustment has any direct or immediate economic impact as they reflect only accounting measurements at a point in time.

The first reflects a £21m provision for the impairment of goodwill in the Produce segment, that arose on acquisitions made in the early years of the last decade, and has been charged as an exceptional item in the profit and loss account. The impairment has arisen in the current year due to a prudent view taken by management of the long-term reduction in demand for these more mature product lines, and also an increase in the underlying discount rate used to value the future cash flows of the Produce segment.

The second results from the recalculation of the pension deficit at the year-end with the increase of £11.4m being charged directly to reserves. This largely reflects an increase in the present value of the long-term liabilities with the underlying discount rate being driven by the large fall in corporate bond rates and gilt yields during 2014.

Pensions

The Group continues to monitor and manage its exposure to deficits on its Defined Benefit Pension Scheme.

The Pension Scheme deficit at the year-end has increased for accounting purposes to £39.1m (2013 £27.7m). This is primarily due to a significant reduction in corporate bond rates, offset by a small decrease in inflation indices, used in the actuarial calculation of the Pension Scheme liabilities. There has been no material change in the value of Pension Scheme assets.

This is an accounting measure for financial reporting purposes only. It has no effect on the cash contributions to the Pension Scheme that are determined by reference to a triennial actuarial valuation, the latest of which was performed as at 31 March 2014. This valuation showed a significant improvement on the previous one at March 2011 with the deficit reducing substantially to £19.5m (2011 £38m). The outcome enabled the Group to agree with the Trustees that the deficit reduction payments should be halved to an initial £1.5m (previously £3m) but be subject to annual increments in line with the higher of dividend growth and inflation rates.

Bank Facilities

The Group's financial position was strengthened with a £10m extension of its banking facilities in June 2014 on the same, previously agreed terms. The enlarged facilities now comprise a £65m revolving credit facility, committed until March 2018, and a £5m overdraft that is renewable annually.

Key Performance Indicators

The key performance indicators, that are commented upon individually elsewhere in this strategic report comprise:

	2014	2013
Financial		
(Loss) / profit after taxation (£million)	(15.1)	4.9
Adjusted operating profit (£million)	16.0	13.3
Adjusted dividend cover	2.4	2.4
Bank debt (£million)	33.5	25.4
Debt outside credit terms (%)	5.4	8.7
Operating margin on sales (excluding pass through) (%)	6.9	6.9
Overseas turnover (%)	19.4	18.1
Pension deficit (£million)	39	1 27.7
Sales to financial services clients (%)	43.0	42.9
Non-financial		
Carbon footprint (tonnes)	12,649	11,775
Accident incidence rate (per 1,000 employees)	5.73	5.62

Risks and uncertainties

The Group is subject to a number of risks and uncertainties that bring both challenge and opportunity.

A pervasive risk relates to the extent and speed of clients' and consumers' migration from paper to digital communication formats. Each year, the number of paper-based communications on existing business tends to fall but overall growth is achieved from new services and market share gains. Communisis' services include the composition of the underlying document, the processing of the personalised data that is added to each communication and the distribution of that communication by the most appropriate channel. All these services continue to be relevant and add value in the digital environment. In 2014, approximately 10% of the Group's transactional communications were delivered digitally.

A further pervasive risk relates to the effective identification, evaluation and integration of acquisitions that continue to form an important part of the Group's overall growth strategy. To mitigate the associated risks, plans for the successful integration of each acquisition are developed during the evaluation phase of the process alongside normal due diligence activities. Earn-out arrangements based on future profitability are adopted as a risk management mechanism when appropriate and, wherever possible, vendors are generally required to take a substantial proportion of their consideration in Communisis shares so that their interests are aligned with those of other shareholders.

The Group's principal risks and uncertainties, together with the mitigating actions, are set out in more detail on pages 22 to 23.

People and organisation

Communis aims to attract, recruit, develop and retain the best people whilst keeping them actively engaged in driving results and delivering business goals.

The depth and capabilities of the broader leadership team are considered to be a particular strength of the organisation and a source of differentiation in the market place.

The Group is committed to employee engagement, development and wellbeing at all levels, to equality and diversity and to the active promotion of safe working environments.

Corporate Social Responsibility

The Group has embraced corporate social responsibility for many years and is in the process of developing and embedding long-term sustainability strategies that consolidate existing policies. The aim will be to make the organisation more resilient, more productive and more predictable whilst delivering economic, environmental and social benefits.

The Group actively supports clients, suppliers, employees and communities. Of particular note during 2014, was a three-week programme entitled "Get into manufacturing" that Communis ran, in conjunction with The Prince's Trust, for disadvantaged young people on Merseyside. The initiative was very successful and resulted in all participants subsequently gaining employment.

Andy Blundell
Chief Executive
5 March 2015

Mark Stoner
Finance Director
5 March 2015

Risks and Uncertainties

The principal risks and uncertainties facing the business are taken directly from the risk registers and are detailed below. The Group faces other risks which are subject to regular review and, have been assessed as lower risk and are therefore not included here. Some risk factors remain beyond the direct control of the Group and the Risk Management Programme we can therefore, only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

Risk Area	Commentary	Mitigating Actions and Management
The Group must be able to respond to technological change	<p>Clients' and their customers' progressive adoption of digital formats and channels may impact Group strategy and market demand for products and services.</p> <p>There is a risk that the systems and equipment utilised by the Group could be superseded earlier than anticipated by management.</p>	<p>Continued investment in technology and new services maintains and enhances the Group's competitive position.</p> <p>Specific teams have been put together within the business to lead change and innovation.</p> <p>The Group is committed to developing or procuring new types of technology in order to be able to provide the latest services to clients and therefore maintain its competitive position.</p>
The Group continues to pursue international expansion	<p>The Group now operates in 15 countries outside the UK. Delivering services into 73 countries. International exposure to geo-political volatility and social instability may put the Group operations at risk.</p>	<p>The Group has implemented a Work Stream Forum team that specifically deals with management of operations that are carried out in territories outside the UK.</p> <p>A country risk assessment process in the early stages of development.</p>
Deterioration in the economic environment may decrease profitability	<p>There is a risk that macro-economic issues may quickly and detrimentally affect consumer expenditure, which could impact the trading performance of the Group's clients and reduce their discretionary spend resulting on lower sales and profitability.</p>	<p>Market trends are monitored and factored into the Group's business planning, budgeting and management processes.</p> <p>Volume erosion protection is included in contract terms where possible.</p>
The Group continues to pursue acquisitions and contract wins to meet its strategic objectives	<p>The Group continues to pursue growth which is achieved via purchase of other businesses and contract wins.</p> <p>There is a risk that the Group may be unable to integrate the operations that have been acquired</p>	<p>The Group has clear strategy for ensuring growth. This includes assessment of the alignment of the products and services.</p> <p>Due diligence is performed in advance of acquisition and contract signature.</p>

	<p>successfully and may not achieve the expected cost base control or increased revenues anticipated as a result of these acquisitions.</p>	<p>The Group has gained considerable experience and skills dealing with acquisitions.</p>
<p>Clients rely upon proven and resilient business operations</p>	<p>Certain Group operations depend upon the uninterrupted delivery of products and services that rely on complex computer networks and systems.</p> <p>There is a risk that the Group may face a significant business continuity incident that will materially affect its ability to deliver products or services to its clients.</p>	<p>A Business Continuity Management ("BCM") System and BCM plans are in place and audited by clients in core areas of the Group.</p>
<p>Safeguarding of data</p>	<p>The Group processes personal and sensitive data on behalf of clients as part of its core services.</p> <p>The risks are that:</p> <p>A failure to maintain a secure and fully functional IT infrastructure could result in an inability to meet contractual service obligations; and</p> <p>The confidentiality, integrity and availability of information processed by the Group could be compromised by human error, systems failure, equipment malfunction or deliberate unauthorised action, any of which could result in reputational damage and financial loss.</p>	<p>Continued investment in IT infrastructure, security and monitoring, guards against the inappropriate use of client data and maintains and enhances the effectiveness of controls.</p> <p>Established information and security standards are subject to regular third-party audits.</p> <p>Processes to deal with cloud computing assessment and risk management have been implemented.</p> <p>Core areas of the Group are subject to certification including ISO/IEC 27001.</p>
<p>Talent and skills shortage and employee well-being</p>	<p>Without learning, development resource and succession planning, there is a risk that the Group will be unable to develop, retain and motivate employees that have the necessary skills to support operations, essential policy and legislation.</p> <p>There is also a risk to employee morale and well-being from a failure by the Group to maintain a safe and compliant working environment.</p>	<p>The Group actively monitors senior leadership to ensure motivation is maintained, that succession plans are in place and applied to relevant team members.</p> <p>Motivation and support for senior leadership is provided through regular leadership conferences.</p> <p>The Group has policies and procedures in place for training and development. Business operational expansion and acquisitions also help to ensure that the Group has the right skills.</p>

		<p>The Group provides regular training on health and safety for all employees and monitors performance to ensure compliance with all relevant regulations and employment laws across all jurisdictions in which the Group operates.</p>
<p>Existing client concentration may mean that the loss of a major client could materially decrease sales</p>	<p>A substantial percentage of the Group's revenues are derived from a relatively small number of clients and therefore the loss of one or more of these clients could have a material impact on the Group's sales. This could result in a material decrease in profitability whilst new contracts are sought and excess capacity reduced.</p> <p>In the year ended 31 December 2014 the top five clients of the Group accounted for approximately 62 per cent of sales.</p>	<p>A strategic account management programme operates to preserve client relationships, monitor compliance with service level agreements and expand the services offered to key clients.</p> <p>Business development activities continue to promote the Group's services in a broad range of market sectors and into international markets.</p> <p>Long-term client relationships are developed.</p>
<p>Due to high operational gearing, a reduction in revenues could significantly impact profitability</p>	<p>The risks are that the Group will not:</p> <p>Adapt sufficiently quickly to any technological change or downturn in demand, with a consequent loss of competitiveness and profitability;</p> <p>have adequate resources to invest in new technology and services;</p> <p>retain its major client portfolio, without replacement, or recover debts; and</p> <p>diversify sufficiently into other market sectors.</p>	<p>The Group's cost base is regularly reviewed and aligned with projected demand to avoid margin erosion.</p> <p>Sufficient financing facilities are arranged with a reasonable degree of headroom over projected funding requirements.</p> <p>Client credit is closely monitored and controlled to minimise the amount of overdue debt. Credit insurance is obtained against larger non-financial services sector debts.</p> <p>Working capital and capital expenditure are actively managed to ensure that banking covenants are not breached.</p> <p>Business development activities in a range of sectors reduce the historic reliance on the financial services sector.</p>
<p>A change in pension scheme assumptions could increase the pension deficit</p>	<p>Communis is has continuing obligations under a defined benefit pension scheme that is now closed to new entrants. The IAS 19 pension deficit was £39.1 million as</p>	<p>The Group works closely with the Pension Scheme Trustees to adopt programmes that optimise returns on Pension Scheme assets, reduce the ultimate pension liabilities and minimise</p>

	<p>at 31 December 2014.</p> <p>The risk is that any changes in life expectancy, or other assumptions, such as interest rates, equity returns or discount rates could require substantial future cash contributions to eliminate any resulting increase in the pension scheme deficit and therefore decrease the Group's ability to expand the business through continued investment or to pay dividends to shareholders.</p>	<p>the level of additional cash contributions required to eliminate any deficit.</p>
<p>Potential lease liabilities from past disposals could result in high cash costs to the Group</p>	<p>The Group has contingent liabilities arising from lease commitment guarantees on past corporate disposals.</p> <p>The principal risk is that current leasehold occupants will become insolvent and that guarantees will be called, resulting in a material cash cost to the Group.</p>	<p>The financial status of the leasehold occupants is monitored on a regular basis.</p> <p>Action will be taken to minimise the cost to the Group when default is anticipated.</p> <p>Break clauses are reviewed and exercised where possible.</p>

Cyber Security and Business Continuity have been dealt with in previous report and accounts as "Operations relying upon interrupted IT systems and the safeguarding of client data". Given the change in complexity and increased external focus on these activities they will be reported separately in future. During 2014 risks which have risen in priority are profitable sales growth, contract terms, customer retention and technological change.

Our People and Organisation

Our employees drive our results. Our focus is to attract and recruit the best people, develop their skills and keep them engaged in such a way that we can deliver our business goals.

Leadership, management and development

The responsibility of all managers to act first and foremost as leaders of their people is at the heart of our culture. Through focused training and development we ensure our managers have the right skill sets and, through understanding our goals, that they are fully motivated to deliver.

In 2013, we implemented a “Business Improvement Techniques” scheme, which led to 60 employees gaining a qualification in Business Improvement/Lean Manufacturing. In 2014 we worked to embed these techniques into standard working practices.

In 2013 we also launched a two-year British Printing Industries Federation management programme. Seventeen employees signed up to this programme to gain a degree level qualification. Learners are due to complete this course by April 2015.

Tailored succession plans are in place for all senior roles.

Employee engagement and wellbeing

The success of our business strategy is critically dependent upon the involvement of all employees. We have information and consultation forums at all levels of the business to ensure that employees are fully informed and engaged. In addition, we use various high-quality digital channels to ensure timely and effective flows of information.

In 2014 we carried out an all-employee survey using an external consultancy, B2B, in order to better understand our employees’ needs and to respond to them.

We are committed to providing our employees with excellent occupational health services and engaging our people in wellbeing promotion to influence a positive safety culture.

We recognise that providing holistic support to our employees at work improves motivation and encourages active engagement with the Company’s drive for greater productivity, as well as enhancing employees’ enjoyment of their non-work lives.

In 2014 Communitis engaged with a leading occupational safety and health and wellbeing service provider, Santia Consulting Limited, to support the managed health surveillance programmes at our operational sites, ensuring legal compliance, with the benefit of reducing illness, delivering greater resource effectiveness and proactively engaging the workforce to enable healthier lifestyle choices. This gives the Company access to training resources and will assist in the development of industry best practice procedures to enable the effective implementation of a revised Group Occupational Health and Wellbeing Policy. Employees will receive regular wellbeing communications and have an opportunity to engage in various wellbeing activities covering all business streams.

Communis entered 45 teams of seven employees into the Global Corporate Challenge, a non-profit charity, that uses interactive step and nutrition awareness challenges to enable individuals to take personal responsibility for their health and performance and to take steps towards a healthier lifestyle. In 2014, over 40,000 teams enrolled across the world, and Communis was proud to be a part of this event.

Diversity

We have an on-going commitment to equality and diversity and have retained accreditation to the Commitment to Equality Standard in 2014. In addition we have extended the programme to new sites we have acquired. Communis has focused on utilising appropriate recruitment processes and techniques and a commitment to flexible working arrangements.

Recognising our people

Our "Heroes" recognition programme rewards extraordinary people within our business who have gone the extra mile and made an extra special contribution over and above the call of duty which helps us achieve results. The scheme allows employees in all areas of the Group to nominate their colleagues from their own teams or from other teams. All nominees are notified that they are being considered by receiving a thank you card from the Group. Nominations are then considered by the Communis Executive Board and up to five awards are made each quarter. Quarterly award winners receive shopping vouchers and a certificate of thanks. Our Group Managing Director then reviews all the quarterly award winners and gives the best of the best additional recognition in the form of a "Super-Hero" award and a cash reward. In 2014, 74 nominations were received from around the Group. Twenty-six quarterly awards were made, with the "Super-Hero" award going to an Account Manager in Deploy.

Gender

In line with the objectives of the Davies Report, it is our policy, when considering appointments at a senior level, to evaluate the skills, experience and knowledge required for a role with regard to the benefits of diversity at Board and senior management level, and we make appointments accordingly.

In accordance with s414(c) of the Companies Act 2006, a breakdown by gender of the number of persons who were directors, senior managers and employees of the Company as at 31 December 2014 is set out below.

Breakdown by gender of the number of persons who were directors, senior managers and employees

Directors

Male (6) 75%

Female (2) 25%

All Employees

Male (1,348) 60%

Female (894) 40%

Senior Managers*
Male (36) 69%
Female (16) 31%

** The category of Senior Managers includes individuals who report into Executive Board members.*

Social, community and human rights issues

Communis is does not have a formal Human Rights Policy but do work to a strict Ethical Purchasing Policy that seeks to purchase goods and services which are produced and delivered under conditions that do not abuse or exploit any persons or the environment.

These considerations form part of the evaluation and selection criteria for all goods and services purchased by Communis.

The policy also requires:

- safe working conditions;
- child labour will not be used;
- living wages are paid;
- working hours are not excessive;
- no discrimination is practised; and
- no inhuman treatment is allowed.

For information on how we support our communities, see page 32.

Keeping our people safe

Communis believes that health, safety and wellbeing are a core value and significantly contribute to the commercial success of our business.

Our goal is zero harm to people, to provide an incident free workplace and we fundamentally believe all injuries are preventable.

Communis is committed to conduct its business operations in accordance with all applicable country laws, compliance with legislation, regulations and any other requirements.

We commit to report and investigate all incidents, to share significant lessons learned across the business and to assess and manage workplace risk. We will conduct our business in a manner that protects the safety, health and wellbeing of employees, contractors and visitors at our operations.

We will provide occupational health support, promote wellbeing for all, and carry out health surveillance for employees in safety critical roles, for their own benefit, and in accordance with legal requirements.

Communis assesses workplace hazards and risk and, following a trend analysis of 2014 incidents, has identified the four main causes of incidents and therefore the highest risk areas:

- contact with mobile plant use;
- operation of processing equipment;

- slips, trips and falls; and
- injury from manual handling operations.

We are taking action to mitigate risk in all these areas through continual improvement of our processes for planning, implementation, action and management.

We adopt robust and systematic work practices for governance, legal compliance and risk reduction. We promote proactive leadership, a positive health and safety culture and value workforce engagement by consulting on matters affecting their health, safety and welfare.

We set objectives and targets, and continually monitor performance, using key indicators to measure effectiveness of policy and strategy.

Objectives:

- to demonstrate proactive leadership and management for the prevention of incidents and occupational ill health;
- to continuously improve safety management systems to reduce risk and maintain legal compliance;
- to engage the workforce in open consultation and ensure people are competent to carry out their task safely through information, instruction and training; and
- to manage performance by monitoring and taking corrective actions, and through communication and influence of the safety culture.

Our four key drivers for a proactive, interdependent safety culture are:

- strong and visible leadership at all levels of the business;
- effective management systems;
- increasing employee engagement and communication effectiveness; and
- monitoring performance, recognition for contribution and feedback.

The business will continue to develop programmes to support these criteria throughout 2015.

In 2014, Communis was not subject to any improvement or prohibitions notices, nor any prosecutions resulting from any breaches of health and Safety ("H&S") legislation.

The Group maintained all of its OHSAS 18001:2007 certifications. As part of the Lloyds Banking Group in-bound operations, we have maintained BSC 18001:2007. We regularly conduct detailed internal and external H&S audits at all our sites to manage risk reduction across the business.

Senior Manager Tour Programme ("SMT")

In 2014, senior manager tours took place at all manufacturing sites and this program will be continued in 2015, including the main inbound facilities. The aim is to give the opportunity for cross functional managers to observe activity on other sites, the different working environments, observation of safe working practices, feedback on housekeeping standards and talk directly to the workforce in their workplace on a variety of safety matters important to them. It provides the opportunity to discuss the perception of risk from both parties and reinforces duty of care and demonstrates leadership visibility.

Working with suppliers

We are working closely with suppliers to identify and remove any hazards and risks from our processes to eliminate potential for accidents and consequential loss to both parties.

Developing safe driver policy and risk reduction strategy

Communis is developing a safe driver strategy and policy to be implemented using a risk based assessment process of business drivers. It will identify individual training needs (i.e. for hazard awareness and improving driving skill). Enhanced ownership of driver responsibility and increased awareness could impact on the potential for road traffic incidents, or worst case scenario, a fatality or life changing incident and reduce liability loss.

Safety performance

Communis aspires to a goal of zero harm to people, and has a fundamental belief that all injuries are preventable. We routinely monitor and measure the leading and lagging indicators of our performance, and set measurable objectives and targets to enable a focus for continual improvement.

All incidents are investigated to determine causation and both preventative and corrective actions are put in place to prevent recurrence. Lessons learned from significant incidents are widely circulated to all operational sites as safety alerts, to enable sites to look for common causes and control measures they should consider implementing.

In 2014, there were 15 Lost Time Accidents ("LTA") (10 in 2013), of which seven were also classified as RIDDOR reportable incidents (three in 2013) and in total there were 194 employee lost work days (149 in 2013).

During the year, some notable performance milestones were achieved, Liverpool and Newcastle sites passing one year without an LTA or RIDDOR, and Crewe site extended its run to six years RIDDOR free.

From October 2013, the Company started producing transactional communications for Lloyds Banking Group at Copley and Crawley, and began inbound operations from Andover, Edinburgh, Leeds, Bristol and Newport in April 2014.

2014 organisational changes saw an increase in employee numbers from 1,572 to 2,242.

The total number of accidents in 2014 was 105 (82 in 2013), and this is a 28% increase against 2013, however the number of employees has increased by 42%. We believe the level of incident reporting has increased due to increased headcount and a focus on developing our cultural maturity, by increasing employee engagement and encouraging open reporting of all incidents.

We investigate all incidents, identify preventative and corrective actions and communicate lessons learned, as prevention for incident recurrence.

Group HSE Performance 2014

2014		2013	
RIDDOR	7	RIDDOR	3
Lost Time Accident	15	Lost Time Accident	10
Medical Aid	3	Medical Aid	4
First Aid	87	First Aid	75
Near Miss	28	Near Miss	12
HSE Observations	16	HSE Observations	1343
	26		
Environment	2	Environment	4
Property	20	Property	12
Damage/Dangerous Occurrence		Damage/Dangerous Occurrence	

In 2014 Communisis reported seven RIDDOR incidents. The incidents were all injuries, two were classified as "specified injuries" and five resulted in "over seven day absence". During 2014 the company has expanded its operations into 16 new locations, with an increase of 519 employees, and safely exited two manufacturing sites (Crawley and Trafford Wharf).

In the initial 12 months operation of the newly acquired sites, there were five LTA incidents of which three were classified as RIDDOR reportable. All manufacturing and non-operational sites are progressively integrating the Company's safe working practices and standards and are striving to align to common goals and support a positive safety culture change.

Communisis monitors its safety performance and tracks incidents and accidents using two key performance indicators, Reportable Incident Frequency Rate ("RIFR") and Lost Time Accident Frequency Rate ("LTAFR"). This is calculated by the number of Incidents /Total Hours) x 100,000 hours on a 12 month rolling basis.

At the end of December 2014 the 2014 RIFR was 0.16 (2013 0.12) and LTAFR was 0.32 (2013 0.52).

The LTAFR has reduced by 38.4% with increased worked hours contribution and with four of the lost time accidents accounting for over 80% of the total number of lost work days. Whereas the RIFR has increased by 2.5% due to an increase in incident numbers.

2015 health, safety and wellbeing objectives

In 2015 we aim to further improve on our H&S performance. We will focus on prevention, identification and control of potential risks together with the delivery of sustainable changes to reduce potential bottom line incident loss. The health, safety and wellbeing objectives will be aligned to the business values and will include:

- communication improvement and increased employee engagement;
- occupational health and wellbeing;
- leadership, management and supervisor accountability;
- training needs, competence and awareness; and
- risk management and system effectiveness.

Corporate Social Responsibility Report

Communis is seeking to develop long-term sustainability strategies to consolidate its existing Corporate Social Responsibility ("CSR") practices in order to deliver solutions that will make the organisation more resilient, productive and predictable, whilst delivering economic, environmental and social benefits.

Supporting our suppliers

Communis works closely with its supply chain to build sustainable procurement practices to help drive positive changes within our operations.

Supporting our people

Our aim is to give our employees rewarding careers that make the best use of the talents they have and also to equip them for the future by providing the opportunity to develop new skills. Most importantly we want all our employees to feel they work for a company that treats them with respect and has values they can feel proud of. Our aim is to be the employer of choice for the best people in our markets.

For further details on our people see pages 25 to 30.

Supporting our communities

Our sites are encouraged to take part in activities that help the communities they operate in and where our employees live. Such work includes charitable, educational and environmental activities. In 2014, we were involved inter alia in the following projects:

- The Prince's Trust Million Makers scheme is a national competition which challenges corporate teams to raise money for The Prince's Trust by running a mini enterprise over six months. This scheme has provided the team with the opportunity to develop new skills as well as raising money for the Trust. The Prince's Trust gives practical and financial support to disadvantaged young people, developing key workplace skills such as confidence and motivation to help them turn their lives around. Our Million Makers team has raised £15,000 for the Trust since we were first involved in the programme of which around £5,000 was raised in 2014.
- The Prince's Trust "Get into Manufacturing" programme provided 12 young adults with valuable work experience and important employability training over a three-week period, followed by a graduation ceremony hosted by the Chief Executive Officer.
- Support MOWLL (Moving on with Life and Learning), a small charity in Liverpool which helps adults with learning difficulties to lead independent lives.
- Raising funds for Zoë's Place Children's Hospice, a small charity in Liverpool which runs a children's hospice, providing respite and end of life care for children suffering from life-limiting or life-threatening conditions. In 2014 we raised £1,324 for the charity through various fund raising activities and donations from staff at our Liverpool site.
- Partnering with Barclays in 2014 assisting their 'Lifeskills' programme by providing

work placements and training for young people.

- Setting up a Charity Committee to support Group-wide charitable activity. In 2015 the Committee will support fundraising events across all operations and will work in partnership with the following nominated charities:
 - Macmillan Cancer Support;
 - Children in Need; and
 - Alzheimer's Society.

Employees will be encouraged to engage with the nominated charities by volunteering and by fundraising.

- Communis offers an apprenticeship programme aimed at school leavers. The scheme has proved successful in incorporating on-the-job training whilst gaining a recognized qualification. We are currently in the process of designing a wider programme to include a broader number of apprenticeships. Recruitment for this will commence in 2015.

Environment matters

14001 certification

All operational locations maintained certification to ISO 14001 standard, verified by an independent external audit process. This process aims to uphold the integrity of the environmental management system. This does not apply to the newly acquired operational sites.

Business in the Community ("BiTC") Award 2014

Communis continued to submit group environmental performance for external verification and this was assessed by BiTC in June 2014. BiTC's Environmental Index assesses and compares company submissions ranking from high to low as Platinum, Gold, Silver or Bronze. The Index has been active since 1999 and enables us to measure our environmental management and performance against not just our competitors and contemporaries, but our clients too. Communis moved from Platinum in 2013 to Gold status in 2014. This movement was primarily due to changes in the BiTC assessment process, including new aspects such as provision of a Company Sustainability Policy. Our result remains highly commendable and we will be reviewing our business model, with an aspiration to return to Platinum status.

PLC Awards 2014

Communis was nominated by PricewaterhouseCoopers ("PwC") in March 2014 for the 2014 PLC Achievement in Sustainability Award sponsored by PwC.

External environmental performance monitoring

Communis is registered and submits environmental performance data to Ecodesk, Ecovadis and Altius Vender Assurance. The data submitted includes information relating to carbon, energy and waste, as well as management system information to enable our clients to manage their supplier goals and to help Communis to engage potential clients.

Supporting our suppliers

We continue to work with our sourcing team to review and where possible improve our pre-qualification process, providing greater standards for our supply chain. During 2014 we took the opportunity to work closely with one of our clients and share best practice in sustainable sourcing.

Sustainable paper supply

During the year we have maintained our Group PEFC/FSC certification for our operational locations. In 2014 the certification scope was amended to allow for inclusion and for potential growth of Communis plc and the inclusion of the Lloyds Banking Group Copley operation.

Summary of the 2014–2019 environment objectives

Following the success of our 2010–2013 Group targets and environmental reduction programme, Communis has established new environment objectives that will run from 2014–2019.

The objectives will run over five years to align with longer-term initiatives. We will continue to measure and communicate year on- year performance, noting that there will be peaks and troughs due to new business, acquisitions, disposals and government conversion factor changes.

GHG reporting

To reduce absolute carbon intensity per tonne of paper processed by 5% on the 2013 baseline figure of 0.363 kWh (the average per site). Carbon intensity is measured in the total Tonnes Carbon Dioxide Equivalent ("TCO_{2e}") emitted per tonne of paper processed.

Carbon Intensity	2013	2014	% Variance on baseline year
2013 Baseline Year			
Crewe	0.32	0.43	32.22
Leeds	0.39	0.61	54.92
Liverpool	0.54	0.60	9.61
Trafford	0.19	0.59	203.00
AVG	0.36	0.55	52.80

- The increase in carbon intensity at Crewe was due to a 21% reduction in paper process against a 0.54% increase in electricity, due to the increase in equipment used for manufacturing.
- Liverpool experienced an increase in energy intensity of 9.61%, against a 24% increase in paper processed. This was due to testing and development work being carried out transforming legacy products onto T-series digital printers. There was also a significant rise in gas consumption and this is currently under review.

- At Trafford Wharf, production was withdrawn in March 2014, but the site continued to operate with a skeleton office function. This continued use of site energy, without manufacturing, increased the energy intensity.
- Overall energy intensity had increased by 52.80%. The factors that contributed to this increase are detailed above. However, with the final closure of the Trafford Wharf facility in October 2014 and operational efficiency in Liverpool, this figure should reduce going forward.
- Despite the significant expansion of our operations in 2013 and 2014, the operational boundary for energy and intensity performance reporting is limited to sites at Liverpool, Crewe, Newcastle and Leeds.

Business travel

To reduce CO₂e emissions associated with car, rail and air transportation by 10% on the 2013 baseline of 865 TCO₂e.

The Company recognises the economic and environmental impact of business travel against the successes of our operational expansion, and is considering improvement opportunities in 2015 to minimise carbon emissions, as part of the Group's Energy Savings Opportunity Scheme ("ESOS") 2013 Regulations compliance project. The increase in travel impacts on Scope 3 carbon emission which has increased from 880 tonnes to 1012 tonnes.

Operational waste (all waste streams)

To reduce total operational waste by 5% on the 2013 baseline of 8,469 tonnes.

Total operational waste (Tonnes)

Year	Baseline 2013	2014	% Variance on baseline year
Total operational waste	8,469	7,701	(9.07)

Our manufacturing facilities focus on the reduction of all waste streams by improving segregation systems and the efficacy of disposal contracts, in combination with education programmes.

Process paper waste

To reduce paper waste per tonne of paper processed by 10%, on the 2013 baseline of 23%. The waste figures exclude the Copley operation, Inbound Mail and Telferton business.

Process paper waste (Tonnes)

Year	Baseline 2013	2014	% Variance on baseline year
Process paper waste	6,491	5,729	(11.74)

Challenge our suppliers

To enhance the supplier evaluation process with sustainability linked improvements and to deliver awareness training to the supply chain and internal managers.

An enhanced supplier evaluation process will be implemented in 2015 with inclusion of sustainability and environmental performance request.

Management systems

To work to maintain and improve our certifications to ISO 14001:2004 and maintain both FSC and PEFC chain of custody standards.

During 2014 Communisis extended the scope of the FSC/PEFC Certification to include Communisis plc and the Copley operations. The Company's external environmental auditors, SGS, were satisfied with the Group's compliance with the standard and confirmed the Group Certification for 2014.

Sustainability

To develop a sustainability model and process map for implementation, supported by awareness training for employees and specific stakeholders.

The development of a sustainability model and process map enabled a review of the Group's social, economic and environmental challenges and opportunities. During implementation the Group will focus on our continual improvement of our sustainability principles in order to deliver the right solution to meet our business needs and the expectations of our clients and stakeholders.

Monitoring tools

To enhance the online management information data systems to improve our reporting effectiveness.

Our data management systems for environmental performance have been improved to provide additional graphical representation of our performance criteria. However the Company will be evaluating the longer term capability of the current database system and ongoing software support, to take us through the next five year environmental reporting schedule.

Environmental legal compliance

Communis is has maintained all its relevant environmental certifications and operational permits and has not been subject to any improvement, abatement or enforcement notices.

ESOS

Communis plc will comply with the mandatory ESOS Regulations no later than 5 December 2015. We have commenced implementation of a solution to ensure we meet the requirements and identify key energy saving opportunities.

Carbon reduction commitment ("CRC") and greenhouse gas systems

Communis registered for Phase 2 of the Government's CRC Energy Efficiency Scheme in April 2014.

As part of our obligation to report Greenhouse Gas ("GHG") emissions and our continued improvement process we have engaged with Carbon Credentials to provide verification of the emissions assertion made by the Company in accordance with ISO14064-3 achieving the higher level 'reasonable assurance' verification. We will be implementing a GHG management system in 2015 to formally document the process for greenhouse gas reporting across the Group, so as to ensure a materially correct and fair representation of our emissions. The chosen methodological framework for implementation will be BS EN ISO14064-1 2012.

Organisational boundary

Our organisational boundary is defined as all UK operating companies within our legal structure as at 31 December 2014.

Operational boundary

The process for defining our operational boundary involved the identification of GHG emissions associated with our operations with respect to our defined organisational boundary and categorising emissions into Scope 1 and Scope 2 required for compliance with mandatory reporting, as well as voluntary Scope 3. The following table illustrates our operational boundary for:

Scope 1

Scope 1 includes owned vehicles and leased vehicles treated as wholly owned assets for the purpose of financial accountancy:

- natural gas combustion on site (heating);
- gas oil (red diesel) combustion;
- forecourt diesel combustion – owned assets;
- forecourt petrol combustion – owned assets; and
- LPG combustion (heating).

Scope 2

- electricity consumption.

Scope 3

Scope 3 includes:

- leased vehicles, not treated as wholly owned assets and grey fleet (business mileage);
- employee business travel – leased and grey fleet vehicles; and
- water consumption.

Organisational exclusions

Scope 1 and 2 GHG emissions that are excluded from our operational boundary for 2014 include the following:

- fugitive emissions from air conditioning equipment;
- diesel combustion in on-site generators;
- LPG combustion in forklift vehicles; and
- welding gas combustion.

These items are excluded because they are below the Government's 5% materiality threshold and/or there are technical issues regarding data collection for these emissions.

Carbon footprint reporting

The 2013 baseline figures and methods were externally verified and the same process for calculation is in place for 2014.

Corporate Carbon Footprint (TCO₂e Tonnes)

	Baseline 2013	2014
Scope 1	1,661	1,603
Scope 2	9,234	10,034
Scope 3	880	1,012
Total Gross Carbon TCO₂e	11,775	12,649

All new operating functions relating to the Lloyds Banking Group contracts in 2013 and 2014 at the Lloyds Banking Group sites are classified as exemptions under the Landlord Tenant Rule and as such are not included in carbon calculations.

The main changes that have impacted upon our carbon reduction are:

- the closure of our Trafford Wharf facility in 2014, resulting in a reduction in electrical consumption and gas;
- through improved awareness and control at sites the overall gas usage for the Group

Governance

Board of Directors and Executive Board

Peter Hickson (69)
Chairman (appointed December 2007)

Peter has been Chairman of Communisis plc since December 2007.

He is currently Chairman of the defence company, Chemring Group PLC and Senior Independent Director of Coalfield Resources plc (formerly UK Coal plc). He is also a trustee and board member of Orbis International, the sight saving charity. Previous appointments include Chairman of Anglian Water Group, Finance Director of Power Gen plc, and Non-Executive Directorships at Kazakhmys PLC, London & Continental Railways Limited, Scottish Power plc, Marconi Corporation plc and RAC plc.

Andy Blundell (55)
Chief Executive Officer (from October 2009)

Andy joined Communisis in January 2008 as Managing Director of Print Sourcing and became Group Sales Director in November 2008. He was later appointed to the Board as Chief Executive Officer designate in August 2009 and took on the role permanently in October 2009.

Formerly, Andy was a Managing Director at Bemrose Booth Limited and a Managing Director at De La Rue plc.

Nigel Howes (64)
Strategic and Corporate Development Director (appointed as an Executive Director September 2010)

Nigel was appointed as Non- Executive Director in December 2007. He became an Executive Director in the role of Strategic Planning and Development Director in September 2010 before taking on the additional role of Finance Director in March 2011.

After three years as Finance Director, Nigel relinquished his role in July 2014 to concentrate on his other executive responsibilities as Strategic and Corporate Development Director.

Nigel is currently Non-Executive Chairman of Acceleris Marketing Communications Limited.

Formerly he was Non-Executive Director of SCS Upholstery plc and Wraith plc. Prior to this he was an Audit and Advisory Partner at Deloitte and at Arthur Andersen.

Dave Rushton (53)
Group Managing Director (appointed August 2009)

Dave joined Communisis in 2003 as General Manager for Transactional Print and was subsequently appointed Managing Director of Direct Mail in 2007 prior to becoming Group Operations Director in 2008. In August 2009 he was appointed to the Executive Board and in November 2011 he became Group Managing Director with responsibility for all operational and sales functions within the business. Dave has previously held general management roles with St Ives plc, Rexam plc and Avery Dennison Corporation.

Mark Stoner (45)
Finance Director (appointed August 2014)

Mark was promoted from a senior executive role within the Group to Finance Director in August 2014.

He has held a number of senior financial and operational management roles within Communis over the last six years.

Prior to joining Communis, Mark previously held finance roles with NASDAQ listed Atmel in the UK, KPMG, Siemens plc, Rolls Royce Industrial Power Group and British Steel plc.

Jane Griffiths (50)
Non-Executive Director (appointed May 2012)

Until recently, Jane was Marketing Director EMERI for Christie Manson & Woods Limited. Previously Jane was EMEA Marketing Director for Citibank NA and has also worked for a number of advertising agencies including Ogilvy/ Ogilvy One in London, New York and Korea, Arc Worldwide London (part of the Leo Burnett Group) and TBWA/GGT London, each with a seat on the senior management team and as a member of the board.

Peter Harris (52)
Non-Executive Director (appointed July 2013)

Peter joined the Board as Non-Executive Director on 1 July 2013.

On 25 March 2014, Peter was appointed Executive Director and Chief Financial Officer of Next Fifteen Communications Group plc.

Formerly he held Interim Finance Director positions for Centaur Media plc and for Bell Pottinger LLP.

Prior to this, he was Finance Director of Engine Limited and Group Finance Director of Capital Radio plc.

Helen Keays (50)
Non-Executive Director (appointed August 2014)

Helen is currently a Non-Executive Director of Majestic Wine plc and Domino's Pizza Group plc.

Previously Helen was a Non-Executive Director of Mattioli Woods plc and SKN Holdings Limited.

Helen has considerable marketing and consumer communications experience across a number of sectors and has held executive management positions with Vodafone plc, Sears plc and GE Capital.

Helen is also a Life Trustee of the Shakespeare Birthplace Trust.

Committees

Membership at 5 March 2015

Audit Committee

- Peter Harris (Chairman)
- Helen Keays
- Jane Griffiths
- Peter Hickson

Nomination Committee

- Peter Hickson (Chairman)
- Helen Keays
- Jane Griffiths
- Peter Harris

Remuneration Committee

- Helen Keays (Chair)
- Jane Griffiths
- Peter Harris
- Peter Hickson

Administration and Finance Committee

- Any two directors (one of whom must be the Chairman, the Chief Executive Officer or the Finance Director)

Executive Board

The Executive Board is the main operating board of Communisis plc and comprises the following people from across the Group:

Andy Blundell
Chief Executive Officer

Nigel Howes
Strategic and Corporate Development Director

Dave Rushton
Group Managing Director

Mark Stoner
Finance Director

Tony Commons
Group Human Resources Director

Laurence Bosshard
Group Client Director, International Managing Director and Managing Director – Deploy

Malcolm Cotton
Managing Director – Design

Directors' Report

Communis plc (the "Company") is a company incorporated in the UK and is listed on the London Stock Exchange. The address of the Company's registered office is: Communis House, Manston Lane, Leeds LS15 8AH. The Company's registered number is 02916113.

The directors present their Annual Report, Financial Statements and independent auditor's report for the year ended 31 December 2014.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR9.8.4C), the information to be included in the Annual Report and Financial Statements, where applicable, under LR9.8.4, is set out in this Directors' Report, with the exception of details of directors' interests which are set out on page 58 of the Directors' Remuneration Report.

Strategic Report

The Companies Act 2006 requires us to present a fair review of the business during the year to 31 December 2014 and of the position of the Group at the end of the financial year along with a description of the principal risks and uncertainties faced, the details of expected future developments in the Group, and an indication of the Group's overseas branches. The Strategic Report can be found on pages 8 to 35.

Results and dividends

The results for the year are shown on page 66. An interim dividend of 0.67p per ordinary share was paid on 9 October 2014. The directors now propose a final dividend of 1.33p per ordinary share to be paid on 15 May 2015 to shareholders on the register at close of business on 17 April 2015. This makes total dividends for the year of 2.00p per share (2013 1.80p).

Directors and governance

The names and biographical details of the directors who held office at the date of this report are set out on pages 38 to 39. The directors who served during the year are shown below:

Peter Hickson

Chairman

Andy Blundell

Chief Executive Officer

Nigel Howes

Strategic and Corporate Development Director (additional role of Finance Director until 31 July 2014)

Dave Rushton

Group Managing Director

Mark Stoner

Finance Director (appointed 1 August 2014)

Jane Griffiths
Non-Executive Director

Peter Harris
Non-Executive Director

Helen Keays
Non-Executive Director (appointed 1 August 2014)

Michael Firth
Non-Executive Director (stepped down from the Board on 30 October 2014)

Additional information relating to the remuneration and share interests of each director is given in the Directors' Remuneration Report on pages 54 to 64. No director had, during or at the end of the year, any material interest in any contract of significance in relation to the Group's business.

In accordance with the UK Corporate Governance Code, Mark Stoner and Helen Keays will offer themselves for election at the Annual General Meeting on 7 May 2015. All other directors will offer themselves for re-election at that meeting in line with best market practice and corporate governance.

The Corporate Governance Report on pages 45 to 49 is incorporated in this Report to provide the corporate governance statement required by Disclosure and Transparency Rule 7.2.1.

Research and development

Expenditure on research and development in the year was £77,000 (2013 £223,659).

Four areas of development were key for Communisis in 2014:

- production automation, to enable us to drive value from our T Series investment;
- replacing legacy systems to improve our productivity and support international growth;
- multi-channel document management, supporting the needs of our clients to provide a seamless customer experience regardless of channel; and
- analytics and decisioning tools that increase our clients' return on investment and help them to target their customers more effectively.

Digital Production Workflow ("DPW"), the Group's production automation tool, has been deployed as the backbone workflow technology for the Communisis Copley manufacturing location. This system was developed to allow data processing to take place on a new Communisis site network that incorporates automation of separate data processing stages, allows for post composition document changes, and the batching of like customer files to reduce manufacturing touch time.

The architecture of DPW has been developed to allow multiple locations and instances of DPW to be linked together to provide a common networked platform for standardisation. 2015 will see further deployment of the solution at our Liverpool and Leeds locations and therefore allow for improved Disaster Recovery services to be provided through multiple Communisis manufacturing locations.

Communis' rapid international expansion over the last three years has stimulated a project to refresh the software platform that supports our Managed Service for print procurement. The new platform has the ability to operate in local languages and currencies, thereby improving support for international deployment. The new platform will go live with a pilot in Q2 2015 before being rolled out to all strategic client accounts over the next 12 months.

Over 10% of our group output now constitutes electronic communications and on a daily basis we are processing millions of records. We invested heavily in 2014 in creating automated solutions to receive data and manage the delivery across multiple channels, with the ability for clients to re-route documents to a different channel if the original delivery is unsuccessful.

Documents can be delivered in real-time, with SLAs of seconds between the client request to deliver a document and it being with the customer via their channel of choice. Whilst this concept is not new in e-channels, it delivers the integrity and scale required for transactional communications, with fall back to alternative channels if regulatory communications fail through a customer's preferred e-channel.

Investment will continue in this area in 2015 with the addition of multi-wave communications, allowing the configuration of multiple-timed communications, driven by customer activity and greater capabilities for converged marketing and transactional communications.

We have developed our Strategic Decision System ("SDS"), a solution that helps clients manage customer credit in-store and online. The solution integrates with the main credit reference agencies, overlaid with detailed scorecards to provide real-time decisions based on the customer's history with the client, as to the level of credit that should be extended.

Our research and development continues to support the overall themes that we see in the market: the need to deliver greater personalisation in real-time across multiple channels.

Share capital

Details of the changes in issued share capital of the Company during the year are set out in Note 19 to the Consolidated Financial Statements.

Financial risk management

Disclosures required under paragraph 6 in Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been provided in Note 26 to the Consolidated Financial Statements.

Purchase of own shares

The Directors' authority to make purchases of the Company's shares on its behalf is given by resolution of the shareholders and renewed annually at the Company's Annual General Meeting.

No share buy-backs were undertaken by the Company during 2013 or 2014.

Share option schemes

Further options were granted during the year under the Group's share option schemes. Details of the options outstanding at year end are given in Note 13 to the Consolidated Financial Statements.

Corporate social responsibility

The report on pages 32 to 35 sets out the Group's corporate social responsibility approach.

Political donations

No political expenditure was incurred during the year, nor were any contributions made for political purposes.

Employment Policy

The Group gives full and fair consideration to applications for employment from disabled persons having regard to the candidate's particular aptitudes and abilities. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim. Further details of the way in which we engage with our employees on matters which affect them and encourage their involvement and participation in the performance of the Group is given on pages 25 to 30.

Major interests in shares

The Company had been notified under Disclosure and Transparency Rule 5 ("DTR5") of the following major holdings of voting rights associated with its shares as at the year end and changes made as of 4 March 2015:

Shareholder	Voting rights as at 31.12.2014	%	Voting rights at 4 March 2015	%*
Henderson Global Investors	19,146,941	9.84	19,146,941	9.84
Seren Capital Management	15,498,036	7.97	12,700,000	6.13
Slater Investments Ltd	10,577,000	5.32	10,577,000	5.32
Majedie Asset Management	—	—	10,206,438	4.93
Botting Family Investment Funds	7,807,796	4.02	7,807,796	4.02

Neubauer Family Investment Fund	6,183,039	3.18	6,183,039	3.18
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Qualifying third party indemnity provision

Article 172 of the Company's Articles of Association provides that, subject to the provisions of the enactments concerning companies (which limit the scope of indemnities in favour of directors), every director, officer and the auditor of the Company is to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or in relation thereto. This is a qualifying third party indemnity provision within the meaning of Section 236 Companies Act 2006.

The Company also takes out insurance covering claims against the directors or officers of the Company and any subsidiary. This insurance provides coverage in respect of some of the Company's liabilities under Article 172.

Going concern

The directors, after making enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

Future developments

Future developments are described in the Strategic Report on pages 8 to 35.

Annual General Meeting

Notice of the Annual General Meeting to be held on 7 May 2015 is contained in a separate document sent to shareholders with this Report and is available on the Company's website.

Disclosure of information to the auditor

In accordance with Section 418(2) of the Companies Act 2006, the directors confirm that, so far as each is aware, there is no relevant audit information of which the auditor is unaware.

Each director has taken all steps that he ought to have taken as a director to make himself aware of, and to establish that the auditor is aware of, any relevant audit information.

Additional information for shareholders

The following is additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

At 31 December 2014, the Company's issued share capital comprised:

	Number	£000	% of total issued share capital	
Ordinary shares of 25p each		199,027,549	49,756	100

Each share carries one vote with the result that the total voting rights at the same date were 199,027,549.

The Company is not aware of any agreements between shareholders that may result in restrictions in the transfer of shares or voting rights.

The Company's issued share capital as at 4 March 2015 was 207,047,394.

Every holder of ordinary shares present in person or by proxy at a general meeting of the Company will be entitled to vote and shall have one vote on a show of hands. On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held.

The Notice of the Annual General Meeting specifies deadlines for exercising voting rights either in person or by proxy in relation to resolutions to be passed at that meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are available at the Annual General Meeting and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- the registration of share transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the directors may determine;
- certain restrictions may, from time to time, be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- the restrictions imposed by the Listing Rules of the Financial Conduct Authority, whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Directors are re-appointed by ordinary resolution at a general meeting of the shareholders. The Articles provide that the Board can appoint a director but anyone so appointed must be elected by an ordinary resolution at the next Annual General Meeting. At each Annual General Meeting, one-third of the directors previously elected at an Annual General Meeting must retire by rotation. Each retiring director who wishes to continue to serve must be re-elected at the meeting. In line with best practice, the Board is to conduct annual re-elections at the 2015 Annual General Meeting.

Directors' authorities

The directors are authorised under the terms of Section 551 of the Companies Act 2006 to issue ordinary shares up to a maximum aggregate nominal value of £16,209,452 and under the terms of Section 560 of the Companies Act 2006 authorised to issue ordinary shares in connection with a rights issue up to a maximum aggregate nominal value of £32,418,905 (such amount to be reduced by any allotments made under the first part of this paragraph).

Pursuant to Section 570 of the Companies Act 2006, the directors are also authorised to allot shares for cash, without first offering them to existing shareholders, up to a limit of 5% of the Company's issued ordinary share capital. This authority also gives the directors the power to allot shares for cash in connection with a rights issue.

Both these authorities will expire at the Annual General Meeting on 7 May 2015, and the directors will seek to have them renewed at that meeting.

Significant interests

Directors' interests in the share capital of the Company as at 4 March 2015 and 31 December 2014 are shown in the table on page 58. Significant interests in voting rights notified under DTR5 are shown on page 43.

Contracts with shareholders

There are no contracts of significance, or any other contracts between the Company and a controlling shareholder within the meaning of Listing Rule 9.8.4R.

Significant share schemes

The Communisis Employee Benefit Trust holds 0.07% as at 4 March 2015 (2013 0.07%) of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependants. The voting rights of these shares are exercisable by the Trustees.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions (as required to be disclosed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) are contained in the Corporate Social Responsibility Report forming part of the Strategic Report on pages 32 to 35.

Change of control

The Company is party to a number of contracts that could be terminated by the other party in the event of a change of control of the Company. The Company is also party to a number of banking agreements that, upon a change of control of the Company, are terminable by the banks upon provision of written notice.

There are no agreements between the Company and its directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) where such loss of office or employment occurs because of a takeover bid.

Auditor

The directors will place a resolution before the Annual General Meeting to reappoint Ernst & Young LLP as auditor for the ensuing year.

Approved by the Board on 5 March 2015 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Scaddy', written over the printed name 'Sarah Caddy'.

Sarah Caddy
Secretary

Corporate Governance Report

Communis is committed to the highest standards of corporate governance for which the Board is accountable. This Report, with the Directors' Remuneration Report, describes how the Board applies the principles of the UK Corporate Governance Code issued by the Financial Reporting Council, which is publicly available at www.frc.org.uk/corporate/ukcgcode.cfm

UK Corporate Governance Code compliance

During the year under review, the Company has complied with the main provisions of the UK Corporate Governance Code (the "Code") with the following exception:

the Company has not complied with the provision of A.4.1 of the Code (the Board should appoint one of the independent Non-Executive Directors to be Senior Independent Director) since Michael Firth stepped down as a Non-Executive Director and the Senior Independent Director on 30 October 2014. At this time, the Company does not have a Senior Independent Director. This is a temporary position whilst the appointment is being considered.

Board structure

The Board currently comprises the Chairman, four executive directors and three independent Non-Executive Directors.

During the year, the following changes were made:

- Mark Stoner was appointed as Finance Director on 1 August 2014;
- Nigel Howes became Strategic and Corporate Development Director from 1 August 2014;
- Helen Keays was appointed as Non-Executive Director on 1 August 2014; and
- Michael Firth stepped down as Non-Executive Director on 30 October 2014.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer which is set out in writing and approved by the Board. The Chairman has primary responsibility for leading the Board and ensuring its effectiveness in all aspects of its role.

The Chief Executive Officer is responsible for operations and the development of strategic plans and initiatives for consideration by the Board.

Consistent with their role as part of a unitary Board, the Non-Executive Directors are expected to constructively challenge and help develop Company proposals and strategy.

Michael Firth was, until 30 October 2014, the Senior Independent Director. The appointment of the new Senior Independent Director is expected to be announced later this year. Concerns will be able to be conveyed by shareholders to the Senior Independent Director, should they have issues which have not been resolved through the normal channels of Chairman, Chief Executive Officer or Finance Director.

Biographical details of the Board as at 31 December 2014 can be found on pages 38 to 39. The Chairman does not have any other significant commitments other than those detailed in his biography.

Conflicts of interests

Under the requirements of the Companies Act 2006 each director must seek authorisation before taking up any position that conflicts, or may possibly conflict, with the interests of the Company. All existing external appointments for each director have been authorised by the Board and a register is kept and reviewed on an annual basis. All directors are aware of the need to consult the Company Secretary about any further possible conflict that may arise, so that prior consideration can be given by the Board to whether or not such conflict will be approved.

Board proceedings

The Board schedules eight or nine meetings each year, and also meets at other times as appropriate. The table below shows the attendances of each director at meetings of the Board and its standing committees during the year. Details of which directors sit on which committees are set out on page 40.

Attendance by directors at meetings of the Board and Committees in 2014

	Administration Board (15 meetings) ⁴	Audit (3 meetings)	Remuneration (5 meetings)	Nomination (4 meetings)	and Finance (24 meetings)
Peter Hickson	14	3	5	4	–
Andy Blundell	15	–	–	–	22
Nigel Howes	15	–	–	–	23
Dave Rushton	14	–	–	–	–
Mark Stoner ¹	7	–	–	–	3
Michael Firth ³	12	3	4	4	–
Jane Griffiths	14	3	5	4	–
Peter Harris	14	3	4	3	–
Helen Keays ²	6	–	2	–	–

1. Mark Stoner was appointed to the Board on 1 August 2014.

2. Helen Keays was appointed to the Board on 1 August 2014.

3. Michael Firth stepped down from the Board on 30 October 2014.

4. There were seven unscheduled Board meetings in 2014 mostly related to the consideration of acquisitions.

The powers of the Board are set out in a formal schedule of matters reserved for Board approval which is reviewed annually. Matters reserved for the Board include:

- strategy;
- budget approval and monitoring of performance;
- acquisitions and disposals;
- approval of the annual report, interim, preliminary and other market updates on the Company's performance;
- approving significant contracts; and
- approving Group policies.

The Company ensures that the Board is supplied with appropriate and timely information to enable it to discharge its duties. Directors may seek independent professional advice when

necessary. All directors have access to the advice and services of the Company Secretary.

During the year under review the Chairman held meetings with the Non-Executive Directors to discuss a range of issues including strategy, financial performance, progress towards targets, management performance and management succession.

Re-election

In line with the Code, all directors seek re-election every three years and any director appointed during the year also seeks election at the next Annual General Meeting.

Mark Stoner and Helen Keays will therefore stand for election and, in line with best practice, the remaining members of the Board will be submitting themselves for re-election at this year's Annual General Meeting.

The Board is satisfied that all the directors continue to demonstrate the level of skills and commitment to be fully effective in their respective roles as members of the Board.

Non-Executive Director independence

Jane Griffiths and Peter Harris were appointed to the Board in 2012 and 2013 respectively and the Board is satisfied that they remain independent. Helen Keays was appointed on 1 August 2014 and is an independent Non-Executive Director.

Induction and development

A formal and comprehensive induction process is in place for new directors, which includes an information pack and personalized induction programme. This programme is tailored to the needs of each director and agreed with him or her so that he or she can gain a better understanding of the Company.

Helen Keays, on her appointment, underwent a formal and comprehensive induction including meetings with the Executive Board and senior management teams, as well as site tours and meetings with senior management at the Company's main operating sites.

In order to ensure that directors continue to further their understanding of the issues facing the Company, the Non-Executive Directors make at least two site visits per year. During the year presentations are also made to the Board on key topics. This gives the directors the opportunity to meet the management teams across the business and improve their knowledge and understanding of the different areas of the business.

Board evaluation

A board performance evaluation was undertaken in December 2014. The evaluation process was based on a series of questions devised for the purpose and circulated to the directors. The process reviewed issues such as: the assessment and monitoring of the Company's strategy and risks; the mix of knowledge and skills on the Board; processes and procedures; oversight; and ethics and compliance. The results were collated by the Company Secretary and considered by the Chairman before being reported to and discussed by the Board. The performance of the Board as a whole and of each of its principal Committees was considered. The results of the evaluation will form the basis of Board objectives for 2015. The

evaluation process for 2015 is planned for the fourth quarter of the year.

The Board's objectives for 2015 are to:

- review long-term strategy to obtain a significant increase in scale, so as to respond even more effectively to brand owners requiring international coverage;
- respond appropriately to changes in the behaviour of the customers of our clients, relating to the proliferation of communication channels and the increasing uptake of digital;
- expand our integrated agency model, PERSONA, through organic growth and continued acquisitions to obtain specific skill sets;
- focus our manufacturing in transactional incoming and outgoing communications, consolidating the market and winning new outsourcing opportunities; and
- recognise that our people are key to competitive differentiation through their knowledge and expertise, ensuring that they are properly developed, rewarded and incentivised.

Board committees

The Board has four Committees: Audit, Remuneration, Nomination and Administration and Finance, all of which have terms of reference which deal specifically with their authorities and duties. The terms of reference may be viewed on the Company's website, www.communisis.com

Only the Committee chairmen and Committee members are entitled to be present at the Audit, Remuneration and Nomination Committee meetings but others may attend by invitation.

Audit Committee

During the year, the Audit Committee comprised:

- Peter Harris (Chairman);
- Peter Hickson;
- Jane Griffiths;
- Helen Keays (appointed 1 August 2014); and
- Michael Firth (stepped down on 30 October 2014).

Peter Harris and Peter Hickson bring recent and relevant financial expertise to the Committee. Appointments to the Committee are made by the Board, which considers that the membership of the Audit Committee as a whole has the recent and relevant financial experience required to fulfil its duties.

The Committee is provided with sufficient resources to undertake its duties. It has access to the Company Secretary, who acts as secretary to the Committee, and all other employees. The Committee may take independent legal or professional advice when it believes it is necessary.

The Committee meets as required but not less than three times a year. The Committee also meets in the absence of management for discussions with the external auditor and in the absence of the external auditor when undertaking its annual appraisal of the performance of the auditor.

The Audit Committee Report is set out on pages 50 to 51.

Nomination Committee

The composition of the Nomination Committee during the year was:

- Peter Hickson (Chairman);
- Jane Griffiths;
- Peter Harris;
- Helen Keays (appointed 1 August 2014); and
- Michael Firth (stepped down on 30 October 2014).

Committee appointments are made by the Board. The Committee is provided with sufficient resources to undertake its duties. It has access to the Company Secretary, who acts as secretary to the Committee, and all other employees. The Committee may take independent legal or professional advice when it believes it necessary.

The Committee meets as required.

The main roles and responsibilities of the Committee are to:

- review the composition of the Board and make recommendations to the Board of any changes needed;
- consider, at the request of the Board or the Chairman, the making of any appointment or re-appointment, to the Board;
- evaluate the skills, knowledge and experience of the Board and, taking these into account, prepare a description of the role and capabilities required for a particular appointment; and
- identify and nominate, for Board approval, candidates to fill any Board vacancies.

As part of its role to review the composition of the Board, the Nomination Committee recommended the appointment of a new Non-Executive Director during the year. The Nomination Committee evaluated the balance of skills, experience, independence and knowledge of the Board before preparing a detailed candidate specification, which defined the criteria for the new appointee, in particular, looking for a candidate with the relevant skills to take on the role of Chairman of the Remuneration Committee. The specification was agreed with the Chief Executive Officer. In accordance with the requirements of the specification, an independent external search agency (Independent Search Partnership LLP) was engaged to assist with the search for suitable candidates. A short-list of potential candidates was produced and the final candidate was interviewed by the Chief Executive Officer. The new Non-Executive Director was then interviewed by the Chairman and the Chief Executive Officer. Following those interviews, the new Non-Executive Director then met by the remainder of the executive directors. Helen Keays was selected as Non-Executive Director for her extensive knowledge and experience in the marketing and consumer communications arenas, having held executive management positions previously, and suitability to take over as Chair of the Remuneration Committee.

The Nomination Committee recognises the benefits to the Group of diversity in the workforce and in the composition of the Board itself and supports the Davies Report's aspiration to provide greater female representation on listed company boards. While the Company will continue to make all appointments based on the best candidate for the role, we will look to follow the procedures recommended by the Davies Report and by the Code to maintain a balanced board. The Board has achieved the target of 25% female representation on the

Board. More details on diversity and gender can be found on pages 26 to 27.

Remuneration Committee

Details of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 54 to 64.

Administration and Finance Committee

The Committee comprises any two directors, one of whom must be the Chairman, the Chief Executive Officer or the Finance Director. It may appoint its own Chairman and it meets when necessary.

It is empowered by the Board to:

- administer the Company's share schemes in accordance with the Board's policy (and any specific decisions of the Remuneration Committee that concern participation by directors and/or senior employees);
- borrow money (by entering into new or replacement facilities) needed by the business, enter into finance leases and operate existing banking facilities (within the limit set by the Group's borrowing facilities immediately before taking action and subject to a transaction limit of £10 million); and
- enter into guarantees or indemnities where they are a necessary incidental of the exercise of the powers above.

Internal control

The Board is responsible for maintaining a sound system of internal control in the Group and reviewing its effectiveness.

This system is designed to safeguard shareholders' investment and the Company's assets, manage rather than eliminate the risk of failure and to achieve business objectives. By its nature, it provides reasonable, but not absolute, assurance against material misstatement or loss.

The Company has an internal audit function which is independent in action and reporting, and has a direct line of communication to the Audit Committee Chairman. The principal role in fulfilling the internal audit function is to review the adequacy and effectiveness of the controls operating within the business by undertaking an agreed schedule of independent audits each year. The nature and scope of this annual audit programme is reviewed in advance by the Audit Committee each year and may be revised from time to time according to changing business circumstances and requirements. The findings of these audits are reported in accordance with the internal audit terms of reference and any necessary corrective actions are agreed and monitored. Summaries of these reports are presented to, and discussed with, the Audit Committee along with details of progress against action plans as appropriate.

An on-going process to identify, evaluate and manage the principal risks faced by the business is embedded in the Group. During the year, all business segments have reported their top 10 risks on a monthly basis for review and to enable the reporting of the Group's key risks to the senior management teams and the Board. These procedures, which reflect the revised guidance, have been in place throughout 2014 and up to the date of approval of the

Annual Report and Financial Statements. The principal risks affecting the Group are set out on pages 22 to 23.

The key features of the internal control and risk management systems include:

- management structure which has clearly defined levels of responsibility, limits of authority and reporting procedures;
- regular meetings of the Group's Executive Board to discuss Group strategic risks, performance and plans;
- Code of Business Ethics sets out the standards of business conduct;
- Group-wide information security, health and safety, environmental and quality management systems which are subject to regular external certification where applicable;
- senior managers review and challenge the business unit risk registers on a monthly basis and produce a Group risk register and risk map for review by the senior management teams and the Board; and
- annual risk-based audit plan approved by the Audit Committee.

The Group has in place internal control and risk management systems specific to the financial reporting and consolidation process to ensure that adequate accounting records are maintained and transactions are fairly and accurately recorded. These include:

- formal written financial policies and procedures contained in the Group Accounting Manual;
- monthly certification by divisional finance directors on the compliance with appropriate policies and the accuracy of the financial information;
- detailed review of monthly management accounts, interim and year-end accounts by the Executive Board and the Board; and
- self-assessment questionnaire enabling financial controls across the Group to be measured and evaluated.

On behalf of the Board, the Audit Committee regularly reviews the effectiveness of the Group's system of internal control and risk management. The review covers all material controls, in particular the financial, operational and compliance controls in place across the Group. The results are reported to, and considered by, the Board. Further details on this process are set out in the Audit Committee Report on pages 50 to 51.

Relations with shareholders

The Board is aware of the importance of maintaining a dialogue with shareholders so that the Board keeps abreast of, and understands, shareholders' views and opinions.

It achieves this in a variety of ways:

- the Chief Executive Officer and Finance Director regularly meet institutional shareholders;
- where requested, the Chairman and/or the Senior Independent Director meet institutional investors to discuss governance issues;
- there is communication with major shareholders on specific matters such as performance, strategy and governance;
- there are presentations with analysts and investors after the announcement of results;
- at the Annual General Meeting, shareholders have the opportunity to raise questions with the Board during the meeting; and
- directors also make themselves available before and after the Annual General Meeting to talk informally to shareholders, should they wish to do so.

The Chief Executive Officer and the Finance Director completed a comprehensive programme of investor relations "IR" during 2014. Meetings were mainly grouped around the 2013 preliminary announcement on 6 March 2014 and the 2014 interim announcement on 31 July 2014, but also took place at other times, as required. Both existing and new/prospective institutional investors were included in the IR programme and some of these subsequently took up the invitation to visit the specialist transactional manufacturing site in Liverpool. The Company also addressed retail investors through presentations at the Share Society event in London on 23 October 2014 and the Mello event in Derby on 7 November 2014. Communisis uses the IR programme to keep all existing investors updated on progress and seek their continued support, whilst also seeking to attract new investors and explain the company's growth strategy.

Information in relation to those who have a significant direct or indirect holding in the Company are set out in the Directors' Report on page 43.

Structure of Company's capital

Details of the structure of the Company's capital are set out in the Directors' Report on pages 41 to 44.

Approved by the Board on 5 March 2015 and signed on its behalf by

Sarah Caddy
Secretary

Audit Committee Report

Annual statement by the Chairman of the Audit Committee

The Audit Committee has continued its detailed scrutiny of the Group's system of risk management and internal controls, the robustness and integrity of the Group's financial reporting and the scope, effectiveness and results of both the internal and external audit processes.

Three meetings were held during the year, two of which were scheduled to coincide with the Board's review and approval of the Group's Interim Statement and of its Preliminary Results announcement based on the Annual Report and Financial Statements.

Role and responsibilities

The main role and responsibilities of the Committee are to review and challenge, where necessary:

- the effectiveness of the Group's internal audit function and programme;
- the financial reporting process, including the adoption of critical accounting policies and practices;
- the independence and effectiveness of the external auditor;
- the Group's procedures and arrangements for handling any allegations from whistleblowers; and
- to report to the Board any action required if a material cause for concern, or scope for improvement, is discovered.

Composition

The Committee is chaired by Peter Harris. The other members of the Committee are Peter Hickson, Jane Griffiths and Helen Keays. Helen was appointed as a Committee member on 1 August 2014. Michael Firth stepped down on 30 October 2014. The relevant experience of each Non-Executive Director is described on pages 38 to 39.

Internal control and risk management

The Group has an established system of internal control and a risk management framework that the Board considers appropriate in the context of the Group's reporting requirements and strategic objectives. Internal controls are subject to internal and external audit and the outputs of the risk management process are actively reviewed by a risk governance team and regularly reported to the Board. All these activities are periodically reviewed by the Committee and their effectiveness assessed through oral and written reports from both internal and external auditors. Further details of the Group's risks and uncertainties together with the mitigating actions are set out on pages 22 to 23 of the Annual Report and Financial Statements.

Internal audit

The Group's system of operational and internal financial control is subject to regular internal and external audit including that conducted on behalf of clients under contractual

arrangements.

There were 310 separate audits completed during 2014 covering information security, quality, health and safety, environmental matters and business continuity arrangements as well as financial reporting and other internal controls.

The Committee reviewed the Group's reports during the year including the process for mapping the strategic and operational risks identified by each operating unit or cost centre through to the risk categories reported to the Board. The process for aligning the identified risks, operational controls, compliance checks and audit was also reviewed.

The internal and external audit plans are set and approved in the context of a developing assurance reporting process and are flexed to deal with any changes with respect to the risk profile of the Group.

Significant issues related to the financial statements

The Committee reviews accounting papers prepared by management that provide details of significant financial reporting issues, together with reports from the external auditor prepared in conjunction with the interim and full-year results, and assesses whether suitable accounting policies have been adopted and appropriate estimates and judgements have been made. These matters are also discussed with the external auditor together with anything else that the auditor brings to the Committee's attention.

In 2014, such issues included revenue recognition, acquisition accounting, goodwill and pensions accounting.

The Committee also considered changes in corporate governance and the need for the Annual Report to be fair, balanced and understandable and to contain sufficient information on the Group's performance, business model and strategy.

Of the matters considered during the year the three most significant related to revenue recognition, goodwill impairment and the risk of fraud and management override:

- the Group has established policies for revenue recognition. The Audit Committee ensured that these policies continue to be appropriate, robust and consistently applied, especially in situations where revenue recognition was driven by the percentage completion of individual contracts or where other judgements were made in allocating revenue between periods. The Committee also addressed this matter through discussions with management of the application of these policies and by reviewing reports from the external auditor on the nature and results of the audit tests undertaken.
- the recoverability of goodwill is reviewed each year. The principal judgements relate to the assumptions underlying the calculation of the value in use of the segmental businesses, primarily whether the long-term plans are achievable, whether the overall macro-economic factors that underlie the valuation process are reasonable and the suitability of the discount rate used to determine the present value of future cash flows. The Committee addressed this matter using papers prepared by management and by reviewing reports from the external auditor both of which describe the supporting methodology, the rationale and support for the key assumptions in the context of market comparators and the associated sensitivities and concluded that a goodwill impairment was appropriate.
- fraud and management override. There are incentives and pressures for all plc's to hit certain profitability targets, which may be subject to judgement, estimate or manipulation to

present an improved operating result. The Audit Committee, together with the external auditors have reviewed all such areas and are satisfied that appropriate policies have been followed and that appropriate disclosures have been included in the Annual Report and Financial Statements.

External audit

The Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. The external auditor's appointment is reviewed periodically and the lead audit partner is rotated at least once every five years. Ernst & Young LLP has been the Group's external auditor since September 2002, when the last audit tender took place, and the current audit partner has completed three annual audits.

The Committee is aware of the relevant proposals for auditor rotation and will monitor any legal or regulatory developments. There is no present intention to conduct an audit tender.

The Committee reviews reports from Ernst & Young LLP as part of the annual audit process. These cover the scope, approach and results of the external audit and include the procedures adopted for safeguarding the firm's independence and objectivity. The quality and content of these reports, together with the performance and behaviour of the audit teams during the exercise of their duties, inform the Committee's assessment of audit effectiveness.

The external auditor meets privately with the Audit Committee after each meeting without any member of the executive management team being present.

The Committee has an established policy for determining the non-audit services that the external auditor can provide and the procedures required for pre-approval of any such engagement. This allows the Committee to satisfy itself that auditor objectivity and independence are safeguarded. The split between audit and nonaudit fees for the year to 31 December 2014 and the nature of the non-audit services provided appear in Note 5.5 to the Consolidated Financial Statements. Non-audit fees totalled £110,000, including activity related to acquisitions during 2014. Given the type of non-audit services provided and at 45% of the external audit fee of £243,000, they are not considered by the Committee to be of a nature or at a level that compromises the objectivity and independence of the external auditor.

Upon the recommendation of the Audit Committee, Ernst & Young LLP will be proposed for re-appointment as auditor by shareholders at the Annual General Meeting on 7 May 2015.



Peter Harris
Chairman of the Audit Committee
5 March 2015

Statement of Directors' Responsibilities

Consolidated financial statements prepared under IFRS

The directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable United Kingdom law and regulations and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors must not approve the financial statements for the Group unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. Under IFRS, the directors are required to prepare financial statements that present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and estimates that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records, which show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the Directors' Report, the Strategic Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Parent company financial statements prepared under UK GAAP

The directors are responsible for preparing the parent company Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statements pursuant to DTR4

Each of us, for himself/herself and on behalf of each other director who held office on 31 December 2014, confirms that, to the best of his or her knowledge:

- the Consolidated Financial Statements, prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

In accordance with section 418 of the Companies Act 2006, each director in office at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

In addition, the directors as at the date of this report consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board.



Andy Blundell
Chief Executive Officer
5 March 2015



Mark Stoner
Finance Director
5 March 2015

Directors' Remuneration Report

Chairman's letter

Dear Shareholder

I am pleased to welcome you to our 2014 Directors' Remuneration Report in which we have described how our remuneration policy (which was approved by our shareholders at our 2014 Annual General Meeting) was implemented in 2014.

2014 – Performance and Pay

2014 was a successful year of continued growth at Communisis. This is detailed in the Chairman's statement at the beginning of this Annual Report. Particular performance highlights included:

- integrated agency model developed and launched under new brand name PSONA;
- new multi-year contractual relationships secured with Lloyds Banking Group and AXA UK (the AXA contract was awarded in February 2015);
- contract extended for a further five-year term with Procter & Gamble Europe S.A. for external brand building services in Europe; and
- infrastructure and geographic reach expanded to support the ongoing growth in services, clients and revenues.

This strong performance was reflected in the bonus payments made to our Executive Directors in 2014.

As a Committee, we are determined to provide appropriate incentives for our Executive Directors and broader executive team to maintain the successful progress made at Communisis in recent years.

The Committee intends to make a further grant of LTIP awards to our executive team in 2015. The grant is being made as part of a longer-term move towards establishing a pattern of more modest, regular LTIP awards.

The Committee remains comfortable that its remuneration policy remains appropriate, and that the policy has the correct balance between retention and incentivisation for executives which will be in shareholders' interests in the longer term.

Remuneration in 2014

The key remuneration initiatives which the Committee undertook in 2014 were as follows:

- the Committee agreed the revised terms for Mark Stoner's remuneration following his promotion to the Board.
- As explained in more detail in the Chairman's statement, the appointment of an additional executive director is a reflection of the overall growth achieved by Communisis since the current executive team came into post in late 2009 and the increasing complexity of the business. In line with best practice, whilst Mark has been moved to a level of incentive pay comparable to that of existing executive directors, his salary has been increased relatively modestly on his appointment to a level which leaves scope for future progression, but only as performance and development within the role is achieved.

- malus and clawback will be introduced for annual bonus and new LTIP grants from 2015.

Yours sincerely

Helen Keays,
Chair, Remuneration Committee
5 March 2015

Compliance statement

The Company has complied with the principles and provisions relating to Directors' remuneration in the UK Corporate Governance Code, and this Directors' Remuneration Report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Regulations").

The auditors have reported on certain parts of the Directors' Remuneration Report and stated whether, in their opinion, those parts of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 2006. Those sections of the Directors' Remuneration Report which have been subject to audit are clearly indicated. At our 2015 Annual General Meeting we will be holding an advisory vote on the Directors' Remuneration Report.

Policy report

Remuneration Policy – Executive Directors

The Directors' Remuneration Policy was approved by the Company's shareholders at the Company's Annual General Meeting on 9 May 2014 and has effect for all payments made to Directors from that date.

The Company's Directors' Remuneration Policy is available for inspection via the Company's website at: www.communisis.com/investors/agm-documents. For ease of reference, the summary "policy table" from the Directors' Remuneration Policy which was approved at the 2014 Annual General Meeting is included as an appendix to this report.

Implementation Report for 2014 – Unaudited Information

Proposed Implementation of Remuneration Policy in 2015

Element of Remuneration Policy	Detail of Implementation of Policy for FY 2015
Base salary	<p>Base salaries since 1 July 2014 review date are as follows: £350,000 for Andy Blundell, £260,000 for Nigel Howes, £260,000 for Dave Rushton and £240,000 for Mark Stoner. The Executive Directors waived their right to an increase in salary in 2014.</p> <p>A further review will occur on 1 July 2015.</p>
Pension	<p>No changes to the pension arrangements for Executive Directors are anticipated for 2015.</p> <p>From 1 July 2013 the pension entitlement for each Executive Director was set at 12% of base salary.</p>
Benefits	<p>There are no proposed changes to the benefits offered to Executive Directors in 2015.</p> <p>The benefits to be received by Executive Directors in 2015 will include life assurance (with the exception of Nigel Howes), private medical cover, car or car allowance provision and fuel card.</p>

Annual performance bonus	<p>The maximum annual performance bonus for 2015 will remain at 100% of base salary.</p> <p>For 2015, the annual performance bonus will be based on EBIT and strategic business targets. The EBIT targets will contribute to 50% of the maximum bonus and the strategic business development targets 50%.</p> <p>These performance measures were selected as being aligned with key financial and/or non-financial metrics from the business plan, with the weighting reflecting the emphasis towards particular strategic developments as the Company continues its current growth path and, over the longer term, should be aligned to the interests of shareholders.</p> <p>The actual performance targets for 2015 are not disclosed prospectively as these are considered to be commercially sensitive by the Board. The EBIT targets for 2015 will be disclosed retrospectively in next years' Directors' Remuneration Report, which is consistent with the fact the EBIT targets for 2014 are disclosed retrospectively in this report on page 57.</p>
Long-term incentives	There will be an LTIP grant made in 2015 to the Executive Directors and Executive Board members. The performance conditions for this grant will be determined by the Remuneration Committee before grant and will be disclosed in the 2015 Directors' Remuneration Report.
All-employee share plans	Continued opportunity to participate in the HMRC tax-advantaged Share save plan on the same basis as all other UK employees.
Chairman and Non-Executive Directors fees	Fee levels for the Chairman and Non-Executive Directors for 2015 remain under discussion.

Comparative Total Shareholder Return

The graphs below show Communisis' Total Shareholder Return performance compared with the FTSE All Share Index. The graphs provide a basis for comparison with a relevant equity index, of which Communisis is a constituent, and the Committee believes that no other published index provides a better comparison. In accordance with the Regulations, the first graph shows this performance over a 6 year period. The second graph shows this performance over a five year period and, although it is not a requirement of the Regulations, it shows the performance of Communisis since the current management team came into post (Andy Blundell was appointed CEO and Dave Rushton was appointed Group Managing Director towards the end of 2009). This second graph therefore gives a more accurate representation of the shareholder experience while the current management team has been in post.

The regulations also require a table setting out the remuneration of the CEO over a six-year period which is presented below.

Table of historic data (CEO)

		Single figure of total Remuneration (£000)	Annual variable element award rates against Maximum opportunity	Long term incentive vesting rates against maximum opportunity
2014	Andy Blundell	600	49%	0%
2013	Andy Blundell	698	68%	9%
2012	Andy Blundell	443	15%	5%
2011	Andy Blundell	439	18%	13%
2010	Andy Blundell	335	17%	0%
2009	Andy Blundell	442	6%	0%
	Steve Vaughan			

Notes

1. Steve Vaughan was CEO until 31 October 2009. Andy Blundell was appointed to the Board on 25 August 2009, becoming CEO on 31 October.

2. No LTIPs were due to vest in 2014.

Remuneration Committee

During 2014, the Committee comprised:

- Helen Keays (appointed 1 August 2014) (Chair from 30 October 2014);
- Michael Firth (Committee Member and Chairman until 30 October 2014);
- Peter Hickson;
- Jane Griffiths; and
- Peter Harris.

The Committee met on five occasions and attendances are given in the table on page 45.

The Committee's principal responsibilities are:

- recommending to the Board the remuneration strategy and framework for the Executive Directors and senior managers;
- determining, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers; and
- overseeing any major changes in employee benefit structures throughout the Group and reviewing remuneration trends across the Group.

The Chief Executive is invited to attend meetings of the Committee, except when his own remuneration is being discussed.

The Committee has formal terms of reference which can be viewed on the Company's website: www.communisis.com

Advisers

FIT Remuneration Consultants LLP ("FIT"), signatories to the Remuneration Consultants Group's Code of Conduct, were appointed by the Committee following consideration of FIT's experience in this sector. FIT provides advice to the Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and accordingly the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2014 were £12,219 (ex VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

At the Committee's request, administrative advice and support was provided by the Company Secretary, the Company's HR Director and the Company's Tax Manager.

Pinsent Masons LLP (the Company's legal advisers) also provided advice to the Committee in the year on matters of compliance with relevant legislation. Pinsent Masons LLP additionally provided advice to the Company in relation to corporate and commercial legal matters.

Relative importance of spend on pay

Year	Profit distributed by way of dividend (£000)	Overall expenditure on pay (£000)
2013	3,499	67,053
2014	4,086	87,301
% Change	16.8%	30.2%

The increase in percentage of spend on pay reflects the increase in the average number of employees as set out in Note 5.3 to the Consolidated Financial Statements.

Notes

1. Profit distributed by way of dividend has been taken as the dividend paid in respect of the relevant financial year. For 2014 this is the interim dividend paid (£1,332,000) and the proposed final dividend of £2,753,730. No share buy-backs were made in either year.

2. Overall expenditure on pay has been taken as the total employee costs (wages and salaries, social security costs and pension costs) as set out in Note 5.3. Employee benefits expense in the Notes to Consolidated Financial Statements.

CEO's relative pay

In accordance with the Regulations, we present in the table below the percentage change in the prescribed pay elements (salary, taxable benefits and annual bonus outcome) of the CEO and the average percentage change for UK based staff between financial year 2013 and financial year 2014.

Year-on-year % change	Salary	Taxable Benefits	Annual Bonus
CEO	0%	8.05%	(23.11)%
UK based staff	2.94%	3.67%	1.38% ¹

Notes

1. This percentage increase reflects the average increase for staff who received a bonus in both 2013 and 2014. More broadly, the overall amount designated for staff bonuses (excluding the CEO) in 2014 was £1,027,000 (2013 £1,013,000).

2014 Voting

At the Communis Annual General Meeting held on 9 May 2014, shareholders approved both the Directors' Remuneration Report for the year ended 31 December 2013 and the Directors' Remuneration Policy. Below is the result in respect of these resolutions, which required a simple majority of the votes to be cast in favour in order for the resolution to be passed:

	Votes for	%	Votes against	%
Remuneration Report	95,570,414	99.33%	642,306	0.67%
Remuneration Policy	76,366,331	90.44%	8,073,812	9.56%

1,075,981 and 12,848,558 votes were withheld for the Directors' Remuneration Report and Remuneration Policy respectively.

Implementation Report for 2014 – Audited Information

Single Figure Table

	Salary		Benefits³		Annual Performance Bonus⁴		LTIP and Sharesave		Pension⁵		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
£000												
Andy Blundell	350	333	35	31	173	225	–	72	42	37	600	698
Nigel Howes	260	250	27	25	123	160	–	35	31	26	441	496
Dave Rushton	260	250	20	21	123	160	–	36	31	26	434	493
Mark Stoner ¹	100	–	4	–	66	–	–	–	12	–	182	–
Former Directors												
John Wells ²	–	179	–	38	–	–	–	36	–	27	–	280

1. Mark Stoner was promoted from a senior executive role within the Group to the Board as Finance Director on 1 August 2014. The figures in this table above reflect earnings since that date and do not include any remuneration earned before his appointment to the Board.

2. John Wells stepped down from the Board on 9 May 2013, with his actual cessation date being 30 November 2013. The figures in this table reflect payments up to the cessation date including £122,690 for the period up to 9 May 2013. He was also in receipt of an annual pension of £70,001 which was accrued through membership of the Company's defined benefit pension scheme which is not included in the figures above.

3. Benefits comprise life assurance, private medical cover, car or car allowance provision and fuel card.

4. Details of the performance measures and targets applicable to the annual bonus for 2014 are set out below.

5. Pension contributions are in line with the summary of Implementation of Policy in 2013 and 2014 and reflect the increase in contributions from 1 July 2013.

6. There were no LTIP awards scheduled to vest in 2014.

7. The aggregate remuneration of all directors under salary, fees, benefits, cash contributions in lieu of pensions and annual bonus was £1,657,000 (2013 £1,931,000).

Variable pay

Annual performance bonus outcome 2014

The maximum bonus potential is set out in the policy table and is based on strategic and EBIT targets. The EBIT target to be achieved was £16 million. The bonus out turn for 2014 was £173,000 for Andy Blundell, £123,000 for Nigel Howes, £123,000 for Dave Rushton and £66,000 for Mark Stoner. The figure for Mark Stoner has been pro-rated to reflect the amount of time served as a director.

Given the competitive nature of the Company's sector, the detailed strategic targets applicable to 2014's annual bonus are considered commercially sensitive (and are likely to remain so) and accordingly are not further disclosed.

Vesting of LTIP Awards in 2014

There were no LTIP awards due to vest in 2014.

External appointments

None of the Executive Directors, with the exception of Nigel Howes, is a director of any company apart from subsidiaries of Communisis. Nigel Howes' external appointments are outlined on page 38. During 2014 he received £6,000 for his role as Non-Executive Chairman of Acceleris Marketing Communications Limited, which he retained.

Non-Executive Director Fees

	Salary/Fees £'000	Other Benefits £'000	Total 2014 £'000	Total 2013 £'000
Chairman				
Peter Hickson ¹	90	1	91	91
Non-Executive Directors				
Jane Griffiths	45	—	45	45
Peter Harris	50	—	50	25
Helen Keays ²	20	—	20	—
Former Non-Executive Directors				
Michael Firth ³	4	—	46	55

1. Other benefits for Peter Hickson include medical insurance benefits for him and his spouse.

2. Helen Keays joined the Board on 1 August 2014 and became Chair of the Remuneration Committee on 30 October 2014.

3. Michael Firth stepped down from the Board and as Chair of the Remuneration Committee on 30 October 2014

Pension entitlements summary table

Director	Membership of Communisis Pension Plan and percentage Company contribution	Salary supplement in lieu of additional pension contributions to Communisis Pension Plan	Normal retirement age
Andy Blundell	Yes; 8.4% of base salary	£12,500	65
Nigel Howes	N/A	12% of base salary	N/A
Dave Rushton	Yes; 12% of base salary	Nil	65
Mark Stoner	Yes; 12% of base salary	Nil	65

Directors' interests

The interests (all being beneficial) of the directors in the Company's securities are set out below:

	At 31 December 2014		At 31 December 2013	
Director	Ordinary Shares	Share Option	Ordinary Shares	Share Option
Peter Hickson	1,360,778	—	1,360,778	—
Andy Blundell ¹	185,996	1,409,963	175,996	1,109,963

Nigel Howes	–	806,349	–	606,349
Michael Firth ²	233,674	–	233,674	–
Jane Griffiths	–	–	–	–
Peter Harris	–	–	–	–
Helen Keays	–	–	–	–
Dave Rushton	57,024	806,510	57,024	634,916
Mark Stoner	89,501	437,849	–	–

The Company does not maintain formal share ownership guidelines for Executive Directors.

¹ 10,000 of these shares are held by Mr Blundell's wife

² as at the date he stepped down from the Board being 30 October 2014, 16,000 of Michael Firth's shares were held by Mr Firth's wife.

Notes

1. The directors and their families had no interest in the shares of any other company within the Group.
2. There have been no changes in the directors' interests since the year end.

Share options

The number of, and prices at which, options under the Long Term Incentive Plan 2007 and Sharesave Scheme have been granted to directors are set out below. Except for Sharesave options, all options are subject to the performance conditions described on page 60.

	Options held at 1 Jan 2014	Options granted	Options lapsed	Options exercised	Options held at 31 Dec 2014	Option price (p)	Earliest exercise date	Latest exercise date
Long Term Incentive Plan								
Andy Blundell	213,021	–	–	–	213,021*	Nil	24.03.2013	24.03.2017
	896,942	–	–	–	896,942	Nil	25.03.2016	25.03.2018
Nigel Howes		300,000	–	–	300,000	Nil	10.06.2017	10.06.2019
	106,349	–	–	–	106,349*	Nil	27.04.2014	27.04.2017
	500,000	–	–	–	500,000	Nil	25.03.2016	25.03.2018
Dave Rushton		200,000	–	–	200,000	Nil	10.06.2017	10.06.2019
	106,510	–	–	–	106,510*	Nil	24.03.2013	24.03.2017
	500,000	–	–	–	500,000	Nil	25.03.2016	25.03.2018
Mark Stoner		200,000	–	–	200,000	Nil	10.06.2017	10.06.2019
	–	–	–	–	9,443*	Nil	06.10.2012	05.06.2015
	–	–	–	–	200,000	Nil	25.03.2016	25.03.2018
	–	100,000	–	–	100,000	Nil	10.06.2017	10.06.2019
	–	100,000	–	–	100,000	Nil	01.08.2017	01.08.2019
Sharesave Scheme								
Dave Rushton	28,406	–	28,406	–	–	31.68	01.12.2015	01.06.2016
	–	15,652	15,652	–	–	57.50	01.07.2017	01.01.2018
Mark Stoner	28,406	–	–	–	28,406	31.68	01.12.2015	01.06.2016

Notes

1. The range of market price of shares in Communisis plc during the year ended 31 December 2014 was 48.00p to 74.25p. The closing price on 31 December 2014 was 49.88p.
2. None of the directors paid for the award of options.
3. Options granted in the year represent awards with a face value of 51% of base salary for Andy Blundell, 45% of

base salary for Nigel Howes and Dave Rushton and 51% for Mark Stoner. This has been calculated using the average mid-market price of the three preceding days before the date of grant, being 59p for the options granted on 10 June 2014 and 62.5p for the options granted on 1 August 2014

4. Threshold level of vesting for the LTIP awards granted in the year is 25% of the total number of awards granted. Sharesave options are not subject to performance conditions.

5. The performance conditions attached to the LTIP awards granted during the year are set out on page 60.

6. The aggregate gains of directors from share options exercised in 2014 was £Nil (2013 £193,582).

**The options held at 31 December 2014 reflect vested but unexercised options.*

Granting of LTIP Awards in 2014

LTIP awards made to Executive Directors in 2014 have the following performance conditions:

- 60% of awards are subject to a share price growth performance condition; and
- 40% of awards are subject to an EPS growth performance condition.

An additional underpin condition will apply such that no LTIP shares will vest unless the Committee is satisfied as to the Company's underlying financial performance over the three-year LTIP vesting period.

These measures were chosen after careful consideration by the Committee and taking account the views that our then largest institutional shareholders expressed on this matter. In 2014 the share price target provided a direct and transparent alignment between shareholders' interests and our executives' incentive pay. The focus on EPS aligns our incentive pay directly with one of our key financial targets.

Share price growth performance condition for the 2014 awards

This performance condition will be measured over a three year period, commencing with the date of award, and vesting will be based on the average share price in the final three months of the three year measurement period. Vesting of the awards will be in line with the following table:

Average share price at end of three year period	% of Award subject to share price condition vesting
Start to Earn ("STE"), being 10p above base share price	25%
Between STE and 105p	Straight-line vesting
105p or more	100%

The base share price has been set as 64.6p for the 10 June 2014 grant and 61.4p for the 1 August 2014 grant, being the average share price in the three months prior to the respective grant date.

EPS performance condition

For this condition, EPS will be measured as the Adjusted Basic EPS, calculated on the same basis as for the Company's accounts (i.e. earnings per share from continuing operations before exceptional items and amortisation of acquired intangibles and the tax effect of these items), over a performance period of three financial years, commencing with FY 2014 and with vesting based on the EPS in FY 2016.

EPS Growth (compound annual growth)	% of Award subject to EPS performance condition vesting
Less than 7.5% p.a	Nil
7.5% p.a.	25%
Between 7.5% p.a. and 15% p.a.	Straight-line vesting
15% p.a. or more	100%

Summary of 2013 LTIP performance measures

Summary of performance conditions and targets for LTIP award granted in 2013

Performance Measure		Share price growth*	Return on sales in 2015
Weighting of total award		60%	40%
Performance targets	Max. vesting (100% of this part)	90p	10%
	Between max. and threshold vesting	Straight-line vesting	Straight-line vesting
	Threshold vesting (25% of this part)	56.775p	7.5%
Underpin measure		No LTIP shares will vest unless the Committee is satisfied as to the Company's underlying financial performance over the three-year LTIP vesting period	

* measured over three years from award date, using three-month average share prices at the start and end of the period

Provision of shares for share plans – dilution

The current estimated dilution from subsisting awards, including executive and all-employee share awards, and assuming, which is most unlikely, that all subsisting options vest in full, is approximately 4.76% of the shares in issue at the date of this report. All equity-based plans are assumed to be funded through the issue of new shares. However, the Company has an Employee Benefit Trust which as at 4 March 2015 holds 134,675 shares which may be used to satisfy options granted under the Executive Share Option Scheme and the Long Term Incentive Plan. Awards are managed to confine commitments within an overall dilution limit for all employee share plans of no more than 10% of share capital in any ten-year period and a limit of 5% of share capital in any ten-year period for the Company's discretionary share plans.

Payments to past directors

There were no payments made to past directors in 2014.

Service contracts

Executive Directors

The date of each Executive Director's contract is:

	Contract date
Andy Blundell	2 November 2009
Nigel Howes	13 September 2010
Dave Rushton	9 May 2011
Mark Stoner	1 August 2014

Notice Period is twelve months from the Company and six months from a Director

Non-Executive Directors

The date of original appointment of each Non-Executive Director and the effective date of their latest letter of appointment is:

	Date of original appointment	Latest appointment date
Peter Hickson*	10 December 2007	9 May 2013
Michael Firth	2 December 2002	Stepped down from the Board on 30 October 2014
Jane Griffiths	17 May 2012	17 May 2012
Peter Harris	1 July 2013	1 July 2013
Helen Keays	1 August 2014	1 August 2014

**Terminable by either party on six months' notice. All other Non-Executive Directors appointments may be terminated by either party on three months' notice.*

Of the above information on pages 57 to 61 the Implementation Report for 2014 – Audited Information has been audited.

This report was reviewed and approved by the Board on 5 March 2015 and signed on its behalf by order of the Board.


Sarah Caddy
Secretary

Policy Report

Remuneration Policy – Executive Directors

The table below summarises the policy for remuneration elements for Executive Directors:

General Policy

General Policy	
(this section does not technically form part of the policy and is for information only)	<p>The policy of the Board is to:</p> <ul style="list-style-type: none"> • attract, develop, motivate and retain talented people at all levels across the Group; • give employees the periodic opportunity to own Communisis shares through the Communisis Sharesave Scheme; and • provide consistency and alignment within the Company's approach to performance-based pay and our overall executive compensation strategy.

The policy was approved by the Company's shareholders and took effect from 9 May 2014 (being the date of the Company's 2014 Annual General Meeting).

Element and purpose	Policy	Operation and opportunity	Performance measures
Base salary			
This is the core element of pay that reflects the individual's role and position within the Group and reflects capability and contribution.	<p>Base salaries are reviewed periodically against companies of similar size and complexity, and any salary increases are applied in line with the outcome of the relevant review with effect from 1 July in a financial year.</p> <p>Base salaries are paid monthly in cash.</p>	<p>Any salary increases in the policy period will be made following consideration of business performance and, as a cap, no increase will take an Executive Director's salary above the median salary for Chief Executives in the FTSE SmallCap plus 10%, determined using data available to the Committee at that time.</p> <p>Current annual salaries are set out in the summary of implementation of policy on page 55.</p>	N/A
Pension			
To aid retention and remain competitive within the marketplace.	Provide a competitive employer sponsored pension plan.	Pension contributions are set at a maximum level of 12% of base salary per annum.	N/A

	Pension contributions are paid in relation to membership of the defined contribution section of the Communisis Pension Plan, as a salary supplement in lieu of pension contributions, or as a Company contribution to personal pension arrangements.		
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Benefits

To aid retention and remain competitive within the marketplace.	<p>Benefits comprise PHI, private medical cover, car or car allowance provision and fuel card.</p> <p>The Committee reserves the ability to introduce new benefits where it concludes that it is in the interests of Communisis to do so, having regard to the particular circumstances and to market practice, provided that the maximum aggregate value of all benefits in a year will not exceed the maximum amount stated in this table.</p> <p>The Committee may agree that the Company will meet such HM Revenue-qualifying relocation expenses as it considers appropriate up to £8,000.</p>	<p>In any year the values of benefits for Executive Directors may vary in line with the cost of providing insurance and other benefits without the Committee taking action.</p> <p>A limit on the maximum cash value of all benefits has been set at £40,000 per annum for each Executive Director. Actual levels of benefits will be disclosed each year in the "single figure" table.</p>	N/A
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Annual Performance Bonus

To motivate employees and incentivise delivery of annual performance targets.	<p>Bonus levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy.</p> <p>Once set, performance measures and targets will generally remain unchanged for the year,</p>	<p>The Committee will not set a maximum annual bonus level in excess of 100% of base salary for the duration of this policy.</p> <p>Awards are paid in cash.</p> <p>No bonus is paid at the threshold level of performance, with amounts accruing from that point.</p>	<p>The performance measures applied may be financial or non-financial, and can be corporate, divisional or individual measures set for any year in such proportions as the Committee considers appropriate.</p> <p>The Committee will consider overall</p>
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	except to reflect events such as corporate acquisitions or other major transactions where the Committee considers it to be necessary in its opinion to make appropriate adjustments.		<p>Company and financial performance before any element of bonus is paid, and accordingly may moderate the bonus outturn either upwards (without exceeding the 100% of base salary cap) or downwards.</p> <p>The performance measures and targets for the annual performance bonus are described in the Implementation Report for 2014.</p>
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Long-Term Incentives

<p>The Company operates the Communisis Long Term Incentive Plan 2007 ("LTIP") to motivate and incentivise delivery of sustained performance over the long term.</p>	<p>Awards can be made on an annual basis with a vesting period of three years. Individual awards are normally calibrated by reference to share numbers in practice, rather than the face value of shares within awards.</p> <p>The Company also has scope to operate an HMRC-approved Executive Share Option Scheme. Although there is no plan to make awards to Executive Directors under this plan at present, the Company reserves the right to do so subject to the £30,000 limit on HMRC approved options available under this plan. Any such awards would be taken into account in making any awards under the LTIP in the same year.</p>	<p>The maximum value of LTIP awards which may be granted in any financial year is awards over shares with a value equivalent to 150% of base salary.</p> <p>The threshold level of vesting for LTIP awards is 25% of the total award.</p>	<p>Performance measures applied to LTIP awards are reviewed from time to time to ensure they remain appropriate and aligned with shareholders' interests.</p> <p>The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual).</p> <p>The performance measures and targets applied for LTIP awards made in 2013 and 2014 are set out on page 60 of the Directors' Remuneration Report.</p>
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All-employee share plans

<p>To encourage share ownership by employees, thereby allowing</p>	<p>Company operated Sharesave plan.</p> <p>This is an all-employee</p>	<p>The exercise price of the options is usually equal to the market price of the shares at the date of</p>	<p>Consistent with normal practice, such awards are not subject to performance conditions.</p>
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them to share in the long-term success of the Company and align their interests with those of the shareholders.	<p>share plan approved by HMRC and follows the usual form for such plans.</p> <p>Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees</p>	<p>invitation to participate less a maximum discount of 20%.</p> <p>The maximum amount that can be invested in the scheme will not exceed the statutory limit from time to time.</p> <p>The options vest on the third anniversary of the commencement of the savings period.</p>	
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Remuneration Policy – Chairman and Non-Executive Directors

The table below summarises the remuneration elements for the Chairman and Non-Executive Directors.:

Element and purpose	Policy	Operation and opportunity	Performance measures
Chairman and Non-Executive Director fees	<p>The fees paid to the Chairman and the fees of the other Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity.</p> <p>The fees payable to Non-Executive Directors are determined by the board. The Chairman's fee is determined by the Committee.</p> <p>Non-Executive Directors will not participate in share incentive arrangements.</p>	<p>Fees are paid monthly in cash.</p> <p>The Chairman and his spouse also receive medical insurance.</p> <p>The aggregate fees (and any benefits) of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees (currently £500,000 p.a. in aggregate).</p> <p>Any increases actually made will be appropriately disclosed.</p>	N/A

Financial Statements

Consolidated Income Statement for the year ended 31 December 2014

	Note	2014			2013		
		Before amortisation of acquired intangibles and exceptional items £000	Amortisation of acquired intangibles and exceptional items £000	Total £000	Before amortisation of acquired intangibles and exceptional items £000	Amortisation of acquired intangibles and exceptional items £000	Total £000
Revenue	4	343,026	–	343,026	270,148	–	270,148
Changes in inventories of finished goods and work in progress		303	–	303	(459)	–	(459)
Raw materials and consumables used		(188,330)	–	(188,330)	(149,921)	–	(149,921)
Employee benefits expense	5.3	(87,301)	(3,258)	(90,559)	(67,053)	(3,882)	(70,935)
Other operating expenses		(41,178)	(21,421)	(62,599)	(31,887)	407	(31,480)
Depreciation and amortisation expense		(10,505)	(1,008)	(11,513)	(7,571)	(827)	(8,398)
(Loss) / profit from operations		16,015	(25,687)	(9,672)	13,257	(4,302)	8,955
Finance revenue	4	6	–	6	34	–	34
Finance costs	5.1	(3,592)	–	(3,592)	(2,540)	(176)	(2,716)
(Loss) / profit before taxation		12,429	(25,687)	(13,258)	10,751	(4,478)	6,273
Income tax expense	6	(3,060)	1,209	(1,851)	(2,844)	1,431	(1,413)
(Loss) / profit for the year attributable to equity holders of the parent		9,369	(24,478)	(15,109)	7,907	(3,047)	4,860
(Loss) / earnings per share	8						
On (loss) / profit for the year attributable to equity holders and from continuing operations							
– basic		4.75p		(7.67)p	4.31p		2.65p
– diluted		4.62p		(7.45)p	4.19p		2.58p
Dividend per share	9						
– paid		1.84p		1.68p			
– proposed		1.33p		1.20p			

Dividends paid and proposed during the year were £3.7 million and £2.8 million respectively (2013 £3.3 million and £2.3 million respectively).

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

All income and expenses relate to continuing operations.

	Note	£000	£000
(Loss) / profit for the year		(15,109)	4,860
Other comprehensive loss to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		(296)	(118)
(Loss) / gain on cash flow hedges taken directly to equity		(252)	43
Income tax thereon	6	50	(10)
Items not to be reclassified to profit or loss in subsequent years:			
Adjustments in respect of prior years due to change in tax rate	6	–	(651)
Actuarial losses on defined benefit pension plans	14	(11,329)	(6,622)
Income tax thereon	6	2,266	1,322
Other comprehensive loss for the year, net of tax		(9,561)	(6,036)
Total comprehensive loss for the year, net of tax		(24,670)	(1,176)
Attributable to:			
Equity holders of the parent		(24,670)	(1,176)

Consolidated Balance Sheet

31 December 2014

	2014 Note	2013 £000	£000
ASSETS			
Non-current assets			
Property, plant and equipment	10	25,246	21,254
Intangible assets	11	175,545	181,721
Trade and other receivables	16	265	203
Deferred tax assets	6	4,726	2,510
		205,782	205,688
Current assets			
Inventories	15	8,379	9,609
Trade and other receivables	16	56,098	52,955
Cash and cash equivalents	18	24,503	18,642
		88,980	81,206
TOTAL ASSETS		294,762	286,894
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Equity share capital	19	49,757	48,601
Share premium	19	8,036	6,799
Merger reserve	19	11,427	11,427
ESOP reserve	19	(72)	(77)
Capital redemption reserve	19	1,375	1,375
Cumulative translation adjustment	19	(635)	(339)
Retained earnings		45,818	73,369
Total equity		115,706	141,155
Non-current liabilities			
Interest-bearing loans and borrowings	20	59,612	43,672
Trade and other payables	22	2,638	192
Financial liability	23	273	–
Retirement benefit obligations	14	39,098	27,670
		101,621	71,534
Current liabilities			
Interest-bearing loans and borrowings	20	738	677
Trade and other payables	22	75,684	71,419
Income tax payable	382	1,441	–
Provisions	21	631	647
Financial liability	23	–	21
	7	7,435	74,205
Total liabilities		179,056	145,739
TOTAL EQUITY AND LIABILITIES		294,762	286,894

The Consolidated Financial Statements on pages 66 to 115 were approved by the Board on 5 March 2015 and signed on its behalf by:

Andy Blundell
Mark Stoner
Directors

Ann J.
Mark Stoner

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

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities			
Cash generated from operations	30	21,987	4,732
Interest paid		(1,799)	(1,458)
Interest received		6	37
Income tax paid		(2,914)	(570)
Net cash flows from operating activities		17,280	2,741
Cash flows from investing activities			
Acquisition of subsidiary undertakings (net of cash acquired)		(6,476)	(4,070)
Purchase of property, plant and equipment		(6,532)	(5,592)
Purchase of intangible assets		(8,524)	(15,638)
Proceeds from the sale of property, plant and equipment		602	1,210
Net cash flows from investing activities		(20,930)	(24,090)
Cash flows from financing activities			
Share issues net of directly attributable expenses		343	18,407
New borrowings		14,000	44,000
Repayment of borrowings		–	(40,000)
Debt arrangement fees		(100)	(550)
Dividends paid		(3,665)	(3,270)
Net cash flows from financing activities		10,578	18,587
Net increase / (decrease) in cash and cash equivalents		6,928	(2,762)
Cash and cash equivalents at 1 January		18,642	21,548
Exchange rate effects		(1,067)	(144)
Cash and cash equivalents at 31 December		24,503	18,642
Cash and cash equivalents consist of:			
Cash and cash equivalents	18	24,503	18,642

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	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 2013	35,251	22	11,427	(346)	1,375	(22 1)	7 7,679	125,187
Profit for the year	–	–	–	–	–	–	4,860	4,860
Other comprehensive loss	–	–	–	–	–	(118)	(5,918)	(6,036)
Total comprehensive loss	–	–	–	–	–	(118)	(1,058)	(1,176)
Employee share option schemes								
– value of services provided	–	–	–	–	–	–	307	307
Shares issued – firm placing and placing and open offer	12,500	7,500	–	(20)	–	–	–	19,980
Transaction costs	–	(1,672)	–	–	–	–	–	(1,672)
Shares issued – exercise of options	99	–	–	–	–	–	–	99
Shares issued from ESOP	–	–	–	289	–	–	(289)	–
Acquisition of subsidiary	751	949	–	–	–	–	–	1,700
Dividends paid	–	–	–	–	–	–	(3,270)	(3,270)
As at 31 December 2013	48,601	6,799	11,427	(77)	1,375	(339)	73,369	141,155
Loss for the year	–	–	–	–	–	–	(15,109)	(15,109)
Other comprehensive loss	–	–	–	–	–	(296)	(9,265)	(9,561)
Total comprehensive loss	–	–	–	–	–	(296)	(24,374)	(24,670)
Employee share option schemes								
– value of services provided	–	–	–	–	–	–	493	493
Shares issued – exercise of options	327	16	–	–	–	–	–	343
Shares issued from ESOP	–	–	–	5	–	–	(5)	–
Acquisition of subsidiary	829	1,221	–	–	–	–	–	2,050
Dividends paid	–	–	–	–	–	–	(3,665)	(3,665)
As at 31 December 2014	49,757	8,036	11,427	(72)	1,375	(635)	45,818	115,706

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1 Authorisation of Financial Statements

The Consolidated Financial Statements of Communisis plc ("the Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 5 March 2015. Communisis plc is a public limited company incorporated and domiciled in England whose shares are traded on the London Stock Exchange.

2 Accounting policies

2.1 Basis of preparation

The Consolidated Financial Statements of Communisis plc are for the year ended 31 December 2014. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Consolidated Financial Statements are presented in sterling and all values are rounded to the nearest thousand British pounds (£000) except where otherwise indicated.

New Standards and Interpretations

There are no IFRS or IFRIC interpretations effective for the first time this financial year that have had a material impact on the Group.

2.2 Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of Communisis plc and its subsidiaries as at 31 December each year. The results of subsidiaries prepared for the same reporting year as the parent company are included in these Consolidated Financial Statements, using consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a change of control of a subsidiary, the Consolidated Financial Statements include the results for the part of the reporting year during which Communisis plc has control.

2.3 Significant accounting judgements and estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was £145,457,000 (2013 £158,999,000). Additional information is included in Note 12.

Business combinations

Upon acquisition of another entity the Group evaluates intangibles arising using methodologies recognised under IFRS 3 Business Combinations. Judgement is required as to which intangibles meet the recognition criteria of separable or contractual, and estimates involving cash flow forecasts are performed to quantify the value of these assets arising. Intangibles arising are assessed for indicators of impairment annually. Additional information is included in Notes 7 and 11.

Revenue recognition

Revenue from transition services provided in accordance with long-term contracts is recognised based on the stage of completion. This method relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion. Unless the financial outcome of a contract can be estimated with reasonable certainty, no revenue is recognised.

Pensions

The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is included in Note 14.

2.4 Summary of significant accounting policies

Foreign currency transactions

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date and exchange differences arising are recognised in the Income Statement.

The functional currencies of the overseas subsidiaries include the Euro, the Indian Rupee, the Swedish Krone, the Swiss Franc and the Romanian Leu. The assets and liabilities of these overseas subsidiaries are translated into sterling at the rate of exchange ruling at the balance sheet date and their Income Statements are translated at the weighted average exchange rates for the year where this is a reasonable approximation to actual translation rates. The exchange differences arising on the retranslation are taken directly to a separate component of equity described as the 'cumulative translation adjustment'. On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement. The cumulative translation adjustment reserve was set to zero on 1 January 2004, the date of transition to IFRS.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold property
25 to 55 years

Long leasehold property
25 to 50 years

Short leasehold property
10 to 20 years

Plant, equipment and motor vehicles
4 to 20 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Useful economic lives, depreciation methods and residual values are reviewed annually. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the Income Statement.

Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in exceptional items.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at

the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classed as equity, it is not re-measured until it is finally settled within equity.

Goodwill

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Any unamortised goodwill on 1 January 2004, the date of transition to IFRS, was frozen from that date.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. Goodwill is allocated to the related cash-generating units monitored by management for the purpose of impairment testing.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and an operation within that unit (or group of units) is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the cash-generating unit (or group of units) retained.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets created within the business are not capitalised (unless specific conditions are met) and expenditure is charged to the Income Statement in the year in which the expenditure is incurred.

(a) Acquired from a business combination

Intangibles arising from a business combination are capitalised at fair value at the date of acquisition, where it can be measured reliably. Following initial recognition, the cost model is applied to the class of intangible assets. Amortisation charged on assets is recognised in amortisation expense in the Income Statement over the expected life of the asset. Intangible assets currently recognised are being amortised over between five and ten years.

(b) Customer relationships

Amounts paid to secure customer contracts are capitalised and amortised over the length of the contract. An impairment review is carried out when events or changes in circumstances indicate that the carrying value may not be recoverable.

(c) Research and development costs

Research costs are expensed as incurred. Expenditure on a development project, such as computer software, which is reliably measurable, is capitalised when the technical feasibility and commercial viability of the project is demonstrated. The Group must intend to and have available the resources to complete the project and be satisfied that the intangible asset arising from the development project will generate probable future economic benefits. Capitalisation ceases when the product is ready for launch.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project, from the date the asset is available for use.

The carrying value of development costs is reviewed when there is an indicator of impairment. In addition it is reviewed annually when the asset is not yet in use.

(d) Computer software costs

Acquired computer software and licenses are capitalised. These costs are amortised over their estimated useful lives (three to eight years).

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees. These costs are amortised over their estimated useful lives (three to eight years).

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Raw materials are stated at purchase cost on a first-in, first-out basis. For finished goods and work in progress, costs include directly attributable material and labour costs and certain overhead costs that contribute in bringing the inventories to their present location and condition. Selling expenses and other administrative overhead expenses are excluded.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provision is made for items of stock that are damaged, obsolete or slow-moving.

Trade and other receivables

Trade and other receivables, which generally have 30-90 days credit terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made. Bad debts are written off when identified.

Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's, or cash-generating unit's, fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case impairment

is determined at the cash-generating unit level. The carrying amounts of the cash-generating units to which goodwill is allocated and intangible assets not yet available for use are reviewed annually or more frequently when there is an indication of impairment.

Value in use is determined by the estimated future pre-tax cash flows, discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables, which generally have 30-90 days' credit terms, are recognised and carried at original invoice amount.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities

The Group's financial liabilities include borrowings and trade and other payables, which are all classified as 'other financial liabilities'. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not

qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Income Statement.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

The fair value of interest rate swaps is the difference between the fixed rate and the one month LIBOR rate implied at the balance sheet date, calculated monthly, and discounted to present value.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows, that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or when hedging the foreign currency risk in an unrecognised firm commitment.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for under taking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the Income Statement.

Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in other comprehensive income until the forecast transaction or firm commitment occurs.

The Group uses forward exchange contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

At the beginning of 2014 the Group had a single arrangement with a notional amount of £18,351,000, whereby the Group pays a fixed rate of interest of 3.715%, and receives a variable rate equal to LIBOR+3% on the notional amount. This arrangement terminated in August and was replaced by two separate arrangements each of a notional amount of £10,000,000. On one the Group pays a fixed rate of interest of 3.63% and on the other of 4.15% and on both the Group receives a variable rate equal to LIBOR + 2.5% on the notional amount.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made, but there is some uncertainty about the timing of the future expenditure required in settlement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions and similar obligations

Group companies operate defined contribution and defined benefit pension plans.

Payments to defined contribution pension plans are charged as an expense to the Income Statement as incurred when the related employee service is rendered. The Group has no further legal or constructive payment obligations once the contributions have been made.

For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Method and the service cost relating to the benefit earned in the period is recognised in employee benefits expense in the Income Statement, along with the costs of administering the pension scheme. The Group now determines the net interest income/expense on the net defined benefit assets/liabilities for the year by applying the discount rates used to measure the defined benefit obligations at the beginning of the year to the net defined benefit assets/liabilities at the beginning of the year, taking into account any changes in the net defined benefit assets/liabilities during the year as a result of contributions and benefit payments. The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using interest rates of AA rated corporate bonds that have terms of maturity approximating to the terms of the relevant pension liability.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and the related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the Income Statement during the period in which the settlement or curtailment occurs.

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognised immediately in the Consolidated Statement of Comprehensive Income.

Share-based payment transactions

Certain directors and management are eligible to participate in share-based payment schemes, all of which are equity-settled.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting

conditions, other than conditions linked to the price of the shares of Communisis plc ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting or non-vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance or service conditions are satisfied.

The Group has an employee share ownership plan ('ESOP') for the granting of non-transferable options. Shares in the Group held by the ESOP are accounted for in the same way as treasury shares and presented in the Balance Sheet as a deduction from equity described as the 'ESOP reserve'.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. This includes any awards where non-vesting conditions within the control of the Group or the employee are not met. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

Where an equity-settled award is forfeited, the total cost recognised in the Income Statement to date for the award is reversed.

ESOP reserve

Communisis plc shares held by the Group are classified in shareholders' equity as the 'ESOP reserve' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of equity shares.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the assets.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability on a straight-line basis. Finance charges are recognised in the Income Statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable

certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term or in accordance with utilisation of the leased asset if more appropriate.

Revenue

Revenue represents the turnover, net of discounts, derived from services provided to customers and sales of products applicable to the year.

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably; this is usually on despatch by the Group.

Provision of services

The provision of print sourcing services includes the sourcing and supply of printed and other marketing material (included within Deploy revenue). Revenue from such services is recognised when the significant risks and rewards of ownership of the material have passed to the customer and the amount of revenue can be measured reliably; this is usually on despatch by the supplier.

Revenue from Creative, Data & Analysis services (included within Design revenue), is recognised when the service has been provided and customer acknowledgement of completion has been received.

Revenue from Campaign Management services (included within Deploy revenue), is recognised when the service has been provided under the terms of the contract, on a time basis which is either a monthly or annual charge, or on a management fee basis.

Revenue from Postal Sortation services (included within Produce revenue) is recognised on despatch of the post to the postal carrier.

Revenue from software licences is recognised over the period of the licence.

Revenue from delivery of customer projects is recognised by reference to the stage of completion. Stage of completion is estimated using an appropriate measure according to the nature of the contract such as costs incurred relative to total anticipated costs or other measures such as contracted performance milestone completion. Where the project outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Pass through revenue

Pass through revenue is defined as those pre-agreed or contracted revenues representing charges for print, postal and other marketing material which are passed onto clients at cost as part

of a wider service. Postal charges are recognised on despatch to the postal carrier, and print and other marketing material charges are recognised on despatch by the supplier.

Interest

Finance revenue is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount.

Exceptional items

The Group presents separately, on the face of the Income Statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year. This facilitates comparison with prior periods and to better assess trends in financial performance.

Income tax

Current tax

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the Taxation Authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the Taxation Authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the Taxation Authority is included as part of receivables or payables in the Balance Sheet.

Dividend distribution

The final dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the year in which the dividend is approved by the Company's shareholders. Interim dividends are recognised in the year in which they are paid.

2.5 Adoption of new and revised standards

The IASB and IFRIC have issued the following standards and interpretations with an effective date after 1 January 2014:

- IFRS 10, IFRS 12 and IAS 27 – Investment entities (Amendments)
- IAS 32 – Offsetting financial assets and liabilities (Amendments)
- IAS 36 – Recoverable amount disclosures for non-financial assets (Amendments)
- IAS 39 – Novation of derivatives and continuation of hedge accounting (Amendments)
- IFRIC 2 1 – Levies
- IAS 19 – Defined Benefit Plans: Employee Contributions (Amendments)
- IAS 11 – Accounting for Acquisitions of Interests in Joint Operations (Amendments)
- IFRS 14 – Regulatory Deferral Accounts
- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments)
- IAS 27 – Equity Method in Separate Financial Statements (Amendments)

- IFRS 15 – Revenue from Contracts with Customers
- IFRS 9 – Financial instruments
- IFRS 5 – Changes in methods of disposal (Amendment)
- IFRS 7 – Servicing Contracts (Amendment)

The Group has not early adopted these amended standards and interpretations.

With the exception of changes to IFRS 15 (effective 1 January 2017), the directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements, other than additional disclosures, in the period of initial application.

The application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's accounts. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. There are no other IFRS amendments or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group's Financial Statements.

3 Segmental information

Business segments

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

- Design;
- Produce; and
- Deploy

There have been no changes to the basis of segmental reporting in 2014.

The Communis Board, being the Chief Operating Decision Maker, considers the performance of Design, Produce and Deploy in assessing the performance of the Group and making decisions about the allocation of resources. Segmental disclosures have therefore been presented on this basis.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements. However, Corporate Costs, Central Costs, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

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

The segment results for the year ended 31 December 2014 are as follows:

	Design £000	Produce £000	Deploy £000	Pass Through £000	Central Costs £000	Corporate Costs £000	Total £000
Revenue	26,497	150,708	55,175	110,646	–	–	343,026
Profit from operations before amortisation of acquired intangibles and exceptional items	3,357	18,891	13,812	–	(13,419)	(6,626)	16,015
Amortisation of acquired intangibles	(597)	(411)	–	–	–	–	(1,008)
Profit from operations before exceptional items	2,760	18,480	13,812	–	(13,419)	(6,626)	15,007
Exceptional items	(548)	(23,730)	(52)	–	(29)	(320)	(24,679)
Loss from operations	2,212	(5,250)	13,760	–	(13,448)	(6,946)	(9,672)
Net finance costs	(3,586)						
Loss before tax	(13,258)						
Income tax expense	(1,851)						
Loss for the year	(15,109)						
Other segmental information:							
Depreciation	170	4,054	66	–	420	104	4,814
Amortisation	1,845	3,760	230	–	844	20	6,699
Loss on disposal of property, plant & equipment	(29)	15	–	–	–	(71)	(85)

Revenue includes sales to two customers who each individually represent more than 10% of the Group's total revenue. Sales to Customer 1 were £76.6m including transactions with the Deploy, Pass Through and Design business segments, and to Customer 2 were £52.1m including transactions with the Produce and Design business segments.

Pension scheme costs are included in the Corporate Costs segment.

Inter-segment sales were as follows:

	2014 £000	2013 £000
From:		
Design to Produce	239	3,746
Design to Deploy	7,174	3,508
Design to Corporate Costs	–	20
Design to Central Costs	–	106
Produce to Deploy	31,005	28,536
Produce to Corporate Costs	30	29

The restated* segment results for the year ended 31 December 2013 are as follows:

	Design £000	Produce £000	Deploy £000	Pass Through £000	Central Costs £000	Corporate Costs £000	Total £000
Revenue	20,939	117,357	55,887	75,965	–	–	270,148
Profit from operations before amortisation of acquired intangibles and exceptional items	3,605	17,049	9,632	–	(11,389)	(5,640)	13,257
Amortisation of acquired intangibles	(378)	(449)	–	–	–	–	(827)

Profit from operations before exceptional items	3,227	16,600	9,632	–	(11,389)	(5,640)	12,430
Exceptional items	123	(2,942)	(112)	–	(380)	(164)	(3,475)
Profit from operations	3,350	13,658	9,520	–	(11,769)	(5,804)	8,955
Net finance costs	(2,682)						
Profit before tax	6,273						
Income tax expense	(1,413)						
Profit for the year	4,860						

* Certain central costs were reallocated on a directly attributable basis to the operating segments during 2014 and the comparatives have been restated on a consistent basis accordingly.

Other segmental information:

Depreciation	122	3,448	52	–	385	84	4,091
Amortisation	1,052	2,626	157	–	452	20	4,307
Profit on disposal of property, plant & equipment	–	15	–	–	–	–	15

Revenue includes sales to two customers who each individually represent more than 10% of the Group's total revenue. Sales to Customer 1 were £53.4m including transactions with the Deploy and Design business segments, and to Customer 2 were £30.3m including transactions with each business segment.

Geographical information

	2014 £000	2013 £000
Revenues from external customers		
United Kingdom	276,487	221,213
Other countries	66,539	48,935
	343,026	270,148
Non-current assets		
United Kingdom	200,723	202,922
Other countries	68	53
	200,791	202,975

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

4 Revenue

Revenue disclosed in the Income Statement is analysed as follows:

	2014 £000	2013 £000
Sale of goods	148,720	115,889
Provision of services	194,306	154,259
Sales revenue	343,026	270,148
Interest income on financial assets carried at amortised cost	6	33
Gain on foreign currency liabilities	–	1
Finance revenue	6	34
Total revenue	343,032	270,182

No revenue was derived from exchanges of goods and services (2013 £nil).

5 Other expenses

5.1 Total finance costs

	2014 £000	2013 £000
Interest expense for borrowings at amortised cost	2,416	1,655
Retirement benefit related cost	1,176	885
Exceptional finance costs – write off of unamortised loan arrangement fees	–	176
Total finance costs	3,592	2,716

5.2 Net finance costs

	2014 £000	2013 £000
Interest on financial assets measured at amortised cost	6	33
Interest on financial liabilities measured at amortised cost	(2,416)	(1,831)
Net interest from financial assets and financial liabilities not at fair value through Income Statement	(2,410)	(1,798)
Gain on foreign currency liabilities	–	1
Retirement benefit related cost	(1,176)	(885)
	(3,586)	(2,682)

5.3 Employee benefits expense

	2014 £000	2013 £000
Wages and salaries	76,114	57,207
Social security costs	6,896	6,846
Pension costs	3,493	2,661
Expense of share-based payments	493	307
Redundancy costs	305	32
	87,301	67,053

	2014 Number	2013 Number
The average monthly number of employees during the year was made up as follows:		
United Kingdom	2,020	1,566
Other	166	71
	2,186	1,637

Compensation of key management personnel

	2014 £000	2013 £000
Short-term employee benefits	2,089	2,017
Post-employment benefits	73	51
Share-based payments (equity-settled)	212	179

Total compensation paid to key management personnel	2,374	2,247
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Key management personnel consist of directors of the Company only. Details of individual director's remuneration, pension entitlements and interests are provided within the Directors' Remuneration Report on pages 54 to 64. Details of the Group's pension commitments are provided in Note 14 to these Financial Statements. Details of the directors' interests in employee share incentive plans are provided within the Directors' Remuneration Report on pages 54 to 64.

5.4 Amortisation of acquired intangibles and exceptional items

	2014	2013
	£000	£000
Profit from operations is arrived at after charging the following items:		
Acquisition and set up costs	389	105
Exceptional restructuring costs	3,258	3,500
Trade name write off	368	–
Pension deficit reduction project	164	164
Impairment of goodwill	21,000	–
Net benefit from TGML restructuring	–	(294)
Contingent consideration write off	(500)	–
Exceptional items	24,679	3,475
Non-exceptional depreciation and amortisation – amortisation of acquired intangibles	1,008	827
	25,687	4,302

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

During 2014 the Group incurred £3,258,000 (2013 £3,500,000) in respect of organisational restructuring which included ongoing rationalisation across the Group, along with further costs in relation to the closure of the Group's cheque production facility at Trafford Wharf, and integration costs relating to the new Design agency, PSONA, and recently acquired contracts. Of the £3,258,000, £527,000 is unpaid at 31 December 2014.

The £368,000 trade name write of f relates to the creation of PSONA, which has resulted in statutory name changes for Kieon Limited and The Communications Agency Limited, to Communisis Digital Limited and Psona Limited.

The pension deficit reduction costs relate to legal and consultancy expenses of £164,000 (2013 £164,000) for projects under taken during 2014. These have been fully paid at 31 December 2014.

The Group has completed its annual test for impairment of goodwill arising from business combinations. The result is an impairment in the Produce segment of £2 1,000,000 against goodwill which arose on acquisitions made at the beginning of the last decade. The impairment has arisen in the current year due to a prudent view taken by management of the long-term reduction in demand for these more mature product lines, and also an increase in the underlying discount rate used to value the future cash flows of the Produce segment. Further information is included in Note 12.

The £500,000 contingent consideration write of f relates to the acquisition of The Communications Agency Limited.

In 2013, the net benefit from TGML arose as a result of the purchase of the remaining 51% of The Garden Marketing Limited on 30 June 2013. At 31 December 2012 the Group held a call option to purchase the remaining 51% for a consideration of £543,000. Communisis acquired the remaining 51% for a net cost of £249,000, with the resulting gain of £294,000 also being recognised in exceptional items.

5.5 Auditor's remuneration

The remuneration of the auditors is analysed as follows:

	2014 £000	2013 £000
Audit of the Group Financial Statements	137	112
Other fees to the auditor – local statutory audits for subsidiaries	106	76
– other taxation services	22	20
– other assurance services	6	–
– advisory services in relation to acquisitions	–	13*
– other advisory services	82*	81
	353	302

* Recorded in exceptional items

5.6 Operating lease payments

	2014 £000	2013 £000
Minimum lease payments	9,956	6,639
Sub-lease receipts	(1,019)	(1,020)
	8,937	5,619

5.7 Research and development

	2014 £000	2013 £000
Research and development expenditure expensed during the year	77	224

6 Income tax

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	2014 £000	2013 £000
Tax charged in the Income Statement		
Current income tax		
UK Corporation Tax	1,486	876
Adjustments in respect of prior years	(314)	(272)
Overseas tax on profits for the year	709	1,104
Total current income tax charge	1,881	1,708
Deferred income tax		
Origination and reversal of temporary differences	(73)	(238)
Adjustments in respect of prior years	43	(13)
Adjustments in respect of prior years – due to change in tax rate	–	(44)
Total deferred tax credit	(30)	(295)
Tax charge in the Consolidated Income Statement	1,851	1,413
Tax relating to items charged or credited to other comprehensive income		
Deferred income tax		
Actuarial losses on pension scheme current year credit	(2,266)	(1,322)
Adjustment in respect of prior years – due to change in tax rate	–	651
Tax on financial liability	(50)	10
Income tax credit reported in Consolidated Statement of Comprehensive Income	(2,316)	(661)

Current tax adjustments in respect of prior years relate to the release of provisions created in respect of prior years' tax submissions, agreed in the current year.

Reconciliation of the total tax charge

The tax expense in the Income Statement for the year is higher (2013 lower) than the average standard rate of Corporation Tax in the UK of 21.5% (2013 23.25%). The differences are

reconciled below:

	2014 £000	2013 £000
(Loss) / profit before income tax	(13,258)	6,273
At UK statutory income tax rate of 21.5% (2013 23.25%)	(2,850)	1,458
Impairment of goodwill not deductible for tax purposes	4,515	–
Expenses not deductible for tax purposes	340	324
Non-taxable income	(108)	(198)
Untaxed overseas profits	–	(7)
Effect of different tax rates of subsidiaries operating in other jurisdictions	181	187
Share-based payments	69	2
Change in deferred tax in respect of rolled over capital gains	(25)	(24)
Adjustments in respect of prior years	(271)	(285)
Adjustment in respect of prior years – due to change in tax rate	–	(44)
Tax charge in the Consolidated Income Statement	1,851	1,413

Unrecognised tax losses

The Group has unrecognised losses, which arose outside of the UK, of £817,000 (2013 £817,000) that are available for offset against future taxable profits of the companies in which the losses arose. No deferred tax assets have been recognised in respect of these losses as their future utilisation is uncertain and they may not be used to offset taxable profits elsewhere in the Group.

Deferred tax

Deferred tax included in the Consolidated Balance Sheet is as follows:

	2014 £000	2013 £000
Deferred tax asset		
Accelerated capital allowances	1,129	1,152
Other short-term timing differences	(342)	(344)
Losses available for offset against future taxable income	(431)	(103)
Held-over capital gains	170	170
Capital gains rolled over into replacement assets	542	567
Share-based payments	(389)	(351)
Pensions	(6,034)	(4,062)
Financial liability	(55)	(4)
Customer relationships intangible assets	684	465
Deferred tax asset	(4,726)	(2,510)

The realisation of the above current year deferred tax asset is dependent upon the anticipated continuing profitability of the Group.

The deferred tax asset is recognised as the directors foresee future profits adequate to assume recovery.

The deferred tax credit included in the Consolidated Income Statement is as follows:

	2014 £000	2013 £000
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Accelerated capital allowances	(38)	(50)
Other short-term timing differences	2	107
Losses available against future taxable income	55	(69)
Held-over capital gains	–	(25)
Capital gains rolled over into replacement assets	(25)	(113)
Share-based payments	(38)	(68)
Pensions	290	130
Customer relationships intangible assets	(276)	(207)
Deferred tax credit	(30)	(295)

The provision for deferred tax at 31 December 2014 has been made at 20% reflecting the legislation included in Finance Act 2014 reducing the rate of Corporation Tax to 20% from April 2015.

7 Acquisition of business

On 25 April 2014, the Group acquired the entire issued share capital of Jacaranda Productions Limited ("Jacaranda"). Jacaranda is a video and film production specialist, creating, managing and measuring the effectiveness of video content for global brands. It is based in London with a team of six people. For over 15 years Jacaranda has been voted in the top ten independent production companies in Televisual's annual 'Corporate Top 50' awards and has won over 250 creative awards including The Digital Impact Awards, Cannes Corporate Media and TV Awards and New York Film and TV Awards. On 30 June 2014 the Company's name was changed to Psona Films Limited.

The consideration payable by Communisis amounted to £1,676,000, including acquired cash of £117,000. The consideration was satisfied in cash of £876,000 and through the issue of 913,242 new ordinary shares of 25p each in the share capital of Communisis (the "Consideration Shares") to the value of £600,000 based on the middle market closing price of 65.7 pence per ordinary share.

As part of the purchase agreement a contingent consideration has been agreed. An amount equal to ten percent of annual gross profits of the company will be payable to the sellers at the end of each of the three earn-out periods, being the years ended 30 April 2015, 2016 and 2017. The total contingent consideration shall in no circumstance exceed the value of £500,000. As at the date of acquisition, the fair value of the contingent consideration was estimated at £200,000, determined using a discounted cash flow method. Significant unobservable valuation inputs are provided below:

Assumed Gross Profit of Jacaranda for the 3 year earn-out period	£2,000,000
Discount rate	8.3%

Details of the consideration paid and book values of assets and liabilities as at the date of acquisition are set out below:

	Fair value to Group £000
Property, plant and equipment	21
Inventories	85
Customer relationships	195

Software	438
Trade and other receivables	230
Trade and other payables	(269)
Income tax payable	(8)
Cash at bank	117
Deferred tax	(127)
Fair value of net assets acquired	682
Goodwill	994
Consideration	1,676
Satisfied by:	
Cash	876
Shares	600
Contingent consideration	200
Fair value at acquisition	1,676
The net cash outflow arising from the acquisition was as follows:	
Cash consideration, as above	(876)
Cash acquired, as above	117
Net outflow of cash	(759)

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies through future earning capacity and cost savings. None of the goodwill recognised above is expected to be deductible for income tax purposes.

The results of this business are included within the Design business segment.

The acquired business contributed revenue of £810,000 and a profit of £28,000 from the date of acquisition (25 April 2014) to 31 December 2014. If the combination had taken place at the beginning of the year the consolidated loss of the Group to 31 December 2014 would have been £15,141,000 and revenue from continuing operations would have been £343,283,000.

Acquisition and set up costs of £34,000 have been expensed and included in exceptional items in 2014.

On 25 April 2014, the Group acquired the entire issued share capital of Public Creative Limited ("Public Creative"). Public Creative creates and drives brand awareness with digital media using web and mobile applications to build loyalty and encourage customer advocacy. It is based in London with a team of eight people.

Details of the consideration paid and book values of assets and liabilities as at the date of acquisition are set out below:

	Fair value to Group £000
Customer relationships	62
Trade and other receivables	37
Trade and other payables	(81)
Cash at bank	78
Deferred tax	(12)
Fair value of net assets acquired	84

Goodwill	295
Consideration	379
Satisfied by:	
Cash	379
The net cash outflow arising from the acquisition was as follows:	
Cash consideration, as above	(379)
Cash acquired, as above	78
Net outflow of cash	(301)

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies through future earning capacity and cost savings. None of the goodwill recognised above is expected to be deductible for income tax purposes.

The results of this business are included within the Design business segment.

The acquired business contributed revenue of £258,000 and a loss of £12,000 from the date of acquisition (25 April 2014) to 31 December 2014. If the combination had taken place at the beginning of the year the consolidated loss of the Group to 31 December 2014 would have been £15,088,000 and revenue from continuing operations would have been £343,165,000.

Acquisition and set up costs of £29,000 have been expensed and included in exceptional items in 2014.

On 9 June 2014, the Group acquired the entire issued share capital of The Communications Agency Limited ("TCA"). TCA is a long-established, award-winning agency that specialises in brand response and customer relationship marketing. Its broad capabilities and experience across all media channels including TV, experiential and digital are central to the development of Communisis' integrated and differentiated agency model. TCA also brings long-standing client relationships with leading brands in the financial services, retail and consumer goods sectors. The acquisition offers considerable scope for growth and revenue synergies with the Group's existing client portfolio and the crossselling of other marketing services in social media, video, digital development and content marketing. On 30 June 2014 the Company's name was changed to Psona Limited.

The consideration payable by Communisis amounted to £7,821,000, including acquired cash of £522,000. The consideration was satisfied in cash of £5,300,000 and through the issue of 2,404,643 new ordinary shares of 25p each in the share capital of Communisis (the "Consideration Shares") to the value of £1,450,000 based on the middle market closing price of 60.3 pence per ordinary share. Of the £571,000 deferred consideration, £188,000 had been paid by 31 December 2014.

As part of the purchase agreement a contingent consideration was agreed. An amount of up to a maximum of £500,000 being payable to the sellers at the end of the earn-out period (being the year ended 31 October 2014) subject to the company generating an adjusted EBITDA of £888,000. If the company failed to generate an adjusted EBITDA of £888,000 in the earn-out period, the contingent consideration would be reduced by a multiple of eight times the shortfall in adjusted EBITDA. The company did not generate an EBITDA of £888,000 in the year ended 31 October 2014, therefore no further consideration was payable. The contingent consideration was not discounted as it was payable within four months of acquisition.

Details of the consideration paid and book values of assets and liabilities as at the date of

acquisition are set out below:

	Fair value to Group £000
Property, plant and equipment	99
Inventories	72
Customer relationships	1,329
Trade name	261
Trade and other receivables	862
Trade and other payables	(946)
Cash at bank	522
Income tax payable	(59)
Deferred tax	52
Fair value of net assets acquired	2,192
Goodwill	5,629
Consideration	7,821
Satisfied by:	
Cash	5,300
Shares	1,450
Deferred consideration	571
Contingent consideration	500
Fair value at acquisition	7,821
The net cash outflow arising from the acquisition was as follows:	
Cash consideration	(5,488)
Cash acquired	522
Net outflow of cash	(4,966)

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies through future earning capacity and cost savings. Goodwill has also been recognised in relation to the value of the workforce of highly skilled technical professionals which did not meet the criteria for recognition as intangible assets as at the date of acquisition. None of the goodwill recognised above is expected to be deductible for income tax purposes.

The results of this business are included within the Design business segment.

The acquired business contributed revenue of £3,447,000 and a profit of £531,000 from the date of acquisition (9 June 2014) to 31 December 2014. If the combination had taken place at the beginning of the year the consolidated loss of the Group to 31 December 2014 would have been £14,954,000 and revenue from continuing operations would have been £345,079,000.

Acquisition and set up costs of £135,000 have been expensed and included in exceptional items in 2014. The write off of the £500,000 contingent consideration as a result of the earn-out requirements not being met has also been included in exceptional items.

On 15 August 2014, the Group acquired the entire issued share capital of The Meaningful Marketing Group Limited ("Geronimo"). Geronimo is a customer relationship marketing agency with specialist knowledge of the financial services sector.

The consideration payable by Communisis amounted to £647,000, satisfied in cash of £390,000 and an amount of up to £625,000 being payable to the sellers, spread over the earn-out periods

(being the 12 months to 14th August 2015 , 2016,2017,2018 and 2019). The amount payable for each earn-out period will be equal to 10% of Gross Profit between £1m and £1.5m, and 12.5% of Gross Profit over £1.5m. As at the date of acquisition, the fair value of the contingent consideration was estimated at £257,000, determined using a discounted cash flow method. Significant unobservable valuation inputs are provided below:

Assumed Gross Profit of Geronimo for the 5 year earn-out period	£8,000,000
Discount rate	8.3%

Details of the consideration paid and book values of assets and liabilities as at the date of acquisition are set out below:

	Fair value to Group £000
Inventories	32
Customer relationships	192
Trade and other receivables	317
Trade and other payables	(388)
Cash at bank	(60)
Income tax receivable	48
Deferred tax	(34)
Fair value of net assets acquired	107
Goodwill	540
Consideration	647
Satisfied by:	
Cash	390
Contingent consideration	257
Fair value at acquisition	647
The net cash outflow arising from the acquisition was as follows:	
Cash consideration, as above	(390)
Cash acquired, as above	(60)
Net outflow of cash	(450)

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the expected value of synergies through future earning capacity and cost savings. None of the goodwill recognised above is expected to be deductible for income tax purposes.

The results of this business are included within the Design business segment.

The acquired business contributed revenue of £562,000 and a profit of £187,000 from the date of acquisition (15 August 2014) to 31 December 2014. If the combination had taken place at the beginning of the year the consolidated loss of the Group to 31 December 2014 would have been £15,380,000 and revenue from continuing operations would have been £343,595,000.

Acquisition and set up costs of £35,000 have been expensed and included in exceptional items in 2014.

8 Earnings per share

	2014	2013
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	£000	£000
Weighted average number of ordinary shares (excluding ESOP shares) for basic earnings per share	197,111	183,402
Effect of dilution:		
Share options	5,764	5,195
Weighted average number of ordinary shares (excluding ESOP shares) adjusted for the effect of dilution	202,875	188,597

134,675 (2013 143,964) shares were held in trust at 31 December 2014.

Share options in issue for which exercise is currently unlikely (as the option price is higher than the market price) total 3,216,021 (2013 nil) options.

	2014 £000	2013 £000
Basic and diluted earnings per share is calculated as follows:		
(Loss) / profit attributable to equity holders of the parent	(15,109)	4,860
(Loss) / earnings per share:		
Basic	(7.67)p	2.65p
Diluted	(7.45)p	2.58p

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:

	2014 £000	2013 £000
(Loss) / profit after taxation from continuing operations	(15,109)	4,860
Exceptional costs (Note 5.4)	24,679	3,475
Taxation on exceptional items	(736)	(895)
Amortisation of acquired intangibles	1,008	827
Taxation on amortisation of acquired intangibles	(202)	(210)
Exceptional interest charge	–	176
Tax on exceptional interest charge	–	(41)
Taxation – adjustments in respect of prior years (Note 6)	(271)	(285)
Profit after taxation from continuing operations excluding exceptional items and amortisation of acquired intangibles	9,369	7,907
Adjusted earnings per share:		
Basic	4.75p	4.31p
Diluted	4.62p	4.19p

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.

9 Dividends paid and proposed

	2014 £000	2013 £000
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the year:		
Final dividend of the year ended 31 December 2012 of 1.10p per share	–	2,104
Interim dividend of the year ended 31 December 2013 of 0.60p per share	–	1,166
Final dividend of the year ended 31 December 2013 of 1.20p per share	2,333	–
Interim dividend of the year ended 31 December 2014 of 0.67p per share	1,332	–
	3,665	3,270
Proposed for approval at AGM (not recognised as a liability as at 31 December)		
Final equity dividend on ordinary shares of 1.33p (2013 1.20p) per share (based on issued share capital at the date of approval of the Financial Statements)	2,754	2,333

10 Property, plant and equipment

	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Plant, equipment and motor vehicles £000	Total £000
Cost					
At 1 January 2013	9,133	1,496	2,205	62,745	75,579
Additions	3	–	220	6,091	6,314
Disposals	–	(1,191)	(374)	(6,893)	(8,458)
Acquisition of business	–	–	–	123	123
Exchange adjustment	–	–	–	(46)	(46)
At 31 December 2013	9,136	305	2,051	62,020	73,512
Additions	9	–	209	9,662	9,880
Transfer	–	–	–	(508)	(508)
Disposals	(932)	(129)	(17)	(8,495)	(9,573)
Acquisition of business	–	–	17	103	120
Exchange adjustment	–	–	–	4	4
At 31 December 2014	8,213	176	2,260	62,786	73,435
Depreciation					
At 1 January 2013	3,342	844	581	50,959	55,726
Depreciation charge for the year	302	95	49	3,645	4,091
Disposals	–	(634)	(224)	(6,689)	(7,547)
Exchange adjustment	–	–	–	(12)	(12)
At 31 December 2013	3,644	305	406	47,903	52,258
Depreciation charge for the year	293	–	118	4,403	4,814
Disposals	(289)	(129)	–	(8,468)	(8,886)
Exchange adjustment	–	–	–	3	3
At 31 December 2014	3,648	176	524	43,841	48,189
Net book value at 31 December 2014	4,565	–	1,736	18,945	25,246
Net book value at 31 December 2013	5,492	–	1,645	14,117	21,254
Net book value at 31 December 2012	5,791	652	1,624	11,786	19,853

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2014 was £3,403,286 (2013 £1,271,625).

There is no security, nor any restriction on title.

Included within plant, equipment and motor vehicles are assets currently in development of £382,100 (2013 £1,592,300).

Depreciation is expected to commence in 2015.

11 Intangible assets

	Goodwill £000	Software assets £000	Customer relationships £000	Trade names £000	Licences £000	Total £000
Cost						
At 1 January 2013	209,864	15,400	10,858	173	626	236,921
Additions	–	2,842	9,881	–	481	13,204
Acquisition of business	4,312	–	1,697	–	–	6,009
Disposals	–	(98)	–	–	–	(98)
At 31 December 2013	214,176	18,144	22,436	173	1,107	256,036
Additions	–	4,946	6,500	–	2	11,448
Acquisition of business	7,458	438	1,778	261	–	9,935
Transfer	–	508	–	–	–	508
Disposals	–	(2,295)	–	(434)	–	(2,729)
At 31 December 2014	221,634	21,741	30,714	–	1,109	275,198
Amortisation and impairment						
At 1 January 2013	55,177	9,109	5,680	9	100	70,075
Amortisation during the year	–	1,989	2,192	18	108	4,307
Disposals	–	(67)	–	–	–	(67)
At 31 December 2013	55,177	11,031	7,872	27	208	74,315
Amortisation during the year	–	2,654	3,804	39	202	6,699
Impairment (Note 12)	21,000	–	–	–	–	21,000
Disposals	–	(2,295)	–	(66)	–	(2,361)
At 31 December 2014	76,177	11,390	11,676	–	410	99,653
Net book value at 31 December 2014	145,457	10,351	19,038	–	699	175,545
Net book value at 31 December 2013	158,999	7,113	14,564	146	899	181,721
Net book value at 31 December 2012	154,687	6,291	5,178	164	526	166,846

As from 1 January 2004, the date of transition to IFRS, goodwill is no longer amortised but is now subject to annual impairment testing (Note 12). The cumulative impairment loss is £51.2m (2013 £30.2m).

Software assets are amortised evenly over their useful economic lives of between three and eight years and have between nil and five years left to be amortised. Included in software assets is £41,000 (2013 £665,000) currently in development. Amortisation is expected to commence in 2015. A transfer of £508,000 has been made in respect of a reclassification of software assets previously included in property, plant and equipment.

The trade name asset addition arose on the acquisition of The Communications Agency Limited (Note 7), and was being amortised on a straight-line basis over its useful life of 7 years.

The disposal of trade names arose as the result of the creation of the new Design agency,

PSONA, whereby statutory name changes were effected for The Communications Agency Limited and Kieon Limited to Psona Limited and Communisis Digital Limited. £368,000 has been recorded in exceptional items.

Included within Licences are amounts spent for the development of software which Communisis has the exclusive right to sell within the UK.

As at 31 December 2014, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £468,000 (2013 £159,000).

12 Impairment of goodwill

Goodwill acquired through business combinations is allocated for impairment testing purposes to three cash-generating units ("CGUs"), which are reportable segments, as follows:

- Design,
- Produce; and
- Deploy

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The carrying amount of goodwill allocated to cash-generating units is as follows:

	2014	2013
	£000	£000
Design	42,541	35,083
Produce	58,902	79,902
Deploy	44,014	44,014
	145,457	158,999

The Group conducts annual impairment tests on the carrying value of goodwill using value in use calculations. The key assumptions included in the value in use calculation are revenue growth, product and services mix / profit margins, the long-term growth rates and the discount rate applied.

The Group prepares cash flow forecasts for these CGU's based on the most recent annual budgets approved by the Board. These are based upon detailed budgets for the coming year and internal forecasts of future growth over a five-year period and cash flows beyond the fiveyear period are extrapolated using external forecasts of expected growth rates. Further information on the assumptions used within the major CGUs is detailed below.

In 2014 an impairment charge has been made in the Produce segment of £21,000,000 against goodwill which arose on acquisitions made at the beginning of the last decade. The impairment has arisen in the current year due to a prudent view taken by management of the longterm reduction in demand for these more mature product lines, and also an increase in the underlying discount rate used to value the future cash flows of the Produce segment. The recoverable amount of the Produce CGU as at the 31 December 2014 is £103,663,000, determined on a value in use basis.

Key assumptions used in value in use calculations

The calculation of value in use for all CGUs is most sensitive to the following assumptions:

- revenue growth rates;
- product and services mix / profit margins; and
- growth rates used to extrapolate cash flows beyond the budget period

In addition the calculation of value in use is sensitive to movements in the discount rate.

Revenue growth included in the approved financial budgets

The revenue growth forecast in the risk-adjusted Design cash flow projections based on financial budgets is 15% in 2015 and between 17% and 24% in years two to five.

The revenue growth forecast in the risk-adjusted Produce cash flow projections based on financial budgets is -4% in 2015 and between -1% and 0% in years two to five.

The revenue growth forecast in the risk-adjusted Deploy cash flow projections based on financial budgets is 14% in 2015 and between 5% and 6% in years two to five.

Product and services mix / profit margins

Design is expected to have an increased share of Group revenues (excluding pass through) relative to Produce over the five-year forecast period, whilst Deploy is expected to remain relatively consistent. Higher margins are generated in the Design and Deploy segments as these CGUs benefit from a relatively fixed overhead base which does not flex up as revenues increase.

The Group profit margin is projected to increase from 6.9% in 2014 (excluding pass through revenue) to 9.8% by the end of the detailed forecast period.

Profit growth rate used to extrapolate cash flows beyond the budget period

The profit growth rate used to extrapolate cash flow projections beyond the budget period for all CGUs is considered to be a representative rate for the markets to which these segments are dedicated and in line with long-term economic growth forecasts.

Profit growth rates have been assessed individually for each CGU. Profit growth rates of 2.9% have been used for Design, 2.0% for Produce and 2.7% for Deploy (2013 2.9% for all segments).

Discount rates

The pre-tax discount rate applied to the Design cash flow projections is 10.5%, to the Produce cash flow projections is 11.6%, and to the Deploy cash flow is 10.4%. This is the Group's weighted average cost of capital adjusted to a pre-tax rate and adjusted to reflect management's view of the market assessment of specific risks associated with each separate CGU.

	Goodwill at 31 December 2014 £000	Revenue Growth rates years 2 – 5 %	Profit margin years 2 – 5 %	Terminal growth rates %	Pre-tax discount rate %
Design	42,541	24%, 18%, 17%, 18% Respectively	18%, 19%, 20%, 21% Respectively	2.9%	10.5%
Produce	58,902	-1%, 0%, 0%, 0% Respectively	14%, 14%, 14%, 14% Respectively	2.0%	11.6%
Deploy	44,014	5%, 5%, 6%, 6%	24%, 24%, 24%, 24%	2.7%	10.4%

		Respectively	Respectively		
	Goodwill at 31 December 2013 £000	Revenue Growth rates years 2 – 5 %	Profit margin years 2 – 5 %	Terminal growth rates %	Pre-tax discount rate %
Design	35,083	9%, 9%, 10%, 11% Respectively	22%, 24%, 25%, 27% Respectively	2.9%	10.7%
Produce	79,902	0%, 1%, 1%, 2% Respectively	13%, 13%, 13%, 12% Respectively	2.9%	10.5%
Deploy	44,014	2%, 2%, 3%, 3% Respectively	17%, 17%, 18%, 18% Respectively	2.9%	10.2%

Goodwill was allocated to each individual CGU using a relative value approach during the re-segmentation exercise which was completed in 2013. The growth rates used in years two to five are below the growth rates expected by management for the business.

Sensitivity to changes in assumptions

There are reasonably possible changes in key assumptions which could erode the headroom by which the carrying value of the CGUs exceed their recoverable amount. The sensitivity to each of these reasonably possible changes is detailed below.

All other items remaining equal the following changes to key assumptions would remove headroom as follows:

In Design short-term revenue growth rates in years two to five would need to reduce from between 17% and 24% to between 8% and 12% to remove all headroom on the Design impairment test.

In Deploy short-term revenue growth rates in years two to five would need to reduce from between 5% and 6% to between -11% and -13% to remove all headroom on the Deploy impairment test.

In Produce, if the short term revenue growth rates in years two to five reduced from between -1% and 0% to between -5% and -1%, the impairment in this segment would increase by £7,600,000.

The discount rate would need to increase (in absolute terms) by 3.8% to 14.3% to remove all headroom within the Design impairment test and by 10% to 20.4% to remove all headroom in the Deploy segment. In Produce, if the discount rate was increased from 11.6% to 12.6%, the impairment in this segment would increase by £8,066,000.

On average, long-term profit growth rates would need to be reduced (in absolute terms) by 8.8% to remove all headroom on the Design impairment test and by 7.5% on the Deploy impairment test. In Produce, if the long-term profit growth rate decreased by 1% the impairment in this segment would increase by £12,455,000.

In 2014 an impairment charge of £21,000,000 has been made against goodwill in the Produce segment (2013 £nil). The headroom is £24,133,000 in the Design segment and £69,170,000 in the Deploy segment.

13 Share-based payments

The Communisis Long Term Incentive Plan 2007

Certain directors and managers are eligible to participate in this plan at the discretion of the

Remuneration Committee. The exercise price in respect of options granted under the scheme is £nil.

For all options granted up to 31 December 2009, up to 50% of the options vest if the Total Shareholder Return ("TSR") of the Company, as compared to the TSR performance of all companies in the Support Services sector of the FTSE All Share Index (excluding FTSE 100 companies), is at or above the median level over a three-year period. The other 50% of the options may vest if the TSR of the Company, as compared to the TSR performance of all companies in the FTSE Small Cap Index (excluding investment trusts), is at or above the median level over a three-year period. 30% of each tranche of options will vest for performance at the median of the comparator group rising, on a straight-line basis, to 100% vesting for performance in the top decile of the comparator group. If the performance conditions are not fulfilled within the three-year period from the date of grant, the options lapse. The contractual life of each option granted is five years. There are no cash settlement alternatives.

For options granted under this scheme in 2010, the options will vest if the share price of the Company attains certain thresholds measured by reference to a rolling three month average at any time within three years of the date of award. If the share price increases to 30p 10% of the options vest, at 50p 30% vest, at a share price of 70p 60% will vest and 100% vesting will be attained if the share price exceeds 90p.

For the options granted under this scheme in 2011, no options will vest unless the three month rolling average share price increases to more than 32.742p. At 50p 19.78% of the awards will vest, at a share price of 70p 52.78% will vest and 100% vesting will be attained if the share price exceeds 90p. For the options granted in 2010 and 2011 vesting occurs on a straight-line pro rata basis between the thresholds outlined above.

No vested shares arising under the grants made in 2010 or 2011 can be released before the third anniversary of the award date and no vested shares will be released for at least two years after the attainment of the threshold.

For options granted under this scheme in 2013 a maximum of 60% of the options will vest on the attainment of certain share price thresholds and the remaining 40% will vest on the attainment of Return on Sales targets in the year ended 31 December 2015. The share price measure is calculated by reference to the average share price in the final three months of the three year performance period in comparison with the average share price in the three months immediately preceding grant ("Base Share Price"). If the closing average share price is 10p above the Base Share Price 25% of this tranche of options will vest; if the closing average share price exceeds 90p 100% of this tranche will vest; for attainment between these thresholds vesting will occur on a straight-line pro rata basis. The Return on Sales performance will be measured as the profit from operations before exceptional items as a percentage of total revenue excluding pass through revenue for the Group in the year ended 31 December 2015. If the return on sales reaches 7.5% 25% of this tranche of options will vest increasing to 100% vesting if the measure exceeds 10%; for attainment between these thresholds vesting will occur on a straight-line pro rata basis.

For options granted under this scheme in 2014 a maximum of 60% of the options will vest on the attainment of certain share price thresholds and the remaining 40% will vest on the attainment of growth in earnings per share over the financial years 2014-16. The share price measure is calculated by reference to the average share price in the final three months of the three year performance period in comparison with the average share price in the three months immediately preceding grant ("Base Share Price"). If the closing average share price is 10p above the Base Share Price 25% of this tranche of options will vest; if the closing average share price exceeds 105p 100% of this tranche will vest; for attainment between these thresholds vesting will occur on

a straight-line pro rata basis. The Earnings per Share performance will be measured on the basis of Adjusted Basic Earnings per Share (being earnings per share from continuing operations before exceptional items and amortisation of acquired intangible assets and the tax effect of these items). Vesting will be calculated by comparing Earnings per Share at the end of financial year 2016 to the Earnings per share at 31 December 2013 and calculating the compound annual growth rate. If the compound Earnings per Share growth reaches 7.5% per annum 25% of this tranche of options will vest increasing to 100% vesting if Earnings per Share growth exceeds 15% per annum; for attainment between these thresholds vesting will occur on a straight-line pro rata basis.

The Remuneration Committee will only sanction vesting of the awards granted since 2010 if they are satisfied as to the Company's underlying financial performance in the performance period.

The fair value of options granted under the Long Term Incentive Plan 2007 in the year to 31 December 2014 was estimated on the date of grant using a binomial simulation option pricing model, taking into account the terms and conditions upon which the options were granted. The following weighted average assumptions were used in that model: an expected life of three years; share price at the date of grant of £0.5983 (2013 £0.5225); estimated annualised dividend yield of approximately 3.375% (2013 4.1%); risk-free interest rate of 1.3% (2013 2.3%) and expected volatility of 44% (2013 16.0%). The weighted average fair value of the share options granted in the year ended 31 December 2014 under this plan was £0.3575 (2013 £0.21).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns which may occur. The expected volatility reflects historical volatility adjusted for future trends, which may also not necessarily be the actual outcome. Both the historical and expected volatilities reflect the volatility of the share prices of Communis plc and comparator companies.

The Executive Share Option Scheme 2010

Certain directors and managers are eligible to participate in this scheme at the discretion of the Remuneration Committee. The exercise price of the options granted under this scheme is equal to the market value of the shares on the date of grant. No options were granted under this scheme in the year ended 31 December 2014 nor in the year ended 31 December 2013.

The Sharesave Scheme

All UK employees (including directors) are eligible to participate in the Communis Sharesave Scheme. The exercise price of the options is usually equal to the market price of the shares at the date of invitation to participate less a maximum discount of 20%. The options vest on the third anniversary of the commencement of the savings period. Any options which have not been exercised within six months of the vesting date lapse.

The weighted average fair value of Sharesave options granted in the year ended 31 December 2014 was estimated at the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used in that model: option holders will exercise their option at expiry; share price at the date of grant of £0.66; estimated annualised dividend yield of approximately 2.57%; risk-free interest rate of 1.44% and expected volatility of 43.16%. The volatility has been determined by reference to Communis plc's and comparator companies' historical volatility over a three-year period, adjusted for expected future trends, to reflect the share price of Communis plc in the future. The exercise price is £0.575 for options exercisable three years after the date of grant. The weighted average fair value of the share options granted under this scheme in the year ended 31 December 2014 was £0.204. There were no options granted under this scheme in the year ended 31 December 2013.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2014	2014	2013	2013
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	7,165,826	0.15168	8,765,945	0.18108
Granted during the year	4,728,237	0.42907	2,896,942	0.00000
Forfeited during the year	(540,322)	0.48945	(263,953)	0.40015
Exercised during the year 1	(1,313,302)	0.26106	(875,132)	0.11304
Expired during the year	(181,643)	0.29478	(3,357,976)	0.08452
Outstanding at the end of the year	9,858,796	0.25607	7,165,826	0.15168
Exercisable at the end of the year	613,976	0.00000	613,976	0.00000

1 The weighted average share price at the date of exercise for the options exercised in the year ended 31 December 2014 was £0.607786 (2013 £0.510997).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2014 is 2.54 years (2013 2.91 years).

The weighted average fair value of all options granted during the year was £0.243 (2013 £0.2107).

The range of exercise prices for options outstanding at the end of the year was £nil – £0.575 (2013 £ nil – £0.3168). The number of share options for which the exercise price is £nil total 4,510,918 (2013 3,710,918).

14 Retirement benefit plans

The Group operates defined contribution and defined benefit pension plans.

Defined contribution schemes

The Group operates a UK defined contribution arrangement within three UK Group Companies, Communisis plc, Communisis UK Limited and Communisis Data intelligence Limited. The assets of the arrangements are held separately from those of the Group.

Group companies are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £2,778,608 (2013 £1,860,121) represents contributions payable to these arrangements by the Group at specified rates. As at 31 December 2014 all contributions due in respect of the current reporting period had been paid over to the arrangements (2013 all paid over).

The Group expects to contribute £2.8 million to the defined contribution pension arrangements in 2015.

Defined benefit scheme

The defined benefit pension scheme closed to new members on 6 April 2005 (with the exception of ex-HSBC members). Following the statutory consultation period, the defined benefit pension plan closed to future service accruals from 30 November 2007. From that date the scheme was closed for all members with the exception of the ex-HSBC members. The HSBC section of the plan was closed to future accrual on 16 January 2013.

The sections of the defined benefit scheme are as follows:

Final salary

The final salary section provides a pension of one sixtieth or one eightieth (depending on the level of employee contribution) of final salary at normal retirement age for each year of pensionable service. This is subject to the benefit not exceeding one thirtieth of the scheme specific earnings cap for each year of pensionable service, which applies to members who joined the Plan on or after 1 June 1989. Normal retirement age is 65 (60 for ex-HSBC members).

Career average revalued earnings

The career average revalued earnings section provides an accrual each year of a unit of one forty-fifth, one sixtieth or one eightieth (depending on the level of employee contribution) of pensionable salary for that year. The unit is then revalued in each subsequent year by the rate of growth in the Retail Prices Index until normal retirement age. The normal retirement age under this section is 65 except for certain executives whose normal retirement age is set at 62, where the accrual rate is one forty-fifth.

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income for the year are analysed as follows:

	2014 £000	2013 £000
Recognised in profit from operations		
Current service cost	–	(24)
Administration costs	(839)	(771)
Recognised in arriving at profit from operations	(839)	(795)
Interest expense	(7,081)	(6,675)
Interest income	5,905	5,790
Net interest on defined benefit liability	(1,176)	(885)
Taken to the Consolidated Statement of Comprehensive Income		
Actual return on scheme assets (excluding interest income)	7,352	(720)
Actuarial gains / (losses) arising from changes in demographic assumptions	352	(676)
Actuarial losses arising from changes in financial assumptions	(16,134)	(5,226)
Actuarial losses from experience	(2,899)	–
Actuarial losses recognised in the Consolidated Statement of Comprehensive Income	(11,329)	(6,622)

The following tables summarise the components of net benefit expense recognised in the Consolidated Income Statement and the funded status and amounts recognised in the Consolidated Balance Sheet for the defined benefit pension plan.

Net benefit expense (recognised in employee benefits expense / finance costs)

	2014	2013
	£000	£000
Current service cost	–	(24)
Administration costs	(839)	(771)
Interest expense	(7,081)	(6,675)
Interest income	5,905	5,790
Net benefit expense	(2,015)	(1,680)

Benefit (liability) / asset

	2014	2013
	£000	£000
Defined benefit obligation	(183,321)	(164,232)
Fair value of plan assets	144,223	136,562
Net pension deficit	(39,098)	(27,670)

The defined benefit obligation comprises £183 million (2013 £164 million) arising from a partly funded plan.

Present value of the defined benefit obligation

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
	£000	£000
Opening defined benefit obligation	164,232	158,717
Interest cost	7,081	6,675
Current service cost	–	24
Benefits paid	(6,673)	(7,086)
Actuarial (gains) / losses arising from changes in demographic assumptions	(352)	676
Actuarial losses arising from changes in financial assumptions	16,134	5,226
Actuarial losses from experience	2,899	–
Closing defined benefit obligation	183,321	164,232

Fair value of plan assets

Changes in the fair value of plan assets are as follows:

	2014	2013
	£000	£000
Opening fair value of plan assets	136,562	137,004
Interest income	5,905	5,790
Administration costs	(839)	(771)
Contributions by employer	1,916	2,345
Benefits paid	(6,673)	(7,086)
Actual return on scheme assets (excluding interest income)	7,352	(720)
Closing fair value of plan assets	144,223	136,562

The Group expects to pay £3.4 million to the defined benefit pension scheme in 2015, of which £1.2m relates to annual rent and £0.7m to administration costs.

In February 2012 the Group and the Trustees agreed to an arrangement involving the securitisation of a rental stream on one of the Group's freehold properties to help address the pension fund deficit. In connection with the arrangement certain freehold property was transferred to a limited partnership established by the Group. The partnership is controlled by, and its results are consolidated by the Group. The fair value of the assets transferred was £9.8m and on the same date the Pension Scheme used the contribution to acquire an interest in the partnership for its fair value of £9.8m. The Pension Scheme's partnership interest entitles it to a distribution from the income of the partnership over 15 years. At inception the discounted value of the cash distributions was assessed at £9.8m which was recognised as a pension plan asset that reduced the funding deficit by the same amount. As part of the arrangement the Trustees agreed that the £9.8m constituted a prepayment for the years 2012 to 2014 inclusive. Consequently the annual payments to the Pension Scheme have been limited to the annual rent on the property of £1.15m between 2012 and 2014.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2014 %	2013 %
Asset category		
Assets with a quoted market price in an active market:		
Equities	16	9
Liability Driven Investment	24	—
Diversified growth	55	57
UK Corporate bonds	—	9
Insured liabilities	4	4
Other:		
Hedge funds	—	1
Cash	1	20
	100	100

None of the above represents equities or bonds issued by the Group, nor properties owned by the Group.

Assumptions

The valuation has been based on a full assessment of the liabilities of the scheme according to preliminary results of the latest triennial valuation at 31 March 2014, updated by independent qualified actuaries to take account of the requirements of IAS 19 Employee Benefits in order to assess the liabilities of the scheme at 31 December 2014.

The principal weighted average assumptions used to determine benefit obligations for the Group's plan are shown below:

	2014 %	2013 %
Discount rate	3.70	4.40
Inflation assumption – Retail Prices Index	3.10	3.45
Inflation assumption – Consumer Prices Index	2.10	2.45

Mortality rates

Assumed life expectancy for a member aged 65 is as follows:	Years	Years
Current pensioners:		
Male	21.1	21.5
Female	23.3	23.7
Future pensioners:		
Male	22.7	23.3
Female	25.2	25.6

A 0.25 percentage point change (in absolute terms), in the factors below would have the following effects:

	Increase £000	Decrease £000
Discount rate		
Effect on profit from operations	110	(110)
Effect on defined benefit obligation	(6,900)	7,300
Inflation		
Effect on defined benefit obligation	4,300	(4,100)

A one year increase in life expectancy would have the following effect:

	Increase £000
Effect on defined benefit obligation	5,200

The weighted average duration of the defined benefit obligation at 31 December 2014 is approximately 17 years (31 December 2013 17 years).

15 Inventories

	2014 £000	2013 £000
Raw materials	4,698	4,834
Work in progress	2,533	3,558
Finished goods	1,148	1,217
	8,379	9,609

All inventories are held at the lower of cost and net realisable value.

16 Trade and other receivables

	2014 £000	2013 £000
Trade receivables	39,101	35,789
Prepayments, accrued income and other receivables	17,262	17,369
	56,363	53,158
Current	56,098	52,955
Non-current	265	203
	56,363	53,158

Trade receivables are non-interest bearing and generally on 30-90 days' credit terms. The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment.

In 2013, the Group commenced the use of a supply chain finance facility. The facility allows the Group to sell trade receivables associated with specific customers to a nominated bank without recourse, offering improved working capital at competitive finance rates.

The doubtful debt provision has remained unchanged during the year:

	2014	2013
	£000	£000
At 1 January	158	165
Provisions made during the year	158	17
Utilised during year	(158)	(24)
At 31 December	158	158

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group trades only with recognised, creditworthy third parties. The top 10 customers make up 70% of the receivables balance (2013 70%). Generally, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has in place trade credit insurance arrangements which cover 30% of the Group's turnover up to a maximum aggregate claim in any one year of £4 million. The concentration of credit risk is therefore limited to the carrying value of trade debtors not covered by the credit insurance. Accordingly the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts in respect of the portion not covered by the credit insurance and an excess of £40,000 in respect of the portion covered by the credit insurance. Certain trade receivables were found to be impaired and a provision of £158,000 (2013 £158,000) is carried at the year end. Trade receivables are shown net of this doubtful debt provision.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2014	2013
	£000	£000
Overdue by less than 30 days	1,104	2,550
30 – 60 days overdue	470	443
60 – 90 days overdue	241	106
90+ days	362	514
	2,177	3,613

17 Financial assets and liabilities

17.1 Financial assets by category

The IAS 39 categories of financial asset included in the Consolidated Balance Sheet and the headings in which they are included are as follows:

	2014 £000	2013 £000
Current assets		
Trade and other receivables – Loans and receivables	50,209	47,253
Cash and cash equivalents	24,503	18,642
	74,712	65,895

17.2 Financial liabilities by category

The IAS 39 categories of financial liability included in the Consolidated Balance Sheet and the headings in which they are included are as follows:

	2014 £000	2013 £000
Non-current liabilities		
Interest-bearing loans and borrowings – Financial liabilities measured at amortised cost	58,000	44,000
Cash flow hedges	273	–
Trade and other payables – Financial liabilities measured at amortised cost	2,638	192
Hire purchase commitments	2,129	170
	63,040	44,362
Current liabilities		
Trade and other payables – Financial liabilities measured at amortised cost	70,420	70,310
Cash flow hedges	–	21
Hire purchase commitments	738	677
Provisions	631	647
	71,789	71,655

Disclosures have been provided in the current year for trade and other payables, hire purchase commitments and provisions within this note. Prior year comparatives have also been included.

18 Cash and cash equivalents

	2014 £000	2013 £000
Cash at bank and in hand	24,503	18,642

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £24,503,000 (2013 £18,642,000). Cash at bank includes an amount of £76,500 (2013 £76,500) held in a separate bank account for the purposes of repaying certain creditors following the cancellation of the share premium account.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2014 £000	2013 £000
Cash at bank and in hand	24,503	18,642

19 Equity share capital and reserves

	2014		2013	
	Number of shares	£000	Number of shares	£000
Allotted and fully paid				
Ordinary shares of 25p each	199,027,549	49,757	194,405,651	48,601

The Group has one class of ordinary shares which carry no right to fixed income.

The Group has three share option schemes under which options to subscribe for the Company's shares have been granted to employees (Note 13).

Share premium reserve

This represents the share premium attaching to those shares issued upon the exercise of certain share options.

Capital redemption reserve

The capital redemption reserve is used to record the effect of share capital buy-backs made by the Company where the nominal value of share capital acquired is transferred to this reserve.

ESOP reserve

The ESOP reserve is used to record the investment in Communisis plc shares held by the employee share ownership plan ("ESOP"). The ESOP is for the benefit of all employees and can be used in conjunction with any of the Group's share schemes. The ESOP reserve holds 134,675 shares at 31 December 2014 (2013 143,964) with an average cost of 53.16p (2013 53.16p) and the market value of these shares is £67,176 (2013 £81,340).

Merger reserve

This represents the share premium attaching to those shares issued upon the acquisition of subsidiaries.

Cumulative translation adjustment

The cumulative translation adjustment reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. This reserve was reset to zero on 1 January 2004, the date of transition to IFRS.

20 Interest-bearing loans and borrowings

	Maturity	2014 £000	2013 £000
Current			
Hire purchase contracts	August 2019	738	677
		738	677
Non-current			
Hire purchase contracts	August 2019	2,129	170
£65,000,000 bank loan (2013 £55,000,000)	March 2018	57,483	43,502
		59,612	43,672

Hire purchase

See Note 25 for full details. Four further contracts have been entered into during the year.

Bank overdrafts

The bank overdrafts are principally denominated in sterling and bear interest at rates set by reference to the UK Base Rate. The overdrafts are secured by cross guarantee arrangements with the relevant banks. At 31 December 2014 and 31 December 2013 bank overdraft facilities of £5,000,000 were available but not utilised.

£65,000,000 Bank loan

This loan is secured by a cross guarantee arrangement and is repayable in March 2018. Interest is charged at LIBOR plus a rate of between 2.50% and 4.25% depending on the ratio of net debt to EBITDA in the preceding performance period.

The Group is subject to a number of covenants in relation to its borrowing, which, if breached, would result in its loans becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt as a multiple of EBITDA and interest payable as a multiple of EBITA. At the year end the Group was not in breach of any bank covenants.

At 31 December 2014, the Group had available £7,000,000 (2013 £11,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

With the exception of hire purchase agreements, early repayment is possible under the terms of all the borrowing facilities listed above at no cost by giving more than five days notice.

21 Provisions

	Onerous leases £000	Litigation provisions £000	Total £000
At 1 January 2014	600	47	647
Utilised	—	(16)	(16)
At 31 December 2014	600	31	631
Current 2014	600	31	631
Non-current 2014	—	—	—
At 31 December 2014	600	31	631
Current 2013	600	47	647
Non-current 2013	—	—	—
At 31 December 2013	600	47	647

Onerous leases

The exceptional property provisions relate primarily to the estimated costs for the rental obligations, dilapidations and other costs of surplus premises which are long-term in nature. The provision reflects the estimated net cost to the Group over the remainder of the lease period. It is expected that the costs will be incurred within one year of the balance sheet date.

Litigation provisions

This provision represents management's best estimate of the outcome of potential historical contractual liabilities. It is expected that the costs will be incurred within one year of the balance sheet date.

22 Trade and other payables

	2014 £000	2013 £000
Trade payables	46,510	46,072
Other payables	8,488	8,597
Taxation and social security	3,941	3,302
Accruals and deferred income	19,383	13,624
Interest payable	–	16
	78,322	71,611
Current	75,684	71,419
Non-current	2,638	192
	78,322	71,611

Trade and other payables are non-interest bearing and generally on 30-90 days' credit terms. The carrying values are considered to be a reasonable approximation of fair value.

23 Financial liabilities

	2014 £000	2013 £000
Current liabilities:		
Interest rate swaps	–	21
Non-current liabilities:		
Interest rate swaps	273	–
	273	21

Interest rate swaps

At the beginning of 2014 the Group had a single arrangement with a notional amount of £18,351,000, whereby the Group pays a fixed rate of interest of 3.715%, and receives a variable rate equal to LIBOR+3% on the notional amount. This arrangement terminated in August and was replaced by two separate arrangements each of a notional amount of £10,000,000 with maturity dates greater than one year. On one the Group pays a fixed rate of interest of 3.63% and on the other of 4.15% and on both the Group receives a variable rate equal to LIBOR + 2.5% on the notional amount.

Fair value hierarchy

The Group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair

value are observable either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2014, the Group held the following financial instruments measured at fair value:

	2014 £000	Level 1 £000	Level 2 £000	Level 3 £000
Financial liabilities at fair value through profit or loss				
Interest rate swaps	273	–	273	–

During the year there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

As disclosed within note 27, the fair value of loans has been calculated using level 2 valuation techniques.

24 Obligations under operating leases

Operating lease commitments – Group as lessee

Motor vehicles and machinery leases

The Group has entered into commercial leases on motor vehicles and items of machinery (including high-speed colour digital presses). These leases have a remaining life of between one and five years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2014 £000	2013 £000
No later than one year	7,383	6,102
After one year but no more than five years	19,010	21,372
	26,393	27,474

Land and building leases

The Group has entered into commercial land and building leases. These leases have a remaining life of between one and eleven years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2014 £000	2013 £000
No later than one year	3,260	2,492
After one year but no more than five years	11,572	8,593
After five years	10,627	9,242

	25,459	20,327
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Operating lease commitments – Group as lessor

Surplus land and building leases

The Group has entered into commercial land and building leases consisting of the Group's surplus office and manufacturing buildings. These leases have a remaining life of between one and nine years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2014	2013
	£000	£000
No later than one year	1,019	1,020
After one year but no more than five years	4,076	4,080
After five years	3,568	4,591
	8,663	9,691

25 Hire purchase commitments

The Group has entered into hire purchase contracts for various items of plant and machinery with a purchase option at the end of the lease term, for a nominal fee. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2014		2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£000	(Note 20) £000	£000	(Note 20) £000
Within one year	846	738	705	677
After one year but no more than five years	2,290	2,129	173	170
Total minimum lease payments	3,136	2,867	878	847
Less amounts representing finance charges	(269)	–	(31)	–
Present value of minimum lease payments	2,867	2,867	847	847

26 Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and overdrafts (Note 20), cash and short-term deposits (Note 18) and forward currency contracts and interest rate swaps (Note 23). The main purpose of these financial instruments is to raise finance for the Group's operations and to manage exchange rate and interest rate risk. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be under taken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, liquidity risk and credit risk.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's medium-term debt obligations with a floating interest rate.

All borrowings are held on floating rate terms and so the Group is exposed to interest rate movements on these borrowings. The Group's policy is to monitor interest rate exposure on this floating rate debt and maintain interest rate swaps through separate financial instruments where appropriate. At the beginning of 2014 the Group had a single arrangement with a notional amount of £18,351,000 which was replaced by two separate arrangements each of a notional amount of £10,000,000, covering 60% of the year end bank debt (2013 72.25%).

At 31 December 2014, if interest rates had been 100 basis points higher for the full financial year, with all other variables held constant, this would have resulted in a reduction of pre-tax profits of £380,000 and a post-tax reduction in equity of £298,000; if interest rates had been lower by 25 basis points throughout the financial year the pre-tax profits would have been £95,000 higher and the post-tax impact on equity would have been an increase of £75,000.

Foreign currency risk

The Group operates principally in the UK with approximately 17.16% (2013 14.8%) of sales arising from companies operating with functional currencies other than sterling. The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts and to manage the risk associated with the anticipated sale and purchase transactions. At the year end there were no foreign currency contracts outstanding at the year-end (2013 none).

Liquidity risk

The Group regularly monitors its risk to a shortage of funds taking account of the maturity profile of its financial assets and liabilities and the projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through a mix of medium-term funding of committed floating rate facilities supplemented by uncommitted bank overdraft facilities.

In 2013 the Group refinanced its borrowings which now are repayable in March 2018. As a result there has been a substantial improvement in the maturity profile of the Group's medium-term debt. At 31 December 2014 none of the Group's medium-term debt matures in less than twelve months (2013 Nil), none matures between one and two years from the balance sheet date (2013 Nil) and 100% matures between two to five years from the balance sheet date (2013 100%).

The directors consider this funding structure to be adequate for the Group's current requirements.

The maturity profile of the Group's financial liabilities at 31 December 2014 is shown in Note 27.

Credit risk

The Group trades only with recognised, credit worthy third parties. Generally, customers who wish to trade on credit terms are subject to credit verification procedures. During the year the Group has entered into trade credit insurance arrangements which cover 30% of the Group's turnover up to a

maximum aggregate claim in any one year of £4 million. The concentration of credit risk is therefore limited to the carrying value of trade debtors not covered by the credit insurance as disclosed in Note 16. The Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at the balance sheet date there are no significant concentrations of credit risk within the Group.

The credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, is managed by Group treasury in accordance with Group policy. Investments of surplus funds are only made with established banks approved by the Board.

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value.

The Group monitors capital using a gearing ratio, being bank debt divided by equity plus bank debt. The policy is to maintain the gearing ratio below 50%. Within bank debt the Group includes all interest-bearing loans and borrowings, less cash and cash equivalents.

	2014 £000	2013 £000
Interest-bearing loans and borrowings	58,000	44,000
Less cash and cash equivalents	(24,503)	(18,642)
Bank Debt	33,497	25,358
Equity	115,706	141,155
Capital and Bank Debt	149,203	166,513
Gearing ratio	22.45%	15.23%

For the purposes of capital management, the Group considers undiscounted interest-bearing loans and borrowings as the appropriate measure for the purposes of determining bank debt.

27 Financial instruments

The following table sets out the maturity of the Group's financial liabilities, based on contractual undiscounted payments.

At 31 December 2014

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Trade payables	(70,420)	(2,398)	(123)	(57)	(60)	—	(73,058)
£65,000,000 bank loan	(1,595)	(1,595)	(1,595)	(58,399)	—	—	(63,184)
Interest rate swaps	(97)	(83)	(55)	(38)	—	—	(273)
Provisions	(631)	—	—	—	—	—	(631)
Hire purchase	(846)	(2,290)	—	—	—	—	(3,136)
	(73,589)	(6,366)	(1,773)	(58,494)	(60)	—	(140,282)

At 31 December 2013

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Trade payables	(46,072)	–	–	–	–	–	(46,072)
£55,000,000 bank loan	(986)	(986)	(986)	(986)	(44,246)	–	(48,190)
Interest rate swaps	(21)	–	–	–	–	–	(21)
Provisions	(647)	–	–	–	–	–	(647)
Hire purchase	(705)	(173)	–	–	–	–	(878)
	(48,431)	(1,159)	(986)	(986)	(44,246)	–	(95,808)

Carrying value is considered to approximate fair value for all of the Group's financial instruments other than bank loans, which have a carrying value of £57,483,000 (2013 £43,502,000) and a fair value of £62,666,000 (2013 £47,691,000). The fair value of loans has been calculated using level 2 valuation techniques reflecting the borrowing rate at the end of the reporting period and any unamortised arrangement fees relating to those borrowings. The own non-performance risk at 31 December 2014 was assessed to be insignificant.

28 Capital commitments

At 31 December 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £165,000 (2013 £1,811,000).

29 Contingent liabilities

The Group has contingent liabilities where it has provided rental guarantees to landlords in respect of certain leasehold properties occupied by companies that were formerly subsidiaries in the Group, but have subsequently been sold. The principal risk is that current leasehold occupants will become insolvent and that guarantees will be called, resulting in a material cash cost to the Group. To the extent that they have not already been called, these guarantees represent contingent liabilities of the Group. Other than those leases for which the liability is considered to be remote, the Group has guaranteed rentals on leases with remaining terms that vary from one to nine years, with annual rentals that range from £9,000 to £1,019,000 per annum. No provision for these guarantees has been made in the Financial Statements because, at the balance sheet date, the directors believe that it is not probable that any further guarantees will be called.

30 Cash generated from operations

	2014 £000	2013 £000
Continuing operations		
(Loss) / profit before tax	(13,258)	6,273
Adjustments for:		
Amortisation of intangible assets arising on business acquisitions	1,008	827
Depreciation and other amortisation	10,505	7,571
Excess of contributions paid over Income Statement pension costs	–	(214)
Exceptional items	24,679	3,475
Loss / (profit) on sale of property, plant & equipment	85	(15)
Share-based payment charge	493	307
Net finance costs	3,586	2,682

Additional contribution to the defined benefit pension plan	(1,150)	(1,650)
Cash cost of exceptional items	(5,055)	(5,253)
Changes in working capital:		
Decrease / (Increase) in inventories	1,361	(2,186)
Increase in trade and other receivables	(5,678)	(21,572)
Increase in trade and other payables	5,411	14,487
Cash generated from operations	21,987	4,732

31 Related party transactions

During the year the directors were remunerated for services provided to the Group. This is disclosed in the Directors' Remuneration Report on pages 54 to 64. The directors are considered to be key management personnel.

There were no other related party transactions in the year.

32 Investments

The Consolidated Financial Statements include the Financial Statements of Communisis plc, the ultimate parent under taking, and all subsidiary under takings. The Group's trading subsidiary operations are listed in the following table.

Name	Country of incorporation	% equity interest 2014	% equity interest 2013	Immediate parent
Communisis UK Limited	United Kingdom	100	100	Communisis plc
Communisis Ireland Limited	Ireland	100	100	Communisis UK
Communisis Data Intelligence Limited	United Kingdom	100	100	Communisis UK
Editions Publishing Limited	United Kingdom	100	100	Communisis UK
Communisis Digital Limited	United Kingdom	100	100	Communisis UK
Communisis France SARL	France	100	100	Communisis Europe
Communisis Italia Srl	Italy	100	100	Communisis Europe
Communisis Deutschland GmbH	Germany	100	100	Communisis Europe
Communisis Spain SL	Spain	100	100	Communisis Europe
Psona Glasgow Limited	United Kingdom	100	100	Psona Group
Communisis Portugal LDA	Portugal	100	100	Communisis Europe
Communisis Sverige AB	Sweden	100	100	Communisis Europe
Communisis Suisse Sarl	Switzerland	100	100	Communisis Europe
Communisis Hellas Marketing Services EPE	Greece	100	100	Communisis Europe
Communisis Nederland BV	Netherlands	100	100	Communisis Europe
Communisis Belgie NV	Belgium	100	100	Communisis Europe
The Garden Marketing Limited	United Kingdom	100	100	Communisis 2012

Limited Communis Turkey Tic Ltd Sti	Turkey	100	–	Communis Europe
Limited Communis Romania SRL	Romania	100	–	Communis Europe
Limited Psona Limited	United Kingdom	100	–	Psona Group
Limited Psona Films Limited	United Kingdom	100	–	Psona Group
Limited The Meaningful Marketing Group Limited	United Kingdom	100	–	Psona Group
Limited Public Creative Limited	United Kingdom	100	–	Communis UK
Limited				

The Company has taken advantage of the exemption available under section 410(2) of the Companies Act 2006 to only disclose above those under takings that principally affect the results or financial position of the Group.

33 Events after the reporting period

On 5 January 2015, the Group acquired the entire share capital of Life Marketing Consultancy Limited (“Life”). Life is an award-winning, research and insight-led shopper marketing agency. Life’s clients are leading consumer goods groups especially in the food, drinks, technology and pharmaceutical sectors.

The acquisition was at an enterprise value (on a debt free, cash free basis) of £22,600,000, including Life’s net assets at completion of £1,400,000. The consideration payable by Communis amounted to a maximum of £23,300,000, including acquired cash of £743,000.

Communis has acquired Life for an initial consideration of £14,000,000. The initial consideration was satisfied by the issue of a two-year, bank guaranteed promissory note of £9,300,000, £700,000 in cash, and through the issue to the vendors of 7,988,015 new ordinary shares of 25p each in the share capital of Communis (the “Initial Consideration Shares”) to the value of £4,000,000, based on an average middle market closing price of 50.1 pence per ordinary share. The Initial Consideration Shares will rank equally in all respects with Communis’ existing ordinary shares. The Initial Consideration Shares are subject to an absolute lock-in for one year after the acquisition. After the first anniversary of the acquisition the Initial Consideration Shares will only be tradable in an orderly market basis through the Group’s brokers.

As part of the purchase agreement two contingent consideration mechanisms have been agreed. An amount of up to a maximum of £6,000,000 (the “Earn Out Consideration”) will be payable to the sellers at the end of the earn-out period (being the two years ended 31 December 2016) subject to the company generating an average adjusted EBITDA of £3,000,000. If the company fails to generate an average adjusted EBITDA of £3,000,000, but generates an average adjusted EBITDA greater than £1,900,000, contingent consideration of 5.4545 times the excess over £1,900,000 will be paid. If the company fails to generate an average adjusted EBITDA of greater than £1,900,000 no contingent consideration will be payable under this mechanism. Two-thirds of the Earn Out Consideration will be satisfied in cash and will therefore total a maximum of £4,000,000, and one-third will be satisfied by the issue of new ordinary shares of 25p each in the share capital of Communis (the “Earn Out Consideration Shares”). As at the date of acquisition, the fair value of the Earn Out Consideration has been estimated at £4,640,000, determined using a probability-weighted payout approach.

An amount up to a maximum of £3,300,000 (the “Additional Consideration”) will be payable to the

sellers based on the achievement of defined synergies over Life's three financial years ended 31 December 2017. The Additional Consideration is payable in cash. As at the date of acquisition, the fair value of the Additional Consideration has been estimated at £2,517,000, determined using a probability-weighted payout approach.

As at the acquisition date, the fair value of all contingent consideration was estimated to be £7,157,000. Significant unobservable valuation inputs are provided below:

Probability-adjusted EBITDA of Life during the earn-out period	£2,800,000 – £3,200,000
Synergies generated over the 3 years ended 31 December 2017	£3,000,000 – £3,600,000
Discount rate	8.3%

Significant decrease in the EBITDA or synergies of Life would result in lower fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability.

Details of the consideration paid and book values of assets and liabilities acquired are set out below. This transaction has been accounted for by the purchase method of accounting.

	Fair value to Group £000
Property, plant and equipment	147
Customer relationships	2,511
Trade name	512
Work in progress	274
Trade and other receivables	3,950
Cash at bank	743
Trade and other payables	(3,427)
Corporation tax	(122)
Deferred tax	(527)
Fair value of net assets acquired	4,061
Goodwill	17,096
Consideration	21,157
Satisfied by:	
Initial consideration:	
Cash	700
Shares	4,000
Loan note	9,300
Contingent consideration:	
Cash	5,610
Shares	1,547
Fair value of consideration	21,157
The net cash outflow arising from the acquisition was as follows:	
Cash consideration, as above	(700)
Cash acquired, as above	743
Net inflow of cash	43

The results of this business will be included within the Design business segment.

Acquisition and set up costs of £569,000 will be expensed in 2015 and included in exceptional items.

The goodwill recognised above comprises certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items represent significant opportunities for synergy benefits and cost savings. Goodwill also comprises the value of Life's assembled work force of highly skilled marketing consultants.


Company Balance Sheet

31 December 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	5	735	1,199
Investments	6	200,977	212,977
		201,712	214,176
Current assets			
Debtors	7	2,118	2,357
Cash at bank and in hand	8	112	11,048
		2,230	13,405
Creditors (amounts due within one year)			
Borrowings	9	(1,814)	–
Other creditors	10	(3,923)	(4,722)
Financial liability	11	–	(21)
		(5,737)	(4,743)
Net current (liabilities) / assets		(3,507)	8,662
Total assets less current liabilities		198,205	222,838
Creditors (amounts due after one year)			
Borrowings	9	(57,483)	(43,502)
Other creditors	10	(508)	–
Financial liability	11	(273)	–
Loans due to group undertakings		(43,431)	(68,675)
Provisions for liabilities	12	(631)	(647)
Net assets excluding net pension liability		95,879	110,014
Net pension liability	17	(3,594)	(2,470)
Net assets		92,285	107,544
Capital and reserves			
Called up share capital	13	49,757	48,601
Share premium account	15	8,036	6,799
Capital redemption reserve	15	1,375	1,375
Merger reserve	15	10,908	10,908
ESOP reserve	14	(72)	(77)
Profit and loss account	16	22,281	39,938
Equity shareholders' funds		92,285	107,544

The Financial Statements on pages 116 to 133 were approved by the Board on 5 March 2015 and signed on its behalf by:


Andy Blundell


Mark Stoner
 Directors

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

Reconciliation of Movements in Equity Shareholders' Funds for the year ended 31 December 2014

	2014	2013
	£000	£000
Loss attributable to shareholders	(12,992)	(4,792)
Ordinary dividends paid	(3,665)	(3,270)
Adjustment in respect of prior years due to change in tax rate	–	(72)
Shares issued – firm placing and placing and open offer (net of transaction costs)	–	18,308
Shares issued on acquisition of subsidiary	2,050	1,700
Share options exercised	343	99
(Loss) / gain on cash flow hedges taken to equity	(252)	43
Actuarial losses on defined benefit pension plan	(1,607)	(1,044)
Deferred tax on items taken directly to equity	371	199
Employee share option schemes – value of services provided	493	307
	(15,259)	11,478
Equity shareholders' funds at start of year	107,544	96,066
Equity shareholders' funds at end of year	92,285	107,544

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

Notes to the Company Financial Statements for the year ended 31 December 2014

1 Accounting policies

1.1 Basis of preparation

The Company Financial Statements are prepared in accordance with applicable United Kingdom law and accounting standards and under the historical cost convention modified to include the measurement of derivative financial instruments at fair value and are made up to 31 December each year.

The Company has taken advantage of the exemption provided by section 408 of the Companies Act 2006 not to publish its individual Profit and Loss Account and related notes.

The directors have taken advantage of the exemption in paragraph 2D of FRS 29 and have excluded disclosures relating to financial instruments from these Financial Statements as disclosures are included in the Consolidated Financial Statements of the Group.

The Company has net current liabilities of £3,507,000 (2013 net current assets of £8,662,000) as at 31 December 2014. The Company's objectives, policies and processes for managing its liquidity risk, as well as potential exposure to cash flow interest rate risk, are described in Note 26 in the Consolidated Financial Statements.

Through the Group, the Company has considerable financial resources and as a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

1.2 Summary of significant accounting policies

Tangible fixed assets

Tangible fixed assets in the Financial Statements of the Company are stated at cost, less aggregate depreciation and any provision for impairment.

Depreciation

The charge is calculated at rates appropriate to write off the cost less residual value of individual assets from the time they become operational by equal annual installments over their estimated useful economic lives which are principally as follows:

Freehold property
25 to 55 years

Plant, equipment and motor vehicles
4 to 10 years

Freehold land is not depreciated.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

Impairment

In accordance with FRS 11 'Impairment of fixed assets and goodwill', fixed assets are subject to an impairment review if circumstances or events change to indicate that the carrying value may not be fully recoverable. The review is performed by comparing the carrying value of the fixed asset to its recoverable amount, being the higher of the net realisable value and value in use. The net realisable

value is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market-based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its ultimate disposal.

When the carrying values of fixed assets are written down by any impairment amount, the loss is recognised in the Profit and Loss Account in the period in which it occurred. Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the Profit and Loss Account in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset will only be up to the amount that it would have been had the original impairment not occurred.

For the purpose of conducting impairment reviews, income generating units are considered to be groups of assets and liabilities that generate income, and are largely independent of other income streams. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those central assets used to produce more than one income stream.

Taxation

Current tax, being UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised as a liability or asset in respect of all timing differences that have originated but not reversed if the transactions or events that give rise to an obligation to pay more tax in future, or a right to pay less tax in future, have occurred by the balance sheet date, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the directors consider that it is more

likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is also recognised in equity.

Foreign currencies

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Profit and Loss Account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Pension costs

The Company operates defined contribution and defined benefit pension plans.

Payments to defined contribution pension plans are charged as an expense to the Profit and Loss Account as incurred when the related employee service is rendered. The Company has no further legal or constructive payment obligations once the contributions have been made.

The defined benefit pension plan is a Group scheme. The Company's share of the assets and liabilities of the scheme has been allocated on a reasonable and consistent basis.

An interest cost representing the unwinding of the discount rate on the scheme's liabilities, net of the expected return on scheme assets, is charged to the Profit and Loss Account. The liability recognised in the Balance Sheet in respect of the plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets net of deferred tax. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using interest rates of AA rated corporate bonds that have terms of maturity approximating to the terms of the relevant pension liability.

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognised immediately in the Statement of Total Recognised Gains and Losses.

Leases

Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

Employee Share Ownership Plan

The Company maintains an Employee Share Ownership Plan ("ESOP"). All assets and liabilities of the ESOP are accounted for in accordance with UITF 38 'Accounting for ESOP Trusts'. The investment in Communisis plc shares held by the ESOP trust is classified at original cost as a deduction from shareholders' funds.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Profit and Loss Account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs are expensed as incurred.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made, but there is some uncertainty about the timing of the future expenditure required in settlement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre- tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share-based payment transactions

Certain directors and management are eligible to participate in share-based payment schemes all of which are equity- settled, in return for services provided to Communisis plc.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Communisis plc ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

The Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 31 December 2004.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Profit and Loss Account for the award is

expensed immediately. This includes any award where non-vesting conditions within the control of the Company or the employee are not met. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Profit and Loss Account.

Where an equity-settled award is forfeited, the total cost recognised in the Profit and Loss Account to date for the award is reversed.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Profit and Loss Account.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

The fair value of interest rate swaps is the difference between the fixed rate and the one month LIBOR rate implied at the balance sheet date, calculated monthly, and discounted to present value.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows, that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or when hedging the foreign currency risk in an unrecognised firm commitment.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for under taking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Profit and Loss Account.

Amounts taken to equity are transferred to the Profit and Loss Account when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial

asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Profit and Loss Account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

The Company uses forward exchange contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

2 Operating costs and income

Auditor's remuneration

The auditor's remuneration charge relating to the year was £10,000 (2013 £10,000).

The parent company is exempt from disclosing remuneration for non-audit services as the Group accounts are required to include the information required by Regulation 4(1)(b) of the Companies Regulations 2005 in respect of the Group.

Employee numbers

The average number of persons employed by the Company during the year was:

	2014 Number	2013 Number
United Kingdom	43	37

Directors' remuneration

Details of individual directors' remuneration, pension entitlements and interests of the directors in Communis plc are provided within the Directors' Remuneration Report on pages 54 to 64.

Loss attributable to members of the parent company

The loss for the year attributable to members of the parent company was £12,992,000 (2013 £4,792,000).

3 Dividends paid and proposed

	2014 £000	2013 £000
Declared and paid during the year		
Amounts recognised as distributions to equity holders in the year:		
Final dividend of the year ended 31 December 2012 of 1.10p per share	–	2,104
Interim dividend of the year ended 31 December 2013 of 0.60p per share	–	1,166
Final dividend of the year ended 31 December 2013 of 1.20p per share	2,333	–
Interim dividend of the year ended 31 December 2014 of 0.67p per share	1,332	–
	3,665	3,270
Proposed for approval at AGM (not recognised as a liability as at 31 December)		

Final equity dividend on ordinary shares of 1.33p (2013 1.20p) per share (based on issued share capital at the date of approval of the Financial Statements)

2,754

2,333

4 Deferred taxation

	2014 £000	2013 £000
The asset at 20% (2013 20%) for deferred taxation is as follows:		
Accelerated capital allowances	(21)	(14)
Other short-term timing differences	214	216
Share-based payments	185	158
Financial liability	55	5
Total deferred tax	433	365

The provision for deferred tax at 31 December 2014 has been made at 20% reflecting the legislation included in Finance Act 2014 reducing the rate of Corporation Tax to 20% from April 2015.

5 Tangible fixed assets

	Freehold property £000	Plant, equipment and motor vehicles £000	Total £000
Cost			
1 January 2014	1,100	1,415	2,515
Additions	–	316	316
Disposals	(1,100)	(47)	(1,147)
31 December 2014	–	1,684	1,684
Accumulated depreciation			
1 January 2014	445	871	1,316
Charge for year	12	112	124
Disposals	(457)	(34)	(491)
31 December 2014	–	949	949
Net book value at 31 December 2014	–	735	735
Net book value at 31 December 2013	655	544	1,199

6 Investments

	Shares £000	Provisions £000	Total £000
Subsidiaries			
As at 1 January 2014	377,233	(164,256)	212,977
Impairment loss	–	(12,000)	(12,000)
31 December 2014	377,233	(176,256)	200,977

The carrying amount has been determined based on the value in use of assets comprising the Company's investment in subsidiaries, which are in turn allocated across the Income Generating Units ("IGUs") of the Group. These are based upon detailed budgets for the three IGUs of the

Group – Design, Produce and Deploy, for the coming year and internal forecasts of future growth over a five-year period (2013 five-year period). Cash flows beyond the five-year period (2013 five-year period) are extrapolated using external forecasts of expected growth rates. In 2014 an impairment charge of £12,000,000 has been made.

Revenue growth included in the approved financial budgets

The revenue growth forecast in the risk-adjusted Design cash flow projections based on financial budgets is 15% in 2015 and between 17% and 24% in years two to five.

The revenue growth forecast in the risk-adjusted Produce cash flow projections based on financial budgets is -4% in 2015 and between -1% and 0% in years two to five.

The revenue growth forecast in the risk-adjusted Deploy cash flow projections based on financial budgets is 14% in 2015 and between 5% and 6% in years two to five.

Product and services mix/profit margins

Design is expected to have an increased share of Group revenues (excluding pass through) relative to Produce over the five-year forecast period, whilst Deploy is expected to remain relatively consistent. Higher margins are generated in the Design and Deploy segments as these IGUs benefit from a relatively fixed overhead base which does not flex up as revenues increase.

The Group profit margin is projected to increase from 6.9% in 2014 (excluding pass through revenue) to 9.8% by the end of the detailed forecast period.

Profit growth rate used to extrapolate cash flows beyond the budget period

The profit growth rate used to extrapolate cash flow projections beyond the budget period for all IGUs is considered to be a representative rate for the markets to which these segments are dedicated and in line with long-term economic growth forecasts.

Profit growth rates have been assessed individually for each IGU. Profit growth rates of 2.9% have been used for Design, 2.0% for Produce and 2.7% for Deploy (2013 2.9% for all segments).

Discount rates

The pre-tax discount rate applied to the Design cash flow projections is 10.5%, to the Produce cash flow projections is 11.6%, and to the Deploy cash flow is 10.4%. This is the Group's weighted average cost of capital adjusted to a pre-tax rate and adjusted to reflect management's view of the market assessment of specific risks associated with each separate IGU.

The Company's main subsidiary operations are listed in the following table:

Name	Country of incorporation	% equity interest 2014	% equity interest 2013	Immediate parent
Communis UK Limited	United Kingdom	100	100	Communis plc
Communis Ireland Limited	Ireland	100	100	Communis UK
Communis Data Intelligence Limited	United Kingdom	100	100	Communis UK
Editions Publishing Limited	United Kingdom	100	100	Communis UK
Communis Digital Limited	United Kingdom	100	100	Communis UK

Limited				
Communisis France SARL	France	100	100	Communisis
Europe Limited				
Communisis Italia Srl	Italy	100	100	Communisis
Europe Limited				
Communisis Deutschland GmbH	Germany	100	100	Communisis
Europe Limited				
Communisis Spain SL	Spain	100	100	Communisis
Europe Limited				
Psona Glasgow Limited	United Kingdom	100	100	Psona Group
Limited				
Communisis Portugal LDA	Portugal	100	100	Communisis
Europe Limited				
Communisis Sverige AB	Sweden	100	100	Communisis
Europe Limited				
Communisis Suisse Sarl	Switzerland	100	100	Communisis
Europe Limited				
Communisis Hellas Marketing Services EPE	Greece	100	100	Communisis
Europe Limited				
Communisis Nederland BV	Netherlands	100	100	Communisis
Europe Limited				
Communisis Belgie NV	Belgium	100	100	Communisis
Europe Limited				
The Garden Marketing Limited	United Kingdom	100	100	Communisis 2012
Limited				
Communisis Turkey Tic Ltd Sti	Turkey	100	–	Communisis
Europe Limited				
Communisis Romania SRL	Romania	100	–	Communisis
Europe Limited				
Psona Limited	United Kingdom	100	–	Psona Group
Limited				
Psona Films Limited	United Kingdom	100	–	Psona Group
Limited				
The Meaningful Marketing Group Limited	United Kingdom	100	–	Psona Group
Limited				
Public Creative Limited	United Kingdom	100	–	Communisis UK
Limited				

7 Debtors

	2014	2013
	£000	£000
Trade debtors	285	310
Amounts owed by group undertakings	180	79
Other debtors	558	566
Prepayments and accrued income	242	727
Deferred tax asset (Note 4)	433	365
VAT recoverable	420	310
	2,118	2,357

8 Cash at bank and in hand

	2014	2013
	£000	£000
Cash and bank balances	112	11,048

9 Borrowings

	Maturity	2014 £000	2013 £000
Current			
Bank overdrafts	On demand	1,814	–
		1,814	–
Non-current			
£65,000,000 bank loan (2013 £55,000,000)	March 2018	57,483	43,502
		59,297	43,502

Bank overdrafts

The bank overdrafts are principally denominated in sterling and bear interest at rates set by reference to the UK Base Rate. The overdrafts are secured by cross guarantee arrangements with the relevant banks.

£65,000,000 Bank loan

This loan is secured by a cross guarantee arrangement and is repayable in March 2018. Interest is charged at LIBOR plus a rate of between 2.50% and 4.25% depending on the ratio of net debt to EBITDA in the preceding performance period.

The Company is subject to a number of covenants in relation to its borrowing, which, if breached, would result in its loans becoming immediately repayable. These covenants specify certain maximum limits in terms of net debt as a multiple of EBITDA, interest payable as a multiple of EBITA and cash flow as a multiple of debt service costs. At the year end the Company was not in breach of any bank covenants.

At 31 December 2014, the Company had available £7,000,000 (2013 £11,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

10 Other creditors

	2014 £000	2013 £000
Trade creditors	158	655
Amounts due to group companies	62	21
Other creditors	12	255
Corporation tax payable	1,171	1,272
Taxation and social security	1,830	1,605
Accruals and deferred income	1,198	914
	4,431	4,722
Current	3,923	4,722
Non-current	508	–
	4,431	4,722

11 Financial liabilities

	2014 £000	2013 £000
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Current liabilities:

Interest rate swaps	–	21
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Non-current liabilities:

Interest rate swaps	273	–
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	273	21
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Interest rate swaps

At the beginning of 2014 the Company had a single arrangement with a notional amount of £18,351,000, whereby the Company pays a fixed rate of interest of 3.715%, and receives a variable rate equal to LIBOR+3% on the notional amount. This arrangement terminated in August and was replaced by two separate arrangements each of a notional amount of £10,000,000 with maturity dates greater than one year. On one the Company pays a fixed rate of interest of 3.63% and on the other of 4.15% and on both the Company receives a variable rate equal to LIBOR + 2.5% on the notional amount.

12 Provisions for liabilities

	Onerous leases £000	Litigation provisions £000	Total £000
At 1 January 2014	600	47	647
Utilised	–	(16)	(16)
At 31 December 2014	600	31	631

Onerous leases

The exceptional property provisions relate primarily to the estimated costs for the rental obligations, dilapidations and other costs of surplus premises which are long-term in nature. The provision reflects the estimated net cost to the Company over the remainder of the lease period. It is expected that the costs will be incurred within one year of the balance sheet date.

Litigation provisions

This provision represents management's best estimate of the outcome of potential historical contractual liabilities. It is expected that the costs will be incurred within one year of the balance sheet date.

13 Called up share capital

	2014		2013	
	Number of shares	£000	Number of shares	£000
Allotted and fully paid				
Ordinary shares of 25p each	199,027,549	49,757	194,405,651	48,601

The Company has one class of ordinary shares which carry no right to fixed income.

During the year the Company has issued 4,621,898 ordinary shares with a nominal value of £1,156,000. The total consideration received was £2,393,000. The difference between the consideration received and the nominal value of £1,237,000 has been taken to share premium.

The Company has three share option schemes under which options to subscribe for the Company's shares have been granted to employees (Note 18).

14 ESOP reserve

The ESOP reserve is used to record the investment in Communisis plc shares held by the employee share ownership plan ("ESOP"). The ESOP is for the benefit of all employees and can be used in conjunction with any of the Group's share schemes. The ESOP reserve holds 134,675 shares at 31 December 2014 (2013 143,964) with an average cost of 53.16p (2013 53.16p) and the market value of these shares is £67,176 (2013 £81,340).

Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to retained earnings. No gain or loss is recognised in the Profit and Loss Account on the purchase, sale, issue or cancellation of equity shares.

15 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	ESOP reserve £000
As at 1 January 2014	6,799	1,375	10,908	(77)
Movement in the year	1,237	–	–	5
As at 31 December 2014	8,036	1,375	10,908	(72)

16 Profit and Loss Account

	2014 £000	2013 £000
As at 1 January	39,938	48,856
Loss for the financial year	(12,992)	(4,792)
Ordinary dividends paid	(3,665)	(3,270)
Adjustment in respect of prior years due to change in tax rate	–	(72)
(Loss) / gain on cash flow hedges taken directly to equity	(202)	33
Actuarial losses recognised in the pension scheme	(1,607)	(1,044)
Income tax on items taken directly to equity	321	209
Employee share option schemes – value of services provided	493	307
Shares issued from ESOP	(5)	(289)
As at 31 December	22,281	39,938

17 Pensions and other post-employment benefit plans

	2014 £000	2013 £000
Pension liability	(4,493)	(3,087)
Deferred tax	899	617
Net pension liability	(3,594)	(2,470)

The Company has complied with the requirements of FRS 17 in the current and preceding period.

These Financial Statements include a proportion of the Group pension deficit and charge which has been allocated to the Company.

The Company operates defined contribution and defined benefit pension plans.

Defined contribution schemes

The Company operates UK defined contribution arrangements. The assets of the arrangements are held separately from those of the Company.

The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £158,000 (2013 £103,000) represents contributions payable to these arrangements by the Company at specified rates. As at 31 December 2014, contributions of £nil (2013 £nil) due in respect of the current reporting period have not been paid over to the arrangements.

The Company expects to contribute £0.2m (2014 £0.1m) to the defined contribution pension arrangements in 2015.

Defined benefit scheme

The defined benefit pension scheme closed to new members on 6 April 2005.

Following the statutory consultation period, the defined benefit pension plan closed to future accrual from 1 December 2007. The scheme was closed for all members.

The defined benefit schemes are as follows:

Final salary

The final salary section provides a pension of one sixtieth or one eightieth (depending on the level of employee contribution) of final salary at normal retirement age for each year of pensionable service. This is subject to the benefit not exceeding one thirtieth of the scheme specific earnings cap, which applies to members who joined the Plan on or after 1 June 1989, for each year of pensionable service. Normal retirement age is 65.

Career average revalued earnings

The career average revalued earnings section provides an accrual each year of a unit of one forty-fifth, one sixtieth or one eightieth (depending on the level of employee contribution) of pensionable salary for that year. The unit is then revalued in each subsequent year by the rate of growth in the Retail Prices Index until normal retirement age. The normal retirement age under this section is 65 except for certain executives, where the accrual rate is one forty-fifth, whose normal retirement age is set at 62.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Asset category	2014 %	2013 %
Equities	62	66
Liability driven investment	24	–
Property	9	–
Bonds / Gilts / Cash	–	9
Insured liabilities	4	4
Other	1	21
	100	100

None of the above represents equities or bonds issued by the Company, nor properties owned by the Company.

Assumptions

The valuation has been based on a full assessment of the liabilities of the scheme according to preliminary results of the latest triennial valuation at 31 March 2014, updated by independent qualified actuaries to take account of the requirements of FRS17 Employee Benefits in order to assess the liabilities of the scheme at 31 December 2014.

The principal weighted average assumptions used to determine benefit obligations for the Company's plan are shown below:

	2014 %	2013 %
Discount rate	3.70	4.40
Inflation assumption – Retail Prices Index	3.10	3.45
Inflation assumption – Consumer Prices Index	2.10	2.45
Mortality rates		
Assumed life expectancy for a member aged 65 is as follows:	Years	Years
Current pensioners:		
Male	21.1	21.5
Female	23.3	23.7
Future pensioners:		
Male	22.7	23.3
Female	25.2	25.6

Deferred pensions are revalued to retirement age in line with the plan's rules and statutory requirements.

The Company expects to contribute £0.4m (2014 £0.2m) to the defined benefit pension scheme in 2015.

In February 2012 the Group and the Trustees agreed to an arrangement involving the securitisation of a rental stream on one of the Group's freehold properties to help address the pension fund deficit. In connection with the arrangement certain freehold property was transferred to a limited partnership established by the Group. The partnership is controlled by, and its results are consolidated by the Group. The fair value of the assets transferred was £9.8m and on the same date the Pension Scheme used the contribution to acquire an interest in the partnership for

its fair value of £9.8m. The Pension Scheme's partnership interest entitles it to a distribution from the income of the partnership over 15 years. At inception the discounted value of the cash distributions was assessed at £9.8m which was recognised as a pension plan asset that reduced the funding deficit by the same amount. As part of the arrangement the Trustees agreed that the £9.8m constituted a prepayment for the years 2012 to 2014 inclusive. Consequently the annual payments to the Pension Scheme have been limited to the annual rent on the property of £1.15m between 2012 and 2014.

The amounts which have been recognised in the Company Profit and Loss Account and in the Statement of Total Recognised Gains and Losses for the year are analysed as follows:

	2014 £000	2013 £000
Analysis of net return on pension scheme		
Expected return on scheme assets	836	846
Interest cost on scheme liabilities	(871)	(821)
Interest (charge) / income	(35)	25
Analysis of amount recognised in Statement of Total Recognised Gains and Losses		
Actual return less expected return on scheme assets	691	(318)
Experience losses on liabilities	(2,298)	(726)
Actuarial losses recognised in the Statement of Total Recognised Gains and Losses	(1,607)	(1,044)

Benefit asset /(liability)

	2014 £000	2013 £000
Defined benefit obligation	(21,800)	(19,452)
Fair value of plan assets	17,307	16,365
Net pension deficit	(4,493)	(3,087)

The defined benefit obligation comprises £2 1.8 million (2013 £19.5 million) arising from a partly funded plan.

Present value of the defined benefit obligation

Changes in the present value of the defined benefit obligation are as follows:

	2014 £000	2013 £000
Opening defined benefit obligation	19,452	18,776
Interest cost	871	821
Benefits paid		(821)
Actuarial losses on obligations	2,298	726
Closing defined benefit obligation	21,800	19,452

Fair value of plan assets

Changes in the fair value of plan assets are as follows:

	2014 £000	2013 £000
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Opening fair value of plan assets	16,365	16,419
Expected return on plan assets	836	846
Contributions by employer	236	289
Benefits paid	(821)	(871)
Actuarial gains / (losses)	691	(318)
	17,307	16,365

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Five-year history					
Present value of defined benefit obligation	(21,800)	(19,452)	(18,776)	(17,031)	(16,600)
Fair value of plan assets	17,307	16,365	16,419	15,603	15,729
Deficit	(4,493)	(3,087)	(2,357)	(1,428)	(871)
History of experience gains and losses	2014	2013	2012	2011	2010
Experience adjustments on plan assets (£000)	691	(318)	653	(809)	659
Percentage of scheme assets	4%	2%	4%	5%	4%
Experience adjustments on plan liabilities (£000)	–	–	–	638	–
Percentage of scheme liabilities	–	–	–	4%	–
Total amount recognised in Statement of					
Total Recognised Gains and Losses (£000)	(1,607)	(1,044)	(1,128)	(1,091)	274
Percentage of scheme liabilities	7%	5%	6%	6%	2%

18 Share-based payments

The Communisis Long Term Incentive Plan 2007

Certain directors and managers are eligible to participate in this plan at the discretion of the Remuneration Committee. The exercise price in respect of options granted under the scheme is £nil.

For all options granted up to 31 December 2009, up to 50% of the options vest if the Total Shareholder Return ("TSR") of the Company, as compared to the TSR performance of all companies in the Support Services sector of the FTSE All Share Index (excluding FTSE 100 companies), is at or above the median level over a three-year period. The other 50% of the options may vest if the TSR of the Company, as compared to the TSR performance of all companies in the FTSE Small Cap Index (excluding investment trusts), is at or above the median level over a three-year period. 30% of each tranche of options will vest for performance at the median of the comparator group rising, on a straight-line basis, to 100% vesting for performance in the top decile of the comparator group. If the performance conditions are not fulfilled within the three-year period from the date of grant, the options lapse. The contractual life of each option granted is five years. There are no cash settlement alternatives.

For options granted under this scheme in 2010, the options will vest if the share price of the Company attains certain thresholds measured by reference to a rolling three month average at any time within three years of the date of award. If the share price increases to 30p 10% of the options vest, at 50p 30% vest, at a share price of 70p 60% will vest and 100% vesting will be attained if the share price exceeds 90p.

For the options granted under this scheme in 2011, no options will vest unless the three month rolling average share price increases to more than 32.742p. At 50p 19.78% of the awards will vest, at a share price of 70p 52.78% will vest and 100% vesting will be attained if the share price exceeds 90p. For the options granted in 2010 and 2011 vesting occurs on a straight-line pro rata basis between the thresholds outlined above.

No vested shares arising under the grants made in 2010 or 2011 can be released before the third anniversary of the award date and no vested shares will be released for at least two years after the attainment of the threshold.

For options granted under this scheme in 2013 a maximum of 60% of the options will vest on the attainment of certain share price thresholds and the remaining 40% will vest on the attainment of Return on Sales targets in the year ended 31 December 2015. The share price measure is calculated by reference to the average share price in the final three months of the three year performance period in comparison with the average share price in the three months immediately preceding grant ("Base Share Price"). If the closing average share price is 10p above the Base Share Price 25% of this tranche of options will vest; if the closing average share price exceeds 90p 100% of this tranche will vest; for attainment between these thresholds vesting will occur on a straight-line pro rata basis. The Return on Sales performance will be measured as the profit from operations before exceptional items as a percentage of total revenue excluding pass through revenue for the Group in the year ended 31 December 2015. If the return on sales reaches 7.5% 25% of this tranche of options will vest increasing to 100% vesting if the measure exceeds 10%; for attainment between these thresholds vesting will occur on a straight-line pro rata basis.

For options granted under this scheme in 2014 a maximum of 60% of the options will vest on the attainment of certain share price thresholds and the remaining 40% will vest on the attainment of growth in earnings per share over the financial years 2014-16. The share price measure is calculated by reference to the average share price in the final three months of the three year performance period in comparison with the average share price in the three months immediately preceding grant ("Base Share Price"). If the closing average share price is 10p above the Base Share Price 25% of this tranche of options will vest; if the closing average share price exceeds 105p 100% of this tranche will vest; for attainment between these thresholds vesting will occur on a straight-line pro rata basis. The Earnings per Share performance will be measured on the basis of Adjusted Basic Earnings per Share (being earnings per share from continuing operations before exceptional items and amortisation of acquired intangible assets and the tax effect of these items). Vesting will be calculated by comparing Earnings per Share at the end of financial year 2016 to the Earnings per share at 31 December 2013 and calculating the compound annual growth rate. If the compound Earnings per Share growth reaches 7.5% per annum 25% of this tranche of options will vest increasing to 100% vesting if Earnings per Share growth exceeds 15% per annum; for attainment between these thresholds vesting will occur on a straight-line pro rata basis.

The Remuneration Committee will only sanction vesting of the awards granted since 2010 if they are satisfied as to the Company's underlying financial performance in the performance period.

The fair value of options granted under the Long Term Incentive Plan 2007 in the year to 31 December 2014 was estimated on the date of grant using a binomial simulation option pricing model, taking into account the terms and conditions upon which the options were granted. The following weighted average assumptions were used in that model: an expected life of three years; share price at the date of grant of £0.5983 (2013 £0.5225); estimated annualised dividend yield of approximately 3.375% (2013 4.1%); risk-free interest rate of 1.3% (2013 2.3%) and expected volatility of 44% (2013 16%). The weighted average fair value of the share options granted in the year ended 31 December 2014 under this plan was £0.3575 (2013 £0.21).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns which may occur. The expected volatility reflects historical volatility adjusted for future trends, which may also not necessarily be the actual outcome. Both the historical and expected volatilities reflect the volatility of the share prices of Communis plc and comparator companies.

The Executive Share Option Scheme 2010

Certain directors and managers are eligible to participate in this scheme at the discretion of the Remuneration Committee. The exercise price of the options granted under this scheme is equal to the market value of the shares on the date of grant.

No options were granted under this scheme in the year ended 31 December 2014 nor in the year ended 31 December 2013.

The Sharesave Scheme

All UK employees (including directors) are eligible to participate in the Communisis Sharesave Scheme. The exercise price of the options is usually equal to the market price of the shares at the date of invitation to participate less a maximum discount of 20%. The options vest on the third anniversary of the commencement of the savings period. Any options which have not been exercised within six months of the vesting date lapse.

The weighted average fair value of Sharesave options granted in the year ended 31 December 2014 was estimated at the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used in that model: option holders will exercise their option at expiry; share price at the date of grant of £0.66; estimated annualised dividend yield of approximately 2.57%; risk-free interest rate of 1.44% and expected volatility of 43.16%. The volatility has been determined by reference to Communisis plc's and comparator companies' historical volatility over a three-year period, adjusted for expected future trends, to reflect the share price of Communisis plc in the future. The exercise price is £0.575 for options exercisable three years after the date of grant. The weighted average fair value of the share options granted under this scheme in the year ended 31 December 2014 was £0.204. There were no options granted under this scheme in the year ended 31 December 2013.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2014	2014	2013	2013
Five-year history	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	7,165,826	0.15168	8,765,945	0.18108
Granted during the year	4,728,237	0.42907	2,896,942	0.00000
Forfeited during the year	(540,322)	0.48945	(263,953)	0.40015
Exercised during the year 1	(1,313,302)	0.26106	(875,132)	0.11304
Expired during the year	(181,643)	0.29478	(3,357,976)	0.08452
Outstanding at the end of the year	9,858,796	0.25607	7,165,826	0.15168
Exercisable at the end of the year	613,976	0.00000	613,976	0.00000

1 The weighted average share price at the date of exercise for the options exercised in the year ended 31 December 2014 was £0.607 786 (2013 £0.510997).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2014 is 2.54 years (2013 2.91 years).

The weighted average fair value of all options granted during the year was £0.243 (2013 £0.2107).

The range of exercise prices for options outstanding at the end of the year was £nil – £0.575 (2013 £ nil – £0.3168). The number of share options for which the exercise price is £nil total 4,510,918 (2013 3,710,918).

19 Other financial commitments

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases for assets as set out below:

	Land and buildings	
	2014	2013
	£000	£000
Operating leases which expire:		
– in two to five years	195	186
	195	186
	Other	
	2014	2013
	£000	£000
Operating leases which expire:		
– within one year	20	14
– in two to five years	63	68
	83	82

20 Contingent liabilities

The Company has contingent liabilities where it has provided rental guarantees to landlords in respect of certain leasehold properties occupied by companies that were formerly subsidiaries in the Company, but have subsequently been sold. The principal risk is that current leasehold occupants will become insolvent and that guarantees will be called, resulting in a material cash cost to the Company. To the extent that they have not already been called, these guarantees represent contingent liabilities of the Company. Other than those leases for which the liability is considered to be remote, the Company has guaranteed rentals on leases with remaining terms that vary from one to nine years, with annual rentals that range from £9,000 to £1,019,000 per annum. No provision for these guarantees has been made in the Financial Statements because, at the balance sheet date, the directors believe that it is not probable that any further guarantees will be called.

21 Related party transactions

The Company is exempt under the terms of FRS8 from disclosing related party transactions with its wholly owned subsidiaries. There were no other related party transactions in the year.

Report of the Auditor

for the year ended 31 December 2014

Independent auditor's report to the members of Communisis plc

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and article 4 of the IAS regulation.

What we have audited

We have audited the financial statements of Communisis plc for the year ended 31 December 2014 which comprise 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, the related notes to the Consolidated Financial Statements 1 to 33, the Company Balance Sheet, the Reconciliation of Movements in Equity Shareholders' Funds and the related notes to the Company Financial Statements 1 to 21.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks that have had the greatest impact on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- Revenue recognition;
- Goodwill impairment; and
- Fraud and management override.

Our assessment of risks of material misstatement and response to those risks

The risks identified above are the areas that present the greatest risk of material misstatement in the financial statements and have been identified by the Audit Committee as the three most significant matters considered during the year as explained in the Audit Committee report on pages 50 to 51. The table below describes the rationale for each risk identified together with the principal audit response to each risk:

Principal risk area and rationale	Audit response
<p>Revenue recognition</p> <p>The risk of incorrect revenue recognition exists around one off type arrangements such as transition fees and compensation agreements specifically determining the percentage of completion of contract milestones as this is an area of judgement.</p>	<p>We challenged management in respect of the reasonableness of judgements made in order to determine the recognition of revenue. This particularly applied to situations where revenue recognition is driven by the percentage of completion of contract milestones.</p> <p>In such cases, we performed tailored procedures over the costs incurred at the year end and the appropriateness of the cost to complete by challenging management's estimates and also agreed relevant information back to underlying key terms in the contracts.</p>

	<p>We also ensured that management's policies for revenue recognition are applied consistently, in accordance with relevant accounting standards. We also performed the following specific procedures across all sites/revenue streams that were in scope:</p> <ul style="list-style-type: none"> • Read all significant new contracts and confirmed key terms to support the accounting treatment adopted; • Overall analytical review of revenue at each site to identify any unexpected movements that might require further investigation; • Audit of significant transactions around the year end to challenge the timing of revenue recognition; • Audit of a sample of manual revenue journal entries to underlying evidence to assess appropriateness; and • Detailed tests of transactions to underlying evidence to assess appropriateness.
<p>Goodwill impairment</p> <p>The group's three operating segments Design, Produce and Deploy are considered to be the group's cash generating units (CGUs).</p> <p>Goodwill has been identified as a risk due to the management judgement involved in the inputs to the goodwill impairment model.</p> <p>Produce was identified, during our planning, as the segment with the highest risk of impairment due to continued volume erosion in the cheques and direct mail businesses causing decreasing headroom.</p> <p>The total carrying amount of goodwill, prior to any impairment loss, was £166.5m, per note 12 to the financial statements, being the brought forward carrying value of £159.0m plus goodwill from acquisitions in 2014 of £7.5m.</p>	<p>We audited and applied professional scepticism to judgments made by management in determining the recoverability of goodwill.</p> <p>We performed audit procedures on the supporting models and assumptions to ensure that these are appropriate and in line with the group's accounting policies as well as relevant accounting standards.</p> <p>We have:</p> <ul style="list-style-type: none"> • Consulted our valuations specialists who assessed the various assumptions used in the model based on their review of comparable quoted companies; • Compared the prior year forecast results with actual results in the year to assess management's accuracy of forecasting; • Challenged each of the operating segment finance directors on their cash flow forecasts (five year plan) discussing the new business pipeline and expected performance of existing business and contracts; and

	<ul style="list-style-type: none"> • Challenged and recalculated the sensitivities prepared by management, such as discount rate and long term growth rate, to ensure accuracy of the disclosures provided in the Annual Report and Financial Statements.
<p>Fraud and management override</p> <p>There are incentives and pressures to meet the expected profit for the year. As a result, there is a risk that balances in the financial statements which are subject to estimation or management judgement may be manipulated to present an improved result.</p>	<p>We have performed procedures to address the risk of fraud at in scope locations and at a group level. We remained appropriately sceptical when performing all audit work using independent third party corroboration wherever possible.</p> <p>We have designed our audit procedures to respond to the assessed risk. Specific procedures we have performed include:</p> <ul style="list-style-type: none"> • Detailed testing of balances that involve management judgement consulting with experts as appropriate. This includes testing accruals and provisions specifically any releases to the income statement, new provisions in the year and provisions that have not moved year on year; • Detailed tests of a sample of manual journal entries to underlying evidence in order to assess appropriateness; and • Detailed tests of unusual or anomalous journal entries at the segment and group level to underlying evidence in order to assess appropriateness.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We determined materiality for the group to be £0.61 million (2013: £0.49 million), which is approximately 5% (2013: 5%) of pre-tax profit for the year adjusted for non-recurring exceptional items (2013: same basis). We believe that this measure provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the group should be 75% (2013: 75%) of our materiality, namely £0.46 million (2013: £0.35 million). Our objective in adopting this approach was to ensure that uncorrected and undetected misstatements in all accounts did not exceed our materiality level.

Audit work at individual components is undertaken based on a percentage of our group performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £0.09 million to £0.34 million.

We agreed with the Audit Committee that we would report to them all corrected and uncorrected audit differences in excess of £30,400 (2013: £23,500), as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

An overview of the scope of our audit

Following our assessment of the risk of material misstatement to the group financial statements, we selected thirteen divisions which represent the principal business units within the group's three operating segments and account for 99% of the group's revenue and 97% of the group's profit before tax and exceptional items. Four of these were subject to a full audit and the remaining nine were subject to a specific scope audit where the extent of our audit work was based on our assessment of the risks of material misstatement and the materiality of the location's business operations relative to the group. The scope of these components may not have included testing of all significant accounts of the location but will have contributed to the coverage of significant accounts tested for the group. The four full scope divisions account for 95% of the group's revenue and 80% of the group's profit before tax and exceptional items. The thirteen divisions were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. For the remaining divisions, we performed other procedures to confirm there were no significant risks of material misstatement in the group financial statements.

The audit team structure is such that there is one audit team rather than separate component teams auditing the divisions and a primary team auditing the group.

Opinions on other matters prescribed by Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in

the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 43, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.



Christabel Cowling

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor Leeds

5 March 2015

Shareholder Information 2015

Financial calendar

16 April 2015	Ex-dividend date – final dividend
17 April 2015	Record date to be eligible for the final dividend
7 May 2015	Annual General Meeting
15 May 2015	Final dividend payment date
30 July 2015	Interim results announcement
10 September 2015	Ex-dividend date – interim dividend
11 September 2015	Record date to be eligible for the interim dividend
8 October 2015	Interim dividend payment date

Annual General Meeting (“AGM”) 2015

This year’s AGM will be held at the offices of Eversheds LLP, 1 Wood Street, London EC2V 7WS on Thursday 7 May 2015.

The meeting will start at 12 noon and registration will be available from 11.30 a.m.

How to get in touch

Registered Office:

Communis plc
Communis House
Manston Lane
Leeds
LS15 8AH
Tel: +44 (0) 113 222 6500
Fax: +44 (0) 113 222 6501
Registered in England and Wales
Number 02916113

Auditor

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Stockbrokers

Nplus1 Singer LLP
Corporate Advisory & Broking
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4SR

Cenkos Securities PLC

6.7.8 Tokenhouse Yard
London
EC2R 7AS

Head Office:

Communis plc
Longbow House
14-20 Chiswell Street
London
EC1Y 4TW
Tel: +44 (0) 207 382 8950

Corporate Lawyers

Eversheds LLP
Clarion Solicitors LLP
Pinsent Masons LLP
Ward Hadaway

Principal Bankers

Barclays Bank PLC
HSBC Bank plc
Lloyds Banking Group plc
Royal Bank of Scotland plc
Allied Irish Bank plc

Company Secretary

Sarah Caddy

Registrar and shareholding enquiries

Administrative enquiries about the holding of Communis shares, such as change of address, change of ownership and dividend payments should be directed to our registrar, Capita Asset Services:

By phone

0871 664 0300 (calls cost 10 pence per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday). From overseas +44 20 8639 3399

By email

shareholderenquiries@capita.co.uk

Alternatively you can use the Share Portal at www.capitashareportal.com. To register for this service, you will require your investor code which can be located on a recent tax voucher or on your share certificate.

For all other enquiries, please contact Capita Asset Services by post at the following address:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Dividends

We encourage shareholders to have dividends paid directly into their bank account to ensure efficient payment and cleared funds on the payment date. If you have a UK bank account you can sign up for this service on the Share Portal by clicking on 'your dividend options' and following the on screen instructions or by contacting Capita Asset Services on the number above.

Electronic Communications

Shareholders can register to receive shareholder information electronically. Registering for electronic communications is very straightforward. Just visit www.capitashareportal.com. You will require your investor code which can be located on a recent tax voucher or on your share certificate.

Boiler Room Scams

Unfortunately, we are aware that in the past some of our shareholders were targeted by fraudsters who made offers to buy their shares at prices substantially in excess of the market price. General information on boiler room scams and how to report a suspected scam, is available from the FCA's website at www.fca.org.uk/consumers/scams