

Printing.com plc

Half Yearly Report

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Printing.com plc

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Printing.com plc
 ("Printing.com" or "the Company")

Unaudited Interim Results for the period ended 30 September 2011

Financial Highlights	Six months ended 30 September 2011	Six months ended 30 September 2010	Change
Turnover	£10.73m	£7.10m	51.1%
EBITDA before non-recurring costs *	£1.61m	£1.39m	15.8%
EBITDA	£1.50m	£1.31m	14.5%
Profit before tax and non-recurring costs*	£0.62m	£0.71m	-12.7%
Non-recurring costs*	£0.12m	£0.09m	
Profit before tax	£0.50m	£0.62m	-19.4%
EPS - Basic	0.81p	1.01p	-19.8%
EPS - Fully Diluted	0.80p	1.00p	-20.0%
Dividend	1.05p	1.05p	
Capital Expenditure	£0.90m	£0.44m	
Net Cash	£0.96m	£1.61m	
Net Funds**	£0.65m	£1.08m	

*Non-recurring costs in the current year include integration costs of £0.12m (included within 'Other operating charges') and £0.09m acquisition related costs in the prior year.

**Net funds is the net of cash and cash equivalents less other interest bearing loans and borrowings

Operational highlights

- **EBITDA up 14.5%**
- **Strong trading across Netherlands and Belgium**
- **Significant investment in online Template software that underpins the new initiatives**

- **Launch of Flyerzone.co.uk and Flyerzone.fr / BrandDemand in France**
- **BrandDemand UK, becomes revenue generative**
- **Launch of Template Cloud - online library of editable graphic design**
- **UK Production now feeding Dutch channels**

For further information:

Printing.com plc

Tony Rafferty (Chief Executive)
Alan Roberts (Finance Director)

07966 517 336
0161 848 5713

Cubitt Consulting

Chris Lane / Alice Coubrough

020 7367 100

Brewin Dolphin Ltd (Nominated Adviser)

Mark Brady

0845 213 4729

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Unaudited Interim Results for the period ended 30 September 2011

Chairman's & Chief Executive's Statement

Trading Results, Cash and Dividend

Group turnover increased by **51.1%** to **£10.73m** (2010: 7.01m), primarily reflected the Company's acquisition of Media Facility Group BV ("MFG") in November 2010 (turnover of £3.4m in the period).

EBITDA before non-recurring costs progressed from £1.39m to **£1.61m** an increase of **15.8%**. However, principally as a result of increased depreciation and amortisation arising from software development and the acquisition of MFG, Pre Tax Profit before non-recurring costs decreased to **£0.62m** (2010: £0.71m) a fall of 12.7%. Non-recurring costs incurred during the interim period, relating to the integration and reporting alignment of MFG, totalled £0.12m (2010: £0.09m) reducing Pre Tax Profit to **£0.50m** (2010: £0.62m).

At 30 September 2011, the Company had cash-in-hand of **£0.96m** (2010: £1.61m). Cash generated by operating activities was **£0.95m** (2010: £1.15m). A Final Dividend of **£0.99m** was paid in the period (2010: £0.93m). During the period working capital increased by £0.51m (2010: £0.11m) and capital expenditure was **£0.90m** (2010: £0.44m), the majority reflecting the ongoing investment in the Company's software that underpins the new developments. Net funds at the close of the period were **£0.65m** (2010: £1.08m).

Dividend

The Directors are declaring an Interim Dividend of **1.05p** per share (2010: 1.05p) to be paid on 9 December 2011 to shareholders on the register at 18 November 2011. Previously the Board have upheld a dividend policy via which they have recommended an Interim Dividend of 1/3rd of the amount anticipated for the full year. The Board are of the view that, for this dividend policy to continue, earnings for the year would need to progress and trading conditions improve.

Trading Analysis - Overview

The objectives set for the Interim Period included the launch of three new trading channels: Flyerzone.co.uk, Flyerzone.fr (France) and BrandDemand (France). In addition to these launches, principal objectives included progression in BrandDemand UK from a fledgling operation through to

meaningful revenue generation, along with further growth from the Netherlands and Belgium whilst also maintaining volumes and margin from Printing.com in the UK, France and Ireland.

These broad objectives were achieved save for Printing.com UK which, having started the Interim Period in a positive manner, contracted from mid June reflecting the further decline in SME confidence.

Established Channels - UK

Following the stable trading across the Printing.com network during the previous year the Company started the Interim Period optimistic that this trend would continue. Until mid June volumes were ahead of the previous period, subsequently, underlying volumes contracted, with further erosion evident from August.

When reporting the Final results the Company indicated that moving forward Territory Franchises would no longer be granted, thereby removing an operational 'layer'. In addition, during the period eight Territory Franchises have converted to the Bolt-on format. At the close of the Interim Period, the UK estate comprised 282 Franchises together with seven Company Stores (2010: 283 Franchises, eight Company Stores).

Printing.com - Ireland and France

Positively, and in contrast with the past three years, revenue from Ireland increased by 19% to £0.16m. At the close of the Interim Period the Irish network comprised 10 outlets. The French network exhibited growth of 11% with revenue of £0.23m.

MFG - Netherlands

MFG's online channels in the Netherlands, Flyerzone.nl, Drukland.nl and PrintRepublic.nl, performed well during the Interim Period generating revenues of £3.1m. Whilst MFG was not part of the Group during the previous Interim Period revenues increased in the order of 30% (based upon unaudited accounts).

MFG - Belgium

MFG's Belgium channel Drukland.be, launched in August 2010, achieved sales of **£0.30m** in the period. In the previous Interim Period revenues were minimal.

UK Hub Production for Netherland Channels

Following system integration, shipping from the UK Hub to Netherlands commenced in August. During September over 700 individual orders were shipped. Given the higher cost of UK / Netherlands logistics, the focus has been on shipping product with a higher value-added component. Further scope exists to ship additional product thereby exploiting capacity in the Company's UK Hub.

New Channels - BrandDemand UK

BrandDemand targets larger, multisite companies including other franchise networks. Centred on a similar product range to Printing.com, the service uses proprietary 'template' software that enables individual users to eliminate the need for a professional graphic designer whilst maintaining brand integrity.

Having 'gone live' just prior to the commencement of the Interim Period, over 30 systems were brought online by September. Revenue for the Interim Period amounted to £0.10m with £0.03m attributable to September, the final month under review. Moving forward we anticipate further material growth in this channel.

BrandDemand France

Since January 2011, the Company has maintained a presence in Paris, essentially for the preparation and promotion of BrandDemand France. Following test marketing the first client has been engaged, their system built and orders shipped. We believe further progress will be made over the coming months.

Flyerzone France

The Flyerzone channel was launched in France during August 2011, and essentially comprised the

same elements as those used in the Netherlands. Revenues remain at a modest level but we remain optimistic of further growth moving forward.

Flyerzone UK

Unlike Flyerzone NL and France, Flyerzone UK is the first channel to be based on the Company's new proprietary software, featuring online templates for use by clients to personalize graphic design for printing flyers, leaflets etc. Launched during August, revenues are again presently modest however we remain optimistic of material growth.

TemplateCloud

Whilst not a revenue channel in its own right, 'Templatecloud.com' works on the same principal as an online photography library - but for editable Graphic Design. Graphic Design is 'crowd sourced' from freelance 'Contributors' who provide the creative content essentially on a contingent basis. If the Contributor's Graphic Design is subsequently utilised by a Flyerzone client, the Contributor is paid a fee of typically £5-10, which represents a share of the Graphic Design fee paid by the client.

In comparison with a photo library the process of creating an editable template from a generic graphic design is eminently more complex. The differentiator of TemplateCloud is the automation that it brings to this process. Accordingly Graphic Designs, prepared by the Contributor (using generic graphic design software), are converted into editable Templates by the Company's proprietary software, with little or no manual intervention by Printing.com.

TemplateCloud has presently circa 4,000 editable Templates. It is our belief that establishing a voluminous library of editable Templates could be of great importance in providing the Graphic Design component for Flyerzone, the Company's other channels and further for applications such as online greeting cards. We are focused on growing TemplateCloud by an order of magnitude over the coming year.

Other International

The principal focus of late has been centred on the Group's operations in the UK & Ireland, the Netherlands and Belgium. Moving forward we will renew our efforts to exploit these various new elements in other territories.

Earnings Impact of the New Channel Launch

Collectively, all of the new and recently launched channels have still to make a contribution to profit. Indeed on a simplistic basis the negative impact on contribution from these endeavours was in excess of £0.20m in the period. This estimate excludes the increased depreciation of circa £0.20m principally attributable to the software development that underpins these new channels.

However, the Board believes that these new developments are important and that this investment adds materially to the prospects for the Group.

Current trading

Across the UK and Ireland trading remains soft. Conversely trading across the Netherlands and Belgium continues to exceed our expectation. Post the close of the Interim Period a number of new BrandDemand contracts have also been completed.

Outlook

In the present difficult economic environment the Company remains profitable and cash generative with Net Funds of **£0.65m** (2010: £1.05m).

In addition, three new sales channels have recently been launched, together with TemplateCloud. BrandDemand UK is also on the cusp of generating a contribution to earnings. Collectively these various channels supplement the Printing.com network and their advent marks a paradigm in the Company's development, opening up additional market sectors.

The challenge now, across all of the new channels, is to achieve the necessary scale in an expeditious manner whilst generating a positive contribution as soon as is practicable.

Given the present economic uncertainty coupled with the many new channel launches, the Board is appropriately cautious in the short term but, moving forward remains optimistic about the prospects for your Company.

George Hardie
Chairman
7 November 2011

Tony Rafferty
Chief Executive
7 November 2011

Printing.com plc
("Printing.com" or "the Company")

Unaudited Interim Results for the period ended 30 September 2011

Consolidated Statement of Comprehensive Income
for the six months ended 30 September 2011

	<i>Note</i>	<i>Unaudited Six months to 30 September 2011 £000</i>	<i>Unaudited Six months to 30 September 2010 £000</i>	<i>Year ended 31 March 2011 £000</i>
Revenue		10,728	7,095	17,016
<i>Changes in stocks of finished goods</i>		<i>(43)</i>	6	49
<i>Raw materials and consumables used</i>		<i>(4,942)</i>	(2,521)	(7,123)
Gross profit		5,743	4,580	9,942
<i>Staff costs</i>		<i>(2,493)</i>	(1,911)	(3,952)
<i>Other operating charges</i>		<i>(1,754)</i>	(1,277)	(2,968)
<i>Depreciation and amortisation</i>		<i>(990)</i>	(687)	(1,560)
Operating profit before acquisition costs		506	705	1,462
<i>Acquisition costs</i>		-	(86)	(161)
Operating profit		506	619	1,301
<i>Financial income</i>		<i>11</i>	20	56
<i>Financial expenses</i>		<i>(17)</i>	(20)	(46)
Net financing(expense)/income		(6)	-	10
Profit before tax		500	619	1,311
<i>Taxation</i>	4	<i>(118)</i>	(173)	(385)
Profit for the period		382	446	926
<i>Other comprehensive income for the period</i>		-	-	-
Total comprehensive income for the period		382	446	926
Basic earnings per share	5	0.81p	1.01p	2.04p
Diluted earnings per share	5	0.80p	1.00p	2.02p

Consolidated Statement of Financial Position
at 30 September 2011

<i>Unaudited 30 September 2011 £000</i>	<i>Unaudited 30 September 2010 £000</i>	<i>31 March 2011 £000</i>
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Non-current assets			
Property, plant and equipment	2,575	3,288	2,951
Intangible assets	4,659	1,746	4,619
Deferred tax assets	2	3	2
Other receivables	-	75	20
Total non-current assets	7,236	5,112	7,592
Current assets			
Inventories	149	147	190
Trade and other receivables	3,077	3,152	3,490
Cash and cash equivalents	956	1,610	2,002
Total current assets	4,182	4,909	5,682
Total assets	11,418	10,021	13,274
Current liabilities			
Other interest-bearing loans and borrowings	(127)	(531)	(676)
Trade and other payables	(2,617)	(2,066)	(3,340)
Current tax payable	(516)	(370)	(423)
Accruals and deferred income	(1,196)	(865)	(1,392)
Other liabilities	(191)	(108)	(231)
Total current liabilities	(4,647)	(3,940)	(6,062)
Non-current liabilities			
Other interest-bearing loans and borrowings	(181)	-	(109)
Deferred tax liabilities	(604)	(513)	(604)
Total non-current liabilities	(785)	(513)	(713)
Total liabilities	(5,432)	(4,453)	(6,775)
Net assets	5,986	5,568	6,499
Equity			
Share capital	472	450	469
Share premium	3,981	3,881	3,881
Merger reserve	838	211	838
Retained earnings	695	1,026	1,311
Total equity	5,986	5,568	6,499

**Consolidated Statement of Changes in Shareholders Equity
for the six months ended 30 September 2011 (unaudited)**

	Share Capital	Share Premium	Merger Reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
Opening shareholders' funds at 1 April 2010	450	3,881	211	1,525	6,067
Profit for the period	-	-	-	446	446
Dividends paid	-	-	-	(932)	(932)
Total recognised income and (expense)	-	-	-	(486)	(486)
Foreign Exchange Differences	-	-	-	(13)	(13)

Own shares acquired	-	-	-	-	-
Shares issued from Treasury	-	-	-	-	-
Total movement in shareholders' funds	-	-	-	(499)	(499)
Closing shareholders' funds at 30 September 2010	450	3,881	211	1,026	5,568
Opening shareholders' funds at 1 October 2010	450	3,881	211	1,026	5,568
Profit for the period	-	-	-	480	480
Dividends paid	-	-	-	(493)	(493)
Total recognised income and (expense)	-	-	-	(13)	(13)
Foreign Exchange Differences	-	-	-	13	13
Own shares acquired	-	-	-	-	-
Shares issued and released from Treasury	19	-	627	-	646
Proceeds from disposal of Treasury shares	-	-	-	285	285
Total movement in equity	19	-	627	285	931
Closing shareholders' funds at 31 March 2011	469	3,881	838	1,311	6,499
Opening shareholders' funds at 1 April 2011	469	3,881	838	1,311	6,499
Profit for the period	-	-	-	382	382
Dividends paid	-	-	-	(992)	(992)
Total recognised income and (expense)	-	-	-	(610)	(610)
Foreign Exchange Differences	-	-	-	(6)	(6)
Own shares acquired	-	-	-	-	-
Shares issued	3	100	-	-	103
Total movement in shareholders' funds	3	100	-	(616)	(513)
Closing shareholders' funds at 30 September 2011	472	3,981	838	695	5,986

Consolidated Statement of Cash Flows
for the six months ended 30 September 2010

	Unaudited Six months to 30 September 2011 £000	Unaudited Six months to 30 September 2010 £000	Year ended 31 March 2011 £000
Cash flows from operating activities			
Profit for the period	382	446	926
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	990	687	1,560
Financial income	(11)	(20)	(56)
Financial expense	17	20	46
Exchange gain	-	-	18
Taxation	118	173	385
Operating cash flow before changes in working capital and provisions	1,496	1,306	2,879
Change in trade and other receivables	413	115	609
Change in inventories	41	(6)	(49)
Change in trade and other payables	(960)	(217)	719
Cash generated from the operations	990	1,198	4,158
Interest paid	(17)	(20)	(46)
Tax paid	(24)	(24)	(230)
Net cash inflow from operating activities	949	1,154	3,882

Cash flows from investing activities			
Interest received	11	20	42
Acquisition of plant and equipment	(112)	(86)	(145)
Capitalised development expenditure	(90)	(74)	(246)
Acquisition of other intangible assets	(450)	(277)	(1,156)
Acquisition of Subsidiary net of cash acquired	-	-	(329)
Net cash used in investing activities	(641)	(417)	(1,834)
Cash flows from financing activities			
Proceeds from the issue of share capital	103	-	-
Payment of finance lease liabilities	(200)	(321)	(653)
Repayment of Bank Loans	(61)	-	(52)
Repayment of Loan Notes	(215)	-	(54)
Payment of equity dividend	(992)	(932)	(1,425)
Net cash outflow from financing activities	(1,365)	(1,253)	(2,184)
Net decrease in cash and cash equivalents	(1,057)	(516)	(136)
Exchange differences on cash and cash equivalents	11	(12)	-
Cash and cash equivalents at start of period	2,002	2,138	2,138
Cash and cash equivalents at end of period	956	1,610	2,002

Notes

(forming part of the interim financial statements)

1 Basis of preparation

Printing.com plc (the "Company") is a company incorporated and domiciled in the UK.

These financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 March 2011.

The comparative figures for the year ended 31 March 2011 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 7 November 2011.

2 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2011.

3 Segmental information

The Group's primary operating segments are geographic being UK & Ireland, Europe and others. The secondary segmental analysis is by nature of service.

This disclosure correlates with the information which is presented to the Chief Operating Decision Maker, the Chief Executive (CEO), who reviews revenue (which is considered to be the primary growth indicator) by segment. The Group's costs, finance income, tax charges, non-current liabilities, net assets and capital expenditure are only reviewed by the CEO at a consolidated level and therefore have not been allocated between segments in the analysis below.

Analysis by location of sales

Period ended 30 September 2011	UK & Ireland	Europe	Other	Total
	£000	£000	£000	£000
Segment revenues	6,960	3,670	98	10,728
Operating Expenses				10,222
Results from operating activities				506
Net finance income				(6)
Profit before tax				500
Tax				(118)
Profit for the period				382
Assets				
Unallocated net assets				5,986

Notes (continued)

3 Segmental information (continued)*Analysis by location of sales*

Period ended 30 September 2010	UK & Ireland	Europe	Other	Total
	£000	£000	£000	£000
Segment revenues	6,793	207	95	7,095
Operating Expenses				6,476
Results from operating activities				619
Net finance income				-
Profit before tax				619
Tax				(173)
Profit for the period				446
Assets				
Unallocated net assets				5,568

Analysis by type

Period ended 30 September 2011	Printing services - online sales	Printing services	Licence Income	Total
	£000	£000	£000	£000
Segment revenues	3,447	6,741	540	10,728

Operating Expenses	10,222
Results from operating activities	506
Net finance expense	(6)
Profit before tax	500
Tax	(118)
Profit for the period	382
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Assets	
Unallocated net assets	5,986

Analysis by type (continued)

Period ended 30 September 2010	Printing services - online sales	Printing services	Licence Income	Total
	£000	£000	£000	£000
Segment revenues	-	6,563	532	7,095
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Expenses				6,476
Results from operating activities				619
Net finance income				-
Profit before tax				619
Tax				(173)
Profit for the period				446
				<hr/>
Assets				
Unallocated net assets				5,568

4 Taxation

The tax charge is based on the base tax rate of 26% (six month period ended 30 September 2010: 28%).

5 Earnings per share

The calculation of the basic earnings per share is based on the profit after taxation divided by the weighted average number of shares in issue, being 47,249,881 (*period ended 30 September 2010: 44,349,763; year ended 31 March 2011: 45,407,444*).

The diluted earnings per share takes the weighted average number of ordinary shares in issue during the period and adjusts this for dilutive impact of share options existing at the period end. The

diluted weighted average number of shares in the period ended 30 September 2011 was 47,774,288 (*period ended 30 September 2010: 44,821,450; year ended 31 March 2011:45,907,619*). The profit used in the diluted earnings per share is based on profit after taxation.

Independent Review Report to Printing.com plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2011 which comprises Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholders' equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Mick Davies

for and on behalf of KPMG Audit Plc

Chartered Accountants

St James' Square

Manchester, M2 6DS

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