

2011 Results

From the Preliminary Statement for the year ended 31 October 2011

RECORD SALES AND PROFIT IN UNCERTAIN MARKETS

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenue	£314.1m	£300.0m	+5%
Operating profit before amortisation and exceptional costs (note 9)	£59.4m	£54.5m	+9%
Profit before taxation	£57.4m	£52.1m	+10%
Underlying profit before taxation (note 9)	£59.5m	£54.7m	+9%
Underlying return on sales	18.9%	18.2%	
Net cash inflow from operating activities before taxation	£51.1m	£59.7m	-14%
Basic earnings per share (note 2)	37.20p	34.25p	+9%
Basic underlying earnings per share (note 2)	38.66p	36.05p	+7%

Highlights

- ❑ Our 33rd year of sales growth with record profit
- ❑ Strong performance from new products
- ❑ Increased investment in sales and service capacity to fuel growth and market share gains
- ❑ Investment in TEN Media – significant opportunity in food safety
- ❑ Strong operational cash flows and robust balance sheet
- ❑ Dividend increased by 20 per cent

Peter Byrom, Chairman, commented “In a year of mixed macroeconomic conditions, the Group has delivered sales growth and record profit. Sales of £314.1 million were 5 per cent ahead of last year extending the unbroken 33 year record of annual revenue growth. Underlying pre-tax profits were also a record at £59.5 million.

“Our businesses in the developing markets of Europe and in the Middle East, Africa and Asia all reported strong growth. Market conditions elsewhere were generally much tougher and while the Group achieved good growth in the UK and Germany, sales in other parts of Europe and in North America were below last year’s levels.

“We introduced three new product lines during 2011 and have seen progressive take-up. Products introduced in the year represented 20 per cent of total equipment sales. During the year we increased the headcount of the Group. The majority of new staff are in our sales channels, in particular in Asia.

“The results for the year reflect a further improvement in underlying return on sales which increased to 18.9 per cent.

“Investment in Research and Development was £15.3 million. We have continued with additional product launches during the year and have made good progress towards our goal of introducing a whole new family of printers based upon common electronics architecture.

“In April the Group invested \$50 million in TEN Media, a business formed to provide freshness and traceability coding for the US egg industry. We expect first orders in 2012.

“The Group has a strong balance sheet and had net cash of £22.8 million at year end.

“The Group is mindful of the effects on its markets of the general economic slowdown, as reflected in the changing pattern of sales in 2011, but the combination of new products and strong global reach mean we are well positioned to benefit from the available opportunities in this more uncertain climate.”

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Nigel Bond

Group Managing Director

Andrew Herbert

Group Finance Director

Chairman's Statement

I am pleased to report that the Group has achieved record annual sales of £314.1 million, an increase of 5 per cent. Annual underlying pre-tax profits of £59.5 million were also a record. Net cash flow from operating activities before taxation was £51.1 million.

Domino has increased its dividends in each of the 26 years since it was floated on the London Stock Exchange in 1985. This year we are proposing to increase the dividends to 18.75p per share, up from 15.62p last year, an increase of 20 per cent.

The Group has maintained its strong investment in Research and Development at £15.3 million, approximately 5 per cent of sales. This has enabled the Group to extend the range of new products announced last year and to progress plans for the rationalisation of operating platforms. Investment has also been made in the development of the range of inks and other fluids available to customers to meet new requirements, to be more environmentally friendly and to meet the challenges of the cessation of manufacture of certain constituents.

The Group has also made an investment of \$50 million in TEN Media to participate in the new opportunities for egg coding in the United States.

The Board has approved plans for the expansion of our manufacturing facilities in both China and India to meet growing market requirements. The manufacturing facilities in Cambridge are close to capacity and a planning application has been made to build a new factory adjacent the existing facility at Bar Hill. All these investments are expected to be met from the Group's own cash resources and existing debt facilities.

During the year the Group recruited extra personnel, principally in the strongly-growing markets of Asia. The success of the Group is a tribute to the endeavour of the 2,200 employees of the business in 17 countries.

There have been no changes to the membership of the Board. In line with previous plans, Philip Ruffles has stood down as Senior Independent Director and as Chairman of the Remuneration Committee. The Board is indebted to him for his contribution in these roles. Sir Mark Wrightson has been appointed Senior Independent Director and Sir David Brown Chairman of the Remuneration Committee.

The Group is mindful of the effects on its markets of the general economic slowdown, as reflected in the changing pattern of sales in 2011, but the combination of new products and strong global reach mean we are well positioned to benefit from the available opportunities in this more uncertain climate.

To the members of Domino Printing Sciences plc

Cautionary statement

The Chief Executive's Review of the Business and the Financial Review have been prepared solely to provide additional information to shareholders. They contain statements that are forward looking. These statements are made by the directors in good faith based on the information available to them up to the time of approval of this report. Such statements should be treated with caution due to the inherent uncertainties and risks associated with forward looking information.

Going concern

The Group's business activities together with its financial position and the factors likely to affect its future development and performance are described within the Chief Executive's Review of the Business and in the Financial Review below.

The Group has considerable financial resources together with a broad spread of customers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The directors have also considered the Group's forecasts and projections in the light of the uncertain macroeconomic environment. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Long-term strategy and business objective

The Domino Group ('Domino') is a world leading supplier of coding and marking products and provides a broad range of solutions to meet customers' needs for product identification and traceability. Our strategy is to continue to build the Group's product portfolio through innovation and acquisition and to provide our global customer base with superior products supported by the most comprehensive service and after sales infrastructure in our industry.

Domino designs, develops and manufactures industrial coding, marking, labelling and printing equipment for the high speed printing of variable information onto products and packaging. Our industry-leading product range includes printers, controllers, consumables and fluids for a broad spectrum of materials, as well as high quality after sales support and customer care. Around 40 per cent of the Group's revenues come from sales of new equipment, the balance being generated from consumables and services to the customers using our equipment.

The Group's products are sold worldwide; we have representation in over 120 countries. Approximately 45 per cent of the Group's turnover is in Europe, 35 per cent in Asia and Africa and 20 per cent in the Americas. We serve customers in a broad range of market sectors.

Chief Executive's Review of the Business

Following the difficult trading conditions in most parts of the world during 2008 and 2009, I commented in the Annual Report 12 months ago that we had seen a recovery in most geographic regions and market sectors for our products during 2010. We entered 2011 with a level of market demand and stability that we had not experienced during the previous three financial years. Our objective for 2011 was to build on the progress of 2010, maintain the track record of growth and sustain the new levels of underlying returns achieved in the previous 12 months.

During the difficult years of 2008 and 2009 the Group still produced record levels of sales and profitability each year, and in 2010 we recorded our 32nd year of top line growth and improved the underlying return on sales to over 18 per cent. We won a number of business awards, including company of the year at the UK plc awards in 2010. In the second half of 2010 we started to reinvest in the sales and marketing resource levels of the business.

During the recession we invested heavily in Research and Development, culminating with a 36 per cent growth in development costs in 2010 as we brought to market our new range of continuous ink jet ('CIJ'), laser and thermal printers. These products were first exhibited in Paris in November 2010 and have been launched progressively around our global sales network.

Following the successes of 2010 we entered 2011 in optimistic mood and produced encouraging levels of growth in sales and profits during the first half year. As the second half progressed, global economic issues started to surface once again, uncertainty in the financial stability of Europe impacted confidence levels around the world and we saw a slowdown in the rate of order conversion on capital equipment projects. By the end of the year, the optimism of early 2011 had been replaced by conditions not too dissimilar to 2008, but with some differences, not least the rate of consumption of fluids and consumables by our customers remaining in line with our expectations, indicating production output levels holding up. In 2008 we saw a decline in this key business metric.

Against this changing set of conditions, in 2011 we were still able to produce our 33rd consecutive year of sales growth, achieving top line improvement every year since the Company was incorporated. Sales grew to £314.1 million, up 5 per cent. We were able to produce record underlying profits of £59.5 million, improving the underlying return on sales of the Group to 18.9 per cent. In uncertain market conditions we have again demonstrated the resilience and strength of our business model, based upon our reputation for quality and service and of the value of our global sales and service network.

Geographically 2011 was a very mixed year. Our businesses and distributors in the developing economies in Europe and those in Asia, the Middle East, Africa and South America all had good years, with excellent growth recorded in some individual countries. Conditions in the more developed economies of Europe were far more difficult and in some, for example France and Spain, we did not achieve the levels of business we had anticipated when the year started in much brighter circumstances. However, in contrast to that general statement, our UK and German businesses both reported strong growth.

The results of our North American sales subsidiaries were disappointing, partly driven by market conditions, but internal management difficulties early in the year also held back progress. These issues are now behind us and we are more optimistic about the year ahead. Nonetheless, our US results were down on the prior year and remain below pre-recession levels.

Our non-Domino brand businesses also had a mixed year. Continued demand for wire, cable and extrusion in the automotive and building products sectors helped Wiedenbach, our specialist ink jet printer business, grow its business by over 20 per cent. Mectec had a strong year with double digit revenue growth and Citronix volumes grew well ahead of market rates, improving their overall global market share. Purex and APS had less positive years; in the case of the former down to difficult conditions in its end markets; in the case of APS due

to a slower uptake of its technology than anticipated, although we remain confident in its longer term prospects.

During the year we added a further 60 new positions in the sales, service and marketing functions taking the total additions to 130 since the beginning of 2010. This has helped expand our capacity in several important markets. The combination of the full year effect of the additions in 2010 along with those added this year means selling and distribution costs grew by 11 per cent compared to the corresponding period last year. In 2012 we do not expect to increase headcount significantly other than to meet the requirements of the TEN Media contract (see below).

We are pleased with the performance in the year of the new products we launched in November 2010 and the follow on products launched at the Interpack exhibition in Düsseldorf in May 2011. We are optimistic that, with the majority of training and awareness programmes completed, we have excellent prospects for these products in 2012. In addition to the headline printer launches at the two major shows, 2011 has been an exciting year for new ink and fluid product launches, with products for a number of the newer packaging materials launched, on both the CIJ and thermal ink jet ('TIJ') platforms. We plan to introduce an even more significant number of new fluids products in 2012 as we seek differentiation and leadership.

The new range of Thermal Transfer Overprinting ('TTO') products has been very well received by customers; the latest new product in this range will be available from the beginning of 2012. The products have some unique features and valuable benefits to customers enabling growth in our share of the markets which demand this technology. Our new range of lasers has allowed us to strengthen our market position in key sectors. Together with the new range of CIJ printers and extensions to our ranges of TIJ printers and Print and Apply Labelling Machinery ('PALM'), we have built a competitive and comprehensive product range over the recent period. Research and Development expenditure was marginally lower this year than in 2010, a reflection of development phases rather than a reduction in projects or effort. We continued to invest in core platform developments throughout the year; this investment underpins our programme to reduce product range complexity in the future. We should see the benefits of this work start to rollout in 2013 providing a further enabler to improve operational efficiency and operating margins.

In the past two years we have been investing in the development of a range of digital label printers as an extension to our Digital (formerly Commercial) Printing business. These products enable label producers to generate short run, variable, high-quality labels for use in the food, beverage and other industries. In the fourth quarter we installed and invoiced our first units following extensive testing and validation of this technology. We expect to place significant quantities of printers in 2012, worth several million pounds, based upon positive initial feedback on speed and print quality.

As mentioned at the beginning of my report, the market conditions changed as the year unfolded. However, sales of after market products achieved our budgeted levels for the year; we saw no discernible decline in the usage of our products in the field. Overall after market revenues grew by 6 per cent over the prior year.

The impact of differing growth rates between printer and after market sales and improved margins on the newer products meant we were able to increase our overall rate of gross margin to over 50 per cent. We continue to benefit from the restructuring programme we undertook in 2009, with more volume across fewer operating locations enabling a favourable recovery of fixed costs. However, we do now need to increase capacity, and the Board has approved new fluid and printer facilities in both China and India, where volumes are now in excess of levels built into the plans when our original buildings were constructed over 10 years ago. This year we built an extension on to our PALM facility in Sweden to cope with the growth in volume since we acquired the business in 2006.

We have applied for planning permission to extend our main manufacturing facility in Cambridge. We will not know the outcome of this until early in 2012.

In April the Group invested \$50 million for a 15 per cent equity interest in TEN Media, a business based in California set up to provide safety compliance and traceability data to the egg industry, initially in the USA, but eventually worldwide. In the period since the investment was made we have been working closely with our partner to define the product requirement and system specifications as well as support their sales and marketing effort. We expect first orders from the venture in 2012.

I am writing this report at a time of great uncertainty in both the eurozone and in global economies. Predicting the future is never easy; it is even more difficult in periods of such uncertainty which undoubtedly will impact customers' investment decisions. However, throughout the period of 2008 to 2011, whenever we have faced difficult external conditions, our fundamentals of service, product quality and decisive management have ensured we continue to flourish and I am confident about the long-term prospects for the Group.

Financial Review

Operating results

The Group has reported another year of record results with revenue growing to £314.1 million, 5 per cent ahead of last year (£300.0 million) and underlying pre-tax profit increasing to £59.5 million (2010: £54.7 million). Underlying returns on sales, which reached 18.2 per cent in 2010, were improved again to 18.9 per cent.

Movements in exchange rates had no material effect on reported sales growth.

There is a marked contrast in the results of the Group between the first six months of the year to 30 April 2011 and the second six month period to 31 October 2011. In the interim statement we reported sales growth in the first six months of 8 per cent including a 6 per cent growth in the volume of printer shipments. This was against what we felt to be a strong comparative. In the second six months sales growth was just 2 per cent with printer shipments at a similar level to the comparative period. After market revenues, which comprise approximately 60 per cent of total revenue, remained strong: growth at the half year was an exceptional 9 per cent, benefiting from a weaker comparative. Growth in the full year was 6 per cent.

A slow down in printer orders was seen in many markets during the second half year, in particular from the end of July. We believe this to be primarily a result of uncertainty surrounding European sovereign debt and the return to slow or no growth in many economies.

The rate of gross margin was 50.1 per cent in the year, an increase of 0.4 percentage points compared to prior year. The global pricing of our products has remained relatively stable and while there are cost pressures in some commodities, efficiency gains coupled with the continuing benefit arising from the rationalisation of factories in 2009 has enabled a further small improvement in gross margins.

We have continued to invest in additional sales and service capacity in the business, in particular in those regions where economic indicators remain positive. We increased sales and marketing headcount by 60 over the course of the year taking the total to approximately 130 new heads since the beginning of 2010. This has led to growth in selling and distribution costs in the year of 11 per cent. Administrative expenses were reduced by 5 per cent, primarily a result of reduced bonus provisions compared to prior year.

Our investment in Research and Development ('R&D') of £15.3 million was slightly below last year's level (£15.6 million). We remain committed to a full R&D programme but timing of costs associated with the launch of a substantial range of new products, which spanned the prior year end and the current year, has slightly skewed the year on year comparison. In total operating costs, including R&D expenses, were increased by 4 per cent when compared to 2010.

Operating profit before the effect of amortisation of acquired intangible assets was £59.4 million, a growth of 9 per cent on prior year (£54.5 million) and at an operating return on sales of 18.9 per cent (2010: 18.2 per

cent). We stepped up the operating returns of the business in 2010 through permanent changes to the structural cost base of the business and we are pleased to report continued progress in 2011.

Interest and financing costs

The Group has remained in a positive net cash position throughout the year, using bank debt facilities only as necessary to fund specific investments. Investment income from cash deposits was £0.6 million (2010: £0.4 million). Interest on debt was £0.4 million (2010: £0.3 million). The investment made in TEN Media was initially financed in part through US dollar debt at an interest cost below interest earned on sterling deposits. This debt was later transferred to sterling and the balance reduced as deposits matured and cash was liberated.

Pre-tax profits

We measure performance of the Group on both a statutory and underlying basis. The underlying basis excludes the effect of one-off (exceptional) items, amortisation of acquired intangible assets and interest arising on accounting for discounted deferred consideration associated with acquisitions. Underlying profits are reconciled to statutory profit before tax as follows:

£'000	2011	2010	Growth
Operating profit before amortisation of acquired intangible assets	59,352	54,508	9%
Investment income	608	418	
Finance costs	(443)	(258)	
Underlying pre-tax profit	59,517	54,668	9%
Exceptional costs	-	-	
Amortisation of acquired intangible assets	(1,805)	(2,092)	
Interest arising on accounting for discounted deferred consideration	(266)	(430)	
Profit before tax	57,446	52,146	10%

Taxation

The tax charge of £16.7 million reflects an effective tax rate of 29.0 per cent, an increase of 0.4 per cent compared to prior year. The Group earns profits in many jurisdictions where the effective rate of taxation remains above the UK marginal rate. This means the long-term tax rate of the business is expected to remain above the prevailing UK rate.

Earnings per share

Basic earnings per share were 37.20 pence. Underlying earnings per share (note 2) were 38.66 pence, an increase of 7 per cent (2010: 36.05 pence). This increase reflects improvement in pre-tax profits, offset by increases in the tax rate and the weighted average number of shares from 108.4 million in 2010 to 109.5 million in 2011.

Dividends

The Board is recommending a final dividend of 12.17 pence, which together with the interim dividend of 6.58 pence makes a total of 18.75 pence for the year as a whole, a 20 per cent increase on prior year (15.62 pence). Dividend cover is 2.0 times basic earnings and 2.1 times underlying earnings.

Cash

Net cash inflow from operating activities before taxation and movement in working capital was £67.1 million (2010: £60.1 million). Working capital increased by £16.0 million (2010: an increase of £0.4 million).

Inventory levels have risen by £5.8 million as production of the new product ranges in CIJ, laser and TTO were introduced. The Group is in a transition stage as we gradually replace existing products with the new 'i-tech' range of printers. This in turn has led to duplication of raw material inventories in some areas as the new and the existing printers continue to be manufactured side by side. We expect these inventories to reduce once the programme of replacement of the older technology is completed.

The recent spate of natural disasters and knock on impact on supply chains has also led us to increase our strategic stocks of components and chemicals where we are only able to operate with single sources. This helps us ensure continuity of supply to customers.

Trade debtors increased by £3.1 million. There have been no material bad debt issues experienced during the year and while we continue to see pressure on credit terms, our focus on cash collection has helped avoid significantly extended debtors. We maintain credit insurance, where it is available, providing cover against distributor default.

Trade creditors continue to be paid in line with standard terms. Other creditor balances reduced in the year by £4.8 million. This was in large part a result of reduced bonus accruals. We operate performance related bonus schemes that are linked to growth in profits and cash. Bonus accruals in 2010 were exceptional based on profit growth in excess of 50 per cent. Accruals in 2011 reflect more normal bonus levels.

Capital expenditure in the year was £9.3 million (2010: £5.7 million), a combination of new product tooling, IT system upgrades in our factories and R&D function, investment in extended manufacturing facilities in Sweden and a new office and workshop facility in Korea. The Group does not typically have a significant requirement for fixed asset investment besides normal replacement. However, continued expansion and growth in demand for our products does require some level of investment in capacity. In addition to the extra space for expansion noted above, the Board has approved further investment in our Chinese and Indian operations, in both cases increasing factory and business capacity. The total cost of these is likely to be in the order of £10 million commencing in 2012 and spread over the ensuing two years.

The Group has invested in two businesses during the year. In April we announced the investment of \$50 million in cash in TEN Media, a partnership with NewMarket Impressions LLC, established to exploit the legislation backed opportunity for compliance coding in the US egg industry. Domino owns 15 per cent of the equity of TEN Media and has exclusive rights to supply coding systems to TEN. The business was embryonic at the time the investment was made but has the potential to enhance significantly Domino's position and market share in the USA. We expect first orders during 2012.

In October we acquired a further 88 per cent of the equity of Kameleon Source Codes AS ('Kameleon') for a cash consideration of £1.3 million, taking the Group's total stake to 98 per cent. Kameleon owns the intellectual property in a software solution the Group has developed to provide integration of its coding equipment with manufacturing and production systems. The remaining two per cent of the equity is held by one of the founders of the business. The Group has an obligation to acquire the minority stake for a price between nil and £0.3 million prescribed by a formula related to sales of the product over a three year period.

A total of £3.3 million contingent deferred consideration was paid in cash during the year to former shareholders of Citronix, Easyprint, On-line Coding and Control under the terms of earn-out agreements. The Group has structured certain of its acquisitions to include an element of consideration contingent upon performance of the acquired business. Remaining earn-out arrangements still in place are all expected to complete during 2012, other than that associated with Kameleon. Latest estimates of the remaining liability based on current forecast performance amounts to £7.4 million.

The Group has used further cash in the year in the payment of dividends (£18.4 million) and in paying down certain short-term loans. Gross cash at 31 October 2011 was £39.1 million; bank debt was £16.3 million leaving a net positive cash position of £22.8 million. The remaining bank debt primarily comprises €5.0 million used to finance the acquisition in earlier years of businesses in Germany and £11.0 million representing the balance of the loan used to finance the investment in TEN Media. The euro loan is being paid down as cash is released from the German businesses.

Treasury and credit risk

The Group is exposed to interest rate movements and changes in the value of sterling relative to a number of foreign currencies. Our policy is to manage these exposures in a manner that provides certainty as far as possible and guards against the effects of speculation.

Cash is placed on short-term deposit with approved banks, all of whom are required to meet specific credit rating requirements. The absolute amount on deposit with any one bank is limited to a maximum amount of £20 million but our practice is to spread deposits between two or more banks at a lower level. Bank debt mainly reflects three month or less draw down on Group facilities, renewed as necessary. This enables us to maintain flexibility and minimise net interest costs.

The Group has recently renegotiated bank facilities and has committed debt facilities of £50 million to the end of 2016 sufficient to meet expected requirements for working capital and other corporate activity. Pricing is relative to LIBOR at a margin slightly higher than the previous three year facility. Total cost of debt in 2011 was 1.65 per cent.

We operate in many countries and have revenues and costs in a range of currencies. This exposes us to movements in exchange rates at both the transactional and translational level. We manage transaction exposure through the use of forward contracts, selling or buying expected net cash in/outflows on a rolling 12 (or in some cases three) month basis. Principal exposures are the US dollar and euro; these are both sold forward on a rolling 12 month basis. Currencies such as the Swedish krona, Swiss franc and Canadian dollar are purchased or sold on a rolling three month basis. These contracts provide us with certainty and fix a significant proportion of the Group's transaction based exposure. Certain currencies such as the Chinese renminbi and Indian rupee are significant to the Group but cannot be traded. In these cases cash is converted to sterling at the prevailing spot rate and remitted to the UK.

Forward contracts in place and maturing during the year have the effect of increasing net sterling receipts by £0.7 million when compared to rates prevailing in the prior year. Contracts in place covering expected cash flows in 2012 will realise losses of £0.2 million when compared to rates applicable in 2011.

Reported results are subject to translation from local currency. No action is taken to hedge the effect of translation on the income statement. In 2011 the impact of movements in exchange rates was to reduce reported profits by £1.0 million compared to translation at rates prevailing in 2010.

No action is taken to hedge the impact of translation effects on the value of Group investments denominated in foreign currencies. The value of any gain or loss is taken directly to reserves. In 2011 this resulted in a decrease in the value of reserves of £0.5 million.

Accounting policies

The Group prepares its accounts in accordance with IFRS. The Group's accounting policies are set out in note 1 of the statutory accounts for the year ended 31 October 2011. There have been no material changes in the basis of preparation of the accounts between 2010 and 2011.

Condensed Consolidated Income Statement
For the year ended 31 October 2011

	Note	2011 £'000	2010 £'000
Continuing operations			
Revenue	3	314,080	300,006
Cost of sales		(156,614)	(150,953)
Gross profit		157,466	149,053
Selling and distribution expenses		(54,753)	(49,450)
Administrative expenses		(28,062)	(29,503)
Research and development expenses		(15,299)	(15,592)
		(98,114)	(94,545)
Operating profit before amortisation of acquired intangibles		59,352	54,508
Amortisation of acquired intangibles		(1,805)	(2,092)
Operating profit		57,547	52,416
Investment income		608	418
Finance costs		(709)	(688)
Profit before taxation	3	57,446	52,146
Taxation	4	(16,686)	(14,915)
Profit for the year		40,760	37,231
Attributable to:			
Equity shareholders of the Company		40,718	37,130
Non-controlling interest		42	101
		40,760	37,231
Basic earnings per share (pence)	2	37.20p	34.25p
Diluted earnings per share (pence)	2	36.70p	33.88p

Condensed Consolidated Statement of Comprehensive Income
For the year ended 31 October 2011

	2011	2010
	£'000	£'000
Profit for the year	40,760	37,231
Currency translation differences on foreign currency net investments	(513)	1,590
Gains on cash flow hedges arising during the period	125	190
Reclassification adjustments for (gains)/losses on cash flow hedges included in profit	(190)	534
Tax on items taken directly to equity	-	948
Total recognised income and expense in the year	40,182	40,493
Attributable to:		
Equity shareholders of the Company	40,140	40,392
Non-controlling interest	42	101
	40,182	40,493

**Condensed Consolidated Balance Sheet
As at 31 October 2011**

	2011 £'000	2010 £'000
Non-current assets		
Goodwill	69,871	70,161
Other intangible assets	11,916	11,040
Property, plant and equipment	27,311	24,832
Available for sale investments	31,767	1,734
Investment in associates	277	225
Deferred tax assets	7,012	8,504
	148,154	116,496
Current assets		
Inventories	36,195	30,758
Trade and other receivables	57,714	55,038
Cash and cash equivalents	39,109	59,167
Derivative financial instruments	222	348
	133,240	145,311
Total assets	281,394	261,807
Current liabilities		
Bank loans and overdrafts	(8,429)	(9,683)
Trade and other payables	(65,114)	(67,932)
Derivative financial instruments	(97)	(158)
	(73,640)	(77,773)
Net current assets	59,600	67,538
Non-current liabilities		
Deferred tax liabilities	(6,507)	(6,504)
Bank loans	(7,872)	-
Other payables	(185)	(6,473)
	(14,564)	(12,977)
Total liabilities	(88,204)	(90,750)
Net assets	193,190	171,057
Equity share capital	5,553	5,514
Reserves		
Own shares	(6,931)	(3,437)
Share premium account	36,561	34,381
Capital redemption reserve	908	908
Revaluation reserve	1,285	891
Taxation reserve	1,419	953
Exchange reserve	13,926	14,504
Retained earnings	140,110	117,069
Total reserves	187,278	165,269
Equity distributable to shareholders of the Company	192,831	170,783
Non-controlling interest in equity	359	274
Total equity	193,190	171,057

Condensed Consolidated Statement of Changes in Equity

	Investment in own shares £'000	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Taxation reserve £'000	Exchange reserve £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total Equity £'000
At 1 November 2009	(3,783)	5,467	32,226	908	904	5	12,500	93,642	141,869	185	142,054
Profit for the period	-	-	-	-	-	-	-	37,130	37,130	101	37,231
Other comprehensive income for the period	-	-	-	-	-	948	2,314	-	3,262	-	3,262
Total comprehensive income for the period	-	-	-	-	-	948	2,314	37,130	40,392	101	40,493
Shares issued during the period	-	47	2,155	-	-	-	-	-	2,202	-	2,202
Shares awarded to share scheme participants	308	-	-	-	-	-	-	(308)	-	-	-
Own shares acquired	(65)	-	-	-	-	-	-	-	(65)	-	(65)
Withdrawal of SIP matching shares	103	-	-	-	-	-	-	-	103	-	103
Liquidation of Domino (Australia) Pty Ltd	-	-	-	-	-	-	(310)	310	-	-	-
Credit to equity in respect of share- based compensation charges	-	-	-	-	-	-	-	1,433	1,433	-	1,433
Dividends (note 5)	-	-	-	-	-	-	-	(15,151)	(15,151)	(12)	(15,163)
Transfer of amount equivalent to additional depreciation on re- valued assets	-	-	-	-	(13)	-	-	13	-	-	-
At 31 October 2010	(3,437)	5,514	34,381	908	891	953	14,504	117,069	170,783	274	171,057
Profit for the period	-	-	-	-	-	-	-	40,718	40,718	42	40,760
Other comprehensive income for the period	-	-	-	-	-	-	(578)	-	(578)	-	(578)
Total comprehensive income for the period	-	-	-	-	-	-	(578)	40,718	40,140	42	40,182
Shares issued during the period	-	39	2,157	-	-	-	-	-	2,196	-	2,196
Shares awarded to share scheme participants	1,084	-	23	-	-	-	-	(990)	117	-	117
Own shares acquired	(4,783)	-	-	-	-	-	-	-	(4,783)	-	(4,783)
Withdrawal of SIP matching shares	205	-	-	-	-	-	-	-	205	-	205
Recognition of non- controlling interest on acquisition	-	-	-	-	-	-	-	-	-	33	33
Credit to equity in respect of share- based compensation charges	-	-	-	-	-	-	-	1,709	1,709	-	1,709
Tax on items taken to equity	-	-	-	-	394	466	-	-	860	-	860
Associate non- controlling interest	-	-	-	-	-	-	-	-	-	10	10
Dividends (note 5)	-	-	-	-	-	-	-	(18,396)	(18,396)	-	(18,396)
At 31 October 2011	(6,931)	5,553	36,561	908	1,285	1,419	13,926	140,110	192,831	359	193,190

Condensed Consolidated Cash Flow Statement
For the year ended 31 October 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	7	37,694	47,083
Investing activities			
Interest received		608	418
Interest paid		(443)	(260)
Proceeds on disposal of property, plant and equipment		36	192
Purchase of property, plant and equipment		(8,705)	(5,502)
Proceeds on disposal of intangible assets		-	10
Purchase of intangible assets		(619)	(217)
Payment of contingent acquisition consideration		(3,325)	(7,718)
Purchase of available for sale investments		(30,283)	(250)
Investment in associates		(23)	-
Proceeds on disposal of trade and assets of subsidiary undertakings		720	-
Acquisition of subsidiary undertakings		(1,341)	-
Net cash used in investing activities		(43,375)	(13,327)
Financing activities			
Dividends paid		(18,396)	(15,163)
New bank loans raised		11,879	-
Repayment of borrowings		(5,323)	(737)
Repayment of obligations under finance leases		(78)	(73)
Own shares purchased		(4,783)	(65)
Own shares used to satisfy share option exercises		117	-
Issue of equity share capital		2,196	2,202
Net cash used in financing activities		(14,388)	(13,836)
Effects of foreign exchange on cash balances		12	235
Net (decrease)/increase in cash and cash equivalents		(20,057)	20,155
Cash and cash equivalents at the beginning of the year		59,166	39,011
Cash and cash equivalents at the end of the year		39,109	59,166
Comprising:			
Cash and cash equivalents		39,109	59,167
Overdrafts		-	(1)
		39,109	59,166

Notes

1. Accounting policies

The results for the year ended 31 October 2011 have been prepared in accordance with the recognition and measurement criteria of International Accounting Standards and International Financial Reporting Standards (collectively 'IFRS') as adopted by the European Union at 31 October 2011 and the financial information contained herein is presented on a consistent basis with the IFRS accounting policies of Domino Printing Sciences plc.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS in January 2012.

Standards and interpretations that have become effective in the current financial year but have had no material impact on the financial statements include:

- IFRS 1 (amended 2009): Oil and Gas Assets and Determining whether an Arrangement contains a Lease
- IFRS 1 (amended 2010): Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IFRS 2 (amended 2009): Group Cash-settled Share Based Payment Transactions
- IAS 32 (amended 2009): Classification of Rights Issues
- IFRIC 19: Extinguishing Financial Liabilities and Equity Instruments
- Annual Improvements to IFRSs

The Group has not presented the balance sheet for 2009 as required by IAS 1 (revised) following the adoption of these standards and interpretations as they have had no material impact on the balance sheet for 2011, 2010 or 2009. The 2009 balance sheet is available on the Company's website at www.domino-printing.com.

General information

The financial statements for the year ended 31 October 2011 were approved by the directors on 12 December 2011. The financial information contained in this statement does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 October 2010 are available on the Company's website and have been filed with the Registrar of Companies. Those for the year ended 31 October 2011 will be delivered following the Company's annual general meeting. The auditor's reports on both the accounts for the year ended 31 October 2011 and the year ended 31 October 2010 were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of Companies Act 2006 or equivalent preceding legislation.

2. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares in issue during the year (110,756,317) less the weighted average shares in the Company purchased by the Company's Employee Benefit Trust (1,156,268) less the weighted average shares issued to the Company's QUEST scheme (35,867) less the weighted average number of shares held to satisfy the Group's Share Incentive Plan (107,051). The weighted average number of shares used is 109,457,131 (2010: 108,416,060).

The weighted average number of shares used in the diluted earnings per share calculation is the figure used in the basic earnings per share calculation adjusted by 1,497,459, being the number of shares deemed to be issued for no consideration if all share options had been exercised. The weighted average number of shares used is 110,954,590 (2010: 109,607,637). The earnings used in the diluted earnings per share calculation is the profit on ordinary activities attributable to shareholders.

The Group presents an alternative measure of earnings per share ('underlying earnings per share') before the post-tax effects of:

- Amortisation of intangible assets arising on business combinations (2011: £1.3 million; 2010: £1.5 million).
- The non-cash interest charge on discounted long-term contingent consideration (2011: £0.3 million; 2010: £0.4 million).
- Exceptional costs arising on impairment of goodwill and acquisition intangibles, business restructuring and redundancies (2011: £nil; 2010: £nil).

The effect of the above items on basic earnings per share is presented below:

	2011	2010
Basic earnings per share (pence)	37.20	34.25
Effect of acquired intangibles amortisation (pence)	1.22	1.40
Effect of exceptional expenses (pence)	-	-
Effect of interest charge on discounted contingent consideration (pence)	0.24	0.40
Underlying earnings per share (pence)	38.66	36.05
Diluted earnings per share (pence)	36.70	33.88
Underlying diluted earnings per share (pence)	38.14	35.66

3. Segmental reporting

	2011	2010
	£'000	£'000
Revenue by location of subsidiary		
Europe	183,430	175,388
Americas	60,306	63,358
Rest of the World	70,344	61,260
	314,080	300,006
Segment result by location of subsidiary		
Europe	53,943	48,611
Americas	5,550	6,094
Rest of the World	15,530	16,716
Eliminations	(2,177)	(3,413)
	72,846	68,008
Central research and development	(15,299)	(15,592)
	57,547	52,416
Net interest	(101)	(270)
Profit before taxation	57,446	52,146

The Group operates in one business segment: the development, manufacture and sale of industrial printing equipment and related products.

4. Taxation

Tax for the period is charged at a composite tax rate of 29.0 per cent (2010: 28.6 per cent).

5. Dividends

	2011 £'000	2010 £'000
Amounts recognised as distributions in the year:		
Final dividend for the year ended 31 October 2010 of 10.14 pence per share (2009: 8.45 pence)	11,133	9,172
Interim paid of 6.58 pence per share (2010: 5.48 pence)	7,263	5,979
	18,396	15,151
Distribution to non-controlling interests	-	12
	18,396	15,163

Dividends distributed in the year amount to 16.72 pence per share (2010: 13.93 pence). The directors recommend a final dividend of 12.17 pence per share bringing the total dividends declared for the year to 18.75 pence per share (2010: 15.62 pence). The final dividend will be paid on 10 April 2012, subject to approval at the Annual General Meeting, to those shareholders appearing on the Register at close of business on 9 March 2012. The final dividend has not been included as a liability at 31 October 2011.

6. Share capital

During the year a total of 773,264 new ordinary shares of 5 pence each were issued under the Company's Executive Option and SAYE schemes for £2,196,000.

7. Net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating profit	57,547	52,416
Depreciation of property, plant and equipment	5,533	5,329
Amortisation of intangible assets acquired through business combination	1,805	2,092
Amortisation of other intangible assets	279	172
Share-based compensation charges	1,709	1,433
Increase in inventories*	(5,775)	(4,011)
Increase in receivables*	(4,140)	(5,440)
(Decrease)/increase in payables*	(6,098)	9,050
Decrease in restructuring and redundancy provisions	-	(2,069)
Non-cash write down of goodwill and acquisition intangibles*	-	448
Other non-cash items	249	271
Net cash inflow from operating activities before taxation	51,109	59,691
Tax paid	(13,415)	(12,608)
Net cash inflow from operating activities	37,694	47,083

* Net of effect of change in exchange rates

8. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this statement. Transactions between the Group and its associates are immaterial and are not disclosed in this statement.

9. Underlying profit before taxation

Underlying profit before taxation is calculated as follows:

	2011 £'000	2010 £'000
Operating profit	57,547	52,416
Amortisation of acquired intangibles	1,805	2,092
Exceptional costs	-	-
Underlying operating profit	59,352	54,508
Investment income	608	418
Finance costs excluding accounting for discounted deferred consideration (2011: £266,000; 2010: £430,000)	(443)	(258)
Underlying profit before tax	59,517	54,668

10. Disposals

During 2011, the Group disposed of certain business and assets associated with Photon Energy GmbH and NWL Lasertechnologie GmbH (together, the 'Photon group').

Reorganisation of the Photon group, including transfer of substantially all the solid state laser product business to Domino's existing laser operation in Hamburg, left a small solid state source manufacturing business in Photon Energy GmbH. This business was principally supplying customers outside the coding and marking area.

After a review of strategic options the decision was taken to dispose of the remaining business and assets of Photon Energy GmbH. This transaction was concluded on 19 November 2010. Later in the year, further assets associated with NWL Lasertechnologie GmbH were also sold. This transaction was concluded on 5 July 2011.

The remaining assets include intellectual property and know-how associated with fibre laser technology and related software. These assets now form an integral part of the Group's laser operations in Hamburg.

These transactions were undertaken for total cash consideration of €830,000 (£720,000). The net profit arising on disposal was €83,000 (£72,000).

Photon Energy GmbH was subsequently merged into Domino Holding Deutschland GmbH. NWL Lasertechnologie GmbH had previously been merged into Photon Energy GmbH on 1 August 2009.

11. Investment

On 26 April 2011, the Group announced that it had entered into a partnership with NewMarket Impressions, a US based business, in the formation of a new company, TEN Media LLC, to provide safety and traceability systems for the fresh egg industry. The Group made an investment of \$50 million (£30.3 million) for a 15 per cent share in the company and has exclusive supply agreements with TEN Media for all coding equipment and services.

12. Acquisition

On 6 October 2011, the Group acquired 88 per cent of the share capital of Kameleon Source Codes AS, increasing its shareholding from 10 per cent to 98 per cent and thereby obtaining control of the company.

Kameleon owns the intellectual property in a software solution the Group has developed to provide integration of its coding equipment with manufacturing and production systems. The remaining 2 per cent of the equity is held by one of the founders of the business. The Group has an obligation to acquire the minority stake for a price prescribed by a formula related to sales of software solutions over a three year period.

The following table gives details of the fair values of the assets and liabilities acquired and the total consideration paid:

	Book value £'000	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	17	17
Intangibles	67	2,352
Accruals and other creditors	(22)	(26)
Deferred tax liability	-	(611)
Total identifiable net assets	62	1,732
Less: Non-controlling interest		(33)
Total		1,699
Satisfied by:		
Fair value of original investment		250
Cash		1,358
Contingent consideration		91
		1,699
Net cash outflow arising on acquisition:		
Cash consideration		1,358
Less: cash and cash equivalent balances acquired		(17)
		1,341