INTERIM STATEMENT 2009

St Ives plc

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Trading conditions have continued to be very challenging. Weak and volatile demand together with fierce price competition have led to a result that is considerably below that achieved in the first half of last year. We have declared an interim dividend, albeit at a reduced level.

As set out in the Chief Executive's Statement, significant actions completed during the period include the disposal of our businesses in Holland and the USA. We are now able to concentrate solely on the development of our market-leading businesses in the UK. In addition, we closed our defined benefits pension scheme to future accrual, thus reducing as far as possible the Group's exposure to the risks inherent in increased longevity and uncertain investment returns.

As already announced, as part of an overall management succession plan Brian Edwards will be standing down as Chief Executive at the end of the financial year: he will be succeeded by Patrick Martell, currently Managing Director Media Products. Simon Ward leaves the board at the end of March in order to concentrate his endeavours in the private equity sector: his role is being assumed by Lloyd Wigglesworth who joined the board in December 2008, initially as a non-executive director. Wayne Angstrom, formerly President of St Ives Inc, retired from the board immediately following completion of the disposal of our US businesses in January.

Against a background of extreme economic uncertainty, actions already taken will reduce costs further. We are well invested; the Group's balance sheet is robust; and we continue to focus on ensuring that our cost base is competitive and that we remain the premier provider of print-based solutions to our media and commercial customers alike.

Miles Emley
Chairman

31 March 2009

Chief Executive's Statement

Results

The results for the Group for the 26 weeks ended 30 January 2009 show sales from continuing operations of £208.0 million (2008* – £198.2 million) and profit before tax, restructuring costs, provision releases and other one-off items of £6.2 million (2008* – £12.4 million). Profit from continuing operations before tax was £4.4 million (2008 – £11.6 million).

Earnings per share from continuing operations before restructuring costs, provision releases and other one-off items was 4.15p (2008 – 8.04p).

On 22 January 2009 we completed the disposal of our US division for US$39 million. After writing off goodwill and other associated costs of £10.2 million in total on this disposal, the overall result of the Group was a net loss of £6.7 million (2008* – profit £8.2 million). Earnings per share from continuing operations were 2.97p (2008 – 7.11p). The losses per share from continuing and discontinued operations was 6.51p (2008 – earnings 7.95p).

Dividend

The board has declared an interim dividend of 1.75p per share (2008 – 5.00p per share) which will be payable on 15 May 2009 to shareholders on the register at 17 April 2009. A proposal for the final dividend will be made subsequent to the end of the financial year and will reflect the outcome for the year as well as the outlook and requirements of the business moving forwards.

Trading Conditions

As stated in our announcement on 26 January 2009, trading conditions during the period continued to be very challenging and deteriorated further after Christmas. The actions taken to reduce costs and the growth in sales of managed services were insufficient to offset fully the effects of volume and price pressure and profits were much lower than for the same period last year.

Media Products

Revenues from Media Products were £83.9 million, approximately 7.5% below the first half of last year. The majority of this reduction was attributable to the sale, in September 2008, of our Dutch music and multimedia activities. Underlying operating profit reduced to £8.2 million from £12.4 million last year.

Revenues from book customers increased modestly as a result of a further gain in market share and additional sales of added value services. Overall growth, however, was less than expected due to disruption in the supply chain to major supermarkets following the failure of a distributor, EUK, in November 2008. Variable demand, leading to less efficient utilisation, and reduced specifications resulted in modestly lower returns.

Overall, magazine sales were only slightly lower than in the same period last year. However, added value reduced by more than 10% because the mix of products required more bought in elements. Further price pressure, less efficient utilisation caused by volatile demand, and a significant increase in utility costs resulted in a loss in this area.

Commercial Products

Revenue from Commercial Products was £124.1 million, some 15.4% ahead of the previous half year. This segment produced a small loss of £143,000 before interest and exceptional items compared to a profit of £1.7 million for the comparative period in the prior year.

Direct response, general commercial printing and sales to music, movie and computer games publishers remained weak and under increasing price pressure. Pressure on volume and price was only partly offset by additional revenues delivered through our Group Sales offering. Utilisation deteriorated and the financial performance of these businesses was below that for the same period in the previous year.

Sales from our exhibitions, events and outdoor media operations declined by over 20% against the background of a more competitive environment, leading to a small loss. Actions to reduce cost have been taken in this part of the business.

Sales of point of sale services were robust with volumes nearly 30% ahead of the same period in the prior year, as our customers' marketing departments requested more frequent campaigns in an effort to promote sales. Whilst profits increased, net margins reduced as a result of price pressure and volatile demand caused less efficient utilisation of our labour.

Strategy

A number of key actions were completed during the half year. The assets and liabilities of the loss making Dutch business and the businesses of the US division were sold, generating £18.3 million in net cash which was used to reduce debt.

Our business now principally supplies the needs of the UK domestic market and our strategy of developing long-term regular contractual relationships with customers continues to help offset the extremely challenging conditions.

Balance Sheet

The Group's balance sheet remains strong, partly as a result of actions taken to dispose of non-core activities. Our remaining businesses are well invested and, as expected, capital expenditure in the period was slightly below depreciation. The Group's defined benefits pension scheme was closed to future accrual with effect from 31 August 2008. During the period we contributed a special payment of £14.4 million as part of the agreed closure of the defined benefits pension scheme. Underlying free cash flow remains robust.

Outlook

Since January economic conditions have become more uncertain and most of our markets are extremely unpredictable. Action has been taken in many of our businesses to reduce costs and all areas remain under review. Some of our manned capacity has been reduced and we have seen further closures of competitor capacity. This has not kept pace, however, with reductions in demand and as a result has had no net effect on pricing in the market.

In Books, visibility remains limited but to date volumes have held up compared with the same period last year. Our new warehouse extension, built to allow us to offer more post-production services, is now on stream and sales to customers requiring these facilities are increasing.

Magazine paginations remain extremely variable, with volumes modestly lower overall. Some gains have been achieved following closure of competitor capacity.

Direct response, general commercial and multimedia markets continue to be oversupplied and subject to price pressure. Since the end of the half year, there has been a modest improvement in demand for the services of our exhibitions, events and outdoor media business but, overall, activity is below that of last year. The incremental sales that are still being achieved from existing customers for products and services not previously supplied are helping to offset some volume shortfall in these areas.

Point of sale markets continue to be busy, although we are achieving lower net margins as volatility in demand and price pressure increases.

The markets we serve are heavily influenced by the economic climate and the outlook is very uncertain in most areas. The Group's market position, however, remains strong and our concentration on the supply of cost effective solutions will help to mitigate the impact of continuing volume and margin pressure. This, together with the Group's sound financial position, will allow us to take advantage of any improvement in the economic outlook.

Brian Edwards
Chief Executive

31 March 2009

* The US division was sold on 22 January 2009 and has been treated as a discontinued operation. Accordingly, its results for the period have been reclassified and the comparative figures for the 26 weeks ended 1 February 2008 have been restated.

Condensed Consolidated Income Statement

	Note	26 weeks to 30 January 2009 Before restructuring costs, provision releases and other one-off items	26 weeks to 30 January 2009 Restructuring costs, provision releases and other one-off items (note 3)	26 weeks to 30 January 2009 Total	26 weeks to 1 February 2008 (restated note 7)	52 weeks to 1 August 2008 (restated note 7)
		£'000	£'000	£'000	£'000	£'000
Revenue	2	207,971	–	207,971	198,247	391,200
Cost of sales		(164,224)	(1,277)	(165,501)	(146,960)	(287,916)
Gross profit/(loss)		43,747	(1,277)	42,470	51,287	103,284
Selling costs		(13,562)	(372)	(13,934)	(14,608)	(27,300)
Administrative expenses		(22,250)	(521)	(22,771)	(24,254)	(43,121)
Other operating income		138	420	558	836	1,216
Profit/(loss) from continuing operations	2	8,073	(1,750)	6,323	13,261	34,079
Investment income		6,394	–	6,394	5,721	11,051
Finance costs		(8,310)	–	(8,310)	(7,413)	(14,508)
Profit/(loss) before tax		6,157	(1,750)	4,407	11,569	30,622
Income tax (charge)/credit	4	(1,878)	533	(1,345)	(4,242)	(16,096)
Profit/(loss) for the period from continuing operations		4,279	(1,217)	3,062	7,327	14,526
Profit/(loss) for the period from discontinued operations		476	(10,249)	(9,773)	867	1,714
Net profit/(loss) for the period		4,755	(11,466)	(6,711)	8,194	16,240
Basic and diluted earnings/(losses) per share						
From continuing operations	6	4.15p	(1.18p)	2.97p	7.11p	14.09p
From continuing and discontinued operations	6	4.61p	(11.12p)	(6.51p)	7.95p	15.75p

Condensed Consolidated Statement of Recognised Income and Expense

	26 weeks to 30 January 2009	26 weeks to 1 February 2008	52 weeks to 1 August 2008
	£'000	£'000	£'000
Exchange gains on translating foreign operations	**275**	905	973
Actuarial gains/(losses) on defined benefits pension scheme	**12,375**	(9,486)	(12,806)
Gains on cash flow hedges taken to equity	**586**	–	–
Tax (charge)/credit on items taken directly to equity	**(3,629)**	2,656	3,522
Net income/(expense) recognised directly in equity	**9,607**	(5,925)	(8,311)
Transfer to income statement of exchange differences on disposal of foreign operations and on repayment of group hedging loan	**(235)**	–	–
(Loss)/profit for the period	**(6,711)**	8,194	16,240
Total recognised income	**2,661**	2,269	7,929

Condensed Consolidated Balance Sheet

	Note	30 January 2009	1 February 2008	1 August 2008
		£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		126,367	141,824	141,581
Goodwill		46,273	54,679	54,679
Other intangible assets		1,362	1,755	1,753
Deferred tax assets		–	7,004	39
Financial assets	7	3,469	–	–
Other non-current assets		1,832	3,176	2,478
		179,303	208,438	200,530
Current assets				
Inventories		12,681	13,340	14,211
Trade and other receivables		97,650	81,077	96,965
Cash and cash equivalents		492	14,144	5,635
Assets held for sale		1,282	4,604	6,650
		112,105	113,165	123,461
Total assets		291,408	321,603	323,991
Liabilities				
Current liabilities				
Trade and other payables		77,124	72,165	72,694
Loans and bank overdrafts		3,199	358	–
Other financial liabilities		39	382	230
Current tax liabilities		504	5,170	3,209
Provisions		983	2,322	1,901
Deferred income		611	196	981
Liabilities directly associated with assets held for sale		–	–	1,142
		82,460	80,593	80,157
Non-current liabilities				
Loans		36,173	28,540	38,491
Retirement benefit obligations	10	20,920	55,008	48,344
Deferred income		1,095	1,384	1,204
Other financial liabilities		–	79	–
Provisions		936	1,695	925
Deferred tax liabilities		4,762	–	–
		63,886	86,706	88,964
Total liabilities		146,346	167,299	169,121
Net assets		145,062	154,304	154,870
Equity				
Capital and reserves				
Share capital		10,355	10,355	10,355
Other reserves	8	46,637	46,061	46,123
Retained earnings	9	88,070	97,888	98,392
Total equity		145,062	154,304	154,870

These interim statements were approved by the board of directors on 31 March 2009.

Condensed Consolidated Cash Flow Statement

	Note	26 weeks to 30 January 2009 £'000	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
Operating activities				
Cash generated from operations	11	6,112	32,886	40,138
Interest received		–	247	17
Interest paid		(1,435)	(823)	(1,992)
Income taxes paid		(2,647)	(3,017)	(8,938)
Net cash generated from operating activities		2,030	29,293	29,225
Investing activities				
Purchase of property, plant and equipment		(10,548)	(8,640)	(21,443)
Purchase of other intangibles		(265)	(816)	(1,347)
Proceeds on disposal of property, plant and equipment		4,620	1,189	1,838
Disposal proceeds of subsidiary, net of cash disposed		17,764	–	–
Net cash generated from/(used in) investing activities		11,571	(8,267)	(20,952)
Financing activities				
Loan notes redeemed		–	–	(358)
Capital element of finance lease rentals		(191)	(211)	(398)
Dividends paid (note 5)		(12,521)	(12,521)	(17,673)
(Decrease)/increase in bank loans		(10,117)	–	10,000
Increase/(decrease) in bank overdrafts		3,199	(1,969)	(1,969)
Net cash used in financing activities		(19,630)	(14,701)	(10,398)
Net (decrease)/increase in cash and cash equivalents		(6,029)	6,325	(2,125)
Cash and cash equivalents at beginning of period		5,635	7,547	7,547
Effect of foreign exchange rate changes		886	272	213
Cash and cash equivalents at end of period	11	492	14,144	5,635

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The interim statements have been prepared in accordance with IAS34 'Interim Financial Reporting', the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The interim statements have been prepared in accordance with the accounting policies set out in the Group's Annual Report and Accounts 2008. Certain balance sheet items have been reclassified in the prior year comparatives to reflect changes in presentation. The interim statements have not been audited or reviewed.

The interim statements do not comprise statutory accounts for the purpose of section 435 of the Companies Act 2006. The abridged information for the fifty two weeks to 1 August 2008 has been extracted from the Group's statutory accounts for that period which have been filed with the Registrar of Companies. The auditor's report in the accounts of the Group for that period was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

The board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium-term performance and the factors that mitigate those risks have not substantially changed from those set out in pages 16 and 17 and 75 to 78 of the Group's Annual Report and Accounts for 2008, a copy of which is available on the Group's website: www.st-ives.co.uk.

2. Segment reporting

The Group manages its business on a market segment basis. Inter-segment sales are charged at arm's length prices. Corporate costs are allocated to revenue generating segments as this presentation better reflects their profitability. As detailed in note 7, the US division was sold on 22 January 2009 and is classified as a discontinued operation in the interim statements. Segmental results in the prior half year and full year segmental analysis comparatives have been restated to reflect continuing operations only.

Business segments

	26 weeks to 30 January 2009			
	Media Products £'000	Commercial Products £'000	Elimination £'000	Total £'000
Revenue				
External sales	83,921	124,050	–	207,971
Inter-segment sales	439	2,680	(3,119)	–
Total revenue	84,360	126,730	(3,119)	207,971
Result				
Segmental result	7,833	(1,510)	–	6,323
Add back restructuring costs, provision releases and other one-off items	383	1,367	–	1,750
Segmental result before restructuring costs, provision releases and other one-off items	8,216	(143)	–	8,073
Total restructuring costs, provision releases and other one-off items				(1,750)
Profit from operations				6,323
Investment income				6,394
Finance costs				(8,310)
Profit before tax				4,407
Income tax charge				(1,345)
Profit for the period from continuing operations				3,062

	26 weeks to 1 February 2008 (restated)			
	Media Products £'000	Commercial Products £'000	Elimination £'000	Total £'000
Revenue				
External sales	90,735	107,512	–	198,247
Inter-segment sales	1,339	1,872	(3,211)	–
Total revenue	92,074	109,384	(3,211)	198,247
Result				
Segmental result	10,646	2,615	–	13,261
Add back restructuring costs, provision releases and other one-off items	1,727	(886)	–	841
Segmental result before restructuring costs, provision releases and other one-off items	12,373	1,729	–	14,102
Total restructuring costs, provision releases and other one-off items				(841)
Profit from operations				13,261
Investment income				5,721
Finance costs				(7,413)
Profit before tax				11,569
Income tax charge				(4,242)
Profit for the period from continuing operations				7,327

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Segment reporting *continued*

Business segments *continued*

	52 weeks to 1 August 2008 (restated)			
	Media Products £'000	Commercial Products £'000	Elimination £'000	Total £'000
Revenue				
External sales	173,153	218,047	–	391,200
Inter-segment sales	2,280	3,737	(6,017)	–
Total revenue	175,433	221,784	(6,017)	391,200
Result				
Segmental result	24,454	9,625	–	34,079
Add back restructuring costs, provision releases and other one-off items	1,264	(2,390)	–	(1,126)
Segmental result before restructuring costs, provision releases and other one-off items	25,718	7,235	–	32,953
Total restructuring costs, provision releases and other one-off items				1,126
Profit from operations				34,079
Investment income				11,051
Finance costs				(14,508)
Profit before tax				30,622
Income tax charge				(16,096)
Profit for the period from continuing operations				14,526

Geographical segments

The Media Products and Commercial Products business segments operate primarily in the UK, deriving more than 90% of their revenues and profits from operations and customers located in the UK.

3. Restructuring costs, provision releases and other one-off items

Restructuring costs, provision releases and other one-off items disclosed on the face of the consolidated income statement in respect of continuing operations are as follows:

	26 weeks to 30 January 2009 £'000	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
(Expense)/income			
Restructuring items			
Redundancies, impairments and other charges	**(2,149)**	(2,527)	(5,195)
Provision releases	**–**	1,432	1,373
Profit on disposal of fixed assets	**–**	447	594
Profit on disposal of music and multimedia business	**420**	–	–
	(1,729)	(648)	(3,228)
Other			
Pension curtailment, net of associated costs	**(21)**	–	4,737
Press fire	**–**	(193)	(250)
	(1,750)	(841)	1,259
Income tax credit/(charge)	**533**	(121)	(6,765)
	(1,217)	(962)	(5,506)

Redundancies, impairments and other charges includes redundancies (£1,909,000) and other costs within the Media Products and Commercial Products segments. The assets and liabilities of the music and multimedia business in Uden, the Netherlands were sold on 24 September 2008 for net proceeds of £502,000 resulting in a gain of £420,000.

4. Tax

Tax on profit from continuing operations as shown in the consolidated income statement is as follows:

	26 weeks to 30 January 2009 £'000	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
United Kingdom income tax	**1,345**	4,217	16,096
Overseas income tax	**–**	25	–
	1,345	4,242	16,096

5. Dividends

	per share	**26 weeks to 30 January 2009 £'000**	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
Final dividend paid for the 53 weeks ended 3 August 2007	12.15p	**–**	12,521	12,521
Interim dividend paid for the 26 weeks ended 1 February 2008	5.00p	**–**	–	5,152
Final dividend paid for the 52 weeks ended 1 August 2008	12.15p	**12,521**	–	–
Dividends paid during the period		**12,521**	12,521	17,673
Proposed interim dividend for the 26 weeks ended 30 January 2009	1.75p	**1,803**		

NOTES TO THE FINANCIAL STATEMENTS *continued*

6. Earnings per share

Number of shares

	26 weeks to 30 January 2009 million	26 weeks to 1 February 2008 million	52 weeks to 1 August 2008 million
Weighted average and diluted weighted average number of ordinary shares for the purposes of basic earnings per share	**103.1**	103.1	103.1

Basic and diluted earnings per share

	26 weeks to 30 January 2009		26 weeks to 1 February 2008		52 weeks to 1 August 2008	
	Earnings £'000	**Earnings per share pence**	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and earnings per share from continuing activities						
Earnings and basic earnings per share	**3,062**	**2.97**	7,327	7.11	14,526	14.09
Restructuring costs, provision releases and other one-off items	**1,217**	**1.18**	958	0.93	5,639	5.47
Underlying earnings and underlying earnings per share	**4,279**	**4.15**	8,285	8.04	20,165	19.56
Earnings and earnings per share from discontinued activities						
(Losses)/earnings and basic (losses)/earnings per share	**(9,773)**	**(9.48)**	867	0.84	1,714	1.66
Restructuring costs, provision releases and other one-off items	**10,249**	**9.94**	4	–	(133)	(0.13)
Underlying earnings and underlying earnings per share	**476**	**0.46**	871	0.84	1,581	1.53
Basic (losses)/earnings per share from continuing and discontinued activities		**(6.51)**		7.95		15.75

Underlying earnings is calculated by adding back restructuring costs, provision releases and other one-off items, as adjusted for tax, to the profit for the period.

7. Discontinued operations

On 22 January 2009 the Group disposed of its US division, St Ives (USA), Inc and its subsidiary undertakings. The disposal was tax free in the UK. The US operation is classified as a discontinued operation in these interim statements and prior period figures have been restated accordingly.

The profit after tax for the period from the discontinued operation is analysed below:

	26 weeks to 30 January 2009 £'000	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
Revenue	23,592	24,942	47,949
Operating costs	(23,047)	(23,981)	(46,344)
Profit before tax	545	961	1,605
Income tax charge	(69)	(90)	(24)
Profit after tax before restructuring costs, provision releases and other one-off items on discontinued operations	476	871	1,581

Restructuring costs, provision releases and other one-off items from the discontinued operation is analysed below:

	26 weeks to 30 January 2009 £'000	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
Loss on disposal of the US activities	(10,554)	–	–
Other restructuring costs, provision releases and other one-off items	305	(4)	133
Total restructuring costs, provision releases and other one-off items before and after tax	(10,249)	(4)	133

	26 weeks to 30 January 2009 £'000	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
Profit after tax before restructuring costs, provision releases and other one-off items	476	871	1,581
Restructuring costs, provision releases and other one-off items	(10,249)	(4)	133
Total (loss)/profit from discontinued operations	(9,773)	867	1,714

NOTES TO THE FINANCIAL STATEMENTS *continued*

7. Discontinued operations *continued*

The net assets of the US division at the date of disposal and at 1 August 2008 and 1 February 2008 were as follows:

	22 January 2009 £'000	1 February 2008 £'000	1 August 2008 £'000
Attributable goodwill	**8,405**	8,405	8,405
Other intangible assets	**210**	272	217
Property, plant and equipment	**21,515**	14,932	16,250
Inventories	**4,389**	2,561	2,589
Trade and other receivables	**11,345**	10,356	9,898
Bank balances and cash	**3,186**	4,305	4,372
Trade and other payables	**(11,984)**	(6,165)	(6,601)
Other liabilities	**(128)**	(1,452)	(946)
Net assets	**36,938**	33,213	34,183
Recycling of cumulative foreign exchange translation losses	**1,056**		
Loss on disposal before and after tax	**(10,554)**		
Total consideration receivable, net of selling costs	**27,440**		

	£'000
Consideration net of selling costs, received in cash in the period	**20,950**
Consideration receivable in cash on US tax authority clearance	**2,844**
Promissory loan note	**3,646**
Total consideration receivable, net of selling costs	**27,440**

Net cash inflow arising from the disposal in the period:

	£'000
Total consideration net of selling costs, received in cash in the period	**20,950**
Cash included in net assets disposed of in the period	**(3,186)**
Proceeds in the period on disposal, net of cash disposed	**17,764**

Clearance from the US federal tax authorities was received after the balance sheet date, following which the withheld consideration of £2,844,000 was received by the Group. The promissory loan note is interest bearing and is repayable in instalments with US$1.0 million due on 1 February 2012, US$1.0 million on 1 February 2013 and US$3.0 million due on 1 February 2014. This receivable is recorded within financial assets under non-current assets.

8. Other reserves

	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Hedging and translation reserve £'000	Total £'000
Balance at 3 August 2007	46,689	(1,913)	1,238	62	(949)	45,127
Exchange differences and related tax	–	–	–	–	905	905
Recognition of share-based payments	–	–	–	29	–	29
Balance at 1 February 2008	46,689	(1,913)	1,238	91	(44)	46,061
Exchange differences and related tax	–	–	–	–	4	4
Recognition of share-based payments	–	–	–	58	–	58
Balance at 1 August 2008	46,689	(1,913)	1,238	149	(40)	46,123
Exchange differences and related tax						
Arising in the period	–	–	–	–	275	275
Transferred to income statement	–	–	–	–	(235)	(235)
Cash flow hedges						
Gains on hedges taken to equity	–	–	–	–	586	586
Tax taken directly to equity	–	–	–	–	(164)	(164)
Recognition of share-based payments	–	–	–	52	–	52
Balance at 30 January 2009	**46,689**	**(1,913)**	**1,238**	**201**	**422**	**46,637**

9. Retained earnings

	£'000
Balance at 3 August 2007	109,045
Dividends paid	(12,521)
Profit for the period attributable to equity holders of the parent	8,194
Actuarial losses on defined benefits pension scheme, net of associated tax	(6,830)
Balance at 1 February 2008	97,888
Dividends paid	(5,152)
Profit for the period attributable to equity holders of the parent	8,046
Actuarial losses on defined benefits pension scheme, net of associated tax	(2,390)
Balance at 1 August 2008	98,392
Dividends paid	(12,521)
Loss for the period attributable to equity holders of the parent	(6,711)
Actuarial gains on defined benefits pension scheme, net of associated tax	8,910
Balance at 30 January 2009	**88,070**

NOTES TO THE FINANCIAL STATEMENTS *continued*

10. Retirement benefits

The defined benefits pension scheme was closed to future service accruals with effect from 31 August 2008. The related net liability in respect of retirement benefit obligations of £20.9m at the balance sheet date has decreased compared to 1 August 2008 (£48.3m) due primarily to an increase in the discount rate from 6.25% at 1 August 2008 to 6.75% at 30 January 2009, and a decrease in the inflation rate from 3.65% to 3.4% at 30 January 2009.

11. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	26 weeks to 30 January 2009 £'000	26 weeks to 1 February 2008 £'000	52 weeks to 1 August 2008 £'000
Profit from continuing operations	**6,323**	13,261	34,079
(Loss)/profit from discontinued operations	**(9,547)**	1,237	2,246
Adjustments for			
Depreciation of property, plant and equipment	**11,506**	13,553	24,250
Loss on disposal of subsidiary	**10,554**	–	–
Impairment losses	**–**	–	2,937
Amortisation of intangible assets	**520**	467	998
Gain on disposal of property, plant and equipment	**(525)**	(838)	(1,355)
Foreign exchange gains	**(397)**	–	–
Deferred income (credit)/charge	**(480)**	(246)	359
Share-based payment charge	**51**	29	87
Decrease in retirement benefit obligations	**(15,683)**	(657)	(11,689)
Decrease in provisions	**(978)**	(3,516)	(4,375)
Operating cash inflows before movements in working capital	**1,344**	23,290	47,537
Increase/(decrease) in inventories	**(1,790)**	625	(667)
Increase in receivables	**(5,406)**	(4,532)	(20,489)
Increase in payables	**11,964**	13,503	13,757
Cash generated from operations	**6,112**	32,886	40,138

Analysis of net debt

	2 August 2008 £'000	**Cash flow £'000**	**Exchange movements £'000**	**30 January 2009 £'000**
Cash and cash equivalents	5,635	(6,029)	886	**492**
Bank overdrafts	–	(3,199)	–	**(3,199)**
Bank loans	(38,491)	10,117	(7,799)	**(36,173)**
Finance leases	(230)	191	–	**(39)**
	(33,086)	1,080	(6,913)	**(38,919)**

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The effective interest rates on cash and cash equivalents are based on current market rates.

Finance lease obligations are included within other financial liabilities under current liabilities.

Cash flows from discontinued operations
Included within the cash flow statement are the following cash flows from discontinued operations:

	26 weeks to 30 January 2009	26 weeks to 1 February 2008	52 weeks to 1 August 2008
	£'000	£'000	£'000
Net cash generated from operating activities	**1,691**	867	2,671
Net cash generated from/(used in) investing activities	**2,232**	(1,141)	(2,870)
Net increase/(decrease) in cash from discontinued operations	**3,923**	(274)	(199)

12. Responsibility statement

We confirm that, to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months of the year and descriptions of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the board

Brian Edwards
Chief Executive

31 March 2009

The foregoing contains forward looking statements made by the directors in good faith based on information available to them up to 31 March 2009. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.

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