

15 March 2011

ST IVES plc

Half Year Results for the 26 weeks ended 28 January 2011

St Ives plc, the UK's leading print and marketing services group, announces half year results for the 26 weeks ended 28 January 2011.

Group Highlights

- Underlying revenue from continuing operations £149.0m* (2010**: £151.1m)
- Underlying profit before tax from continuing operations £10.2m* (2010**: £9.4m)
- Profit from continuing operations before tax £12.7m (2010**: £10.0m)
- Basic underlying earnings per share from continuing operations 6.86p* (2010**: 6.26p)
- Interim dividend of 1.75p per share (2010: 1.75p per share)
- Successful acquisition of Tactical Solutions
- Disposal (subject to shareholder approval) of the Magazine printing business
- Successful re-location of the principal Exhibitions and events operation
- Contracts exchanged on disposal of head office premises

* Before restructuring charges, provision releases, operating results of non-continuing operations, amortisation of acquired intangibles and other one-off items.

** As announced on 14 March, the Magazine printing business has been sold, subject to shareholder approval. The business has been treated as a discontinued operation, with the comparative figures for the 26 weeks ended 29 January 2010 restated.

Commenting on the results, Patrick Martell, Chief Executive of St Ives, said:

“Delivering on our strategy to extend the range of services we provide, we have made another significant and positive change to the structure of the Group, having completed the acquisition of Tactical Solutions.

In addition, the proposed disposal of the loss making Magazine printing business will further strengthen the Group's financial performance and will significantly reduce our exposure to over-supplied commoditised markets.”

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A **St Ives Company**

Chief Executive's Statement

Results

The results for the Group for the 26 weeks ended 28 January 2011 show an underlying profit before tax from continuing operations of £10.2 million, an improvement of 8.3% versus the corresponding period in the prior year.

The Group delivered a solid performance with revenue from continuing operations of £149.0 million, marginally (1.4%) below those for the equivalent period for the prior year (2010: £151.1 million). This was achieved despite difficult market conditions, ongoing price pressure and as a result of our continued focus on margin and mix as opposed to commoditised volume.

Corporate developments

Delivering on our strategy to extend the range of services we provide, we have made another significant and positive change to the structure of the Group, having completed the acquisition of Tactical Solutions in February, for an initial consideration of approximately £15 million. The business is one of the UK's leading and fastest growing field sales and marketing companies. Its highly skilled sales teams work with leading brands and retailers to drive sales and ensure that product is always available in store and ready for purchase. Its ability to deploy a nationwide network of highly trained sales professionals enables the business to deliver measureable return on investment for its clients within the retail and FMCG sectors.

On 14 March 2011 we announced the proposed disposal of our loss making Magazine printing business for a consideration of £20 million. The disposal supports our strategy of moving away from the commoditised end of the print market, which is differentiated only by price. The transaction is subject to shareholder approval and is expected to complete on 6 April 2011.

In addition, our head office will relocate at the end of March 2011; we have moved the principal site of our Exhibition and events business from Wandsworth to a new facility in Chessington and we have implemented a common financial reporting system across the Group as part of our continuing programme to control costs.

The Group's results are now reported as 'Print' and 'Marketing services' segments due partly to the structural changes detailed above but, more importantly, to reflect the future strategic direction and positioning of the Group. The Magazine printing business has been treated as a discontinued operation for reporting purposes and the prior period figures have been re-stated accordingly.

Print

Conditions within our markets for print remain tough and our strategy is to offer a broader range of services complementary to printed products. We continue to move away from commoditised print markets where price alone is the differentiator and invest in markets where service and quality are more important to the client base.

Our Book business continues to perform well and the investments to date in digital production have been very successful.

Our Exhibition and events business has made further progress as demand for large format graphics improves and we benefit from the actions taken on improving sales and reducing the cost base by the new management team. As the 2012 Olympic Games approach we anticipate a significant increase in activity within this market and will benefit from our new facility in Chessington.

Demand within our Point-of-sale business has remained robust and we continue to see opportunities to grow our market share.

The markets for our Direct response and other commercial businesses remain challenging as excess capacity continues to exert pressure on margins.

Chief Executive's Statement *continued*

Marketing services

The acquisition of Occam last year and Tactical Solutions recently provides the Group with revenue and margin growth opportunities, both within the two businesses' specific market sectors and by combining their services with the Group's existing capabilities and customer base. We are very pleased to have been able to acquire two strong businesses, both leaders in their particular markets, giving us the ability to offer a powerful combination of marketing services from a single point. Both businesses are performing in line with expectations.

Dividend

The Board has declared an interim dividend of 1.75 pence per share (2010: 1.75p) which will be payable on 3 May 2011 to shareholders on the register at 8 April 2011.

Balance sheet

The Group's balance sheet remains strong and underlying free cash flows are robust. Net debt of £2.2 million was below the level reported as at 30 July 2010 (£2.7 million) reflecting our continued success in managing working capital and tight control of capital expenditure. Our businesses are well invested and the cash position will further benefit from the receipt of the cash proceeds of £6.3 million from the sale of our head office at the end of March 2011. The net impact upon cash from the acquisition of Tactical Solutions in February and the proposed disposal of our Magazine business will be broadly neutral.

Outlook

We do not see an immediate improvement in the general economic climate in this financial year and there remain some significant structural and cyclical challenges. However, the Group has made significant steps to improve its financial performance, strengthen the balance sheet and reposition the business going forward. The proposed disposal of the loss making Magazine printing business will further strengthen the Group's financial performance and, combined with the recent acquisition of Tactical Solutions, will significantly reduce our exposure to over-supplied commoditised markets.

Despite tough market conditions, we believe that continuing management actions, our financial strength and the ongoing re-positioning of the Group will enable us to make further progress for our shareholders.

Patrick Martell

Chief Executive

15 March 2011

Condensed Consolidated Income Statement

	Note	26 weeks to 28 January 2011			26 weeks to	52 weeks to
		Underlying £'000	Non- underlying* (note 3) £'000	Total £'000	29 January 2010 (restated note 7) £'000	30 July 2010 (restated note 7) £'000
Revenue	2	148,953	455	149,408	151,118	291,469
Cost of sales		(110,578)	(469)	(111,047)	(112,765)	(219,761)
Gross profit		38,375	(14)	38,361	38,353	71,708
Selling costs		(12,092)	(104)	(12,196)	(11,128)	(22,086)
Administrative expenses		(16,159)	(1,508)	(17,667)	(18,461)	(37,378)
Other operating income		89	4,086	4,175	1,797	1,885
Profit from operations	2	10,213	2,460	12,673	10,561	14,129
Investment income		7,083	–	7,083	6,663	13,267
Finance costs		(7,105)	–	(7,105)	(7,223)	(14,222)
Profit before tax		10,191	2,460	12,651	10,001	13,174
Income tax charge	4	(3,108)	(689)	(3,797)	(2,147)	(1,974)
Profit for the period from continuing operations		7,083	1,771	8,854	7,854	11,200
Loss from discontinued operations		(784)	(18,394)	(19,178)	(1,182)	(3,462)
Net profit/(loss) for the period		6,299	(16,623)	(10,324)	6,672	7,738

Basic earnings per share (p)

From continuing operations	6	6.86	1.71	8.57	7.62	10.86
From continuing and discontinued operations	6	6.10	(16.10)	(10.00)	6.47	7.51

Diluted earnings per share (p)

From continuing operations	6	6.82	1.71	8.53	7.62	10.86
From continuing and discontinued operations	6	6.07	(16.01)	(9.95)	6.47	7.51

* Non-underlying items comprise restructuring charges, provision releases, operating results of non-continuing operations, amortisation of acquired intangibles and other one-off items.

Condensed Consolidated Statement of Comprehensive Income

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
(Loss)/profit for the period	(10,324)	6,672	7,738
Actuarial gains/(losses) on defined benefits pension schemes	11,047	(11,306)	3,835
Transfers of gains on cash flow hedges to hedged items	(59)	(34)	(209)
Gains on cash flow hedges taken directly to equity	–	–	59
Tax (charge)/credit on items taken directly to equity	(2,967)	3,170	(1,367)
Other comprehensive income/(expense) for the period	8,021	(8,170)	2,318
Total comprehensive (expense)/income for the period	(2,303)	(1,498)	10,056

Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Hedging and translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 31 July 2009	10,355	46,689	(1,913)	1,238	–	157	46,171	65,542	122,068
Profit for the period	–	–	–	–	–	–	–	6,672	6,672
Other comprehensive loss for the period	–	–	–	–	–	(30)	(30)	(8,140)	(8,170)
Comprehensive loss for the period	–	–	–	–	–	(30)	(30)	(1,468)	(1,498)
Dividends	–	–	–	–	–	–	–	(515)	(515)
Balance at 29 January 2010	10,355	46,689	(1,913)	1,238	–	127	46,141	63,559	120,055
Profit for the period	–	–	–	–	–	–	–	1,066	1,066
Other comprehensive (loss)/income for the period	–	–	–	–	–	(84)	(84)	10,572	10,488
Comprehensive (loss)/income for the period	–	–	–	–	–	(84)	(84)	11,638	11,554
Dividends	–	–	–	–	–	–	–	(1,803)	(1,803)
Issue of share capital	3	17	–	–	–	–	17	–	20
Recognition of share-based payments	–	–	–	–	60	–	60	–	60
Balance at 30 July 2010	10,358	46,706	(1,913)	1,238	60	43	46,134	73,394	129,886
Loss for the period	–	–	–	–	–	–	–	(10,324)	(10,324)
Other comprehensive (loss)/income for the period	–	–	–	–	–	(43)	(43)	8,064	8,021
Comprehensive loss for the period	–	–	–	–	–	(43)	(43)	(2,260)	(2,303)
Dividends	–	–	–	–	–	–	–	(1,807)	(1,807)
Issue of share capital	10	51	769	–	–	–	820	(606)	224
Recognition of share-based payments	–	–	–	–	60	–	60	–	60
Balance at 28 January 2011	10,368	46,757	(1,144)	1,238	120	–	46,971	68,721	126,060

Condensed Consolidated Balance Sheet

	28 January 2011 £'000	29 January 2010 £'000	30 July 2010 £'000
Note			
Assets			
Non-current assets			
Property, plant and equipment	69,085	118,162	107,438
Goodwill	54,383	46,274	54,383
Other intangible assets	4,926	1,006	4,683
Financial assets	–	3,315	3,495
Deferred tax assets	–	6,648	1,355
Other non-current assets	–	809	202
	128,394	176,214	171,556
Current assets			
Inventories	7,732	11,027	10,112
Trade and other receivables	65,253	69,259	68,148
Current tax receivable	–	–	568
Derivative financial instruments	–	176	59
Cash and cash equivalents	15,962	13,704	10,515
Assets held for sale	7 40,671	–	2,140
	129,618	94,166	91,542
Total assets	258,012	270,380	263,098
Liabilities			
Current liabilities			
Trade and other payables	63,586	76,258	79,920
Current tax liabilities	1,527	516	–
Deferred income	400	706	934
Provisions	1,535	1,746	3,752
Liabilities directly associated with assets held for sale	7 20,671	–	–
	87,719	79,226	84,606
Non-current liabilities			
Loans	18,156	19,120	13,193
Retirement benefits obligations	8 20,590	48,836	32,887
Deferred income	–	650	593
Provisions	1,417	953	666
Deferred tax liability	4,070	1,540	1,267
	44,233	71,099	48,606
Total liabilities	131,952	150,325	133,212
Net assets	126,060	120,055	129,886
Equity			
Capital and reserves			
Share capital	10,368	10,355	10,358
Other reserves	46,971	46,141	46,134
Retained earnings	68,721	63,559	73,394
Total equity	126,060	120,055	129,886

These financial statements were approved by the board of directors on 15 March 2011.

Condensed Consolidated Cash Flow Statement

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
	Note		
Operating activities			
Cash generated from operations	9	7,350	18,304
Interest received		–	2
Interest paid		(626)	(612)
Income taxes received		3	544
Net cash generated from operating activities		6,727	18,238
Investing activities			
Purchase of property, plant and equipment		(4,040)	(7,327)
Purchase of other intangibles		(873)	(130)
Proceeds on disposal of property, plant and equipment		432	3,422
Acquisition of subsidiary, net of cash acquired		–	–
Net cash used in investing activities		(4,481)	(4,035)
Financing activities			
Dividends paid	5	(1,807)	(515)
Increase/(decrease) in bank loans		5,000	(14,000)
Net cash generated/(used in) from financing activities		3,193	(14,515)
Net increase/(decrease) in cash and cash equivalents		5,439	(312)
Cash and cash equivalents at beginning of period		10,515	14,016
Effect of foreign exchange rate changes		8	–
Cash and cash equivalents at end of period	9	15,962	13,704
		10,515	(7)

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Statements" and in accordance with the Disclosure and Transparency Rules of the UK's Financial Services Authority.

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.

Going concern

The directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the combined financial information for the twenty six weeks ended 28 January 2011.

The interim statements have been prepared in accordance with the accounting policies set out in the Group's Annual Report and Accounts for 2010. The interim statements have not been audited or reviewed.

The interim statements and prior half and full year comparatives 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 30 July 2010 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 on the accounts of the Group for that period was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

Risks and uncertainties

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 page 29 and pages 91 to 94 of the Group's 2010 Annual Report and Accounts, a copy of which is available on the Group's website: www.st-ives.co.uk. The key financial risks are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Notes to the Condensed Consolidated Financial Statements *continued*

2. Segment reporting

The Group manages its business on a market segment basis. Following a change in the way resources are allocated by the board, the Group's chief operating decision maker, and in light of the increased proportion of investment in non-print businesses, the reporting segments were redefined in the period as Print and Marketing Services. The Print segment comprises the Group's Book business previously reported under the Media Products segment and all the businesses that were previously reported under the Commercial Products segment other than Occam DM Limited, the database marketing services business which is now reported under the Marketing Services segment. For the full year, this segment will include the results of Tactical Solutions, a field sales and marketing business acquired on 9 February 2011, the acquisition of which is outlined in note 11 below. The results of the Group's Magazine business previously reported under the Media Products segment are reported under discontinued operations.

Corporate costs are allocated to revenue generating segments as this presentation better reflects their profitability.

The above changes did not result in any restatement of the prior period reported balance sheet.

Business segments

Continuing operations

26 weeks to 28 January 2011

	Print £'000	Marketing Services £'000	Total £'000
Total revenue	146,224	3,184	149,408
Result			
Segmental result	12,866	(193)	12,673
Non-underlying items	(2,649)	189	(2,460)
Segmental result before non-underlying items	10,217	(4)	10,213
Total non-underlying items			2,460
Profit from operations			12,673
Investment income			7,083
Finance costs			(7,105)
Profit before tax			12,651
Income tax charge			(3,797)
Profit for the period from continuing operations			8,854

	Continuing operations £'000	Discontinued operations (note 7) £'000	Total £'000
Total revenue	149,408	37,931	187,339
Non-underlying revenue	(455)	–	(455)
Underlying revenue	148,953	37,931	186,884
Result			
Segmental result	12,673	(19,439)	(6,766)
Non-underlying items	(2,460)	18,670	16,210
Segmental result before non-underlying items	10,213	(769)	9,444

Notes to the Condensed Consolidated Financial Statements *continued*

2. Segment reporting *continued*

Business segments *continued*

	26 weeks to 29 January 2010		
	Print £'000	Marketing Services £'000	Total £'000
Total revenue	151,118	–	151,118
Result			
Segmental result	10,561	–	10,561
Non-underlying items	(591)	–	(591)
Segmental result before non-underlying items	9,970	–	9,970
Total non-underlying items			591
Profit from operations			10,561
Investment income			6,663
Finance costs			(7,223)
Profit before tax			10,001
Income tax charge			(2,147)
Profit for the period from continuing operations			7,854

	Continuing operations £'000	Discontinued operations (note 7) £'000	Total £'000
Total revenue	151,118	36,256	187,374
Non-underlying revenue	–	(298)	(298)
Underlying revenue	151,118	35,958	187,076
Result			
Segmental result	10,561	(1,392)	9,169
Non-underlying items	(591)	687	96
Segmental result before non-underlying items	9,970	(705)	9,265

Notes to the Condensed Consolidated Financial Statements *continued*

2. Segment reporting *continued*

Business segments *continued*

	52 weeks to 30 July 2010		
	Print £'000	Marketing Services £'000	Total £'000
Total revenue	290,581	888	291,469
Result			
Segmental result	14,870	(741)	14,129
Non-underlying items	4,098	525	4,623
Segmental result before non-underlying items	18,968	(216)	18,752
Total non-underlying items			(4,623)
Profit from operations			14,129
Investment income			13,267
Finance costs			(14,222)
Profit before tax			13,174
Income tax charge			(1,974)
Profit for the period from continuing operations			11,200

	Continuing operations £'000	Discontinued operations (note 7) £'000	Total £'000
Total revenue	291,469	70,787	362,256
Non-underlying revenue	(40)	(298)	(338)
Underlying revenue	291,429	70,489	361,918
Result			
Segmental result	14,129	(4,426)	9,703
Non-underlying items	4,623	1,687	6,310
Segmental result before non-underlying items	18,752	(2,739)	16,013

Geographical segments

The Print and Marketing Services business segments operate primarily in the UK, deriving more than 97% of their revenue and profit from operations and customers located in the UK.

Notes to the Condensed Consolidated Financial Statements *continued*

3. Non-underlying items

Non-underlying items disclosed on the face of the condensed consolidated income statement in respect of continuing operations are as follows:

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Expense/(income)			
<i>Restructuring items</i>			
Redundancies, impairments and other charges	1,267	1,023	5,518
Provision releases	–	–	(131)
Profit on disposal of property, plant and equipment	(4,086)	(1,614)	(1,614)
	(2,819)	(591)	3,773
<i>Other</i>			
Amortisation of acquired intangibles	317	–	105
Operating losses from non-continuing operations	16	–	181
Remaining other non-underlying expenses	26	–	563
	(2,460)	(591)	4,622
Income tax charge/(credit)	689	(817)	(3,633)
	(1,771)	(1,408)	989

The restructuring charges in the period include redundancies (£287,000) and other restructuring costs within the Print segment. In the period, contracts were exchanged for the disposal of the building in Lavington Street, London occupied as the Group's corporate headquarters, resulting in a profit of £4,013,000. This profit has been allocated between the Print and Marketing Services segments. The sale of property, plant and equipment from the Edenbridge site after the site closure gave rise to a gain of £142,000, and a loss of £69,000 arose due to transfer of Service Graphics site from Wandsworth to Chessington. These are recorded in the Print segment.

Amortisation charges of £317,000 relate to acquired customer relationships and software intangibles and were recorded in the Marketing Services segment. Operating losses from non-continuing operations comprise the losses arising in the Edenbridge site following the decision to close in July 2010. These are recorded in the Print segment.

Non-underlying items relating to discontinued operations are detailed in note 7.

4. Tax

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

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Charge/(credit)			
United Kingdom income tax	3,797	2,691	2,518
Overseas income tax	–	(544)	(544)
	3,797	2,147	1,974

Notes to the Condensed Consolidated Financial Statements *continued*

5. Dividends

	per share	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Final dividend paid for the 52 weeks ended 31 July 2009	0.5p	–	515	515
Interim dividend paid for the 26 weeks ended 29 January 2010	1.75p	–	–	1,803
Final dividend paid for the 52 weeks ended 30 July 2010	1.75p	1,807	–	–
Dividends paid during the period		1,807	515	2,318
Declared interim dividend for the 26 weeks ended 28 January 2011	1.75p	1,807		

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Number of shares

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	103,268	103,051	103,056
Weighted average number of ordinary shares for the purposes of diluted earnings per share	103,805	103,051	103,056

Basic and diluted earnings per share

	26 weeks to 28 January 2011		26 weeks to 29 January 2010		52 weeks to 30 July 2010	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and basic earnings per share from continuing activities						
Earnings and basic earnings per share	8,854	8.57	7,854	7.62	11,200	10.86
Non-underlying items	(1,771)	(1.71)	(1,408)	(1.37)	989	0.96
Underlying earnings and underlying earnings per share	7,083	6.86	6,446	6.25	12,189	11.82
Earnings and diluted earnings per share from continuing activities						
Earnings and basic and diluted earnings per share	8,854	8.53	7,854	7.62	11,200	10.86
Non-underlying items	(1,771)	(1.71)	(1,408)	(1.37)	989	0.96
Underlying earnings and underlying earnings per share	7,083	6.82	6,446	6.25	12,189	11.82

Notes to the Condensed Consolidated Financial Statements *continued*

6. Earnings per share *continued*

Basic and diluted earnings per share *continued*

	26 weeks to 28 January 2011		26 weeks to 29 January 2010		52 weeks to 30 July 2010	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Loss and basic loss per share from discontinued activities						
Loss and basic loss per share	(19,178)	(18.57)	(1,181)	(1.15)	(3,462)	(3.36)
Non-underlying items	18,394	17.81	495	0.48	1,216	1.18
Underlying loss and underlying loss per share	(784)	(0.76)	(686)	(0.66)	(2,246)	(2.17)
Loss and diluted loss per share from discontinued activities						
Loss and basic loss per share	(19,178)	(18.48)	(1,181)	(1.15)	(3,462)	(3.36)
Non-underlying items	18,394	17.72	495	0.48	1,216	1.18
Underlying loss and underlying loss per share	(784)	(0.76)	(686)	(0.66)	(2,246)	(2.16)
Basic (loss)/earnings per share from continuing and discontinued activities						
	(10,324)	(10.00)	6,672	6.47	7,738	7.51
Diluted (loss)/earnings per share from continuing and discontinued activities						
	(10,324)	(9.95)	6,672	6.47	7,738	7.51

Underlying earnings is calculated by adding back non-underlying items, as adjusted for tax, to the profit/(loss) for the period.

Notes to the Condensed Consolidated Financial Statements *continued*

7. Discontinued operations

On 14 March 2011, the Group announced the disposal of the four subsidiaries that make up the Group's Magazine printing business, namely St Ives Peterborough Limited, St Ives Plymouth Limited, St Ives Roche Limited and St Ives Web Limited ("the Magazine printing business"). The disposal, which is subject to shareholder approval, is expected to complete in early April. The Group's Magazine printing business is classified as a discontinued operation in these interim statements and prior period figures have been restated accordingly.

The loss after tax for the period from discontinued operation before non-underlying items is analysed below:

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Revenue	37,931	35,958	70,489
Operating costs	(38,700)	(36,663)	(73,228)
Loss before interest and tax	(769)	(705)	(2,739)
Finance costs	(358)	(299)	(642)
Loss before tax	(1,127)	(1,004)	(3,381)
Income tax credit	343	317	1,134
Loss after tax on discontinued operations before non-underlying items	(784)	(687)	(2,247)

Non-underlying items from discontinued operations are analysed below:

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Impairment of plant & machinery	(14,232)	–	–
Impairment of financial assets	(3,454)	–	–
Other non-underlying items	(984)	(687)	(1,687)
Total non-underlying items before tax	(18,670)	(687)	(1,687)
Income tax credit	276	192	472
Total non-underlying items after tax	(18,394)	(495)	(1,215)

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Loss before interest, tax and non-underlying items	(769)	(705)	(2,739)
Non-underlying items before tax	(18,670)	(687)	(1,687)
Loss before interest and tax from discontinued operations	(19,439)	(1,392)	(4,426)

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Loss after tax before non-underlying items	(784)	(687)	(2,247)
Non-underlying items after tax	(18,394)	(495)	(1,215)
Total loss from discontinued operations	(19,178)	(1,182)	(3,462)

Notes to the Condensed Consolidated Financial Statements *continued*

7. Discontinued operations *continued*

The impairment charge of £14,232,000 relates to plant and machinery in the Magazine printing business and was recorded in light of the reduction in the recoverable amount for these assets, which will be recovered principally through the sale outlined above. The impairment charge was recorded in the Print segment.

Other non-underlying items recorded in the period comprise redundancy charges of £24,000 and other restructuring charges of £960,000 arising in the Group's Magazine printing business.

The US promissory loan note, receivable as deferred consideration in respect of the sale of the Group's US segment in January 2009, was fully impaired in the period resulting in a charge of £3,454,000.

The net assets of the Group's Magazine printing business are classified as assets held for sale and liabilities directly associated with assets held for sale on the face of the balance sheet at 28 January 2011, and are comprised as follows:

	26 weeks to 28 January 2011 £'000
Assets held for sale	
Property, plant and equipment	19,921
Intangible assets	50
Deferred tax assets	68
Inventories	4,174
Trade and other receivables	16,458
	40,671
Liabilities directly associated with assets held for sale	
Trade and other payables	19,672
Other liabilities	999
	20,671

8. Retirement benefits

The net liability in respect of retirement benefit obligations of £20.6 million at 28 January 2011 has decreased compared to 30 July 2010 (£32.9 million) due primarily to the better than expected investment performance of plan assets.

Notes to the Condensed Consolidated Financial Statements *continued*

9. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Profit from continuing operations	12,673	10,561	14,129
Loss from discontinued operations	(19,439)	(1,392)	(4,426)
	(6,766)	9,169	9,703
Adjustments for:			
Depreciation of property, plant and equipment	7,852	9,421	18,303
Impairment losses	14,232	–	1,171
Amortisation of intangible assets	573	325	756
Profit on disposal of property, plant and equipment	(4,194)	(2,045)	(2,374)
Deferred income credit	(391)	–	(307)
Foreign exchange gains	–	(478)	–
Share-based payment charge	60	–	60
Decrease in retirement benefit obligations	(1,000)	(1,000)	(2,000)
Decrease in provisions	(1,201)	(3,303)	(1,585)
Operating cash inflows before movements in working capital	9,165	12,089	23,727
(Increase)/decrease in inventories	(1,795)	(385)	757
(Increase)/decrease in receivables	(3,600)	2,930	5,829
Increase in payables	3,580	3,670	6,909
Cash generated from operations	7,350	18,304	37,222

Analysis of net debt

	31 July 2010 £'000	Cash flow £'000	Exchange movements £'000	28 January 2011 £'000
Cash and cash equivalents	10,515	5,439	8	15,962
Bank loans	(13,193)	(5,000)	37	(18,156)
Net debt	(2,678)	439	45	(2,194)

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.

Notes to the Condensed Consolidated Financial Statements *continued*

9. Notes to the consolidated cash flow statement *continued*

Cash flows from discontinued operations

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

	26 weeks to 28 January 2011 £'000	26 weeks to 29 January 2010 £'000	52 weeks to 30 July 2010 £'000
Net cash generated from operating activities	520	2,163	4,550
Net cash generated used in investing activities	(51)	(3,560)	(4,580)
Net cash generated from/(used in) financing activities	39	(274)	(733)
Net increase/(decrease) in cash from discontinued operations	508	(1,671)	(763)

10. Related parties

The nature of related party transactions of the Group has not changed from those described in the Group's consolidated financial statements for the fifty two weeks ended 30 July 2010.

On 3 November 2010, 201,163 ordinary shares in the Company were sold to the executive directors of the Company by the Group's employee benefit trust under the rules of the Directors' and Senior Executives' Deferred Bonus Scheme at market price as follows:

	Number of shares	Price per share pence	Value of shares £
Matthew Armitage	74,752	80.88	60,456
Patrick Martell	105,497	80.88	85,321
Lloyd Wigglesworth	20,914	80.88	16,914
	201,163		162,691

11. Post balance sheet events

On 9 February 2011, the Group completed the acquisition of 90% of the single class of shares in Tactical Solutions UK Limited, a provider of field sales and marketing services. The consideration payable was comprised of £12,340,000 in cash payable on completion, 2,169,197 of St Ives plc ordinary shares issued at 92.2p on 4 March 2011, plus deferred consideration of up to £9,000,000, payable in cash, contingent upon the achievement of earnings targets for the 2011 and 2012 calendar years. The Group has an option to purchase the remaining 10% single class of ordinary shares from 2013 at a price dependent on the performance of Tactical Solutions UK Limited in the financial year preceding the date of exercise of the option. A detailed purchase price allocation is not yet available. Tactical Solutions UK Limited will be reported under the Marketing Services segment.

On 14 March 2011, the Group announced the disposal of its Magazine printing business, comprising four companies as defined in note 7. The sale is subject to shareholder approval and is expected to complete in early April. The consideration receivable comprises £15,000,000 in cash payable on completion and £5,000,000 in loan notes secured on certain plant and machinery within the Magazine companies, repayable in equal monthly instalments in the 24 months following completion. The disposal is detailed in note 7 above. A related impairment charge of £14,232,000 in respect of plant and machinery in the Magazine printing business was recorded in the period.

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 DTR4.2.7R (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 DTR4.2.8R (disclosure of related parties’ transactions and changes therein).

By order of the board

Patrick Martell
Chief Executive

15 March 2011

The foregoing contains forward looking statements made by the directors in good faith based on information available to them up to 15 March 2011. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.