

16 October 2007

**ST IVES plc**  
**Preliminary Results for the 53 weeks ended 3 August 2007**

St Ives plc, the UK's leading printing group, announces preliminary results for the 53 weeks ended 3 August 2007.

**Key Points**

- Turnover £425.0m (2006 restated\*\*: £382.5m)
- Underlying\* profit before tax £30.3m (2006 restated\*\*: £22.9m)
- Profit before tax £27.6m (2006 restated\*\*: £24.2m)
- Underlying\* earnings per share 20.25p (2006 restated\*\*: 15.09p)
- Earnings per share 19.80p (2006 restated\*\*: 15.60p)
- Total dividend maintained at 17.15p per share

\* before restructuring costs, provision releases and other one-off items

\*\* restated to exclude discontinued operations

All figures relate to continuing operations.

Commenting on the results, Chief Executive, Brian Edwards said:

“We have made significant progress over the past year increasing sales at no sacrifice in margin, controlling costs and improving underlying profits.

“Even though market conditions remain challenging, we have made an encouraging start to the new financial year. Our range of digital print facilities is second to none in the UK and we face the future with confidence.”

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## **CHAIRMAN'S STATEMENT**

Last year was a year of significant progress for St Ives. We achieved an overall increase in sales, at no sacrifice in margin; costs at all levels were well controlled; and underlying profit improved sharply from the levels of the previous year. Profit before tax reflects the profits and costs of rationalisations and disposals made during the year.

Sales growth came from strong performances from our businesses serving the books and point-of-sale markets, as well as from the increasing success of our Group Sales team in selling the services of the Group's facilities throughout the UK. Service Graphics (acquired in November 2006) also made an initial contribution in line with expectations. The increase in underlying profit derived from improved utilisation as a result of higher and more suitable sales, the careful control of costs and elimination of loss making activities. Underlying profitability in our US business improved, although movements in the sterling/US dollar exchange rate had an adverse impact on the translation of the results.

We propose a maintained final dividend of 12.15p per share which together with the interim dividend of 5p per share already paid makes a total of 17.15p for the year, is covered 1.18 times by underlying earnings per share.

The year was also marked by significant rationalisation and consolidation: we sold our loss making corporate finance and mutual funds printing business in January; towards the end of the year we consolidated the operations of our businesses at Romford and Crayford on to the Crayford site; and at the same time we combined our southern Florida operations on the Hollywood site.

The Group's balance sheet and cashflow remain strong. Capital expenditure directed at enhancing service and improving efficiency has continued. During the year we successfully disposed of surplus assets, including part of the Group's head office site. Sales of other assets which have become surplus following rationalisation will follow.

At the end of the year we announced changes in senior management responsibilities with the appointment of Simon Ward and Pat Martell as Managing Director UK Sales and Managing Director UK Operations respectively, reporting to Brian Edwards as Chief Executive. These changes reflect increased emphasis on selling the full range of the Group's service through a single point of contact and will facilitate the efficient production of the resulting work.

Ray Morley retired as Finance Director at the end of March and Dame Sue Tinson, one of our non-executive Directors, has decided not to stand for re-election at the forthcoming Annual General Meeting. I would like to thank them both for their contributions. We welcome Matthew Armitage who joined the board as Finance Director at the beginning of September. I should also thank all the Group's employees for the contribution they have made towards the achievement of last year's much improved result.

Market conditions remain challenging and economic uncertainties exist. However in the year ahead we expect to build on the foundations laid in the last two years, by delivering growth in sales and further improvements in utilisation, in particular through increased sales of the Group's complete print management services. The range of our digital print facilities in the UK is second to none. The new financial year has made an encouraging start and we face the future with confidence.

**Miles Emley**  
Chairman

## BUSINESS REVIEW

### PRINCIPAL ACTIVITIES

St Ives is a leading UK supplier of printed products and related services to media and commercial markets. It also has operations in the USA and continental Europe. Its markets fall into three segments:

**Media Products**, which are supplied to book, magazine and music publishers as well as film and computer games software companies, mainly in the UK. Products supplied include:

- Books – monochrome hardback and paperback books for the trade and general, reference and religious markets;
- Magazines – the production of high quality saddle-stitched and perfect bound magazines and associated mailing services for consumer and business-to-business publishers; and
- Multimedia – in the UK and continental Europe, the production of inserts, inlays and booklets and special packaging for CDs and DVDs for the audio, video, computer games and software markets.

**Commercial Products**, which are mainly supplied not for resale to commercial and governmental organisations and which include the following products and services:

- Direct Response and Commercial print – personalised direct mail, other mail order pieces, catalogues, brochures and leaflets;
- Financial – company annual and interim reports;
- Point-of-Sale – the provision of a full range of printed products and services for retailers (mainly multiple store chains) and international brand companies; and
- Exhibitions and Events – the provision of products and installation and consultancy services to retail leisure and event sectors.

**USA**, where the Group supplies magazine, commercial and point-of-sale markets.

Businesses which principally supply one of the above segments may also supply customers in other market segments in respect of part of their sales.

### STRATEGY

St Ives' strategy is to focus in all its markets on segments where there is a demand for time-sensitive service and where, in addition to print, it is able to supply services including complex logistical, fulfilment or distribution requirements. By adding value in this way, the Group seeks to provide lower cost solutions for its customers while generating an improved return. St Ives has avoided commodity markets, except where necessary to achieve economic utilisation.

St Ives keeps all areas of its business under continual review and remains committed to the development and growth of its core activities for the benefit of shareholders.

## BUSINESS REVIEW *continued*

### REVIEW OF OPERATIONS

The results for the 53 weeks ended 3 August 2007 show turnover of £425.0 million (restated 52 weeks to 28 July 2006 – £382.5 million) and profit before restructuring costs, provision releases, other one-off items, loss on sale of discontinued operations and taxation was £30.3 million (2006 – £22.9 million). Profit before taxation from continuing operations was £27.6 million (2006 – £24.2 million). Earnings per share before restructuring costs and loss on sale of subsidiary were 20.25p (2006 – 15.09p). Basic earnings per share from continuing operations were 19.80p (2006 – 15.60p). Basic earnings per share from continuing and discontinued operations were 6.13p (2006 – 14.38p).

We are pleased to have made overall progress in underlying performance despite trading conditions that remained extremely challenging through the year. Our Group Sales offering, now in its second year, delivered incremental sales from customers including De Vere, Ethel Austin, Manor Bakeries and Scholastic. These contributed to better utilisation of equipment and people in many parts of our business, as did actions taken on sales mix, cost and productivity.

A more detailed review of the business of the Group by market segment is set out below.

#### Media Products

Comprises the production of books and magazines and printing for the multimedia and music industries.

	2007 £'000	2006 £'000
Media Products total revenue	<b>194,586</b>	187,965
Media Products profit before restructuring costs, provision releases, other one-off items and interest	<b>26,314</b>	23,904

Media Products represented 45% of Group external sales.

#### Books

Books accounted for around 42% of Media Products' external sales. Our Book business continues to perform well and benefits from its unrivalled ability to deliver a fast and reliable service throughout the year. As a consequence, we produced a high proportion of best-selling titles, our market share increased and sales grew almost 20% over the prior year. We also made further progress in developing our added value services as demand for direct deliveries and post-bind operations continues to grow. Together these increased revenues enabled us to improve the return from these activities.

We continue to work for almost all of the major UK trade publishers. Best-selling titles produced during the year included 'Harry Potter and the Deathly Hallows' (JK Rowling) and 'Thousand Splendid Suns' (Khaled Hosseini) for Bloomsbury; 'Humble Pie' (Gordon Ramsay) for Harper Collins; 'Cross' (James Patterson) for Headline; 'The Mission Song' (John Le Carré) for Hodder; 'Mustn't Grumble' (Terry Wogan) and 'An Absolute Scandal' (Penny Vincenzi) for Orion; 'The Inheritance of Loss' (Kiran Desai – Booker Prize winner 2006) and 'Anyone Out There' (Marian Keyes) for Penguin; and 'The Blair Years' (Alastair Campbell) and 'Hannibal Rising' (Thomas Harris) for Random House.

## **BUSINESS REVIEW** *continued*

### REVIEW OF OPERATIONS *continued*

Investments during the year included additional printing and finishing capacity to further strengthen our ability to respond to the need for an increasing number of orders for fast reprints. In so doing, we enable our customers to take less stock risk on the initial printings knowing that top up orders can be produced reliably and quickly. Our investment in IT continues as we further enhance our online solutions, minimise the need for manual intervention throughout the entire administrative process and improve response times for order replenishment.

The sterling to US dollar exchange rate continued to limit opportunities to supply US Bible customers with products, at competitive prices, from the UK and these publishers have moved some production of non-time sensitive products to other countries. The strategy for our Book business is to continue to focus on time-sensitive products and deliver fast and reliable service together with added value services which enable our customers to take cost out of the supply chain and minimise their stock risk.

#### Magazines

A wide range of consumer and business magazines supplemented by brochures and catalogues are supplied from our four sites within the UK. These accounted for 43% of Media Products' external sales. The strategy is to target those customers with a need for products requiring high quality and demanding service, as opposed to commodity volumes sourced purely on price. We produce work for most of the leading UK magazine publishers including Condé Nast, EMAP, IPC Media, The Economist and Time Out Group.

Pricing pressure continues with the web offset market and a number of our competitors, New Jarrod and Graphoprint for example, have ceased trading. Our focus on expanding our customer base and increasing the number of shorter-run titles and specialist publications is proving to be beneficial. The mailing business we established in the previous year is now fully operational and enables us to offer added value services and a fulfilment operation for subscribed publications.

We have continued to replace the longer-run work, declined on grounds of price in the previous year, with shorter-run titles. In addition, a number of commercial brochures and catalogues, some brought in by Group Sales, have made useful contributions to utilisation. Overall mix has also been improved, so although revenue has modestly reduced contribution has increased. New work won includes the recent launch by IPC Media of the weekly magazine 'Look', 'NME' (also for IPC), FT 'Business Magazine' for the Financial Times and 'What Hi Fi?' for Haymarket.

Our investment in new equipment continued. The product range in Peterborough has been extended with the installation of a perfect binding line which will enable us to improve the mix and retain work in house which was previously outsourced. Additional investment was made in pre press software and hardware at a number of sites which enables customers to deliver and manage their data online and to benefit from lower transaction costs and gives more flexibility. The Goss M600 press installed in Plymouth became fully operational in Autumn 2006 and the second of the presses it replaced was also sold.

Towards the end of the financial year further action was taken to further reduce costs of both production and overheads.

## **BUSINESS REVIEW** *continued*

### REVIEW OF OPERATIONS *continued*

#### Multimedia

The Group's multimedia business provides CD and DVD booklets and inlays and a variety of specialist packaging to music, movie and computer games publishers and producers of electronic media, both in the UK and Europe. This business accounted for approximately 15% of the Media Products' segment.

Customers include Electronic Arts, Microsoft, Sony Pictures, Universal Music, Universal Pictures, Warner Music and Warner Home Entertainment; and large European disc duplicators Cinram, EDC, MediaMotion, ODS, Sonopress, Sony/DADC and Technicolor.

Whilst the business continued to make progress in securing new customers, price pressure remained and overall demand fell by over 10% due to increased downloading of music from the Internet and the less specialist non-time sensitive print requirement being move closer to where the discs are produced, mostly in Eastern Europe. In addition, there was also lower demand for specialist packaging than in the prior year. Some of the capacity created by lower volumes in core markets was taken up by increased commercial printing from other parts of the Group. However, lower sales overall, further price pressure and less effective utilisation created a loss from these activities.

There is little sign that pressure on prices will ease or that volumes will increase in the future and at the year end we transferred the Group's Romford business to its site in Crayford. Both businesses will benefit from a reduced combined overhead and the introduction of sales with different seasonal patterns. In addition to this cost cutting action, we have ordered a new state-of-the-art 12-unit perfecting sheet-fed press which will be commissioned in the second half of the new financial year to replace less cost productive presses.

#### **Commercial Products**

Includes direct response and general commercial printing; corporate and financial printing; Point-of-Sale materials for major retailers; and brands and advertising materials for exhibitions and events.

	<b>2007</b>	2006 (restated)
	<b>£'000</b>	£'000
Commercial Products total revenue	<b>175,495</b>	132,678
Commercial Products profit before restructuring costs, provision releases, other one-off items and interest	<b>7,839</b>	2,844

Commercial Products accounted for 41% of Group external sales.

#### Direct Response

Principally operating from four sites within the UK, the Group offers a range of products and services to organisations in the banking, retail, commercial and advertising sectors. Sales in the financial year accounted for 36% of Commercial Products and grew modestly over the prior year.

## **BUSINESS REVIEW** *continued*

### REVIEW OF OPERATIONS *continued*

Conditions within the market remain extremely challenging and we have taken further action to reduce costs which has resulted in a number of redundancies and the sale of surplus equipment. Over-capacity has led to further pressure on margins, which is greatest in the supply of longer-run commodity products. Group Sales has helped to win more suitable work from customers served elsewhere within the Group and we have targeted local sales efforts towards customers with more complex requirements and where opportunities exist to add value. Despite these actions contribution from these activities was short of breakeven.

Further investments have been made in our digital, ink jetting and poly-wrapping facilities and we continue to develop our variable data business with some success. We continue to move away from volume direct mail to more personalised targeted campaigns which will, we believe, enable us to generate improved margins going forwards.

Customers include Bowne, Co-op, Churchills, HM Government, HSBC, RBS, Makro, McCanns, Somerfield, Shop Direct and Vodafone. As mentioned under Media Products, our business in Romford was transferred to the Crayford site at the year end to benefit from a modern facility and shared overheads.

#### Point-of-Sale

We produce point-of-sale material for the UK retail market and for UK and international brands and these account for approximately 38% of Commercial Products' revenue. In addition to supplying the printed material and physical products, we are also able to offer complex fulfilment and distribution facilities, digital asset management, stock control and other ancillary added value services.

The recent investment in a large format litho press has extended our competitive advantage as the market leader in the point-of-sale arena. Furthermore, our ongoing development of online solutions and asset management systems is being delivered through our unique DNA™ applications.

Sales have grown by around 17% in the financial year and we have been successful in retaining existing business and attracting new accounts. Customers include Arcadia, Boots, Cadbury, Ethel Austin, George, Halfords, Levi's, Marks & Spencer, Manor Bakeries, Spar, Thorntons and Wilkinsons.

Improved production controls and more effective utilisation have returned the margins to previous levels and overall contribution increased.

The business is well placed to continue the progress made in the last twelve months following investment in equipment, people and systems and further develop its market leading position and reputation for excellent customer service.

#### Exhibitions and Events

In November 2006 we announced the acquisition of Service Graphics, a market leading large format digital printer. Established in 1961, it provides manufacturing, installation and consultancy services to the exhibition, retail, creative, leisure and live event sectors. The business operates from eleven sites spread throughout the UK and is able to provide products and services from simple point-of-sale and presentation aids to the building of complicated customised exhibition stands. Customers include Berkeley Homes, Boots, Ford Motor Company, Harrods, Imagination, John Lewis, Marks & Spencer and The Football Association.

## **BUSINESS REVIEW** *continued*

### REVIEW OF OPERATIONS *continued*

Sales represented some 17% of Commercial Products' revenues, but are only included for a nine month period from the date of acquisition. Its contribution for this period was in line with expectations.

Market conditions during the year were buoyant in terms of volumes although increased competition and further automation of production continues to exert downward pressure on prices. We believe there are significant opportunities to sell the unique one-stop solutions that Service Graphics offers within the Group's existing customer base and, in particular, to our point-of-sale customers. Work has already started on selling Service Graphics' facilities to our wider customer base.

#### Financial

We continue to be market leader in Annual Report printing, which is concentrated in the second half of our financial year. These activities represent around 8% of the Commercial Products' segment. Improved returns were made in this part of the business as compared with the prior year.

Our transactional corporate finance business continued to face fiercely competitive markets and volumes remained flat. As a result, in January 2007, we sold this and our mutual funds printing business to Bowne. Sales from this discontinued business is excluded from our revenues. As part of the agreement, we retained the right exclusively to supply print requirements in the UK relating to their work.

#### **USA**

Comprises magazine printing, general commercial printing and the supply of point-of-sale materials to retailers and franchisees.

	2007 £'000	2006 £'000
USA total revenue	<b>59,294</b>	65,143
USA profit/(loss) before restructuring costs, provision releases, other one-off items and interest	<b>1,694</b>	(241)

USA revenue represented nearly 14% of Group external sales. In local currency sales were flat but the weakness of the US dollar against sterling has reduced sales and profits on translation for reporting purposes by £5,812,000 and £144,000 respectively.

In the USA, the Group produces controlled circulation magazines and specialist mail order catalogues and brochures (predominately print runs of less than 110,000 copies) and magazines for the Spanish speaking market.

We also produce point-of-sale material for a number of franchise operators and for brand advertising which is distributed through national store chains. In addition we manufacture marketing coupons, which are supplied to over 30,000 outlets over recurring two week cycles, together with in-store advertising material.

## **BUSINESS REVIEW** *continued*

### REVIEW OF OPERATIONS *continued*

In the first half of the previous financial year the results were severely affected by hurricanes in Florida. This year the business returned to profit but continued to suffer from extreme price competition in an over supplied market. Towards the end of the year, paginations in magazines were more volatile and commercial volumes reduced and as a result of these factors overall margins were put under further pressure. Some progress was made in securing more long-term contracts with customers but this was insufficient to effectively utilise all the facilities. As a consequence, at the year end our plants in Florida were merged into one, the surplus equipment was sold and the surplus freehold property is for sale. Reductions in sales, production and administration costs were also made to reflect the lower volume requirement and some lower margin work was eliminated.

### BALANCE SHEET AND CAPITAL EXPENDITURE

The Group has maintained its robust balance sheet, and cash flow remains strong. At the year end net assets were £164.5 million and net debt was £23.3 million. Included in the balance sheet are freehold and long leasehold properties at historic costs or valuation. These have recently been valued on the basis of market value subject to vacant possession at £83.0 million as compared with a net book value of £53.0 million. The surplus of £30.0 million has not been included in the balance sheet.

The Group's net debt of £23.3 million reflects the £18.4 million cost of acquisition of Service Graphics, the £4.3 million received on the sale of the corporate finance and mutual fund printing business of St Ives Financial, £4.7 million from the sale of surplus space at the Group's head office and £3.1 million from the sale of other surplus assets.

Capital expenditure during the year was £21.2 million. This was slightly lower than anticipated due to the extension of our book factory not commencing until the coming financial year.

### OUTLOOK

The markets we serve are becoming more sophisticated. Targeted, short-run, personalised, cost effective, just-in-time and requirements for an extensive range of facilities are becoming the norm. The recent acquisition of Service Graphics together with our existing facilities has given us a leading position in digital print. Electronic communication with customers continues to increase, with more use being made of DNA™ our proprietary online solution and asset management system.

In the UK our Group Sales team helps to underpin the efforts of the local sales focus. There is now a more co-ordinated approach to selling the whole of the Group's facilities to both existing and prospective customers. We expect additional benefits to accrue, in particular, in those units whose capacity has previously been directed mainly at multimedia markets and also improve activity levels in the direct response and commercial businesses.

In the USA we continue to experience lower levels of demand in an oversupplied market. However, as referenced above there were a number of cost reductions and efficiency initiatives that were undertaken throughout the Group towards the year end and the benefits of these are beginning to materialise both in the USA and the UK.

In Books we have begun the construction of a new warehouse facility at the Bungay factory to enable us to increase our volumes of faster direct delivery of books and extend the range of post-bind operations. Demand is currently at similar levels to the prior year and publishers are increasingly requiring added value services.

## **BUSINESS REVIEW** *continued*

### OUTLOOK *continued*

Magazines show a similar picture and we continue to win new work and concentrate on improving the mix. We have ordered a new press for our Peterborough factory which will be installed early next summer. It will replace less efficient equipment.

Demand from the music and multimedia publishing market remains subdued but in the UK these sites are producing more commercial work for Group Sales and work for other parts of the Group.

Sales in our point-of-sale activities are very buoyant and new customers continue to be won. Several of these customers also require products and services that can be supplied from our Direct Response facilities which is useful incremental revenue. Our exhibition and events company, Service Graphics, acquired last November, is performing in line with expectations and we are seeing some benefits from working with other parts of the Group.

Although many of our businesses have term contracts volume is not guaranteed and demand is often volatile. The majority of markets we serve remain influenced by the economic climate and consumer confidence. However, against this background, we continue to concentrate on providing cost effective solutions, with a strong emphasis on customer service. We have made an encouraging start to the year and expect to build on the momentum we have established. We are confident that our market leading service and our customers' increasing demand for a range of products and services sourced from throughout the Group will allow us to grow our sales. This, together with improvements in utilisation, should allow us to make further progress for our shareholders.

**Brian Edwards**  
Chief Executive

16 October 2007

## FINANCIAL REVIEW

### Overview of revenue

Group sales revenue from continuing operations grew by £42.5 million (11.1%) to £425.0 million including £30.3 million from Service Graphics, acquired November 2006.

Media Products' revenue increased by £6.6 million (3.5%). Revenue increased by 18.8% in Books whilst Magazines and Print & Display, which includes multimedia activities, were lower by 2.8% and 15.7% respectively.

Commercial Products' revenue from continuing operations increased by £42.8 million of which, as mentioned above, Service Graphics contributed £30.3 million. The existing Point-of-Sale business grew by 16.6% and Direct Response by 7.3%. The continuing revenues of our Financial business showed a decline of 7.6%.

In the USA revenues were flat in US dollars but, because of the weakness of the dollar, decreased by £5.8 million (9.0%). The average exchange rate used to translate dollars to sterling was 1.9737 (2006 – 1.7975).

The geographical breakdown of revenue is broadly in line with the segmental breakdown: 97% of the Commercial and Media Products' revenue is generated within the UK (the remaining 3% derives from the Rest of the World) and 100% of the revenue generated by the USA segment derives from North America.

### Key financial performance indicators

The most significant key performance indicators ('KPIs') used by the Group are financial and are explained below. Other performance indicators of an operational nature are focused on individual machines, factories and divisions and, because of the varied and bespoke nature of the products and services provided by the Group, are specific to each operation. Consequently it is not possible to present operational indicators in a segmental context. KPIs in respect of environmental and employee matters are referred to under the sections on employees and St Ives and the environment, within the consolidated financial statements.

The financial KPIs are explained under each section (all 2006 KPI comparatives have been restated, where appropriate, to remove or re-analyse discontinued operations).

#### *Operating profit by segment*

Operating profit represents the profit from operations before restructuring costs, provision releases and other one-off items.

	2007	2006	change
	£'000	(restated) £'000	%
Media Products	26,314	23,904	10.1
Commercial Products	7,839	2,844	175.6
USA	1,694	(241)	–
Corporate	(1,518)	(33)	–
Continuing operations	34,329	26,474	29.7
Discontinued operations	(991)	(1,233)	19.6
Group	33,338	25,241	32.1

## FINANCIAL REVIEW *continued*

### Key financial performance indicators *continued*

#### *Operating profit as a percentage of added value by segment*

This KPI compares operating profit with the added value generated within a segment. Added value is the sum of total revenue less materials, outwork, consumables and carriage costs.

	2007	2006 (restated)	change
	%	%	%
Media Products	<b>20.7</b>	19.3	7.5
Commercial Products	<b>8.5</b>	4.2	102.4
USA	<b>5.1</b>	(0.6)	—
Continuing operations	<b>13.6</b>	11.6	17.2

#### *Gross margin per £ of manufacturing labour by segment*

This KPI compares the margin left after deducting manufacturing labour costs from added value with the manufacturing labour cost. The result represents the margin return, before manufacturing costs, sales and distribution costs and administrative expenses, for every £1 of manufacturing labour spent in the segment. It reflects the impacts of sales value, machines and labour productivity against labour costs. Operationally this KPI is used extensively in the Group to measure operational performance and returns from both individual jobs and customers.

	2007	2006 (restated)	change
	£	£	%
Media Products	<b>1.34</b>	1.38	(3.6)
Commercial Products	<b>1.83</b>	1.83	—
USA	<b>1.03</b>	1.03	—
Continuing operations	<b>1.45</b>	1.42	2.1

The three profit-related KPIs shown above reflect the comments made within the Chairman's Statement and the Business Review regarding business performance during the year. The overall improvement in the Group KPI for continuing operations arises from an increase in the weighting of the Commercial Products segment in the Group KPI calculation, which was a result of the acquisition of Service Graphics during the year.

## FINANCIAL REVIEW *continued*

### Key financial performance indicators *continued*

#### *EBITDA by segment*

EBITDA is operating profit before depreciation and amortisation and is used as a measure of cash generation by segment.

	2007	2006	change
	£'000	(restated) £'000	%
Media Products	<b>39,210</b>	37,013	5.9
Commercial Products	<b>16,198</b>	10,045	61.3
USA	<b>4,782</b>	3,918	22.1
Corporate	<b>254</b>	1,722	(85.2)
Continuing operations	<b>60,444</b>	52,698	14.7
Discontinued operations	<b>(759)</b>	(648)	17.1
Group	<b>59,685</b>	52,050	14.7

#### *Free cash flow by segment*

Free cash flow provides a measure of the Group's liquidity and the cash generated from its operations. Capital payments are the amounts, by segment, from the Consolidated Cash Flow Statement for the purchase of property, plant and machinery and other intangibles. By deducting the capital payments from the EBITDA the cash available for acquisitions, dividends, tax and working capital is measured.

	2007		
	EBITDA	Capital payments	Free cash flow
	£'000	£'000	£'000
Media Products	<b>39,210</b>	<b>(11,208)</b>	<b>28,002</b>
Commercial Products	<b>16,198</b>	<b>(7,758)</b>	<b>8,440</b>
USA	<b>4,782</b>	<b>(1,778)</b>	<b>3,004</b>
Corporate	<b>254</b>	<b>(357)</b>	<b>(103)</b>
Continuing operations	<b>60,444</b>	<b>(21,101)</b>	<b>39,343</b>
Discontinued operations	<b>(759)</b>	<b>(108)</b>	<b>(867)</b>
Group	<b>59,685</b>	<b>(21,209)</b>	<b>38,476</b>

## FINANCIAL REVIEW *continued*

### Key financial performance indicators *continued*

	2006		
	EBITDA (restated) £'000	Capital payments (restated) £'000	Free cash flow (restated) £'000
Media Products	37,013	(15,644)	21,369
Commercial Products	10,045	(10,338)	(293)
USA	3,918	(2,148)	1,770
Corporate	1,722	(3,738)	(2,016)
Continuing operations	52,698	(31,868)	20,830
Discontinued operations	(648)	(27)	(675)
Group	52,050	(31,895)	20,155

### Restructuring costs, provision releases and other one-off items

The charge of £2.8 million, before tax, is the net of profit on sale of property, plant and equipment of £4.8 million, bid approach costs of £0.6 million and rationalisation costs both in the UK and USA of £7.0 million to reduce further the cost base of the business.

The net income in 2006 of £1.2 million, before tax, is a combination of profits on the disposal of assets sold following the closure of St Ives Caerphilly of £2.8 million, rationalisation costs in both the UK and USA of £2.1 million, and £0.5 million of provision releases relating to closures and the previous acquisition of Avanti.

### Balance Sheet

Net assets decreased to £164.5 million (2006 – £167.9 million). The movement reflects profit after taxation of £6.3 million, dividends of £17.7 million, the reduction in deficit of the defined benefit pension scheme (net of deferred tax) of £9.2 million and foreign exchange differences.

Land and buildings were valued, at open market value subject to vacant possession, in November 2006 at £83.0 million; the net book value of these properties is £53.0 million, reported within property, plant and equipment and assets held for sale in balance sheet. The valuation surplus of £30.0 million has not been recorded in the financial statements. Overall, the balance sheet looks robust.

### Net Debt

Net debt increased during the year from £8.9 million to £23.3 million. The movement primarily reflects the cash generated from operations of £37.5 million (2006 – £67.6 million), the proceeds of sale from property, plant and equipment of £7.8 million (2006 – £7.0 million), the proceeds of sale of the financial printing activities of £4.3 million, the dividend paid of £17.7 million (2006 – £17.7 million), the initial consideration for Service Graphics of £18.4 million and the purchase of fixed assets of £21.2 million (2006 – £31.9 million).

Within net debt are bank loans of £27.9 million due in more than one year, unsecured loan notes of £0.4 million, and bank overdrafts of £2.0 million.

On 20 July 2007 the Group concluded an £80.0 million multicurrency agreement of which £55.0 million is a three-year revolving credit and £25.0 million overdraft facility. None of the debt is secured.

## **FINANCIAL REVIEW** *continued*

### **Capital expenditure and depreciation**

Capital expenditure in cash flow terms on property, plant and equipment, together with additions to intangible assets, other than goodwill, was £21.2 million (2006 – £31.9 million) and cash receipts from asset disposals were £7.8 million (2006 – £7.0 million). In addition, cash receipts from regional grants were £1.1 million (2006 – £0.3 million). Net capital-related outflow in the year was £12.6 million (2006 – £24.1 million). Depreciation, amortisation and impairment charged in the year was £27.5 million (2006 – £26.8 million).

### **Acquisitions**

On 6 November 2006, the Group acquired the whole of the issued share capital of Service Graphics Limited at an initial cash cost of £18.4 million. Additional consideration will be paid to certain shareholders if profit before interest and taxation exceeds £2.97 million for each of the years ending 31 December 2007 and 2008. We estimate this additional consideration to be in the order of £0.6 million.

### **Discontinued operations**

In January 2007, the Group disposed of all of the corporate financial printing activities carried on by St Ives Financial Limited together with the entire share capital of St Ives Financial Inc and St Ives Financial Japan KK. This resulted in a total loss on disposal of £13.2 million after tax (which includes a £14.4 million write off of goodwill).

### **Tax**

The Group's tax rate on profit before restructuring costs and provision releases was 31.2% (2006 – 32.2%).

### **Dividends**

The board is recommending a final dividend of 12.15p bringing the total dividend for the year to 17.15p. The same total dividend has been paid in respect of each financial year from 2001. Although dividend cover based on underlying earnings from continuing operations is 1.18, the basic earnings per share are 6.13p so the dividend is uncovered by the net profit for the period. However, net profit for the year includes the write off (non cash) of goodwill relating to the sale of the corporate financial printing activities of £14.4 million.

Excluding the acquisition of Service Graphics, the Group was cash generative in 2006/2007. Net debt in relation to net tangible assets continues to be relatively low. Retained earnings in the Group balance sheet at 3 August 2007 were £109.0 million (2006 – £111.2 million).

### **Pensions**

The deficit in the defined benefit pension scheme at the end of the year, excluding the related deferred tax asset, was £45.2 million (2006 – £59.5 million). The decrease of the deficit is due to an increase in the fair value of the scheme assets and an increase in corporate bond yields (and therefore the discount rate) from 5.1% to 5.7%, partially offset by an increase in the inflation assumption from 2.9% to 3.1% and slightly more prudent mortality assumptions.

## **FINANCIAL REVIEW** *continued*

### **Pensions** *continued*

The charge to operating profit for this scheme was £3.7 million (2006 – £3.8 million), less a £0.4 million curtailment credit; the charge represents the costs of the benefits accrued to members of the scheme during the period. In addition, the income statement includes a net financing cost of £1.8 million (2006 – £2.0 million) which represents the fact that the benefits are one year closer to being paid, less the expected return on assets of the scheme based on market rates available at the start of the financial year.

The defined benefit pension scheme was closed to new entrants from 6 April 2002; benefits continue to accrue for active members at that date.

Contributions were paid by the Group at the rate of 10.6% of pensionable pay from May 2004 and the accrual rate for future pensionable service was changed from 60ths to 80ths at the same time. Following the actuarial valuation in 2005 the contribution rate was changed on 1 February 2006 to 5.3% of pensionable pay plus £2.7 million per annum paid monthly (equivalent to approximately 14.8% of pensionable pay). The board continues to keep the defined benefit scheme under review.

### **Financial Risk Management and Treasury Policies**

The main financial risks of the Group relate to interest rate, liquidity, foreign exchange and credit (in relation to its trade receivables).

During the year the Group introduced an internal audit function, the planning and implementation of which was aided by PricewaterhouseCoopers. The Group's policy is to test all the divisions' trade cycles over a three-year period.

The Group's treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures approved by the board.

The overall objective of the treasury policy is to use financial instruments to manage the financial risks that arise from the specific activities of the business. It follows, therefore, that the Group does not enter into speculative financial transactions for which there is no underlying business requirement.

#### *Interest rate risk*

The Group's borrowings are at floating interest rates. Interest as a proportion of profits before tax is relatively small and changes in interest rates have a low impact on profits. The Group keeps this under constant review.

#### *Liquidity risk*

As mentioned above, the Group recently secured an £80.0 million multicurrency agreement of which £55.0 million is for a three-year term. At the year end the Group had unused facilities of £50.1 million.

## **FINANCIAL REVIEW** *continued*

### **Financial Risk Management and Treasury Policies** *continued*

#### *Foreign exchange risk*

The Group's trading, including purchases of property, plant and equipment, is principally in the currency that each subsidiary operates. Translational risk relating to the capital employed in overseas subsidiaries is covered, in part only, by the use of currency loans included in the multicurrency agreement. Currency risk management relating to transactional business, if significant, is dealt with by the use of currency derivatives, which are mainly foreign currency forward contracts.

#### *Credit risk (trade receivables)*

The majority of sales of the Group to its customers is made on credit. During the year the Group commenced credit insurance covering the larger trade debtors of the Group. It is Group policy that all customers are granted credit subject to credit verification procedures. A rigorous system of credit control is applied and receivables are continually monitored. Bad debt provisions represented 5.2% (2006 – 7.8%) of gross trade debtors at the year end; this has reduced due to the commencement of the credit insurance mentioned above.

**Matt Armitage**

Group Finance Director

16 October 2007

## CONSOLIDATED INCOME STATEMENT

	53 weeks to 3 August 2007			52 weeks to 28 July 2006		
	Before restructuring costs, provision releases and other one-off items	Restructuring costs provision releases and other one-off items (note 3)	Total	Before restructuring costs, provision releases and other one-off items (restated - note 12)	Restructuring costs, provision releases and other one-off items (note 3) (restated - note 12)	Total (restated - note 12)
Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>						
Existing activities	394,688	–	394,688	382,510	–	382,510
Acquired activities	30,342	–	30,342	–	–	–
2	425,030	–	425,030	382,510	–	382,510
Cost of sales	(314,951)	(5,530)	(320,481)	(292,682)	(798)	(293,480)
<b>Gross profit</b>	110,079	(5,530)	104,549	89,828	(798)	89,030
Sales and distribution costs	(28,681)	(409)	(29,090)	(22,807)	(387)	(23,194)
Administrative expenses	(47,665)	(1,635)	(49,300)	(41,251)	(371)	(41,622)
Other operating income						
Profit on disposal of fixed assets	596	4,809	5,405	–	2,084	2,084
Other income	–	–	–	704	717	1,421
	596	4,809	5,405	704	2,801	3,505
<b>Profit from operations</b>						
Existing activities	32,630	(2,765)	29,865	26,474	1,245	27,719
Acquired activities	1,699	–	1,699	–	–	–
2	34,329	(2,765)	31,564	26,474	1,245	27,719
Investment income	10,171	–	10,171	9,221	–	9,221
Finance costs	(14,179)	–	(14,179)	(12,758)	–	(12,758)
<b>Profit/(loss) before tax</b>	30,321	(2,765)	27,556	22,937	1,245	24,182
Income tax (expense)/credit	(9,460)	2,303	(7,157)	(7,386)	(718)	(8,104)
4						
<b>Profit/(loss) for the period from continuing operations</b>	20,861	(462)	20,399	15,551	527	16,078
Loss from discontinued operations	(865)	(13,219)	(14,084)	(964)	(300)	(1,264)
12						
<b>Net profit/(loss) for the period</b>	19,996	(13,681)	6,315	14,587	227	14,814
<b>Basic &amp; diluted earnings per share (p)</b>						
From continuing operations	6		19.80			15.60
From continuing and discontinued operations	6		6.13			14.38

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000
Exchange losses on translating foreign operations	(1,189)	(899)
Losses on cash flow hedges taken to equity	–	(85)
Actuarial gains on defined benefit pension schemes	14,936	8,974
Tax on items taken directly to equity	(5,713)	(1,651)
<b>Net income recognised directly in equity</b>	<b>8,034</b>	<b>6,339</b>
Transfer to profit and loss from equity of exchange differences on disposal of foreign operation	<b>38</b>	–
Transfer to the initial carrying amount on non-financial hedged items of cash flow hedges	<b>85</b>	(24)
Tax on items transferred from equity	(26)	7
Profit for the period	<b>6,315</b>	14,814
<b>Total recognised income</b>	<b>14,446</b>	<b>21,136</b>
Transition adjustment on adoption of IAS 32 and IAS 39	–	24
<b>Total recognised income for the period</b>	<b>14,446</b>	<b>21,160</b>

## CONSOLIDATED BALANCE SHEET

	3 August 2007	28 July 2006
Note	£'000	£'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	147,006	160,909
Goodwill	54,679	54,135
Other intangible assets	1,394	1,089
Deferred tax assets	4,785	12,065
Other non-current assets	338	132
	<u>208,202</u>	<u>228,330</u>
<b>Current assets</b>		
Inventories	13,824	12,593
Trade and other receivables	78,750	65,600
Cash and cash equivalents	7,547	12,620
Assets held for sale	3,345	–
	<u>103,466</u>	<u>90,813</u>
<b>Total assets</b>	<u>311,668</u>	<u>319,143</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	57,485	62,080
Loans and bank overdrafts	2,327	21,490
Other financial liabilities	419	85
Current tax liabilities	4,293	3,350
Deferred income	222	81
Provisions	2,973	2,126
	<u>67,719</u>	<u>89,212</u>
<b>Non-current liabilities</b>		
Loans and bank overdrafts	27,892	–
Retirement benefit obligations	9 45,203	59,471
Deferred income	1,604	411
Other financial liabilities	521	714
Provisions	4,202	1,434
	<u>79,422</u>	<u>62,030</u>
<b>Total liabilities</b>	<u>147,141</u>	<u>151,242</u>
<b>Net assets</b>	<u>164,527</u>	<u>167,901</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	10,355	10,355
Other reserves	7 45,127	46,334
Retained earnings	8 109,045	111,212
<b>Total equity</b>	<u>164,527</u>	<u>167,901</u>

## CONSOLIDATED CASH FLOW STATEMENT

	53 weeks to 3 August 2007	52 weeks to 28 July 2006
Note	£'000	£'000
<b>Operating activities</b>		
Cash generated from operations	10 37,491	67,648
Interest received	465	255
Interest paid	(2,530)	(1,674)
Income taxes paid	(5,946)	(7,551)
<b>Net cash from operating activities</b>	<b>29,480</b>	<b>58,678</b>
<b>Investing activities</b>		
Acquisitions, net of cash acquired	11 (18,358)	(2,901)
Purchase of property, plant and equipment	(20,396)	(31,085)
Purchase of other intangibles	(813)	(810)
Proceeds on disposal of property, plant and equipment	7,784	6,970
Disposal proceeds of subsidiary, net of cash disposed	12 4,288	–
Regional grants received	1,092	285
<b>Net cash used in investing activities</b>	<b>(26,403)</b>	<b>(27,541)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital	–	198
Loan notes redeemed	(1,287)	(2,317)
Capital element of finance lease rentals	(335)	–
Dividends paid	5 (17,673)	(17,672)
Increase in bank loans	10,000	–
Increase/(decrease) in bank overdrafts	1,641	(4,059)
<b>Net cash used in financing activities</b>	<b>(7,654)</b>	<b>(23,850)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,577)</b>	<b>7,287</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>12,620</b>	<b>5,594</b>
Effect of foreign exchange rate changes	(496)	(261)
<b>Cash and cash equivalents at end of period</b>	<b>10 7,547</b>	<b>12,620</b>

## **NOTES TO THE PRELIMINARY RESULTS**

### **1. Basis of preparation**

The preliminary results have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union, and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

Certain balance sheet items have been reclassified in the prior year comparatives to reflect changes in presentation.

Whilst the financial information included in this preliminary announcement has been compiled in accordance with IFRS, the announcement does not itself contain sufficient information to comply with IFRS.

The abridged information for the fifty three weeks to 3 August 2007 has been extracted from the Group's statutory accounts for that period which will be sent to all shareholders before 1 November 2007. The Group's 2006 statutory accounts have been filed with the Registrar of Companies. The Auditor's report in the accounts of the Group for both periods were unqualified and did not contain a statement under either Section 237(2) or Section 237(3) of the Companies Act 1985.

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 2. Segment reporting

The Group manages its business on a market segment basis. The nature of the market segments is described in the Business Review. Inter-segment sales are charged at arm's length prices.

The Group was also previously involved in Corporate Finance activities. This operation was sold on 16 January 2007 (see note 12) and the results of this operation are treated as discontinued throughout the current and comparative period. They are not included below.

#### Business segments

	53 weeks to 3 August 2007				
	Media Products	Commercial Products	USA	Elimination	Total
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
External sales	191,498	174,266	59,266	–	425,030
Inter-segment sales	3,088	1,229	28	(4,345)	–
<b>Total revenue</b>	<b>194,586</b>	<b>175,495</b>	<b>59,294</b>	<b>(4,345)</b>	<b>425,030</b>
<b>Result</b>					
Segmental result	24,332	6,213	(946)	–	29,599
Add back restructuring costs, provision releases and other one-off items	1,982	1,626	2,640	–	6,248
Segmental result before restructuring costs, provision releases and other one-off items	<b>26,314</b>	<b>7,839</b>	<b>1,694</b>	<b>–</b>	<b>35,847</b>
Unallocated corporate expenses (net)					(1,518)
Operating profit before restructuring costs, provision releases and other one-off items					34,329
Total restructuring costs, provision releases and other one-off items					(2,765)
Profit from operations					31,564
Investment income					10,171
Finance costs					(14,179)
Profit before tax					27,556
Income tax expense					(7,157)
<b>Profit for the period from continuing operations</b>					<b>20,399</b>

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 2. Segment reporting *continued*

#### Business segments *continued*

	52 weeks to 28 July 2006 (restated – note 12)				
	Media Products	Commercial Products	USA	Elimination	Total
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
External sales	186,253	131,202	65,055	–	382,510
Inter-segment sales	1,712	1,476	88	(3,276)	–
<b>Total revenue</b>	<u>187,965</u>	<u>132,678</u>	<u>65,143</u>	<u>(3,276)</u>	<u>382,510</u>
<b>Result</b>					
Segmental result	23,211	2,710	(509)	–	25,412
Add back restructuring costs, provision releases and other one-off items	693	134	268	–	1,095
Segmental result before restructuring costs, provision releases and other one-off items	<u>23,904</u>	<u>2,844</u>	<u>(241)</u>	<u>–</u>	<u>26,507</u>
Unallocated corporate expenses (net)					(33)
Operating profit before restructuring costs, provision releases and other one-off items					26,474
Total restructuring costs, provision releases and other one-off items					1,245
Profit from operations					27,719
Investment income					9,221
Finance costs					(12,758)
Profit before tax					24,182
Income tax expense					(8,104)
Profit for the period from continuing operations					<u>16,078</u>

#### 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. The USA segment operates exclusively in the United States.

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 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 included in respect of continuing operations are as follows:

	2007 £'000	2006 (restated – note 12) £'000
<b>(Expense)/income</b>		
Restructuring costs	<b>(7,008)</b>	(2,089)
Bid approach costs	<b>(608)</b>	–
Provision releases	<b>42</b>	533
Profit on disposal of fixed assets	<b>4,809</b>	2,084
Other income	–	717
	<b>(2,765)</b>	1,245
Related income tax	<b>2,303</b>	(718)
	<b>(462)</b>	527

Restructuring costs include redundancy and other costs relating to the restructuring of all three business segments. The bid approach costs include professional costs incurred in dealing with the bid approach. Provision releases are disclosed in the middle column on the Income Statement when the provision was originally disclosed there, on the basis that it related to restructuring or other one-off items.

Profit on the sale of fixed assets of £4.8 million includes a profit of £3.9 million on the sale of a property at head office that was surplus to requirements, as well as £0.6 million on surplus plant and equipment at the Florida manufacturing facility.

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 4. Tax

Tax on profit/(loss) as shown in the income statement is as follows:

	Continuing operations		Discontinued operations		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
United Kingdom corporation tax expense/(income) at 30% (2006 – 30%):						
Current year	<b>7,014</b>	6,489	<b>(184)</b>	(348)	<b>6,830</b>	6,141
Adjustments in respect of prior years	<b>(504)</b>	(497)	<b>–</b>	<b>–</b>	<b>(504)</b>	(497)
	<b>6,510</b>	5,992	<b>(184)</b>	(348)	<b>6,326</b>	5,644
Overseas current tax expense/(income):						
Current year	<b>(89)</b>	129	<b>–</b>	<b>–</b>	<b>(89)</b>	129
Adjustments in respect of prior years	<b>129</b>	(62)	<b>–</b>	<b>–</b>	<b>129</b>	(62)
Total current tax expense/(credit)	<b>6,550</b>	6,059	<b>(184)</b>	(348)	<b>6,366</b>	5,711
Deferred tax on origination and reversal of temporary differences:						
United Kingdom deferred tax	<b>909</b>	1,482	<b>–</b>	<b>–</b>	<b>909</b>	1,482
Overseas deferred tax	<b>(704)</b>	196	<b>–</b>	<b>–</b>	<b>(704)</b>	196
Adjustments in respect of prior years	<b>402</b>	367	<b>–</b>	<b>–</b>	<b>402</b>	367
Total deferred tax expense	<b>607</b>	2,045	<b>–</b>	<b>–</b>	<b>607</b>	2,045
Total tax expense/(credit)	<b>7,157</b>	8,104	<b>(184)</b>	(348)	<b>6,973</b>	7,756

### 5. Dividends

	per share pence	2007 £'000	2006 £'000
Final dividend paid for the 52 weeks ended 29 July 2005	12.15	–	12,521
Interim dividend paid for the 26 weeks to 27 January 2006	5.00	–	5,151
Final dividend paid for the 52 weeks ended 28 July 2006	12.15	<b>12,521</b>	–
Interim dividend paid for the 27 weeks to 3 February 2007	5.00	<b>5,152</b>	–
<b>Dividends paid during the period</b>		<b>17,673</b>	17,672
Proposed final dividend at the period end of 12.15p per share (2006 – 12.15p per share)		<b>12,521</b>	12,521

The proposed final dividend is subject to the approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 6. Earnings per share

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

	2007 million	2006 million
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	103.1	103.0
Dilutive potential ordinary shares from share options	–	–
Diluted weighted average number of shares	<u>103.1</u>	<u>103.0</u>

	2007		2006 (restated – note 12)	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
<b>Basic and diluted earnings per share:</b>				
Earnings and earnings per share from continuing activities				
Earnings and basic earnings per share	20,399	19.80	16,078	15.60
Restructuring costs, provision releases and other one-off items	<u>462</u>	<u>0.45</u>	<u>(527)</u>	<u>(0.51)</u>
Adjusted earnings and adjusted earnings per share	<u>20,861</u>	<u>20.25</u>	<u>15,551</u>	<u>15.09</u>

	2007		2006 (restated – note 12)	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
<b>Loss and loss per share from discontinued activities</b>				
Loss and basic loss per share	(14,084)	(13.67)	(1,264)	(1.22)
Restructuring costs, provision releases and other one-off items	<u>13,219</u>	<u>12.83</u>	<u>300</u>	<u>0.29</u>
Adjusted loss and adjusted loss per share	<u>(865)</u>	<u>(0.84)</u>	<u>(964)</u>	<u>(0.93)</u>
<b>Basic earnings per share from continuing and discontinued activities</b>		<u>6.13</u>		<u>14.38</u>

Adjusted 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.

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 7. 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 30 July 2005	46,497	(1,913)	1,238	331	629	46,782
Shares issued at a premium	192	–	–	–	–	192
Exchange differences and related tax	–	–	–	–	(433)	(433)
Cash flow hedges:						
Losses taken to equity	–	–	–	–	(85)	(85)
Transferred to fixed assets	–	–	–	–	(24)	(24)
Tax on items taken directly to or transferred from equity	–	–	–	–	24	24
Recognition of share based payments	–	–	–	(122)	–	(122)
Balance at 28 July 2006	46,689	(1,913)	1,238	209	111	46,334
Exchange differences and related tax	–	–	–	–	(1,157)	(1,157)
Foreign exchange losses recycled to profit and loss	–	–	–	–	38	38
Cash flow hedges:						
Transferred to fixed assets	–	–	–	–	85	85
Tax on items taken directly to or transferred from equity	–	–	–	–	(26)	(26)
Recognition of share based payments	–	–	–	(147)	–	(147)
<b>Balance at 3 August 2007</b>	<b>46,689</b>	<b>(1,913)</b>	<b>1,238</b>	<b>62</b>	<b>(949)</b>	<b>45,127</b>

### 8. Retained earnings

	£'000
Balance at 30 July 2005	107,230
Dividends paid	(17,672)
Profit for the year attributable to equity holders of the parent	14,814
Actuarial gains on defined benefit pension schemes, net of associated tax	6,840
Balance at 28 July 2006	111,212
Dividends paid	(17,673)
Profit for the year attributable to equity holders of the parent	6,315
Actuarial gains on defined benefit pension schemes, net of associated tax	9,191
<b>Balance at 3 August 2007</b>	<b>109,045</b>

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 9. Retirement benefit obligations

The net liability in respect of retirement benefit obligations of £45.2 million at the balance sheet date has decreased compared to July 2006 (£59.5 million) primarily due to an increase in corporate bond yields from 5.1% to 5.7%, partially offset by an increase in the expected rate of inflation from 2.9% to 3.1% and the use of slightly more prudent mortality assumptions in the calculation of the retirement benefit obligation.

### 10. Notes to the consolidated cash flow statement

	2007 £'000	2006 £'000
<i>Reconciliation of cash generated from operations</i>		
Profit from continuing operations	<b>31,564</b>	27,719
Loss from discontinued operations	<b>(991)</b>	(1,615)
Adjustments for:		
Depreciation of property, plant and equipment	<b>25,714</b>	26,450
Impairment losses	<b>956</b>	–
Amortisation of intangible assets	<b>810</b>	358
Gain on disposal of property, plant and equipment	<b>(5,405)</b>	(3,505)
Deferred income	<b>(218)</b>	(101)
Share-based payment credit	<b>(147)</b>	(122)
Decrease in retirement benefit obligations	<b>(1,112)</b>	(120)
Increase/(decrease) in provisions	<b>2,098</b>	(1,575)
Operating cash inflows before movements in working capital	<b>53,269</b>	47,489
(Increase)/decrease in inventories	<b>(726)</b>	495
(Increase)/decrease in receivables	<b>(6,157)</b>	10,088
(Decrease)/increase in payables	<b>(8,895)</b>	9,576
Cash generated from operations	<b>37,491</b>	67,648

#### *Analysis of net debt*

	29 July 2006 £'000	Acquisition £'000	Cash flow £'000	Exchange movements £'000	3 August 2007 £'000
Cash and cash equivalents	12,620	–	(4,577)	(496)	<b>7,547</b>
Bank overdrafts	(327)	–	(1,642)	–	<b>(1,969)</b>
Bank loans	(19,518)	–	(10,000)	1,626	<b>(27,892)</b>
Loan notes	(1,645)	–	1,287	–	<b>(358)</b>
Finance leases	–	(962)	335	–	<b>(627)</b>
	<b>(8,870)</b>	<b>(962)</b>	<b>(14,597)</b>	<b>1,130</b>	<b>(23,299)</b>

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 and non-current liabilities

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 10. 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:

	2007 £'000	2006 £'000
Net cash used in operating activities	<b>(210)</b>	(506)
Net cash (used in)/from investing activities	<b>(107)</b>	608
Net (decrease)/increase in cash from discontinued activities	<b>(317)</b>	102

### 11. Acquisition of subsidiary

On 6 November 2006, the Group acquired the whole of the issued share capital of Service Graphics Limited for an initial cash consideration of £18.2 million. Additional consideration will be paid to certain shareholders at 50% of profit before interest and taxation in excess of £2.97 million for each of the years ending 31 December 2007 and 2008 up to a maximum additional consideration of £7.0 million. The additional consideration of £600,000 noted below is the directors' estimate of the total additional consideration payable.

Service Graphics Limited and its subsidiary are involved in the production of large format graphics principally for exhibitions and events in the UK (the 'Service Graphics Group').

The transaction has been accounted for by the purchase method of accounting.

**NOTES TO THE PRELIMINARY RESULTS** *continued*

**11. Acquisition of subsidiary** *continued*

	<u>Book value</u>	<u>Fair value</u>	<u>Fair value</u>
	£'000	adjustments £'000	£'000
<b>Net assets acquired:</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,488	–	2,488
Deferred tax	147	15	162
	<u>2,635</u>	<u>15</u>	<u>2,650</u>
<b>Current assets</b>			
Inventories	984	–	984
Trade and other receivables	8,809	(250)	8,559
Bank and cash balances	173	–	173
	<u>9,966</u>	<u>(250)</u>	<u>9,716</u>
<b>Current liabilities</b>			
Trade and other payables	(6,032)	–	(6,032)
Other current liabilities	(1,646)	488	(1,158)
	<u>(7,678)</u>	<u>488</u>	<u>(7,190)</u>
<b>Net current assets</b>	2,288	238	2,526
Long term provisions	(175)	(298)	(473)
Other non-current liabilities	(523)	–	(523)
Net assets	<u>4,225</u>	<u>(45)</u>	<u>4,180</u>
Goodwill			<u>14,951</u>
<b>Consideration:</b>			
Initial paid in cash		18,244	
Professional fees and stamp duty		287	
		<u>18,531</u>	
Additional consideration		600	
<b>Total consideration</b>			<u>19,131</u>
<b>Net cash outflow arising on acquisition:</b>			
Cash consideration paid			(18,531)
Cash and cash equivalents acquired			173
			<u>(18,358)</u>

The goodwill arising on the acquisition of Service Graphics Limited is attributable to the anticipated future profitability and the future operating synergies within the combined businesses.

The Service Graphics Group contributed £30.3 million revenue and £1.7 million to the Group's profit before tax for the period from the date of acquisition to the balance sheet date.

Revenue and operating profit would not have been materially different if Service Graphics Group had been owned and consolidated from 29 July 2006.

The acquisition-related cash outflow in 2006 was the purchase of the Burnley point-of-sale business from Marks & Spencer plc.

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 12. Discontinued operations

On 16 January 2007, the Group disposed of all the corporate financial printing activities carried on by St Ives Financial Limited together with the entire share capital of St Ives Financial Inc and St Ives Financial Japan KK (the 'Corporate Finance activities').

The consolidated income statement does not consolidate line by line the trading of the Corporate Finance activities. Instead the net profit from the Corporate Finance activities is reported on a single line under "loss from discontinued operations". The 2006 comparatives have been restated to similarly reclassify net profit from the Corporate Finance activities under this caption.

The loss after tax for the period from the discontinued operations is analysed below:

	<b>53 weeks to 3 August 2007 £'000</b>	52 weeks to 28 July 2007 £'000
<b>Loss from the Corporate Finance activities:</b>		
Revenue	<b>5,947</b>	18,753
Cost of sales	<b>(3,362)</b>	(10,060)
Gross profit	<b>2,585</b>	8,693
Operating costs	<b>(3,576)</b>	(9,926)
Loss from operations	<b>(991)</b>	(1,233)
Financial income	<b>1</b>	3
Loss before tax	<b>(990)</b>	(1,230)
Income tax credit	<b>125</b>	266
Loss after tax before restructuring costs, provision releases and other one-off items	<b>(865)</b>	(964)
	<b>53 weeks to 3 August 2007 £'000</b>	52 weeks to 28 July 2006 £'000
<b>Restructuring costs, provision releases and other one-off items:</b>		
Loss on disposal of the Corporate Finance activities	<b>(13,278)</b>	–
Other restructuring costs, provision releases and one-off items	<b>–</b>	(382)
	<b>(13,278)</b>	(382)
Income tax credit	<b>59</b>	82
Restructuring costs, provision releases and other one-off items	<b>(13,219)</b>	(300)
Loss before restructuring costs, provision releases and other one-off items	<b>(865)</b>	(964)
Other restructuring costs, provision releases and one-off items	<b>(13,219)</b>	(300)
	<b>(14,084)</b>	(1,264)

## NOTES TO THE PRELIMINARY RESULTS *continued*

### 12. Discontinued operations *continued*

	16 January 2007 £'000
<b>Loss arising on the disposal of the Corporate Finance activities:</b>	
Consideration received, net of associated selling costs	4,461
Net assets disposed of, excluding goodwill	(3,293)
Goodwill	(14,408)
Recycling of cumulative foreign exchange translation losses	(38)
	<hr/>
Loss on disposal before tax	<b>(13,278)</b>
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	16 January 2007 £'000
<b>Net cash inflow arising from the disposal:</b>	
Cash consideration received, net of associated selling costs	4,461
Cash included in net assets disposed of	(173)
	<hr/>
Proceeds on disposal, net of cash disposed	<b>4,288</b>
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The foregoing contains forward looking statements made by the directors in good faith based on information available to them up to 16 October 2007. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.