

19 October 2009

ST IVES plc
Preliminary Results for the 52 weeks ended 31 July 2009

St Ives plc, the UK's leading printing group, announces preliminary results for the 52 weeks ended 31 July 2009.

Key Points

- Revenue £386.8m (2008: £391.2m)
- Underlying* profit before tax £7.3m (2008: £29.5m)
- Loss before tax £7.2m (2008: profit £30.6m)
- Underlying* earnings per share 4.94p (2008: 19.57p)
- Loss per share 6.14p (2008: earnings 14.10p)
- Total dividend 2.25p per share
- Net debt reduced to £19.0m (2008: £33.1m)
- £70.0m three-year committed financing in place

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

All figures relate to continuing operations.

Commenting on the results, Chief Executive, Patrick Martell said:

“The outlook for the markets we supply remains uncertain and will continue to be impacted by both the current economic climate and structural changes that have been accelerated by the recession. However, the actions we have taken to date, our financial strength and well invested businesses, combined with our proven ability to add value for our customers, will mitigate these effects.

“As a result, we are confident that the Group remains well positioned during this turbulent period and will make progress as and when conditions begin to improve.”

For further information contact:

St Ives plc 020 7928 8844
Miles Emley, Chairman
Patrick Martell, Chief Executive
Matt Armitage, Finance Director

Smithfield 020 7360 4900
John Antcliffe
Rupert Trefgarne

St Ives plc

St Ives House, Lavington Street,

London SE1 0NX

T 020 7928 8844 F 020 7902 6436

W www.st-ives.co.uk

CHAIRMAN'S STATEMENT

We have experienced the toughest market conditions in the history of St Ives as a public company during this recession triggered by the financial crisis. The impact has been felt across all of our businesses and by many of our customers and suppliers. Our magazine business has been particularly affected. It has been against this backdrop that we have worked to reduce our costs, heighten our focus on cash and risk, win new business to compensate for the dramatic downturn in our customers' discretionary spend and implement a senior management succession plan.

The Group has completed significant changes to its structure during the year with the sale of our US and Dutch businesses, the closure of our final salary pension scheme and, sadly, a significant number of redundancies to mitigate the effects of volume and price reductions. However, despite this turbulent period, and the high cost of funding those necessary changes, the Group's balance sheet remains strong, we continue to generate good cash flows and the underlying business remains profitable overall. The board is pleased to recommend a final dividend of 0.5p per share.

I would like, on the behalf of the board, to thank all of our staff for their contribution during this difficult year. I remain confident that their continued commitment and effort will ensure the ongoing successful development of the Group, despite the current trading conditions. Brian Edwards stepped down from the board shortly after the year end after more than 30 years with the Group; I would like to pay tribute to the significant contribution that he has made to the Group not only during this difficult year but also throughout his many years of dedicated service. Patrick Martell, who was previously Managing Director UK Operations, took over as Chief Executive in April.

Simon Ward left the board at the end of March and I would also like to thank him for his contribution to the Group. We welcome the appointment of Lloyd Wigglesworth, who joined the board initially as a non-executive director in December, as an executive director of St Ives plc.

We have ended the financial year having completed a number of actions aimed at reducing the cost base in light of the current trading conditions; others are in progress. Whilst there is more to do, we are confident that the actions we have taken to date and the new management team will ensure that the Group is well placed to meet these challenges, take advantage of opportunities that arise and capitalise on the robust platform that has been built.

Miles Emley
Chairman

19 October 2009

BUSINESS REVIEW

Overall sales for the year have been maintained at levels close to last year but the mix of sales has changed significantly. We have seen a reduction in sales within the Media Products segment offset by an increase in sales within the Commercial Products segment. This increase in sales, however, has come at the expense of margin; as price pressure and changed work mix, requiring more outsourcing, contributed to an overall loss in the commercial segment. The results also reflect the impact on the media segment of reduced demand, some of which will not return due to structural changes arising as a result of reduced advertising spend.

As previously announced, in September 2008 we sold our Dutch music and multimedia activities and, in January 2009, we completed the disposal of our US business. These actions will enable us to focus our resources and build upon our strengths in the UK markets that we serve.

Trading conditions during the year continued to be very challenging and in most markets deteriorated significantly after Christmas. Incremental sales from managed services and new sales won in other areas were insufficient to offset the effect of volume and price reductions. The benefit of actions taken to reduce the Group's cost base will be realised in 2009/2010 and will help to mitigate the ongoing impact of the recession. In addition, we have successfully renegotiated our banking facilities and continue to benefit from a strong balance sheet.

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 for the UK markets and, until the sale of our Dutch business, printing for the multimedia industry in mainland Europe.

	2009	2008
	<u>£'000</u>	<u>£'000</u>
Media Products total revenue	154,492	173,153
Media Products operating profit before restructuring costs, provision releases and other one-off items	12,341	25,718

Media Products represents 40% of Group external sales.

Books

The Group's books business accounted for around 52% of Media Products' external sales. Total book revenues were 4% ahead of the previous year but, as previously indicated, these were lower than anticipated due to disruption of the supply chain to major supermarkets following the failure of a distributor, EUK, in November 2008. This principally affected hardback sales immediately before and after Christmas and has resulted in volumes of these being some 6% below the prior year although paperback volumes were increased as a result of gaining further market share. Net returns were slightly lower than last year due to changes in order patterns, product specification and the disruption to the supply chain referred to above.

In February, as planned, we successfully opened our new automated warehouse in Bungay, which has enabled us to expand our post production services and offer a unique and compelling proposal to publishers. Together with our unrivalled production service levels this has enabled us to continue to increase market share. We have made an investment in digital book production, purchasing a complete in-line book production system which will be commissioned in the first quarter of the new financial year. As part of this investment we have installed a digital colour press for cover and jacket production, which will also produce colour proofs and lower quantity orders. The new production facility will be integrated with our front end e-commerce systems and will supply books directly into the distribution and warehouse facility.

BUSINESS REVIEW *continued*

Media Products *continued*

Several major contracts were renewed or extended during the year and we again produced the majority of the bestsellers. We have made further progress in selling post production and distribution services, which has included the supply of added value services for books we did not manufacture. We are very pleased also to have secured with HarperCollins for their new titles our first major contract for book distribution.

Highlights included production of all the Stephenie Meyer titles for Little, Brown – the publishing success of the year; Michael Parkinson's autobiography for Hodder; the new Jeremy Clarkson 'For Crying Out Loud!' for Penguin; Alan Carr's autobiography 'Look Who It Is!' and Cecilia Ahern's novel 'The Gift' for HarperCollins; the new Maeve Binchy novel for Orion; and 'Tales of Beedle the Bard' (JK Rowling) for Bloomsbury. Other notable successes were the two volumes of autobiography by Barack Obama, published by Canongate, and the first two volumes of Stieg Larsson's trilogy, published by Quercus.

We finished the year producing the eagerly awaited Dan Brown book for Random House, 'The Lost Symbol', for whom we also provided a secure storage and distribution service.

Magazines

Consumer, business to business and contract publishing magazines accounted for around 48% of Media Products' external sales. The market became increasingly competitive and sales deteriorated rapidly in the second half of the financial year due to lower paginations, price pressure, title closures and, more recently, reduced run lengths. Despite significant success in new title wins, these were insufficient to replace falls in pagination and offset price reductions and so overall sales reduced by some 12% compared with the prior year. In addition, as publishers required shorter lead times to maximise their window to sell advertising, demand became increasingly volatile which impacted upon our ability to produce efficiently and achieve optimal utilisation.

Taken together, these factors, and higher utility prices, caused a significant deterioration in financial performance compared to last year and a significant loss has been incurred in this area. As a consequence, the number of production shifts has been reduced and we announced the planned closure of our Andover facility and the transfer of its work to our three remaining sites. These actions will reduce headcount by approximately 200 together with associated overheads; the benefit will be realised in 2009/2010.

Installation during the year of a new Lithoman web offset press and a sheet fed press into our factory at Roche, combined with additional stitching capacity into Peterborough, completes our investment programme. Across our three production sites we have the most modern production facilities available to compete in these challenging times and the opportunity to consolidate work from our older less efficient equipment.

Whilst there have been some significant changes in the supplier base, the downward pressure on prices continues due to the impact of the recession upon volumes. The recent acquisition of the Wyndeham Group and Southernprint by Walstead Investments has consolidated some capacity and the closure of Pindar Cooper Clegg, in addition to the previously announced closure of Quebecor Corby, will contribute to reducing excess capacity. We are not expecting (or waiting for) a significant change in the current market conditions in this sector and so have acted quickly and decisively to reduce our cost base. We will not hesitate to take further action should it be required but believe our well invested modern facilities and reputation for quality and reliable service will enable us to generate an acceptable return, albeit from a smaller base. We believe there remains a long term need for high quality printed products and exceptional service which is not satisfied by online products. Our strategy is to focus on these products and not to chase volume at ever reducing prices.

BUSINESS REVIEW *continued*

Commercial Products

Includes direct response and commercial printing; multimedia printing and packaging for the UK market; point of sale for major retailers and brands; advertising materials for exhibitions and events; and print management services.

	2009	2008
	£'000	£'000
Commercial Products total revenue	232,290	218,047
Commercial Products operating (loss)/profit before restructuring costs, provision releases and other one-off items	(2,191)	7,235

Commercial Products accounts for approximately 60% of Group external sales.

Direct Response and Commercial

Direct response, commercial printing and managed services, which include work for the Royal Mail, accounted for around 48% of the Commercial Products segment.

The commercial market place continued to be extremely challenging. Significant spare capacity remained in the market and consequently price pressure increased. Sales to music customers reduced steadily up to Christmas but the decline accelerated thereafter. Sales of managed services and Group sales were only able to offset in part this lower volume and price reductions. Consequently, at the year end, our Crayford plant – which served predominantly the needs of the music market – was closed and the remaining work and some equipment transferred to other sites.

In the reports and accounts market we continue to experience lower print runs, although we have gained market share.

The actions detailed above will lead to a reduction in headcount of approximately 100 but, as most of the redundancies were actioned towards the end of the second half, the benefit will not be fully realised until 2009/2010. However, despite the overall increase in sales and actions on costs, the effects of price erosion and poorer utilisation in the direct response and commercial business resulted in a small loss.

Point of Sale

Point of sale material for the UK retail and UK and international brands accounted for 38% of Commercial Products' revenue. Volumes were extremely robust for the first half year but have slowed in the second half. Sales for the year as a whole grew by over 20% as we won new customers and existing customers had more frequent, but individually smaller, campaigns. The mix of work was such that there was a much greater element of outwork, much of which was placed within the Group, and added value increased only slightly. Requests for work and changes in requirements were received with shorter notice as our customers' marketing departments sought to stimulate sales and respond to competitor activity. This resulted in less than optimal utilisation at times but, importantly, our service levels were maintained. In addition, as some retailers failed, spare capacity was created in the market place which caused further price pressure. In some instances, prices offered were sub-economic and we declined to take on the work. As a consequence, net margins reduced and the net profit was lower than the prior year. At the year end action was taken to reduce headcount by some 50 people as volumes slowed.

We were very pleased to have been awarded Sainsbury's work at the start of the financial year which has generated sales across the commercial businesses and, in particular, through our point of sale business. As is the case for such large contract wins, transitioning the work resulted in some one-off costs which will not be repeated in subsequent periods.

BUSINESS REVIEW *continued*

Commercial Products *continued*

Exhibitions and Events

Sales for exhibitions, events and outdoor media were subdued and represented some 14% of the commercial segment. Many of our customers reduced spend and some exhibitions and events were cancelled, which lowered our sales by 21% compared with the prior year. Market overcapacity has increased and although some competitors have failed, price pressure remained a feature throughout the year. Our London operations have been merged into our Wandsworth site and headcount has been reduced by approximately 75, both of these actions taking place towards the year end. Despite these actions utilisation remained a challenge and this area returned a loss for the year.

Balance Sheet

The Group's balance sheet remains strong and the business is well invested. Net capital expenditure, was lower than depreciation and as expected, totalled £14.8 million; around £6.1 million lower than last year.

Following the recent cost reductions there is some surplus property and plant to realise, although this may take some time. Underlying cash flow remains robust and net debt at the year end stood at £19.0 million, which was pleasing given the cash cost of the various cost reduction actions taken in the year and the special contribution of £14.4 million made at the beginning of the year (in addition to the £5.6 million contributed at the end of the previous financial year) as part of the closure of the defined benefits pension scheme.

Strategy

A number of key actions have been completed during the year. The defined benefits pension scheme has been closed to future accrual, the loss making Dutch multimedia business and our US business sold, and a number of actions have been taken, detailed above, to align the cost base and capacity to market conditions.

We continue to review all of our businesses during these challenging times and look for ways to reduce cost whilst expanding the range and quality of the services and products we offer. Unfortunately, a significant number of job cuts have had to be made during the year which, excluding the businesses disposed of during the year, will lead to a headcount reduction in excess of 400. The benefit of the reduced cost base will help to mitigate the effect of reduced volumes and lower prices. Going forward we must ensure that we retain the benefits of the lower cost base and continue to work on improving labour flexibility throughout the Group so as to remain competitive. Despite the extremely competitive conditions we are taking a significant number of steps to improve the effectiveness of our sales efforts to win more business from existing customers and also to identify new customers and revenue streams.

Our strategy is to focus upon supplying products and services where there is a need for high quality and complex solutions against challenging timescales. We look to add value to our customers through long term relationships and partnership and have term contracts in many parts of the Group. We have well invested businesses and have demonstrated our ability not only to manufacture but also to manage the provision of products and services sourced externally.

BUSINESS REVIEW *continued*

Strategy *continued*

Extending the range of services to our existing blue chip customer base is a key strategy for us and in addition to fulfilling print requirements, the Group offers warehousing, distribution and storage, mailing, print management, database management, exhibition design & build, post binding added value services and asset management.

We have been successful in developing our 'Forward Thinking' offering across the Group which provides business analysis, market research and fresh insights for our customers. Our uniqueness as a group is the range of products and services that we can offer to a strong, diverse blue chip customer base and our challenge is to ensure we maximise that opportunity.

Outlook

The markets we serve remain extremely competitive and most continue to be oversupplied. In some areas there are prices in the market at sub-economic levels and significant losses continue to be made by some competitors.

The outlook for the markets we supply remains uncertain and will continue to be impacted by both the current economic climate and structural changes that have been accelerated by the recession, such as advertising moving onto the internet. However, the actions we have taken to date, our financial strength and well invested businesses will mitigate these effects and leave us able to take advantage of improvements that arise. We are committed to driving change in those businesses that are loss making and will take action as required if conditions continue to deteriorate.

Where we have taken capacity out of the business, it has been our older less productive equipment and, where practical, we have transferred production to newer more efficient machinery or consolidated equipment at fewer sites.

In addition to cost reductions, we have been able to negotiate some more flexible labour arrangements going forward which will further enable us to respond better to our customers' requirements and help us to remain competitive in these extremely tough conditions. Our priorities are to drive costs down, improve efficiencies and focus on products and services where we can add value through the provision of exceptional quality and service.

For those parts of the business where the recession has had a cyclical effect on demand, we are well placed to take advantage of any improvement when it occurs. In areas where the recession has accelerated a structural change in demand, we have taken action and will continue to review opportunities to improve efficiencies, which may include further rationalisation.

We have started the new financial year with some significant challenges ahead but also with a new and strengthened management team. The board is confident that the Group remains well positioned during this turbulent period and will make progress as and when conditions begin to improve.

Patrick Martell
Chief Executive

19 October 2009

FINANCIAL REVIEW

Overview of revenue

Revenue for the Group from continuing operations reduced by £4.4 million (1.1%) to £386.8 million. Excluding the Dutch music and multimedia business (disposed of in September 2008) which, due to its size, has not been treated as a discontinued operation, organic revenue growth was 1.8%.

Media Products' revenue decreased by £18.7 million (10.8%) although £11.5 million of this decrease is due to the disposal of the Dutch operations mentioned above. Revenue increased by 3.6% in Books as we continued to gain market share despite the short term supply chain issues mentioned in the Business Review. Magazine revenue, however, decreased by 11.9% as pagination and run length reductions, along with title closures, offset any new title wins during the period.

Commercial Products' revenue increased by £14.2 million (6.5%). The Point of Sale and the Direct Response businesses grew by 20.6% and 8.0% respectively, largely due to the previously announced Royal Mail and Sainsbury's contract wins. Revenues from our Exhibitions and Events business declined by 22.6% due to the impact of the recession on our clients' discretionary marketing expenditure.

Our business within the USA has been treated as a discontinued operation.

From a geographical point of view, 98% of our Commercial and Media Products' revenue is generated within the UK (the remaining 2% derives from the Rest of the World).

Gross margin and underlying profitability

While in overall terms the top line has been maintained, price pressure and a change in mix (a greater volume of outsourced work) resulted in an underlying gross profit margin decline to 21.8% (2008 – 26.7%).

Sales and administrative overheads increased to 19.2% of revenue (2008 – 18.3%) due primarily to an increase in the Pension Protection Fund levy, costs of a one-off nature associated with the transition of the two long term contracts mentioned above and an increase in bad debt provisioning due to the current economic environment. As covered in the Business Review, significant headcount reductions have been made across the Group, including within the sales and administrative functions, the full effects of which will be realised in the new financial year.

As a result of the margin pressure and overhead increase mentioned above, underlying profit before taxation for the Group decreased from £29.5 million to £7.3 million (7.5% to 1.9% of revenue).

Restructuring costs, provision releases and other one-off items

The Group has undergone a significant amount of restructuring during the year in order to mitigate the effects of the economic downturn.

The £14.5 million charge, before tax, primarily relates to the closure of our Andover site and further redundancy related costs within our Magazines business of £5.0 million; the closure of our Crayford site and further redundancy related costs within our Direct Response business of £7.9 million; and redundancy costs within our Point of Sale, Exhibitions and Events businesses and Head Office of £0.6 million, £0.6 million and £0.8 million respectively.

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. Corporate costs before restructuring costs, provision releases and other one-off items are allocated to revenue generating segments. Due to the disposal of Group's US business, it has been necessary to re-allocate corporate costs to our two continuing business segments. The prior year comparatives have been restated, where appropriate, to reflect these changes in allocation.

Operating profit/(loss) by segment

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

	2009	2008	change
	£'000	£'000	%
Media Products	12,341	25,718	(52.0)
Commercial Products	(2,191)	7,235	(130.3)
Continuing Operations	10,150	32,953	(69.2)
Discontinued Operations	702	2,113	(66.8)
Group	10,852	35,066	(69.1)

Operating profit/(loss) as a percentage of added value by segment

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

	2009	2008	change
	%	%	%
Media Products	12.7	22.6	(9.9)
Commercial Products	(2.2)	6.6	(8.8)
Continuing Operations	5.1	14.8	(9.7)

The two profit-related KPIs shown above reflect the comments made within the Chairman's Statement and the Business Review regarding business performance during the year.

Key financial performance indicators *continued*

EBITDA and free cash flow by segment

EBITDA is operating profit before depreciation and amortisation and before restructuring costs, provision releases and other one-off items and is used as a measure of cash generation 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.

	2009		
	EBITDA	Capital payments	Free cash flow
	£'000	£'000	£'000
Media Products	23,262	(14,440)	8,822
Commercial Products	7,012	(3,676)	3,336
Continuing Operations	30,274	(18,116)	12,158
Discontinued Operations	2,261	(1,694)	567
Group	32,535	(19,810)	12,725
	2008		
	EBITDA (restated)	Capital payments (restated)	Free cash flow (restated)
	£'000	£'000	£'000
Media Products	37,029	(11,078)	25,951
Commercial Products	17,960	(8,435)	9,525
Continuing Operations	54,989	(19,513)	35,476
Discontinued Operations	5,285	(3,277)	2,008
Group	60,274	(22,790)	37,484

Balance sheet

The economic downturn has had a material effect on the financial results for the period but the balance sheet remains strong and the business is well invested. Net assets decreased to £122.1 million (2008 – £154.9 million). The movement reflects loss after taxation from continuing operations of £6.3 million; the loss on discontinued operations of £8.2 million; dividends of £14.3 million and actuarial losses on the defined benefits pension scheme (net of deferred tax) of £4.0 million.

Net debt

Net debt decreased during the year from £33.1 million to £19.0 million. The major contributing factors to the movement are a significant improvement in working capital, a reduction in net capital expenditure and the proceeds of the disposal of the US business, partially offset by the second and final payment into the defined benefits pension scheme associated with the closure of the scheme to future benefits accrual and the payment of the final dividend for the 2008 financial year.

In September 2009 the Group concluded a £70.0 million committed revolving multicurrency credit agreement which expires 31 October 2012. None of the debt is secured.

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 £19.8 million (2008 – £22.8 million) and cash receipts from asset disposals were £5.0 million (2008 – £1.8 million). Depreciation, amortisation and impairment charged in the year was £34.5 million (2008 – £28.2 million).

Disposals

In January 2009 the Group disposed of its US segment for \$39 million. The loss on disposal was £10.6 million, of which £8.4 million related to goodwill. The US segment has been treated as a discontinued operation.

As announced in September 2008, the Group also disposed of its Dutch music and multimedia business. Impairment charges against the assets are included in the 2008 income statement under restructuring costs, provision releases and other one-off items. Due to its size, the Dutch business has not been treated as a discontinued operation.

Tax

The Group's tax rate on profit before restructuring costs and provision releases was 30.1% (2008 – 31.6%).

Dividends

The board is recommending a final dividend of 0.5p, bringing the total dividend for the year to 2.25p resulting in an underlying cover in excess of 2 times.

The Group remains cash generative and net debt in relation to net tangible assets continues to be relatively low. Retained earnings in the Group balance sheet at 31 July 2009 were £65.5 million (2008 – £98.4 million).

Pensions

The Group previously announced that, following appropriate consultation with Trustees and employees, it has closed the defined benefits scheme to future benefits accrual, effective 31 August 2008.

The Group invited all members of the scheme to join a new Group Personal Pension Plan. In addition, the Group made a special contribution of £20.0 million into the scheme. The contribution was made in two stages: £5.6 million on 31 July 2008 and £14.4 million on 4 August 2008.

The deficit in the defined benefits pension scheme at the end of the year, excluding the related deferred tax asset, was £38.3 million (2008 – £48.3 million). The decrease of the deficit is due, primarily, to an increase in the value of the scheme assets (in part due to the £14.4 million contribution mentioned above) partially offset by a decrease in corporate bond yields (and therefore the discount rate) from 6.3% to 6.0%.

The charge to underlying operating profit for this scheme was £0.5 million (2008 – £3.1 million) which represents the costs of the benefits accrued to members of the scheme during the period. The income statement also includes a net financing cost of £1.2 million (2008 – £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.

In addition to the special contributions of £20.0 million mentioned above, the Group contributes £2.2 million per annum, monthly with effect from 1 September 2008, in order to meet its obligations regarding the current level of deficit within the scheme.

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).

The Group introduced an internal audit function in 2007. 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

In September 2009 the Group concluded a £70.0 million committed revolving multicurrency credit agreement which expires 31 October 2012. At the year end the Group had unused facilities of £46.9 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 Sterling. 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 are made on credit. The Group maintains credit insurance covering its larger trade debtors. 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% (2008 – 3.0%) of gross trade debtors at the year end; the increase reflects a heightened risk due to the current poor economic environment.

Matt Armitage
Finance Director

19 October 2009

CONSOLIDATED INCOME STATEMENT

52 weeks to 31 July 2009				52 weeks to 1 August 2008			
	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 2)	Restructuring costs, provision releases and other one-off items (note 3) (restated - note 2)	Total (restated - note 2)	
Note	£'000	£'000	£'000	£'000	£'000	£'000	
Revenue	2	386,782	–	386,782	391,200	–	391,200
Cost of sales		(302,551)	(8,872)	(311,423)	(287,483)	(433)	(287,916)
Gross profit/(loss)		84,231	(8,872)	75,359	103,717	(433)	103,284
Selling costs		(27,315)	(1,295)	(28,610)	(27,447)	147	(27,300)
Administrative expenses		(46,897)	(3,903)	(50,800)	(44,072)	951	(43,121)
Other operating income/(expense)		131	(462)	(331)	755	461	1,216
Profit/(loss) from operations	2	10,150	(14,532)	(4,382)	35,953	1,126	34,079
Investment income		12,857	–	12,857	11,051	–	11,051
Finance costs		(15,716)	–	(15,716)	(14,508)	–	(14,508)
Profit/(loss) before tax		7,291	(14,532)	(7,241)	29,496	1,126	30,622
Income tax (charge)/credit	4	(2,198)	3,114	916	(9,331)	(6,765)	(16,096)
Profit/(loss) for the period from continuing operations		5,093	(11,418)	(6,325)	20,165	(5,639)	14,526
Profit/(loss) from discontinued operations	10	476	(8,709)	(8,233)	1,581	133	1,714
Net profit/(loss) for the period		5,569	(20,127)	(14,558)	21,746	(5,506)	16,240
Basic and diluted earnings per share (p)							
From continuing operations	6	4.94	(11.08)	(6.14)	19.57	(5.47)	14.10
From continuing and discontinued operations	6	5.40	(19.53)	(14.13)	21.10	(5.34)	15.76

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	52 weeks to 31 July 2009	52 weeks to 1 August 2008
	£'000	£'000
Exchange differences on translating foreign operations	275	973
Actuarial losses on defined benefits pension scheme	(5,511)	(12,806)
Gains on cash flow hedges taken directly to equity	209	–
Current tax credit on items taken directly to equity	4,083	–
Deferred tax (charge)/credit on items taken directly to equity	(2,598)	3,522
	(3,542)	(8,311)
Net expense recognised directly in equity		
Transfer to profit and loss from equity of exchange differences on disposal of foreign operation and on repayment of hedging loan	(235)	–
(Loss)/profit for the period	(14,558)	16,240
	(18,335)	7,929
Total recognised (expense)/income for the period	(18,335)	7,929

CONSOLIDATED BALANCE SHEET

		31 July 2009	1 August 2008
	Note	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment		122,178	141,581
Goodwill		46,274	54,679
Other intangible assets		1,215	1,753
Financial assets		3,109	–
Deferred tax assets		3,484	39
Other non-current assets		1,415	2,478
		177,675	200,530
Current assets			
Inventories		10,642	14,211
Trade and other receivables		71,685	96,965
Current tax receivable		1,666	–
Derivative financial instruments		209	–
Cash and cash equivalents		14,016	5,635
Assets held for sale		1,282	6,650
		99,500	123,461
Total assets		277,175	323,991
LIABILITIES			
Current liabilities			
Trade and other payables		74,429	72,694
Loans and bank overdrafts	12	33,016	–
Finance lease payables		–	230
Current tax payable		–	3,209
Deferred income		851	981
Provisions		5,421	1,901
Liabilities directly associated with assets held for sale		–	1,142
		113,717	80,157
Non-current liabilities			
Loans		–	38,491
Retirement benefits obligations	9	38,283	48,344
Deferred income		983	1,204
Provisions		582	925
Deferred tax liability		1,542	–
		41,390	88,964
Total liabilities		155,107	169,121
Net assets		122,068	154,870
EQUITY			
Capital and reserves			
Share capital		10,355	10,355
Other reserves	7	46,171	46,123
Retained earnings	8	65,542	98,392
Total equity		122,068	154,870

CONSOLIDATED CASH FLOW STATEMENT

		52 weeks to 31 July 2009	52 weeks to 1 August 2008
	Note	£'000	£'000
Operating activities			
Cash generated from operations	11	33,807	40,138
Interest received		–	17
Interest paid		(1,779)	(1,992)
Income taxes paid		(2,680)	(8,938)
Net cash from operating activities		29,348	29,225
Investing activities			
Purchase of property, plant and equipment		(19,197)	(21,443)
Purchase of other intangibles		(613)	(1,347)
Proceeds on disposal of property, plant and equipment		4,965	1,838
Disposal proceeds of subsidiary, net of cash disposed	10	20,608	–
Net cash from/(used in) investing activities		5,763	(20,952)
Financing activities			
Loan notes redeemed		–	(358)
Capital element of finance lease rentals		(230)	(398)
Dividends paid	5	(14,324)	(17,673)
(Decrease)/increase in bank loans		(12,961)	10,000
Decrease in bank overdrafts		–	(1,969)
Net cash used in financing activities		(27,515)	(10,398)
Net increase/(decrease) in cash and cash equivalents		7,596	(2,125)
Cash and cash equivalents at beginning of period		5,635	7,547
Effect of foreign exchange rate changes		785	213
Cash and cash equivalents at end of period	11	14,016	5,635

NOTES TO THE PRELIMINARY RESULTS

1. Basis of preparation

The preliminary results have been prepared on the basis of the accounting policies as set out in the Group's Annual Report and Accounts 2008. Certain balance sheet items have been reclassified in the prior year comparatives to reflect changes in presentation.

The financial information set out in the preliminary results does not comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006 in respect for the year ended 31 July 2009 or for the purpose of Section 240 of the Companies Act 1985 in respect of the year ended 1 August 2008.

The financial information for the year ended 31 July 2009 has been extracted from the Group's 2009 statutory accounts for that period which have been prepared on a going concern basis and in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The 2009 statutory accounts will be delivered to the Registrar of Companies following the Company's 2009 Annual General Meeting.

The financial information for the year ended 1 August 2008 has been extracted from the Group's statutory accounts for that period which have been delivered to the Registrar of Companies. The Auditor's reports on both the Group's 2009 and 2008 statutory accounts were unqualified and did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006 in respect of the 2009 statutory accounts or under Sections 237(2) or 237(3) of the Companies Act 1985 in respect of the 2008 statutory accounts.

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. Corporate costs are allocated to revenue generating segments.

The Group sold its US segment on 22 January 2009 and the segment is classified as a discontinued operation in the annual report in both the current and the comparative years. Segmental results in the prior year segmental analysis comparatives have been adjusted to reflect these changes in presentation.

Business segments

	52 weeks to 31 July 2009			
	Media Products	Commercial Products	Elimination	Total
	£'000	£'000	£'000	£'000
Revenue				
External sales	154,492	232,290	–	386,782
Inter-segment sales	1,344	3,460	(4,804)	–
Total revenue	155,836	235,750	(4,804)	386,782
Result				
Segmental result	7,257	(11,639)	–	(4,382)
Add back restructuring costs, provision releases and other one-off items	5,084	9,448	–	14,532
Segmental result before restructuring costs, provision releases and other one-off items	12,341	(2,191)	–	10,150
Total restructuring costs, provision releases and other one-off items				(14,532)
Loss from operations				(4,382)
Investment income				12,857
Finance costs				(15,716)
Loss before tax				(7,241)
Income tax credit				916
Loss for the period from continuing operations				(6,325)

NOTES TO THE PRELIMINARY RESULTS *continued*

2. Segment reporting *continued*

Business segments *continued*

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

NOTES TO THE PRELIMINARY RESULTS *continued*

2. Segment reporting *continued*

Business segments *continued*

Discontinued operations

Discontinued operations have the following effect on the segment results of the Group, analysed into continuing and discontinued operations:

52 weeks to 31 July 2009			
	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000
Revenue			
External sales	386,782	23,592	410,374
Inter-segment sales	–	–	–
Total revenue	386,782	23,592	410,374
Segment result	(4,382)	(9,547)	(13,929)
Add back restructuring costs, provision releases and other one-off items	14,532	10,249	24,781
Segmental result before restructuring costs, provision releases and other one-off items	10,150	702	10,852
52 weeks to 1 August 2008			
	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000
Revenue			
External sales	391,200	47,949	439,149
Inter-segment sales	–	–	–
Total revenue	391,200	47,949	439,149
Segment result	34,079	2,246	36,325
Add back restructuring costs, provision releases and other one-off items	(1,126)	(133)	(1,259)
Segmental result before restructuring costs, provision releases and other one-off items	32,953	2,113	35,066

The discontinued operations above related solely to the US segment which was sold on 22 January 2009, as detailed in note 10.

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

Restructuring costs, provision releases and other one-off items (“middle column” items) disclosed on the face of the consolidated income statement included in respect of continuing operations are as follows:

	2009	2008
	£'000	£'000
Expense/(income)		
Restructuring items:		
Redundancies, impairments and other charges	13,801	5,195
Provision releases	–	(1,373)
Loss/(profit) on disposal of fixed assets	807	(461)
Profit on disposal of Dutch music and multimedia business	(345)	–
	14,263	3,361
Other:		
Pension curtailment, net of associated costs	19	(4,737)
Dryer fire	250	–
Press fire	–	250
	14,532	(1,126)
Income tax (credit)/charge	(3,114)	6,765
	11,418	5,639

Restructuring items

Included within redundancies, impairments and other charges are redundancies and other charges of £6,503,000 relating to the closure of the Crayford site and £2,621,000 related to the closure of the Andover site. The activities of the Crayford site are recorded within Commercial Products and those of the Andover site within Media Products. Also included here are redundancy and other charges associated with restructuring activities within the Media Products and Commercial Products segments, including termination costs associated with senior management.

Losses arose on the disposal of plant and equipment by entities within the Commercial Products (£470,000) and Media Products (£337,000) segments.

The assets and liabilities of the music and multimedia business in Uden, The Netherlands were sold on 24 September 2008 resulting in a net gain of £345,000 recorded in the Media Products segment.

Other

The costs and loss of profits arising from a fire in a dryer at the Edenbridge plant were reimbursed through insurance arrangements, except for the policy excess. The unreimbursable costs of £250,000 corresponding to the policy excess were classified as middle column and allocated to the Commercial Products segment.

NOTES TO THE PRELIMINARY RESULTS *continued*

4. Income tax (credit)/charge

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

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom corporation tax charge/ (credit) at 28% (2008 – 29.33%):						
Current year	4,152	7,671	(1,540)	–	2,612	7,671
Adjustments in respect of prior years	(469)	153	–	–	(469)	153
	3,683	7,824	(1,540)	–	2,143	7,824
Overseas current tax charge/(credit):						
Current year	–	–	69	92	69	92
Adjustments in respect of prior years	(98)	–	–	(68)	(98)	(68)
Total current tax charge/(credit)	3,585	7,824	(1,471)	24	2,114	7,848
Deferred tax on origination and reversal of temporary differences						
United Kingdom deferred tax	(4,854)	8,292	–	–	(4,854)	8,292
Adjustments in respect of prior years	353	(20)	–	–	353	(20)
Total deferred tax (credit)/charge	(4,501)	8,272	–	–	(4,501)	8,272
Total income tax (credit)/charge	(916)	16,096	(1,471)	24	(2,387)	16,120

The income tax (credit)/charge in the (loss)/profit before and after restructuring costs, provision releases and other one-off items is as follows:

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Tax charge on profit before restructuring costs, provision releases and other one-off items	2,198	9,331	69	24	2,267	9,355
Tax (credit)/charge on restructuring costs, provision releases and other one-off items	(3,114)	6,765	(1,540)	–	(4,654)	6,765
	(916)	16,096	(1,471)	24	(2,387)	16,120

NOTES TO THE PRELIMINARY RESULTS *continued*

5. Dividends

	per share	2009	2008
	pence	£'000	£'000
Final dividend paid for the 53 weeks ended 3 August 2007	12.15p	–	12,521
Interim dividend paid for the 26 weeks to 1 February 2008	5.00p	–	5,152
Final dividend paid for the 52 weeks ended 1 August 2008	12.15p	12,521	–
Interim dividend paid for the 26 weeks to 30 January 2009	1.75p	1,803	–
Dividends paid during the period		14,324	17,673
Proposed final dividend at the period end of 0.5p per share (2008 – 12.15p per share)		515	12,521

The proposed final dividend is subject to approval by shareholders at the 2009 Annual General Meeting and has not been included as a liability in these financial statements.

6. Earnings per share

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

	2009	2008
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	103,051	103,051

Basic and diluted earnings per share

	2009		2008	
	Earnings	Earnings per share	Earnings	Earnings per share
	£'000	pence	£'000	pence
Earnings and earnings per share from continuing activities				
(Losses)/earnings and basic (losses)/earnings per share	(6,325)	(6.14)	14,526	14.10
Restructuring costs, provision releases and other one-off items	11,418	11.08	5,639	5.47
Underlying earnings and underlying earnings per share	5,093	4.94	20,165	19.57

NOTES TO THE PRELIMINARY RESULTS *continued*

6. Earnings per share *continued*

	2009		2008	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and earnings per share from discontinued activities				
(Losses)/earnings and basic (losses)/earnings per share	(8,233)	(7.99)	1,714	1.66
Restructuring costs, provision releases and other one-off items	8,709	8.45	(133)	(0.13)
Underlying earnings and underlying earnings per share	476	0.46	1,581	1.53
Basic (losses)/earnings per share from continuing and discontinued activities		(14.13)		15.76

Underlying earnings are calculated by adding back restructuring costs, provision releases and other one-off items, as adjusted for tax, to the (loss)/profit for the period (see note 3).

7. Other reserves

	Share premium	ESOP reserve	Capital redemption reserve	Share option reserve	Hedging and translation reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 3 August 2007	46,689	(1,913)	1,238	62	(949)	45,127
Exchange differences and related tax	–	–	–	–	909	909
Recognition of share-based payments	–	–	–	87	–	87
Balance at 1 August 2008	46,689	(1,913)	1,238	149	(40)	46,123
Exchange differences and related tax						
Arising in the period	–	–	–	–	275	275
Transferred to the income statement	–	–	–	–	(235)	(235)
Cash flow hedges						
Gains on hedges taken to equity	–	–	–	–	209	209
Tax taken directly to equity	–	–	–	–	(52)	(52)
Release of share-based payments	–	–	–	(149)	–	(149)
Balance at 31 July 2009	46,689	(1,913)	1,238	–	157	46,171

NOTES TO THE PRELIMINARY RESULTS *continued*

8. Retained earnings

	£'000
Balance at 3 August 2007	109,045
Dividends paid (note 5)	(17,673)
Profit for the period attributable to equity holders of the parent	16,240
Actuarial losses on defined benefits pension scheme, net of associated tax	(9,220)
Balance at 1 August 2008	98,392
Dividends paid (note 5)	(14,324)
Loss for the period attributable to equity holders of the parent	(14,558)
Actuarial losses on defined benefits pension scheme, net of associated tax	(3,968)
Balance at 31 July 2009	65,542

9. Retirement benefits obligations

The net liability in respect of retirement benefits obligations of £38,283,000 at the balance sheet date has decreased compared to July 2008 (£48,344,000) due mainly to a special contribution of £14,400,000 made by the Group to the scheme on 4 August 2008, partially offset by the effect of the decrease in the discount rate used to value the liability from 6.3% at 1 August 2008 to 6.0% at 31 July 2009.

10. Discontinued operations

On 22 January 2009 the Group disposed of its US segment, St Ives (USA) Inc and its subsidiary undertakings. The US segment is classified as a discontinued operation in these preliminary results and prior period figures have been restated accordingly.

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

Profit from US segment

	22 January 2009	52 weeks to 1 August 2008
	£'000	£'000
Revenue	23,592	47,949
Operating costs	(22,890)	(45,836)
Operating profit before restructuring costs, provision releases and other one-off items	702	2,113
Interest expense	(157)	(508)
Profit before tax before restructuring costs, provision releases and other one-off items	545	1,605
Income tax charge	(69)	(24)
Profit after tax before restructuring costs, provision releases and other one-off items	476	1,581

NOTES TO THE PRELIMINARY RESULTS *continued*

10. Discontinued operations *continued*

Restructuring costs, provision releases and other one-off items

	22 January 2009	52 weeks to 1 August 2008
	£'000	£'000
Loss on disposal of the US segment before tax	(10,554)	–
Other restructuring costs, provision releases and other one-off items	305	133
Total restructuring costs, provision releases and other one-off items before tax	(10,249)	133
Tax credit on disposal	1,540	–
Total restructuring costs, provision releases and other one-off items after tax	(8,709)	133
Profit after tax before restructuring costs, provision releases and other one-off items	476	1,581
Restructuring costs, provision releases and other one-off items	(8,709)	133
Total (loss)/profit from discontinued operations	(8,233)	1,714

NOTES TO THE PRELIMINARY RESULTS *continued*

10. Discontinued operations *continued*

Net assets

The net assets of the US segment at the date of disposal 22 January 2009 and 1 August 2008 were as follows:

	22 January 2009	1 August 2008
	£'000	£'000
Attributable to goodwill	8,405	8,405
Other intangible assets	210	217
Property, plant and equipment	21,515	16,250
Inventories	4,389	2,589
Trade and other receivables	11,345	9,898
Bank balances and cash	3,186	4,372
Trade and other payables	(11,984)	(6,601)
Other liabilities	(128)	(946)
Net assets	36,938	34,184
Recycling of cumulative foreign exchange translation losses	1,056	
Loss on disposal before tax	(10,554)	
Total consideration receivable, net of selling costs	27,440	
	£'000	
Consideration net of selling costs, received in cash in the period	23,794	
Promissory loan note	3,646	
Total consideration receivable, net of selling costs	27,440	
Net cash inflow		
Net cash inflow arising from the disposal in the period:		£'000
Total consideration, net of selling costs, received in cash in the period	23,794	
Cash included in net assets disposed of in the period	(3,186)	
Proceeds in the period on disposal, net of cash disposed	20,608	

The promissory loan note is denominated in US dollars (US\$5.0 million) and was received as part of the consideration on the sale of the US segment. The promissory loan note bears interest at 6% per annum and is repayable in instalments with US\$1.0 million due on 1 February 2012, US\$1.0 million due on 1 February 2013 and US\$3.0 million due on 1 February 2014. Loan interest may be rolled up into the principal up until 1 February 2012. The note is secured on the plant and equipment, inventory and receivables of the US segment.

11. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	2009	2008
	£'000	£'000
(Loss)/profit from continuing operations	(4,382)	34,079
(Loss)/profit from discontinued operations	(9,547)	2,246
Adjustments for:		
Depreciation of property, plant and equipment	20,760	24,250
Loss on disposal of subsidiary	10,554	–
Impairment losses	2,219	2,937
Amortisation of intangible assets	923	998
Loss/(profit) on disposal of property, plant and equipment	368	(1,355)
Deferred income (credit)/charge	(351)	359
Foreign exchange gains	(204)	–
Share-based payment (credit)/charge	(149)	87
Decrease in retirement benefits obligations	(16,805)	(11,689)
Increase/(decrease) in provisions	2,768	(4,375)
Operating cash inflows before movements in working capital	6,154	47,537
Decrease/(increase) in inventories	260	(667)
Decrease/(increase) in receivables	17,594	(20,489)
Increase in payables	9,799	13,757
Cash generated from operations	33,807	40,138

Analysis of net debt

	1 August 2008	Cash flow	Exchange movements	31 July 2009
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,635	7,596	785	14,016
Bank loans	(38,491)	12,961	(7,486)	(33,016)
Finance leases	(230)	230	–	–
	(33,086)	20,787	(6,701)	(19,000)

Cash and cash equivalents (which are presented as a single class of asset 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.

Cash flows from discontinued operations

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

	2009	2008
	£'000	£'000
Net cash used in operating activities	1,691	2,671
Net cash used in investing activities	2,232	(2,870)
Net increase/(decrease) in cash from discontinued operations	3,923	(199)

12. Renewal of credit facility

On 10 September 2009 the Group entered into a new £70.0 million committed revolving multi-currency credit facility which expires on 31 October 2012. Loan drawdowns attract interest at LIBOR plus a margin that varies between 2.25% and 2.75% depending on the ratio of the Group's net debt to EBITDA excluding middle column items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

The foregoing contains forward looking statements made by the directors in good faith based on information available to them up to 19 October 2009. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.