

21 October 2008

ST IVES plc
Preliminary Results for the 52 weeks ended 1 August 2008

St Ives plc, the UK's leading printing group, announces preliminary results for the 52 weeks ended 1 August 2008.

Key Points

- Revenue £439.1m (2007: £425.0m)
- Underlying* profit before tax £31.1m (2007: £30.3m)
- Profit before tax £32.4m (2007: £27.6m)
- Underlying* earnings per share 21.10p (2007: 20.25p)
- Earnings per share 15.76p (2007: 19.80p)
- Total dividend maintained at 17.15p per share

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

All figures relate to continuing operations.

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

“We are pleased to have achieved further progress against a background of challenging conditions in almost all our markets.

“Our business is likely to be affected by the current economic uncertainty which will make it hard to achieve progress in the short term. However, in the longer term, we are confident that our range of products and added value services, coupled with a continuing focus on controlling costs and preserving margins, will allow us to create value for shareholders over time.”

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CHAIRMAN'S STATEMENT

Further progress was achieved over the previous financial year with an overall modest increase in underlying sales. Similarly, underlying profit before tax showed a small increase. These improvements were made against the background of extremely challenging conditions in almost all our markets. Profit before tax reflects the curtailment credit, arising on the closure of the defined benefits scheme, and profits and costs arising on rationalisations and disposals made during the year.

Sales growth came from our continuing focus on the provision of added value services in addition to print, including in particular increased sales of point of sale products and services, and magazines, together with a full year's revenue from Service Graphics (which we acquired in November 2006).

In addition, Group Sales' successes made a useful contribution, the most notable being the initial transition of the Royal Mail work (announced in November 2007). Offsetting this was the planned reduction in sales in our US business following the consolidation of sites in Florida at the end of the previous financial year.

There has been a modest improvement in the underlying profitability of the group. Profits in the USA increased, following the consolidation of its Florida operations and a strong increase in sales in the commercial products segment offset reductions in price and volume elsewhere.

Underlying earnings per share increased by 4.2% to 21.10p (2007 – 20.25p). However, basic earnings per share decreased by 20.4% to 15.76p (2007 – 19.80p) following the abolition of Industrial Buildings Allowance which retrospectively increases the associated deferred tax liability.

We propose a maintained final dividend of 12.15p per share which together with the interim dividend of 5p already paid makes a total of 17.15p for the year which is covered 1.23 times by underlying earnings per share. The dividend is uncovered by net profit for the year due to the taxation effect of the abolition of Industrial Buildings Allowance of £5.4 million.

Just after the year end we closed our final salary pension scheme to future accrual and replaced it with a defined contribution scheme. Regrettably, due to Government legislation, increased longevity and lower investment returns, the scheme had become economically unsustainable.

The Group balance sheet and cash flow remained strong. Capital expenditure continued to be directed at assets which improve service or efficiency and was modestly ahead of last year's level but marginally below depreciation.

I would like to thank the Group's employees for the contribution they have made towards the performance in the last financial year. David Wilbraham will be leaving the board at the Annual General Meeting, after serving 14 years as a non-executive director of the Company. Throughout that time his counsel and advice have been invaluable and we thank him for his contribution.

The economic environment is currently more challenging than ever before. We are facing cost increases particularly, for example, in utilities and some of the materials elements of our products and services are subject to upward price pressure. There is also overcapacity in some of the products we supply. However, our continuing strategic focus on added value services, in addition to the supply of print, should assist in offsetting these margin pressures.

CHAIRMAN'S STATEMENT *(continued)*

The economic background to the markets in which we operate is extremely fragile and the outlook is unpredictable. Our customers continue to benefit from the cost effective solutions that we offer and often involve us in the supply of more than just print. The new financial year started slowly, and although activity has now increased in line with seasonal patterns, it is uncertain how long this will be sustained. In addition, most markets are subject to price pressure and erratic demand makes effective utilisation very challenging. We continue to take actions to address these ongoing challenges, but it is likely that they will be insufficient to offset fully the impact of the difficult economic environment in the current year.

Miles Emley

Chairman

21 October 2008

BUSINESS REVIEW

The results for the 52 weeks ended 1 August 2008 show turnover of £439.1 million (53 weeks to 3 August 2007 – £425.0 million). Underlying profit (before restructuring costs, provision releases, other one-off items and taxation) was £31.1 million (2007 – £30.3 million). Profit before taxation from continuing operations was £32.4 million (2007 – £27.6 million). Underlying earnings per share (before restructuring costs, provision releases and other one-off items) were 21.10p (2007 – 20.25p). Basic earnings per share from continuing operations were 15.76p (2007 – 19.80p).

We are pleased to have made modest progress in underlying performance despite trading conditions that became more challenging particularly after we reported our half year results. Incremental and replacement sales and continued action on costs have contributed to an overall improved performance.

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

Media Products

Comprises, in the UK, the production of books and magazines and, in the Netherlands, printing for the multimedia industries.

	2008	2007
	£'000	£'000
Media Products total revenue	175,433	176,560
Media Products operating profit before restructuring costs, provision releases, other one-off items	25,800	26,334

Media Products represented 39% of Group external sales.

Books

Books accounted for around 45% of Media Products' external sales.

Our book business continues to perform well and further progress has been made in winning market share. We continued to benefit from our market leading position and reputation for delivering unrivalled service throughout the year. This enabled us largely to offset the sales previously provided by Harry Potter titles.

Our strategy of focusing on time sensitive products and expanding our added value services is improving our competitive position and involving us in the wider supply chain. This allows us to deliver more cost effective and efficient services. During the year we have successfully renewed a number of our key contracts and again produced a significant proportion of the best selling titles including 'Friday Nights' (Joanna Trollope) for Bloomsbury; 'Lewis Hamilton's autobiography' (Lewis Hamilton) for Harper Collins; 'My Manchester United Years' (Bobby Charlton) for Headline; 'My Booky Wook' (Russell Brand) for Hodder; 'Long Way Down' (Ewan McGregor) for Little, Brown; 'Life on the Edge' (Richard Hammond) for Orion; 'The World According to Clarkson' (Jeremy Clarkson) for Penguin.

Our capital expenditure has been targeted toward further improving the speed of our service, developing our online solutions and post bind services.

BUSINESS REVIEW *continued*

Media Products (*continued*)

Magazines

We supply magazines for the consumer, business to business and contract publishing markets. These accounted for some 48% of Media Products' external sales. In addition to our four manufacturing plants we have facilities for inserting, mailing and fulfilment.

The market remained extremely competitive and there have been a number of title closures. In addition, particularly in the second half, we experienced volatility in demand and many titles suffered a reduction in pagination. This made effective utilisation a challenge. However, our continued focus on shorter-run titles and specialist publications with high quality and demanding service requirements has seen us awarded a number of new contracts. These have helped offset price and volume reductions elsewhere and have resulted in an overall increase in sales. In addition, we have successfully renewed or extended a number of existing contracts. We continue to work for many of the leading UK publishers including Condé Nast, Financial Times Group, Haymarket, IPC Media, The Economist and Time Out, mainly concentrating on titles with the most demanding service requirements.

This has enabled us to win additional volume which together with cost reductions implemented at the end of the previous financial year has enabled us to maintain the overall contribution from magazines.

Multimedia

Sales of CD and DVD packaging through our operations in the Netherlands increased, although price continued to reduce. In the second half variable demand made effective utilisation a challenge and the business made a small loss similar to last year. On 24 September 2008 we announced the sale of this operation to the management team.

As announced in the Interim statement earlier in the year, the operating units serving the UK music and multimedia market have been consolidated into the Direct Response and Commercial division within Commercial Products (all prior year comparatives have been re-analysed, where appropriate).

Commercial Products

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

	2008	2007
	£'000	£'000
Commercial Products total revenue	221,784	194,413
Commercial Products operating profit before restructuring costs, provision releases, other one-off items	7,315	6,500

Commercial products accounts for approximately 50% of Group external sales

BUSINESS REVIEW *continued*

Commercial Products (*continued*)

Direct Response and Commercial

The business principally operates from six units across the UK and offers a range of commercial printing products and direct mail personalisation services focusing specifically on the financial, advertising and retail sectors of the market. From the beginning of the financial year the businesses supplying the multimedia requirements of UK customers have been included in these operations. The spare capacity created by reduced volume in the music sector has been directed towards commercial products. Comparative numbers have been restated.

Direct Response and Commercial products and services account for around 47% of the Commercial Products segment. The commercial marketplace continued to be extremely challenging. Oversupply and price pressure was a continuing feature and we had to contend with sub economic pricing from many competitors.

The focus has been on winning more contractual business and increasingly utilising the group-wide added value services to enhance our commercial offering. Contractual sales have longer lead times but once sold result in more regular work and higher level strategic partnerships.

Our Group Sales product has helped with the delivery of a number of new contracts and has increased sales from other group customers. We have also made improvements to our customer service and are providing cost effective solutions to many contracted customers. This will enable us to improve the mix and regularity of business. Included in this is the continued emphasis on more niche services particularly in the personalisation and predictive marketing areas. Customers include HM Government, RBS, Royal Mail, Somerfield and Vodafone.

Steady progress has been made on filling capacity created by reductions of print runs in report and accounts customers due to change in legislation.

Despite a modest increase in sales the Direct Response and Commercial business sustained a small loss.

Point-of-Sale

We produce point-of-sale material for the UK retail market and UK and international brands and these account for approximately 34% of Commercial Products' revenue. The business operates from five sites in the Midlands and the North of England.

This operation focuses on the retail and brand sectors of the UK and European market place and has been successful in building on its market leading reputation. The business is now offering fully integrated end-to-end solutions and utilising a range of centrally provided value added services to bring innovation and process cost reductions.

Our recent capital expenditure, including the latest digital imaging technology and large format litho are proving to be excellent additions to the already extensive service offering. The business continues to focus on areas where it can bring genuine innovation and add value. Sales have increased by some 10% over last year. Contracted customers include single source contracts for print and point-of-sale services to George Clothing, Halfords, Levis, M&S, Spar, Thomas Cook and Wilkinsons among others.

BUSINESS REVIEW *continued*

Commercial Products (*continued*)

Exhibitions and Events

Sales from Service Graphics, acquired in November 2006, were included for a full year and represented approximately 19% of the Commercial Products segment.

Our exhibition and event business operates across 10 UK sites and serves the 'super large' outdoor media market as well as the UK and European exhibition circuit. This well established business has suffered severe market price pressures over recent months but is starting to develop long-term contractual relationships. Customers include The Football Association (Wembley), Berkeley Homes, Boots, Ford Motor Company, Imagination, John Lewis, M&S and RBS.

Progress is being made in adding a focused national model to the locally serviced market. We are also expanding the range of products and services on offer to existing group retail and publishing customers.

However, effective utilisation remained a challenge as projects were often postponed at short notice due to the worsening general economic climate, particularly later in the financial year.

USA

Comprises mainly controlled circulation magazines, general commercial printing and the supply of point-of-sale materials to retailer and franchisees.

	2008 £'000	2007 £'000
USA total revenue	47,949	59,294
USA operating profit before restructuring costs, provision releases, other one-off items	1,951	1,495

This segment represents approximately 11% of Group sales.

The US business consolidated its Florida operations toward the end of the last financial year and improved its workmix. In addition the benefit of cost initiatives implemented at the same time came through. Consequently, margins increased and the overall profit improved on sales that were, in total, some 19% below prior year.

The economy deteriorated significantly after the half year with significant price pressure experienced in both magazines and commercial printing. As part of the Florida consolidation, a new fully automated press was commissioned in February 2008, which helped offset margin pressure. However, after the half year visibility was extremely short and effective utilisation a challenge. Despite this, the modest improvement in returns was maintained in the second half.

BALANCE SHEET AND CAPITAL EXPENDITURE

The Group has maintained a robust balance sheet and cash flow is strong. Net debt increased to £33.1 million which was partly attributable to the payment of £5.6 million into the pension scheme (the initial instalment of a £20 million special contribution associated with the closure of the scheme to future benefits accrual) referred to in the Financial Review.

Capital expenditure during the year was £22.8 million, which was similar to the previous year.

BUSINESS REVIEW *continued*

OUTLOOK

The markets we serve remain competitive and subject to short term volatility. Cost effective, shorter run and targeted products are increasingly the norm and our investments and strategy are directed to meet these needs.

In the UK our sales team has been successful in winning all the marketing and point of sale requirements for Sainsbury's (announced on 13 June 2008) which will be serviced from several parts of the group. It commenced on 1 September. The Royal Mail contract was, as planned, fully transitioned for all categories by the end of the last financial year and all associated transition costs were incurred and expensed in our last financial year. The current year will have the benefit of sales from this contract for a full year.

These, and other sales from existing customers, will help offset the current volatile market conditions in the UK.

In the USA our experience is similar with variable levels of demand in markets that remain oversupplied. Continuous cost reduction and efficiency programmes will help offset some of these pressures. The Miami property that was surplus to requirements following the consolidation of the Florida operations was sold in August.

In Books the new warehouse for post production services is on schedule and will be operational after Christmas. Demand in August was slow but we are currently extremely busy.

Magazine volumes were similarly subdued at the beginning of the new financial year but volume has now increased. However, visibility is extremely short and last minute variations in demand are making effective utilisation a challenge. The market remains oversupplied and uneconomic pricing by some of our competitors remains a feature. A replacement web press was commissioned in August in our Peterborough factory and a replacement sheet fed press has also come on stream in Roche. Both include the latest technology to enable reduction of waste and improve service levels. A binding line has also been ordered for Peterborough for the same reasons.

Demand in point-of-sale activities also started slowly but is currently buoyant as client marketing departments seek to promote their products. Our plants supplying point-of-sale products and the facilities in our Direct operations will benefit from the Royal Mail and Sainsbury's contract wins.

The UK facilities previously directed mainly at the multimedia markets are also benefiting from this work, the underlying demand from music publishers remains low.

Our exhibition and events business was also subdued in August but is now benefiting from some more work from existing Group customers. Demand remains volatile and subject to change at short notice, which makes efficient production a challenge. Margins continue to be under pressure, particularly in areas of discretionary spend.

Our strategy remains one of developing long term regular and contracted relationships with customers. This allows us to provide cost effective solutions which include the supply of services that are not just print. However, although we are winning more term contracts, volume is not guaranteed and demand can be volatile. All markets which we serve are influenced by the economic climate and in particular customer confidence. We are confident that our range of products and added value services will allow us to make progress for shareholders over time, although the current economic climate will make this hard to achieve in the short term.

Brian Edwards
Chief Executive

21 October 2008

FINANCIAL REVIEW

Overview of revenue

Revenue for the Group grew by £14.1 million (3.3%) to £439.1 million. Excluding minor currency translation differences and the acquisition effect of Service Graphics, acquired in November 2006, organic revenue growth was 0.4%.

Media Products' revenue decreased by £1.1 million (0.6%). Revenue decreased by 3.8% in Books whilst revenues for Magazines and our Dutch multimedia business increased by 1.5% and 6.8% respectively.

Commercial Products' revenue increased by £27.4 million (14.0%). Excluding the acquisition effect of Service Graphics, mentioned above, revenue for Commercial Products increased by £16.7 million. The Point-of-Sale business grew by 9.7% and Direct Response by 12.5%.

In the USA revenues decreased by £11.3 million (19.1%) due, primarily, to the plant consolidation mentioned in the Business Review. 1.5% of the revenue reduction is accounted for by weakness in the US dollar. The average exchange rate used to translate dollars to sterling was 2.0041 (2007 – 1.9737).

The geographical breakdown of revenue is broadly in line with the segmental breakdown: 95% of the Commercial and Media Products' revenue is generated within the UK (the remaining 5% 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. As reported in the Interim Statement, corporate costs before restructuring costs, provision releases and other one-off items are allocated to revenue generating segments. As part of a reorganisation to improve plant utilisation, two UK operating sites have been transferred from the Media Products segment to the Commercial Products segment. All prior year comparatives have been restated, where appropriate, to reflect these changes in presentation. The prior year Discontinued Operations, referenced in the KPIs below, relate to the Corporate Finance printing activities disposed of on 16 January 2007.

Key financial performance indicators (*continued*)

Operating profit by segment

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

	2008 £'000	2007 £'000	change %
Media Products	25,800	26,334	(2.1)
Commercial Products	7,315	6,500	12.5
USA	1,951	1,495	30.5
Continuing Operations	35,066	34,329	2.1
Discontinued Operations	–	(991)	–
Group	35,066	33,338	5.2

Operating profit as a percentage of added value by segment

The 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.

	2008 %	2007 %	change %
Media Products	22.7	22.7	–
Commercial Products	6.7	6.3	0.4
USA	7.2	4.5	2.7
Continuing Operations	14.0	13.6	0.4

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.

Underlying EBITDA by segment

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

	2008 £'000	2007 £'000	change %
Media Products	37,111	40,037	(7.3)
Commercial Products	18,040	15,593	15.7
USA	5,123	4,814	6.4
Continuing Operations	60,274	60,444	(0.3)
Discontinued Operations	–	(759)	–
Group	60,274	59,685	1.0

Key financial performance indicators *(continued)*

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 purchase of property, plant and machinery and other intangibles. By deducting the capital payments from the underlying EBITDA the cash available for acquisitions, dividends, tax and working capital is measured.

	2008		
	Underlying EBITDA £'000	Capital payments £'000	Free cash flow £'000
Media Products	37,111	(11,078)	26,033
Commercial Products	18,040	(8,435)	9,605
USA	5,123	(3,277)	1,846
Continuing Operations and Group	<u>60,274</u>	<u>(22,790)</u>	<u>37,484</u>

	2007		
	Underlying EBITDA £'000	Capital payments £'000	Free cash flow £'000
Media Products	40,037	(11,037)	29,000
Commercial Products	15,593	(8,239)	7,354
USA	4,814	(1,825)	2,989
Continuing Operations	60,444	(21,101)	39,343
Discontinued Operations	(759)	(108)	(867)
Group	<u>59,685</u>	<u>(21,209)</u>	<u>38,476</u>

Underlying gross margin and profitability

Underlying gross margin declined slightly to 25.7% (2007 – 25.8%) due, primarily, to the continued downward pressure on sales prices brought about by supply side over capacity in a number of markets the Group serves.

Overheads were controlled at 17.9% of revenue (2007 – 17.9%) with a decrease in administrative expenses and an increase in selling costs.

The Group delivered an underlying operating margin of 8.0% (2007 – 8.0%) and an underlying profit before tax margin of 7.1% (2007 – 7.1%).

Restructuring costs, provision releases and other one-off items

The £1.3 million credit, before tax, is the net of the curtailment credit associated with the closure of the defined benefits pension scheme to future benefits accrual of £5.0 million, impairment charges relating to the Dutch music and multimedia business, sold subsequent to the balance sheet date, of £3.9 million and a net credit of £0.2 million relating to the release of prior year rationalisation provisions set off against further rationalisation costs for the current year.

The phased abolition of Industrial Buildings Allowances, enacted in the UK Finance Act 2008, increases the Group's deferred tax liability and results in a one-off charge to the income statement of £5.4 million.

The charge of £2.8 million, before tax, in 2007 is the net of profit on sale of property, plant and equipment of £4.8 million, bid defence 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.

Balance sheet

Net assets decreased to £154.9 million (2007 – £164.5 million). The movement reflects profit after taxation of £16.2 million, dividends of £17.7 million, net actuarial losses on the deficit of the defined benefits pension scheme (net of deferred tax) of £9.2 million and foreign exchange gains of £0.9 million. Overall, the balance sheet continues to be robust.

Net debt

Net debt increased during the year from £23.3 million to £33.1 million. The movement reflects the initial payment into the defined benefits pension scheme associated with the closure of the scheme to future benefits accrual and an increase in working capital requirements associated with increased activity levels phased towards the end of the year.

Net debt comprises bank loans of £38.5 million due in more than one year plus finance lease obligations of £0.2 million due within one year, netted against cash.

In 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.

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 £22.8 million (2007 – £21.2 million) and cash receipts from asset disposals were £1.8 million (2007 – £7.8 million). Net capital-related outflow in the year was £21.0 million (2007 – £12.3 million). Depreciation, amortisation and impairment charged in the year was £28.2 million (2007 – £27.5 million).

Disposal

Following the balance sheet date, the Group disposed of its Dutch music and multimedia business to the management team of St Ives Uden. The assets subject to sale were categorised as assets held for sale in the balance sheet. Impairment charges against the assets were included in the income statement under restructuring costs, provision releases and other one-off items. No further material charges to the income statement, associated with the disposal, are required.

Income tax

The Group's tax rate on profit before restructuring costs, provision releases and other one-off items was 30.1% (2007 – 31.2%).

The abolition of Industrial Buildings Allowances is mentioned above.

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 1.23 times, the basic earnings per share are 15.76p so the dividend is uncovered by the net profit for the period. However, net profit for the period includes the negative impact of the abolition of Industrial Buildings Allowances of £5.4 million.

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 1 August 2008 were £98.4 million (2007 – £109.0 million).

Pensions

The Group recently 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 defined contribution pension scheme from 1 September 2008. In addition, the Group made a special contribution of £20 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 period, excluding the related deferred tax asset, was £48.3 million (2007 – £45.2 million). The increase of the deficit is due, primarily, to poor investment returns partially offset by increased bond yields (and therefore the discount rate) from 5.7% to 6.3%, the first stage of the lump sum contribution of £5.6 million and a curtailment credit of £5.0 million associated with ceasing the accrual of future benefits.

The charge to underlying operating profit for this scheme was £3.1 million (2007 – £3.7 million) which represents the costs of the benefits accrued to members of the scheme during the period. In addition, the curtailment credit of £5.0 million mentioned above has been categorised in the income statement within restructuring costs, provision releases and other one-off items. The income statement also includes a net financing cost of £2.0 million (2007 – £1.8 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.

Contributions were paid by the Group at the rate of 5.3% of pensionable pay plus £2.7 million per annum paid monthly.

In addition to the special contribution of £20.0 million mentioned above, the Group will also contribute £2.2 million per annum, monthly with effect from 2 August 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).

During the previous year the Group introduced an internal audit function. 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, in the previous financial year, the Group 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 £41.5 million.

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, 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 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 3.0% (2007 – 5.2%) of gross trade debtors at the year end; this has reduced due to the successful implementation of the credit insurance mentioned above.

Matt Armitage
Finance Director

21 October 2008

CONSOLIDATED INCOME STATEMENT

	Note	52 weeks to 1 August 2008			53 weeks to 3 August 2007		
		Before restructuring costs, provision releases and other one-off items (£'000)	Restructuring costs, provision releases and other one-off items (note 3) (£'000)	Total (£'000)	Before restructuring costs, provision releases and other one-off items (£'000)	Restructuring costs, provision releases and other one-off items (note 3) (£'000)	Total (£'000)
Revenue	2	439,149	–	439,149	425,030	–	425,030
Cost of sales		<u>(326,248)</u>	<u>(433)</u>	<u>(326,681)</u>	<u>(314,951)</u>	<u>(5,530)</u>	<u>(320,481)</u>
Gross profit/(loss)		112,901	(433)	112,468	110,079	(5,530)	104,549
Selling costs		<u>(31,037)</u>	<u>147</u>	<u>(30,890)</u>	<u>(28,681)</u>	<u>(409)</u>	<u>(29,090)</u>
Administrative expenses		<u>(47,559)</u>	<u>951</u>	<u>(46,608)</u>	<u>(47,665)</u>	<u>(1,635)</u>	<u>(49,300)</u>
Other operating income		<u>761</u>	<u>594</u>	<u>1,355</u>	<u>596</u>	<u>4,809</u>	<u>5,405</u>
Profit/(loss) from operations	2	35,066	1,259	36,325	34,329	(2,765)	31,564
Investment income		<u>10,543</u>	–	<u>10,543</u>	10,171	–	10,171
Finance costs		<u>(14,508)</u>	–	<u>(14,508)</u>	<u>(14,179)</u>	–	<u>(14,179)</u>
Profit/(loss) before tax		31,101	1,259	32,360	30,321	(2,765)	27,556
Income tax (charge)/credit	4	<u>(9,355)</u>	<u>(6,765)</u>	<u>(16,120)</u>	<u>(9,460)</u>	<u>2,303</u>	<u>(7,157)</u>
Profit/(loss) for the period from continuing operations		21,746	(5,506)	16,240	20,861	(462)	20,399
Loss from discontinued operations		–	–	–	<u>(865)</u>	<u>(13,219)</u>	<u>(14,084)</u>
Net profit/(loss) for the period		21,746	(5,506)	16,240	<u>19,996</u>	<u>(13,681)</u>	<u>6,315</u>
Basic and diluted earnings per share (p)							
From continuing operations	6	<u>21.10</u>		<u>15.76</u>	<u>20.25</u>		<u>19.80</u>
From continuing and discontinued operations	6			<u>15.76</u>			<u>6.13</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	52 weeks to 1 August 2008	53 weeks to 3 August 2007
	£'000	£'000
Exchange gains/(losses) on translating foreign operations	973	(1,189)
Actuarial (losses)/gains on defined benefit pension schemes	(12,806)	14,936
Tax credit/(charge) on items taken directly to equity	3,522	(5,713)
Net (expense)/income recognised directly in equity	(8,311)	8,034
Transfer to profit and loss from equity of exchange differences on disposal of foreign operation	–	38
Transfer to the initial carrying amount on non-financial hedged items of cash flow hedges	–	85
Tax on items transferred from equity	–	(26)
Profit for the period	16,240	6,315
Total recognised income	7,929	14,446

CONSOLIDATED BALANCE SHEET

	Note	1 August 2008 £'000	3 August 2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		141,581	147,006
Goodwill		54,679	54,679
Other intangible assets		1,753	1,394
Deferred tax assets		39	4,785
Other non-current assets		2,478	338
		<u>200,530</u>	<u>208,202</u>
Current assets			
Inventories		14,211	13,824
Trade and other receivables		96,965	78,750
Cash and cash equivalents		5,635	7,547
Assets held for sale		6,650	3,345
		<u>123,461</u>	<u>103,466</u>
Total assets		<u>323,991</u>	<u>311,668</u>
LIABILITIES			
Current liabilities			
Trade and other payables		72,694	57,227
Loans and bank overdrafts		–	2,327
Other financial liabilities		230	419
Current tax payable		3,209	4,293
Provisions		1,901	2,973
Deferred income		981	480
Liabilities directly associated with assets held for sale		1,142	–
		<u>80,157</u>	<u>67,719</u>
Non-current liabilities			
Loans		38,491	27,892
Retirement benefit obligations	9	48,344	45,203
Deferred income		1,204	1,604
Other financial liabilities		–	521
Provisions		925	4,202
		<u>88,964</u>	<u>79,422</u>
Total liabilities		<u>169,121</u>	<u>147,141</u>
Net assets		<u>154,870</u>	<u>164,527</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		10,355	10,355
Other reserves	7	46,123	45,127
Retained earnings	8	98,392	109,045
Total equity		<u>154,870</u>	<u>164,527</u>

CONSOLIDATED CASH FLOW STATEMENT

	Note	52 weeks to 1 August 2008 £'000	53 weeks to 3 August 2007 £'000
Operating activities			
Cash generated from operations	10	40,138	37,491
Interest received		17	465
Interest paid		(1,992)	(2,530)
Income taxes paid		(8,938)	(5,946)
Net cash from operating activities		29,225	29,480
Investing activities			
Acquisitions, net of cash acquired		–	(18,358)
Purchase of property, plant and equipment		(21,443)	(20,396)
Purchase of other intangibles		(1,347)	(813)
Proceeds on disposal of property, plant and equipment		1,838	7,784
Disposal proceeds of subsidiary, net of cash disposed		–	4,288
Regional grants received		–	1,092
Net cash used in investing activities		(20,952)	(26,403)
Financing activities			
Loan notes redeemed		(358)	(1,287)
Capital element of finance lease rentals		(398)	(335)
Dividends paid	5	(17,673)	(17,673)
Increase in bank loans		10,000	10,000
(Decrease)/increase in bank overdrafts		(1,969)	1,641
Net cash used in financing activities		(10,398)	(7,654)
Net decrease in cash and cash equivalents		(2,125)	(4,577)
Cash and cash equivalents at beginning of period		7,547	12,620
Effect of foreign exchange rate changes		213	(496)
Cash and cash equivalents at end of period	10	5,635	7,547

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.

The preliminary results have been prepared on the basis of the accounting policies as set out in the Group's Annual Report and Accounts 2007. Certain balance sheet items have been reclassified in the prior year comparatives to reflect changes in presentation.

The preliminary results do not comprise statutory accounts for the purpose of Section 240 of the Companies Act 1985. The abridged information for the fifty two weeks to 1 August 2008 has been extracted from the Group's statutory accounts for that period which will be sent to all shareholders before 1 November 2008. The Group's 2007 statutory accounts have been filed with the Registrar of Companies. The Auditors' 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.

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 before restructuring costs, provision releases and other one-off items are allocated to revenue generating segments. As part of a reorganisation to improve plant utilisation, two UK operating sites have been transferred from the Music and Multimedia division reported within Media Products to the Direct division reported within Commercial Products. Segmental results in the prior year segmental analysis comparatives have been adjusted to reflect these changes in presentation.

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

Business segments

	52 weeks to 1 August 2008				
	Media Commercial		USA	Elimination	Total
	Products	Products			
Revenue					
External sales	173,153	218,047	47,949	–	439,149
Inter-segment sales	2,280	3,737	–	(6,017)	–
Total revenue	175,433	221,784	47,949	(6,017)	439,149
Result					
Segmental result	24,536	9,705	2,084	–	36,325
Add back/(deduct) restructuring costs, provision releases and other one-off items	1,264	(2,390)	(133)	–	(1,259)
Segmental result before restructuring costs, provision releases and other one-off items	25,800	7,315	1,951	–	35,066
Total restructuring costs, provision releases and other one-off items					1,259
Profit from operations					36,325
Investment income					10,543
Finance costs					(14,508)
Profit before tax					32,360
Income tax expense					(16,120)
Profit for the period from continuing operations					16,240

NOTES TO THE PRELIMINARY RESULTS *continued*

2. Segment reporting *continued*

Business segments *continued*

	53 weeks to 3 August 2007				
	Media	Commercial			
	Products	Products	USA	Elimination	Total
	£'000	£'000	£'000	£'000	£'000
Revenue					
External sales	174,350	191,414	59,266	–	425,030
Inter-segment sales	2,210	2,999	28	(5,237)	–
Total revenue	<u>176,560</u>	<u>194,413</u>	<u>59,294</u>	<u>(5,237)</u>	<u>425,030</u>
Result					
Segmental result	25,157	4,069	(1,145)	–	28,081
Add back restructuring costs, provision releases and other one-off items	1,177	2,431	2,640	–	6,248
Segmental result before restructuring costs, provision releases and other one-off items	<u>26,334</u>	<u>6,500</u>	<u>1,495</u>	<u>–</u>	<u>34,329</u>
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)
Profit for the period from continuing operations					<u>20,399</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.

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:

	2008	2007
	£'000	£'000
(Expense)/income		
Restructuring items:		
Redundancies, impairments and other charges	(5,195)	(7,008)
Provision releases	1,373	42
Profit on disposal of fixed assets	594	4,809
	<u>(3,228)</u>	<u>(2,157)</u>
Other:		
Pension curtailment, net of associated costs	4,737	–
Press fire	(250)	–
Bid approach costs	–	(608)
	<u>1,259</u>	<u>(2,765)</u>
Income tax	<u>(6,765)</u>	<u>2,303</u>
	<u>(5,506)</u>	<u>(462)</u>

Restructuring items

Included within redundancies, impairments and other charges are asset writedowns and other charges of £3,929,000 relating to the Music and Multimedia business in Uden, Netherlands which was classified as a disposal group in the period and was subsequently sold on 23 September 2008. Uden is included in the Media Products segment. Also included here are redundancy and other charges associated with restructuring activities within the Media Products and Commercial Products segment. Provision releases related to the Media Products (£603,000) and Commercial Products (£770,000) segments following the finalisation of related reorganisation activities. Profit on disposal of fixed assets arose from the sale of plant and machinery in Commercial Products (£461,000) and USA (£133,000).

Other

The decision to close the St Ives defined benefit pension scheme to future benefit accrual gave rise to a curtailment credit of £4,982,000 offset by professional expenses of £245,000 associated with the scheme closure. This amount was credited to the middle column and was allocated to the Media Products (£2,392,000) and Commercial Products segments (£2,345,000). The costs and loss of profits arising from a fire on a press at Peterborough plant were reimbursable through insurance arrangements, except for the policy excess. The reimbursement cost of £250,000 corresponding to the policy excess were classified as middle column, and allocated to the Media Products segment.

Tax

The middle column tax charge comprises tax charges and credits on the above items where applicable, as well as a deferred charge of £5,357,000 arising from the abolition of UK Industrial Buildings Allowances (‘IBA’s) and associated reduction in tax base on IBA-relevant assets.

NOTES TO THE PRELIMINARY RESULTS *continued*

4. Income tax charge

Income tax on profit as shown in the income statement is as follows:

	Continuing operations		Discontinued operations		Total	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
United Kingdom corporation tax charge/(credit) at 29.33% (2007 – 30%)						
Current year	7,671	7,014	–	(184)	7,671	6,830
Adjustments in respect of prior years	153	(504)	–	–	153	(504)
	7,824	6,510	–	(184)	7,824	6,326
Overseas current tax charge/(credit):						
Current year	92	(89)	–	–	92	(89)
Adjustments in respect of prior years	(68)	129	–	–	(68)	129
Total current tax charge/(credit)	7,848	6,550	–	(184)	7,848	6,366
Deferred tax on origination and reversal of temporary differences						
United Kingdom deferred tax	8,292	909	–	–	8,292	909
Overseas deferred tax	–	(704)	–	–	–	(704)
Adjustments in respect of prior years	(20)	402	–	–	(20)	402
Total deferred tax charge	8,272	607	–	–	8,272	607
Total income tax charge/(credit)	16,120	7,157	–	(184)	16,120	6,973

The UK deferred tax charge for the period includes a one-off charge of £5,357,000 (2007 – £nil) in respect of the abolition of Industrial Buildings Allowances as detailed in note 3.

5. Dividends

	per share pence	2008 £'000	2007 £'000
Final dividend paid for the 52 weeks ended 28 July 2006	12.15p	–	12,521
Interim dividend paid for the 27 weeks to 2 February 2007	5.00p	–	5,152
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	–
Dividends paid during the period		17,673	17,673
Proposed final dividend at the period end of 12.15p per share (2007 – 12.15p per share)		12,521	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:

	2008	2007
	'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:

	2008		2007	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and earnings per share from continuing activities				
Earnings and basic earnings per share	16,240	15.76	20,399	19.80
Restructuring costs, provision releases and other one-off items	5,506	5.34	462	0.45
Underlying earnings and underlying earnings per share	21,746	21.10	20,861	20.25

	2008		2007	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Losses and losses per share from discontinued activities				
Losses and basic losses per share	-	-	(14,084)	(13.67)
Restructuring costs, provision releases and other one-off items	-	-	13,219	12.83
Underlying losses and underlying losses per share	-	-	(865)	(0.84)
Basic earnings per share from continuing and discontinued activities		15.76		6.13

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

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 28 July 2006	46,689	(1,913)	1,238	209	111	46,334
Exchange differences and related tax	–	–	–	–	(1,157)	(1,157)
Transferred to income statement	–	–	–	–	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)
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

8. Retained earnings

	£'000
Balance at 28 July 2006	111,212
Dividends paid (note 5)	(17,673)
Profit for the period attributable to equity holders of the parent	6,315
Actuarial gains on defined benefits pension scheme, net of associated tax	9,191
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

9. Retirement benefit obligations

The net liability in respect of retirement benefit obligations of £48,344,000 at the balance sheet date has increased compared to July 2007 (£45,203,000) primarily due to poor investment returns on plan assets leading to actuarial losses on plan assets of £13,915,000, partially offset by the curtailment credit of £4,982,000 detailed in note 3 and a special contribution of £5,600,000 made to the scheme on 31 July 2008. A further special contribution of £14,400,000 was made to the scheme on 4 August 2008.

NOTES TO THE PRELIMINARY RESULTS *continued*

10. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	2008 £'000	2007 £'000
Profit from continuing operations	36,325	31,564
Loss from discontinued operations	–	(991)
Adjustments for:		
Depreciation of property, plant and equipment	24,250	25,714
Impairment losses	2,937	956
Amortisation of intangible assets	998	810
Gain on disposal of property, plant and equipment	(1,355)	(5,405)
Deferred income charge/(credit)	359	(218)
Share-based payment charge/(credit)	87	(147)
Decrease in retirement benefit obligations	(11,689)	(1,112)
(Decrease)/increase in provisions	(4,375)	2,098
Operating cash inflows before movements in working capital	47,537	53,269
Increase in inventories	(667)	(726)
Increase in receivables	(20,489)	(6,157)
Increase/(decrease) in payables	13,757	(8,895)
Cash generated from operations	40,138	37,491

Analysis of net debt

	4 August 2007 £'000	Cash flow £'000	Exchange movements £'000	1 August 2008 £'000
Cash and cash equivalents	7,547	(2,125)	213	5,635
Bank overdrafts	(1,969)	1,969	–	–
Bank loans	(27,892)	(10,000)	(599)	(38,491)
Loan notes	(358)	358	–	–
Finance leases	(627)	398	–	(230)
	(23,299)	(9,400)	(386)	(33,085)

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.

Finance lease obligations are included within other financial liabilities in current 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:

	2008 £'000	2007 £'000
Net cash used in operating activities	-	(210)
Net cash used in investing activities	-	(107)
Net decrease in cash from discontinued activities	<u>-</u>	<u>(317)</u>

The foregoing contains forward looking statements made by the directors in good faith based on information available to them up to 21 October 2008. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.