
St Ives plc
Half Year Report 2011

Our Group today

St Ives is a unique group of market-leading companies that combine to provide the UK's most diverse range of marketing, print and display services.

From the provision of field marketing, data marketing and direct marketing services to the production of the latest bestselling books, high street window displays, sales brochures, giant outdoor displays and exhibition graphics – our products touch many aspects of everyday life in more ways than might be imagined.

By focusing on customer service, and by working together as a united operation, St Ives offers total marketing services and marketing production solutions which are second to none.

Our goal is to grow and continue to diversify the business while adding value for our stakeholders.

Contents

Our year to date

- 1 Highlights
- 2 Group at a glance
- 4 Chief Executive's Statement

Our Figures

- 6 Condensed Consolidated Income Statement
- 6 Condensed Consolidated Statement of Comprehensive Income
- 7 Condensed Consolidated Statement of Changes in Equity
- 8 Condensed Consolidated Balance Sheet
- 9 Condensed Consolidated Cash Flow Statement

Notes to the Condensed Consolidated Financial Statements

- 10 Basis of preparation
- 11 Segment reporting
- 14 Non-underlying items
- 14 Tax
- 15 Dividends
- 15 Earnings per share
- 16 Discontinued operations
- 18 Retirement benefits
- 18 Notes to the condensed consolidated cash flow statement
- 19 Related parties
- 20 Post-balance sheet events
- 20 Responsibility statement

How we performed

Financial highlights

£149.0m*

Underlying revenue
(2010**: £151.1m)

£10.2m*

Underlying profit before tax
(2010**: £9.4m)

£12.7m

Profit before tax
(2010**: £10.0m)

6.86p*

Underlying earnings per share
(2010**: 6.26p)

1.75p

Interim dividend per share
(2010: 1.75p per share)

Figures are for the 26 weeks ended 28 January 2011, comparative figures are for the 26 weeks ended 29 January 2010.

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

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

Operational highlights

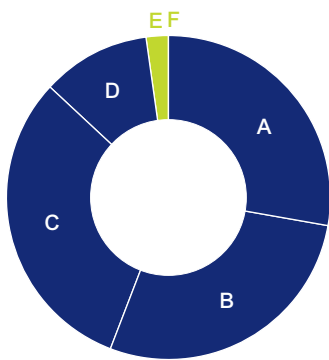
- Successful acquisition of Tactical Solutions
- Disposal (subject to shareholder approval) of the Magazine printing business
- Successful re-location of the principal Exhibitions and events operation
- Contracts exchanged on the disposal of head office premises

St Ives Group at a glance

Our business is evolving to service two distinct markets: 'Print' and 'Marketing Services'.

Our recent acquisition of field marketing company Tactical Solutions has further strengthened the Marketing Services offering within the business and complemented the existing added value offerings available from the Group. To further support our strategy we continue to invest in the development of our business consultancy services, IT consultancy and portfolio of online software solutions.

Contribution to Group sales



| Print | |
|----------------------------------|-----|
| A Books | 28% |
| B Direct Response and Commercial | 28% |
| C Point of sale | 31% |
| D Exhibitions and Events | 11% |

| Marketing Services | |
|--------------------|------|
| E Data marketing | 2%* |
| F Field marketing | 0%** |

* Acquired June 2010.
** Acquired February 2011.

Print
98%

Marketing Services
2%

Print

Books

We produce 160 million books each year – from classics to bestsellers such as the Twilight series.

Exhibitions and Events

Our large format display materials are used across many markets for application in event, interior display, outdoor media, sponsorship, retail, visitor centres, showrooms and experiential marketing.

Clays

Monochromatic books
Distribution
Logistics

Locations

Bungay
London

Service Graphics

Visual consultancy
Graphics production
Giant media
Outdoor graphics
Exhibition and events
Display products
Sports and sponsorship branding

Locations

Edenbridge
Glasgow
London
Nottingham
Salisbury
Skelmersdale



Point of sale

Many of the UK's best known brands and retailers rely on us to deliver quality displays, point of sale materials, market research, store audits, logistics and related added value services.

▶ SP

Retail and brand
Point of sale
Research
Store audits
Logistics
Digital screen media

Locations

Birmingham
Burnley
Redditch



Direct Response and Commercial

We have a long-standing reputation for the production of direct mail, packaging and corporate and marketing literature; additionally, we support this offering with data services and digital multichannel marketing campaign solutions.

▶ St Ives Direct

Direct mail
Digital print
Personalisation
Commercial print

▶ Music & Multimedia

CD/DVD slipcases
Special packaging

▶ Westerham Press

Fine art printing
Financial Reports & Accounts

▶ SIMS

Detailed audits
Outsourcing solutions
Print management

Locations

Blackburn
Bradford
Leeds
London

Marketing Services

Data marketing

Our data management and data insight services are empowering marketing communications for some of the UK's best known organisations.

▶ Occam

Database management
Data analysis
Data insight
Campaign management

Location

Bath



Field marketing

Tactical Solutions is a field sales and marketing company which consistently delivers a measurable return on investment for leading retailers and brands across the UK and Ireland.



Field sales services
Trade marketing
Sales training
Interim management

Location

Flintshire





Delivering on our strategy

Patrick Martell
Chief Executive

Results

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

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

Corporate developments

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

On 14 March 2011 we announced the proposed disposal of our loss making Magazine printing business for a consideration of £20 million. The disposal supports our strategy of moving away from the commoditised end of the print market, which

is differentiated only by price. The transaction is subject to shareholder approval and is expected to complete on 6 April 2011.

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

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

Print

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

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

Our Exhibition and events business has made further progress as demand for large format graphics improves and we benefit from the actions taken on improving sales and reducing the cost base by the new management team. As the 2012 Olympic

“We have made another significant and positive change to the structure of the Group, having completed the acquisition of Tactical Solutions...”

The proposed disposal of the Magazine printing business supports our strategy of moving away from the commoditised end of the print market.”

Games approach we anticipate a significant increase in activity within this market and will benefit from our new facility in Chessington.

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

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

Marketing services

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

Dividend

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

Balance sheet

The Group's balance sheet remains strong and underlying free cash flows are robust. Net debt of £2.2 million was below the level reported as at 30 July 2010 (£2.7 million) reflecting our continued success in managing working capital and tight control of

capital expenditure. Our businesses are well invested and the cash position will further benefit from the receipt of the cash proceeds of £6.3 million from the sale of our head office at the end of March 2011. The net impact upon cash from the acquisition of Tactical Solutions in February and the proposed disposal of our Magazine business will be broadly neutral.

Outlook

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

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

Patrick Martell
Chief Executive

15 March 2011

Condensed Consolidated Income Statement

| | Note | 26 weeks to 28 January 2011 | | | 26 weeks to | 52 weeks to |
|---|------|-----------------------------|--|------------------|---|--|
| | | Underlying £'000 | Non- underlying* (note 3) £'000 | Total £'000 | 29 January 2010 (restated note 7) £'000 | 30 July 2010 (restated note 7) £'000 |
| Revenue | 2 | 148,953 | 455 | 149,408 | 151,118 | 291,469 |
| Cost of sales | | (110,578) | (469) | (111,047) | (112,765) | (219,761) |
| Gross profit | | 38,375 | (14) | 38,361 | 38,353 | 71,708 |
| Selling costs | | (12,092) | (104) | (12,196) | (11,128) | (22,086) |
| Administrative expenses | | (16,159) | (1,508) | (17,667) | (18,461) | (37,378) |
| Other operating income | | 89 | 4,086 | 4,175 | 1,797 | 1,885 |
| Profit from operations | 2 | 10,213 | 2,460 | 12,673 | 10,561 | 14,129 |
| Investment income | | 7,083 | – | 7,083 | 6,663 | 13,267 |
| Finance costs | | (7,105) | – | (7,105) | (7,223) | (14,222) |
| Profit before tax | | 10,191 | 2,460 | 12,651 | 10,001 | 13,174 |
| Income tax charge | 4 | (3,108) | (689) | (3,797) | (2,147) | (1,974) |
| Profit for the period from continuing operations | | 7,083 | 1,771 | 8,854 | 7,854 | 11,200 |
| Loss from discontinued operations | | (784) | (18,394) | (19,178) | (1,182) | (3,462) |
| Net profit/(loss) for the period | | 6,299 | (16,623) | (10,324) | 6,672 | 7,738 |
| Basic earnings per share (p) | | | | | | |
| From continuing operations | 6 | 6.86 | 1.71 | 8.57 | 7.62 | 10.86 |
| From continuing and discontinued operations | 6 | 6.10 | (16.10) | (10.00) | 6.47 | 7.51 |
| Diluted earnings per share (p) | | | | | | |
| From continuing operations | 6 | 6.82 | 1.71 | 8.53 | 7.62 | 10.86 |
| From continuing and discontinued operations | 6 | 6.07 | (16.01) | (9.95) | 6.47 | 7.51 |

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

Condensed Consolidated Statement of Comprehensive Income

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

Condensed Consolidated Statement of Changes in Equity

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

Condensed Consolidated Balance Sheet

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

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

Condensed Consolidated Cash Flow Statement

| | 26 weeks to 28 January 2011 £'000 | 26 weeks to 29 January 2010 £'000 | 52 weeks to 30 July 2010 £'000 |
|---|--|--|---|
| | Note | | |
| Operating activities | | | |
| Cash generated from operations | 9 7,350 | 18,304 | 37,222 |
| Interest received | – | 2 | – |
| Interest paid | (626) | (612) | (1,160) |
| Income taxes received | 3 | 544 | 744 |
| Net cash generated from operating activities | 6,727 | 18,238 | 36,806 |
| Investing activities | | | |
| Purchase of property, plant and equipment | (4,040) | (7,327) | (11,245) |
| Purchase of other intangibles | (873) | (130) | (804) |
| Proceeds on disposal of property, plant and equipment | 432 | 3,422 | 4,584 |
| Acquisition of subsidiary, net of cash acquired | – | – | (10,517) |
| Net cash used in investing activities | (4,481) | (4,035) | (17,982) |
| Financing activities | | | |
| Dividends paid | 5 (1,807) | (515) | (2,318) |
| Increase/(decrease) in bank loans | 5,000 | (14,000) | (20,000) |
| Net cash generated from/(used in) financing activities | 3,193 | (14,515) | (22,318) |
| Net increase/(decrease) in cash and cash equivalents | 5,439 | (312) | (3,494) |
| Cash and cash equivalents at beginning of period | 10,515 | 14,016 | 14,016 |
| Effect of foreign exchange rate changes | 8 | – | (7) |
| Cash and cash equivalents at end of period | 9 15,962 | 13,704 | 10,515 |

1. **Basis of preparation**

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

The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern

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

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

The interim statements and prior half and full year comparatives do not comprise statutory accounts for the purpose of Section 435 of the Companies Act 2006. The abridged information for the fifty two weeks to 30 July 2010 has been extracted from the Group's statutory accounts for that period which have been filed with the Registrar of Companies. The Auditor's report on the accounts of the Group for that period was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

Risks and uncertainties

The board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in page 29 and pages 91 to 94 of the Group's 2010 Annual Report and Accounts, a copy of which is available on the Group's website: www.st-ives.co.uk. The key financial risks are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

2. Segment reporting

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

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

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

Business segments Continuing operations

| | 26 weeks to 28 January 2011 | | |
|---|-----------------------------|--------------------------------|----------------|
| | Print £'000 | Marketing Services £'000 | Total £'000 |
| Total revenue | 146,224 | 3,184 | 149,408 |
| Result | | | |
| Segmental result | 12,866 | (193) | 12,673 |
| Non-underlying items | (2,649) | 189 | (2,460) |
| Segmental result before non-underlying items | 10,217 | (4) | 10,213 |
| Total non-underlying items | | | 2,460 |
| Profit from operations | | | 12,673 |
| Investment income | | | 7,083 |
| Finance costs | | | (7,105) |
| Profit before tax | | | 12,651 |
| Income tax charge | | | (3,797) |
| Profit for the period from continuing operations | | | 8,854 |

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

2. **Segment reporting** *continued*

Business segments *continued*

Continuing operations

26 weeks to 29 January 2010

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

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

Continuing operations

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

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

Geographical segments

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

3. Non-underlying items

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

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

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

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

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

4. Tax

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

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

5. Dividends

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

6. Earnings per share

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

Number of shares

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

Basic and diluted earnings per share

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

6. Earnings per share *continued*

Basic and diluted earnings per share *continued*

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

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

7. Discontinued operations

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

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

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

Non-underlying items from discontinued operations are analysed below:

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

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

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

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

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

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

7. Discontinued operations *continued*

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

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

8. Retirement benefits

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

9. Notes to the condensed consolidated cash flow statement

Reconciliation of cash generated from operations

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

Analysis of net debt

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

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

Cash flows from discontinued operations

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

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

10.

Related parties

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

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

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

11. Post-balance sheet events

On 9 February 2011, the Group completed the acquisition of 90% of the single class of shares in Tactical Solutions UK Limited, a provider of field sales and marketing services. The consideration payable was comprised of £12,340,000 in cash payable on completion, 2,169,197 of St Ives plc ordinary shares issued at 92.2p on 3 March 2011, plus deferred consideration of up to £9,000,000, payable in cash, contingent upon the achievement of earnings targets for the 2011 and 2012 calendar years. The Group has an option to purchase the remaining 10% single class of ordinary shares from 2013 at a price dependent on the performance of Tactical Solutions UK Limited in the financial year preceding the date of exercise of the option. A detailed purchase price allocation is not yet available. Tactical Solutions UK Limited will be reported under the Marketing Services segment.

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

12. Responsibility statement

We confirm that, to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 "Interim Financial Reporting";
- the interim management report includes a fair review of the information required by DTR4.2.7R (indication of important events during the first six months of the year and descriptions of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the board



Patrick Martell
Chief Executive
15 March 2011

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

St Ives plc
Registered in England & Wales No. 1552113
Registered office
St Ives House
Lavington Street
London SE1 0NX

Printed on Hello Silk.

Hello Silk is made from 100% virgin wood fibre from well-managed forests independently certified according to the rules of the Forest Stewardship Council (FSC).

Hello Silk is manufactured at a mill that is certified to ISO14001 and EMAS environmental standards. The mill uses pulps that are totally chlorine free (TCF), and some pulp is bleached using an elemental chlorine free (ECF) process. The inks used are all vegetable-based.



Printed at St Ives Westerham Press Ltd, ISO14001,
FSC certified and CarbonNeutral®

Designed by Black Sun Plc

Thank you to all our valued customers for the use of photographs in this document that represent the products we produce.

St Ives plc

St Ives House
Lavington Street
London SE1 0NX

Telephone 020 7928 8844

Fax 020 7902 6436

www.st-ives.co.uk