

31<sup>st</sup> March 2008

**ST IVES plc**  
**Interim Results for the 26 weeks ended 1 February 2008**

St Ives plc, the UK's leading printing group, announces interim results for the 26 weeks ended 1 February 2008.

**Key Points**

- Revenue £223.2m (2007: £209.2m)
- Pre tax profit £12.5m (2007: £10.7m)
- Underlying\* pre tax profit £13.4m (2007: £11.4m)
- Basic earnings per share from continuing operations 7.95p (2007: 6.62p)
- Underlying\* earnings per share 8.88p (2007: 7.43p)
- Interim dividend maintained at 5.00p per share

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

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

“Despite challenging market conditions, we have continued to build on the foundations laid over the last two years.

“Although the economic outlook remains uncertain, we are confident our strategy of focusing on customer service and investing in the latest digital technology, while controlling costs and preserving margins, will enable us to make further progress for shareholders.”

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## Results

The results for the Group for the 26 weeks ended 1 February 2008 are in line with expectations and show sales from operations of £223.2 million (2007 – £209.2m) and profit before tax, restructuring costs provision releases and other one-off items of £13.4 million (2007 – £11.4 million). Profit before tax was £12.5 million (2007 – £10.7 million). Earnings per share before restructuring costs, provision releases and other one-off items were 8.88p (2007 – 7.43p). Earnings per share from continuing operations were 7.95p (2007 – 6.62p).

Underlying profit before tax, after excluding prior year discontinued businesses, is 17.2% ahead of the first half of last year and the overall progress made in the second half of the last financial year has continued.

## Dividend

The Board has declared an interim dividend of 5p per share (2007 – 5p per share) which will be payable on 16 May 2008 to shareholders on the register at 18 April 2008.

## Trading Conditions

Trading conditions during the period remained very challenging and price pressure continued. Sales growth in products requiring high levels of service has been partly offset by volume and price reductions in the more commoditised areas. Continued action on costs and efficiencies enabled overall progress to be made.

## Media Products\*

Revenue from Media Products were £92.1 million, some 5.9% ahead of the first half of last year and underlying operating profit increased to £12.5 million from £11.2 million. Revenues from book publishers grew as a result of increased market share and customers continuing to take advantage of sales of added value services. Efficiencies and cost control were required to offset the effect of price pressure arising on contract renewals.

Magazine revenues were modestly ahead as sales of shorter-run products continue to be won to replace the more commodity priced, mainly longer-run, titles. Prior year actions on cost and improved mix improved the returns in this area.

Sales of CD and DVD packaging through our operations in the Netherlands were broadly flat. Actions on flexibility and cost enabled the business to break even which was modestly ahead of the prior year, despite further deterioration in the market.

## Commercial Products\*

Revenue from Commercial Products were £109.4 million which included sales from Service Graphics of £21.9 million. In 2007 these were included for a 13 week period from the date of acquisition and amounted to £8.7 million. Excluding Service Graphics underlying sales grew by around 6%. The businesses supplying this segment returned an overall modest improvement in underlying operating profit of £1.8 million up from £1.5 million in the prior year.

Direct Mail and UK music sales were weak, but overall volumes were maintained by increased sales of general commercial printing. However, despite cost reduction initiatives taken at the end of our last financial year, continuing price competition and volatile demand resulted in a small loss in this area. The transition of work under the Royal Mail contract announced in October 2007 is underway and on schedule. As expected, the contribution from this work was negligible in our first half year. Transition of all categories of work is planned to be completed in the early summer.

Visibility in the point-of-sale market reduced and demand was volatile. Encouragingly sales growth exceeded 10% but volume fluctuations made effective utilisation a challenge and profits remained flat compared with the first half last year. Sales at Service Graphics, our exhibitions and outdoor media business, were in line with expectations to the end of November 2007 but were then subdued in our second quarter.

## **USA**

Following the consolidation of our sites in Florida and cost reductions undertaken towards the end of our last financial year, our US business sales reduced by over 25% to £24.9 million, 5% of which was the currency effect on translation for reporting purposes. Sales in the commercial, point-of-sale and direct markets were reduced as the market became more competitive and volumes were varied at short notice. Magazines were similarly affected. Continued refinement of the work mix and cost reductions enabled us to improve the overall return on lower sales.

## **Balance Sheet**

The Group's balance sheet remains robust with a strong operating cash flow for the half year. Net debt reduced to £15.2 million although this is partly due to the phasing of capital expenditure which is expected to amount to approximately £20 million in the second half of the financial year.

## **Strategy**

Our strategy remains one of developing long-term, regular and contractual relationships that allow us to deliver cost effective solutions to our customers and enable the business to develop in partnership with them. The focus on selling access to the Group's entire range of capabilities, started by our Group Sales team in the last financial year, continues to benefit most of our UK operations.

Concentration on customer service and further investment, including in the latest digital and software solutions, will maintain the emphasis on non-commodity business.

## **Outlook**

The economic outlook remains uncertain and most markets are over-supplied and subject to price pressure. There have recently been some closures of competitors' capacity which, unusually, has not been resurrected although, so far, this seems to have had little affect on pricing.

Many of our customers are also experiencing challenging conditions in their markets. Low visibility and significant short-term fluctuations in demand remain a feature in most markets.

Against this background, demand for books has remained steady although there is an increasing demand for ever shorter run lengths. The construction of our new warehouse facility at our book factory is on schedule and will be completed in the Autumn, allowing us better to serve the requirements for post-production added value services. In Magazines the volumes were at lower levels for the first two months of this calendar year but have since increased. Enquiries have also increased following the recent closures of competitors' capacity.

Demand for products in our Dutch music and multimedia business has been subdued. This market presents an increasingly uncertain future and the business remains under close review.

For several weeks after Christmas, point-of-sale demand was also subdued but this has since improved. Exhibitions and outdoor media has followed a similar pattern.

Direct Mail and Commercial markets remain over-supplied but the continuing transition of the Royal Mail work is helping to compensate for the lower demand in other areas of the market. Indications are that the Report and Accounts market, which falls predominantly in our second half, has not yet experienced the significant fall in volume anticipated following the recent change in legislation.

In the US, similar market conditions exist to those experienced in the UK. Most markets are over-supplied and subject to price pressure and we continue to pursue shorter-run niche markets with specialist requirements.

Despite continuing economic uncertainties, we are confident that our strategy of supplying cost effective solutions, an emphasis on superior customer service, well invested facilities and a strong balance sheet will allow us to continue to grow market share in chosen areas and make further progress for our shareholders.

**Brian Edwards**  
Chief Executive

31 March 2008

\* See note 2 to the accompanying financial statements.

## CONDENSED CONSOLIDATED INCOME STATEMENT

26 weeks to 1 February 2008					
	Before restructuring costs, provision releases and other one-off items	Restructuring costs, provision releases and other one-off items (note 3)	Total	27 weeks to 2 February 2007	53 weeks to 3 August 2007
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b> (note 2)					
Existing activities	223,188	–	223,188	200,461	394,688
Acquired activities	–	–	–	8,739	30,342
	223,188	–	223,188	209,200	425,030
Cost of sales	(166,089)	(954)	(167,043)	(160,789)	(320,481)
<b>Gross profit</b>	57,099	(954)	56,145	48,411	104,549
Sales and distribution costs	(16,362)	–	(16,362)	(12,589)	(29,090)
Administrative expenses	(25,789)	(334)	(26,123)	(23,883)	(49,300)
Other operating income					
Profit on disposal of fixed assets	391	447	838	274	5,405
Other income	–	–	–	423	–
	391	447	838	697	5,405
<b>Profit from operations</b> (note 2)					
Existing activities	15,339	(841)	14,498	12,967	29,865
Acquired activities – (loss)	–	–	–	(331)	1,699
	15,339	(841)	14,498	12,636	31,564
Investment income	5,440	–	5,440	5,032	10,171
Finance costs	(7,413)	–	(7,413)	(6,924)	(14,179)
<b>Profit before tax</b>	13,366	(841)	12,525	10,744	27,556
Income tax expense (note 4)	(4,210)	(121)	(4,331)	(3,927)	(7,157)
<b>Profit for the period from continuing operations</b>	9,156	(962)	8,194	6,817	20,399
Loss from discontinued operations	–	–	–	(14,115)	(14,084)
<b>Net profit/(loss) for the period</b>	9,156	(962)	8,194	(7,298)	6,315
<b>Basic and diluted earnings/(loss) per share</b> (note 6)					
From continuing operations			7.95p	6.62p	19.80p
From continuing and discontinued operations			7.95p	(7.08p)	6.13p

## CONDENSED CONSOLIDATED BALANCE SHEET

	1 February 2008	2 February 2007	3 August 2007
	£'000	£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	141,824	159,490	147,006
Goodwill	54,679	54,996	54,679
Other intangible assets	1,755	1,682	1,394
Deferred tax assets	7,004	6,246	4,785
Other non-current assets	3,176	125	338
	<b>208,438</b>	<b>222,539</b>	<b>208,202</b>
<b>Current assets</b>			
Inventories	13,340	13,804	13,824
Trade and other receivables	81,077	71,793	78,750
Cash and cash equivalents	14,144	9,550	7,547
Assets held for sale	4,604	–	3,345
	<b>113,165</b>	<b>95,147</b>	<b>103,466</b>
<b>Total assets</b>	<b>321,603</b>	<b>317,686</b>	<b>311,668</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	72,165	56,494	57,485
Loans and bank overdrafts	358	47,693	2,327
Other financial liabilities	382	433	419
Current tax payable	5,170	5,188	4,293
Deferred income	196	250	222
Provisions	2,322	1,281	2,973
	<b>80,593</b>	<b>111,339</b>	<b>67,719</b>
<b>Non-current liabilities</b>			
Loans and bank overdrafts	28,540	–	27,892
Retirement benefit obligations (note 9)	55,008	47,162	45,203
Deferred income	1,384	130	1,604
Other financial liabilities	79	1,527	521
Provisions	1,695	1,582	4,202
	<b>86,706</b>	<b>50,401</b>	<b>79,422</b>
<b>Total liabilities</b>	<b>167,299</b>	<b>161,740</b>	<b>147,141</b>
<b>Net assets</b>	<b>154,304</b>	<b>155,946</b>	<b>164,527</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	10,355	10,355	10,355
Other reserves (note 7)	46,061	45,468	45,127
Retained earnings (note 8)	97,888	100,123	109,045
<b>Total equity</b>	<b>154,304</b>	<b>155,946</b>	<b>164,527</b>

This interim statement was approved by the board of directors on 31 March 2008.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	26 weeks to 1 February 2008 £'000	27 weeks to 2 February 2007 £'000	53 weeks to 3 August 2007 £'000
<b>Operating activities</b>			
Cash generated from operations (note 10)	32,886	9,162	37,491
Interest received	247	257	465
Interest paid	(823)	(961)	(2,530)
Income taxes paid	(3,017)	(1,625)	(5,946)
<b>Net cash from operating activities</b>	<b>29,293</b>	<b>6,833</b>	<b>29,480</b>
<b>Investing activities</b>			
Acquisitions, net of cash acquired	–	(18,357)	(18,358)
Purchase of property, plant and equipment	(8,640)	(10,901)	(20,396)
Purchase of other intangibles	(816)	(739)	(813)
Proceeds on disposal of property, plant and equipment	1,189	1,915	7,784
Disposal proceeds of subsidiary, net of cash disposed	–	3,911	4,288
Regional grants received	–	–	1,092
<b>Net cash used in investing activities</b>	<b>(8,267)</b>	<b>(24,171)</b>	<b>(26,403)</b>
<b>Financing activities</b>			
Loan notes redeemed	–	(339)	(1,287)
Capital element of finance lease rentals	(211)	(109)	(335)
Dividends paid (note 5)	(12,521)	(12,521)	(17,673)
Increase in bank loans	–	–	10,000
(Decrease)/increase in bank overdrafts	(1,969)	27,532	1,641
<b>Net cash (used in)/generated from financing activities</b>	<b>(14,701)</b>	<b>14,563</b>	<b>(7,654)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,325</b>	<b>(2,775)</b>	<b>(4,577)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,547</b>	<b>12,620</b>	<b>12,620</b>
Effect of foreign exchange rate changes	272	(295)	(496)
<b>Cash and cash equivalents at end of period (note 10)</b>	<b>14,144</b>	<b>9,550</b>	<b>7,547</b>

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	26 weeks to 1 February 2008 <u>£'000</u>	27 weeks to 2 February 2007 <u>£'000</u>	53 weeks to 3 August 2007 <u>£'000</u>
Exchange gains/(losses) on translating foreign operations	905	(1,045)	(1,189)
Actuarial (losses)/gains on defined benefit pension schemes	(9,486)	12,472	14,936
Tax on items taken directly to equity	<u>2,656</u>	<u>(3,565)</u>	<u>(5,713)</u>
<b>Net (loss)/income recognised directly in equity</b>	<b>(5,925)</b>	7,862	8,034
Transfer to profit and loss from equity of exchange differences on disposal of foreign operation	-	38	38
Transfer to initial carrying amount of non-financial hedged items on cash flow hedges	-	-	85
Tax on items transferred from equity	-	-	(26)
Profit/(loss) for the period	<u>8,194</u>	<u>(7,298)</u>	<u>6,315</u>
<b>Total recognised income</b>	<b><u>2,269</u></b>	<b><u>602</u></b>	<b><u>14,446</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation

The interim statements have been prepared in accordance with IAS34 'Interim Financial Reporting', 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 interim statements have been prepared in accordance with the accounting policies set out in the Group's Annual Report and Accounts for 2007. Certain balance sheet items have been reclassified in the prior year comparatives to reflect changes in presentation. The interim statements have not been audited or reviewed.

The interim statements do not comprise statutory accounts for the purpose of section 240 of the Companies Act 1985. The abridged information for the fifty three weeks to 3 August 2007 has been extracted from the Group's statutory accounts for that period which have been filed with the Registrar of Companies. The auditor's report in the accounts of the Group for that period was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 2. Segment reporting

The Group manages its business on a market segment basis. 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 this presentation better reflects their profitability. As part of a reorganisation to improve plant utilisation, two UK operating sites have been transferred from the Print & Display division reported within Media Products to the Direct division within Commercial Products. Segmental results in the prior half year and full year segmental analysis comparatives have been adjusted to reflect these changes in presentation.

#### Business segments

	26 weeks to 1 February 2008				
	Media Products	Commercial Products	USA	Elimination	Total
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
External sales	90,735	107,512	24,941	–	223,188
Inter-segment sales	1,339	1,872	–	(3,211)	–
<b>Total revenue</b>	<b>92,074</b>	<b>109,384</b>	<b>24,941</b>	<b>(3,211)</b>	<b>223,188</b>
<b>Result</b>					
Segment result	10,733	2,698	1,067	–	14,498
Add back restructuring costs, provision releases and other one-off items	1,727	(886)	–	–	841
Segment result before restructuring costs, provision releases and other one-off items	12,460	1,812	1,067	–	15,339
Total restructuring costs, provision releases and other one-off items					(841)
Profit from continuing operations					14,498
Investment income					5,440
Finance costs					(7,413)
Profit before tax					12,525
Income tax expense					(4,331)
<b>Profit for the period from continuing operations</b>					<b>8,194</b>

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Segment reporting *continued*

Business segments *continued*

	27 weeks to 2 February 2007				
	Media Products	Commercial Products	USA	Elimination	Total
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
External sales	85,628	89,975	33,597	–	209,200
Inter-segment sales	1,276	1,458	42	(2,776)	–
<b>Total revenue</b>	<b>86,904</b>	<b>91,433</b>	<b>33,639</b>	<b>(2,776)</b>	<b>209,200</b>
<b>Result</b>					
Segment result	11,165	1,550	671	–	13,386
Add back restructuring costs, provision releases and other one-off items	–	(86)	–	–	(86)
Segment result before restructuring costs, provision releases and other one-off items	11,165	1,464	671	–	13,300
Total restructuring costs, provision releases and other one-off items					(664)
Profit from continuing operations					12,636
Investment income					5,032
Finance costs					(6,924)
Profit before tax					10,744
Income tax expense					(3,927)
<b>Profit for the period from continuing operations</b>					<b>6,817</b>

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 2. Segment reporting *continued*

#### Business segments *continued*

	53 weeks to 3 August 2007				
	Media Products	Commercial Products	USA	Elimination	Total
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
External sales	174,350	191,414	59,266	–	425,030
Inter-segment sales	2,210	2,999	28	(5,237)	–
<b>Total revenue</b>	<b>176,560</b>	<b>194,413</b>	<b>59,294</b>	<b>(5,237)</b>	<b>425,030</b>
<b>Result</b>					
Segment result	24,352	4,874	(1,145)	–	28,081
Add back restructuring costs, provision releases and other one-off items	1,982	1,626	2,640	–	6,248
Segment 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 continuing operations					31,564
Investment income					10,171
Finance costs					(14,179)
Profit before tax					27,556
Income tax expense					(7,157)
<b>Profit for the period from continuing operations</b>					<b>20,399</b>

#### Geographical segments

The Media Products and Commercial Products business segments operate primarily in the UK, deriving more than 90% of their revenues and profits from operations and customers located in the UK. The USA segment operates exclusively in the United States.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

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

Restructuring costs, provision releases and other one-off items included within the income statement in respect of continuing operations are as follows:

	26 weeks to 1 February 2008	27 weeks to 2 February 2007	53 weeks to 3 August 2007
	£'000	£'000	£'000
<b>(Expense)/income</b>			
Restructuring items			
Redundancies, impairments and other charges	(2,527)	(188)	(7,008)
Provision releases	1,432	–	42
Profit on disposal of fixed assets	447	274	4,809
	<b>(648)</b>	86	(2,157)
Other			
Bid approach costs	–	(750)	(608)
Press fire	(193)	–	–
	<b>(841)</b>	(664)	(2,765)
Related income tax	(121)	(176)	2,303
	<b>(962)</b>	(840)	(462)

Within restructuring items, redundancies impairments and other charges include asset write downs, redundancy, and other costs within the Media Products and Commercial Products segments. Impairment charges of £2,137,000 were recorded in the Netherlands Print & Display business within the Media Products segment, following further deterioration in the market outlook. The release of provisions in the period relates to the Media Products and Commercial Products segments following the finalisation of related activities. Profit on the sale of fixed assets relates to disposals of plant and machinery in the Commercial Products segment.

The press fire item includes costs arising from the fire at the Peterborough plant (within the Media Products segment) which are not recoverable through insurance due to being below the policy excess.

### 4. Tax

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

	26 weeks to 1 February 2008	27 weeks to 2 February 2007	53 weeks to 3 August 2007
	£'000	£'000	£'000
United Kingdom income tax	4,217	3,751	7,821
Overseas income tax	114	176	(664)
	<b>4,331</b>	3,927	7,157

The phased abolition of Industrial Buildings Allowances which will be enacted in the UK Finance Act 2008 is expected to increase the deferred tax liability by £5.7 million, based on capital expenditure incurred as of 1 February 2008. This change will be recorded in the second half of the current financial year under the income statement column restructuring costs, provision releases and other one-off items.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 5. Dividends

		26 weeks to 1 February 2008	27 weeks to 2 February 2007	53 weeks to 3 August 2007
	per share	£'000	£'000	£'000
Final dividend paid for the 52 weeks ended 28 July 2006	12.15p	–	12,521	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	<b>12,521</b>	–	–
Dividends paid during the period		<b>12,521</b>	12,521	17,673
Proposed interim dividend for the 26 weeks to 1 February 2008	5.00p	<b>5,152</b>		

### 6. Earnings per share

#### Number of shares

	26 weeks to 1 February 2008	27 weeks to 2 February 2007	53 weeks to 3 August 2007
	million	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>103.1</b>	103.0	103.1
Diluted potential ordinary shares from share options	–	–	–
Diluted weighted average number of shares	<b>103.1</b>	103.0	103.1

#### Basic and diluted earnings per share

	26 weeks to 1 February 2008		27 weeks to 2 February 2007		53 weeks to 3 August 2007	
	Earnings £'000	Earnings per share pence	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	<b>8,194</b>	<b>7.95</b>	6,817	6.62	20,399	19.80
Restructuring costs, provision releases and other one-off items	<b>962</b>	<b>0.93</b>	840	0.81	462	0.45
Adjusted earnings and adjusted earnings per share	<b>9,156</b>	<b>8.88</b>	7,657	7.43	20,861	20.25
Losses and loss per share from discontinued activities						
Losses and basic loss per share	–	–	(14,115)	(13.70)	(14,084)	(13.67)
Restructuring costs, provision releases and other one-off items	–	–	13,284	12.89	13,219	12.83
Adjusted losses and adjusted loss per share	–	–	(831)	(0.81)	(865)	(0.84)
Basic earnings/(loss) per share from continuing and discontinued activities		<b>7.95</b>		(7.08)		6.13

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 7. Other reserves

	Share premium	ESOP reserve	Capital redemption reserve	Share option reserve	Hedging and translation reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 28 July 2006	46,689	(1,913)	1,238	209	111	46,334
Exchange differences and related tax	–	–	–	–	(868)	(868)
Foreign exchange losses recycled to profit and loss	–	–	–	–	38	38
Recognition of share-based payments	–	–	–	(36)	–	(36)
Balance at 2 February 2007	46,689	(1,913)	1,238	173	(719)	45,468
Exchange differences and related tax	–	–	–	–	(289)	(289)
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	–	–	–	(111)	–	(111)
Balance at 3 August 2007	46,689	(1,913)	1,238	62	(949)	45,127
Exchange differences and related tax	–	–	–	–	905	905
Recognition of share-based payments	–	–	–	29	–	29
<b>Balance at 1 February 2008</b>	<b>46,689</b>	<b>(1,913)</b>	<b>1,238</b>	<b>91</b>	<b>(44)</b>	<b>46,061</b>

### 8. Retained earnings

	£'000
Balance at 28 July 2006	111,212
Dividends paid	(12,521)
Loss for the period attributable to equity holders of the parent	(7,298)
Actuarial gains on defined benefit pension schemes, net of associated tax	8,730
Balance at 2 February 2007	100,123
Dividends paid	(5,152)
Profit for the period attributable to equity holders of the parent	13,613
Actuarial gains on defined benefit pension schemes, net of associated tax	461
Balance at 3 August 2007	109,045
Dividends paid	(12,521)
Profit for the period attributable to equity holders of the parent	8,194
Actuarial losses on defined benefit pension schemes, net of associated tax	(6,830)
<b>Balance at 1 February 2008</b>	<b>97,888</b>

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 9. Retirement benefits

The net liability in respect of retirement benefit obligations of £55.0 million at the balance sheet date has increased compared to 3 August 2007 (£45.2 million) primarily due to the use of more conservative mortality assumptions as well as an increase in the expected rate of inflation from 3.1% to 3.4%.

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

#### Reconciliation of cash generated from operations

	26 weeks to 1 February 2008	27 weeks to 2 February 2007	53 weeks to 3 August 2007
	£'000	£'000	£'000
Profit from continuing operations	14,498	12,636	31,564
Loss from discontinued operations	–	(1,187)	(991)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	13,553	13,227	26,670
Amortisation of intangible assets	467	196	810
Gain on disposal of property, plant and equipment	(838)	(697)	(5,405)
Deferred income	(246)	(112)	(218)
Share-based payment expense/(credit)	29	(36)	(147)
Decrease in retirement benefit obligations	(657)	(744)	(1,112)
(Decrease)/increase in provisions	(3,516)	(947)	2,098
Operating cash flows before movements in working capital	23,290	22,336	53,269
Decrease/(increase) in inventories	625	(606)	(726)
(Increase)/decrease in receivables	(4,532)	2,193	(6,157)
Increase/(decrease) in payables	13,503	(14,761)	(8,895)
<b>Cash generated from operations</b>	<b>32,886</b>	<b>9,162</b>	<b>37,491</b>

#### Analysis of net debt

	3 August 2007	Cash flow	Exchange movements	1 February 2008
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,547	6,329	268	14,144
Bank overdrafts	(1,969)	1,969	–	–
Bank loans	(27,892)	–	(648)	(28,540)
Loan notes	(358)	–	–	(358)
Finance leases	(627)	211	–	(416)
	(23,299)	8,509	(380)	(15,170)

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

Finance lease obligations are included within other financial liabilities under current liabilities and non-current liabilities

11. A copy of the half yearly statement will be sent to all shareholders.