

5 October 2010

**ST IVES plc**

**Preliminary Results for the 52 weeks ended 30 July 2010**

St Ives plc, the UK's leading print and marketing services group, announces preliminary results for the 52 weeks ended 30 July 2010.

**Group Financial Highlights**

- Revenue £362.3m (2009: £386.8m)
- Underlying\* profit before tax £14.4m (2009: £7.3m)
- Profit before tax\* £8.1m (2009: loss £7.2m)
- Underlying\* earnings per share 9.65p (2009: 4.94p)
- Earnings per share 7.51p (2009: loss 6.14p)
- Total dividends 3.50p per share (2009: 2.25p per share)
- Net debt £2.7m (2009: £19.0m)

\* Continuing operations before non-underlying items which comprise restructuring costs, provision releases, operating results of non-continuing operations, amortisation of acquired intangibles and one-off items.

**Operational Highlights**

The following steps have been taken to rationalise the business and reduce costs:

- Magazines and Direct Response: closure of Andover and Edenbridge sites and sale of Romford property
- Exhibitions and Events: consolidation of manufacturing from Salisbury into Wandsworth, and closure of Hayes site
- Crayford, Edenbridge and St Ives House properties for sale

The Group's position is being consolidated by management:

- Investing in both Books and Exhibitions and Events
- Strengthening the management and sales teams
- Winning new contracts and renewals: Game and Warburtons; HarperCollins and M&S

Management is driving growth by:

- Capitalising on our ability to cross sell by leveraging our offering across blue chip client base
- Increasing our range of services, as demonstrated by Occam acquisition

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A **St Ives** Company

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

“We are pleased to report significant progress as the Group continues to restructure its activities and implement plans to reposition the business.

Our strategy is to move away from the commoditised end of the print market and to grow a portfolio of products and services within the St Ives Group with the ability to help our customers maximise returns from their investment in print.

We are confident that the actions we have taken to date and the strategy we are pursuing will ensure the Group is well placed to take advantage as markets recover and that our financial strength will support our plans.”

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## Chairman's Statement

Despite the challenging market conditions, results this year have improved. Although revenues were reduced, reflecting both continuing pressure on prices and our own unwillingness to take on work on uneconomic terms, underlying profit grew markedly – almost doubling at the pre-tax level. At the same time, cash-flow was strongly positive. Despite significant expenditures on new investment, rationalisation and consolidation, and the acquisition of Occam DM Limited ('Occam'), net debt at the year end reduced from £19.0 million at 31 July 2009 to £2.7 million. On an underlying basis, gross margin and margin at the operating profit and pre-tax level, as well as return on capital employed, have all increased considerably, which is a result of the actions which management has taken to reduce cost and improve efficiency, to sharpen focus on those parts of the market where customers attach a value to service, and to manage working capital more aggressively. Progress has also been made in realising surplus assets.

The board is recommending a final dividend of 1.75 pence per share, bringing the total dividends in respect of the year to 3.50 pence per share, an increase of 56 per cent. At this level, the dividend is covered 2.8 times by underlying profit after tax, which we regard as appropriate in current economic conditions.

Great efforts have been made to concentrate on those segments of the market where customers' needs match our capabilities and where there is a requirement for ancillary and added value services in addition to the core printed product. This focus will continue. The acquisition of Occam, a leading UK database marketing company, towards the end of the financial year marks an important step in the development of additional communication and marketing services associated with the supply of printed material.

On behalf of the board, I must thank all our staff for their contribution to the year's outcome – especially to be commended in the current challenging economic climate and given the level of restructuring that has been undertaken within the business. David Best leaves the board at the Annual General Meeting at the end of November; we thank him for his contribution during his time with us, in particular in his role as Chairman of the Audit Committee. We welcome Mike Butterworth, the Finance Director of Cookson Group plc, who joined the board as a non-executive director at the start of the new financial year.

Our markets remain volatile and the outlook uncertain. We have no expectation that the terms of trade in any of our markets will improve significantly in the immediate future. We shall continue only to provide services where we are able to generate an acceptable overall return for our shareholders and will keep all our capabilities under close review to ensure that our own facilities remain appropriate to the needs of the marketplace. In addition, we will look at further acquisitions which we consider offer opportunities to enhance the development of the business through the addition of complementary services and capabilities. Our efforts to grow sales will be concentrated on those customers and segments which have a requirement for a range of communication services rather than commodity print.

**Miles Emley**

Chairman

5 October 2010

## Business Review

We are pleased to report significant progress as the Group continues to restructure its activities and implement plans to reposition the business.

We have successfully taken action to reduce our costs, enhance efficiencies and improve the work mix across the Group. The reduction in net debt to £2.7 million (2009 – £19.0 million) highlights the success of the actions taken and includes the cash cost of restructuring, the acquisition of Occam and ongoing investment in our existing businesses.

Trading conditions during the year continued to be very challenging and whilst we are yet to see any easing of pricing pressure within our markets, there are signs that volumes are stabilising. In comparison to last year, the reduction in sales in the second half of 3% compares favourably to the 10% fall recorded in the first half. Underlying Group sales revenue of £361.9 million was 6% lower compared to the previous year but despite the reduction in sales, we have made significant progress in improving underlying operating profits to £16.0 million (2009 – £10.2 million), due to improved work mix and the actions taken to rationalise the business. In addition, we are pleased to have further strengthened the balance sheet.

### Key financial performance indicators

The board uses a range of key performance indicators ('KPIs') to measure past performance and as a basis for future planning. The most significant KPIs used by the Group are financial and are set out below; these replace the KPIs previously reported and have been updated to reflect the board's key priorities and areas of focus. KPIs in respect of environmental and employee matters are referred to in the report on Corporate and Social Responsibility included within the consolidated financial statements.

	2010	2009
Revenue growth	<b>(6.4%)</b>	(1.1%)
Underlying operating margin*	<b>4.4%</b>	2.6%
Cash conversion**	<b>213%</b>	337%
Underlying earnings per share*	<b>9.65p</b>	4.94p
Dividends per share	<b>3.50p</b>	2.25p

\* Continuing operations before non-underlying items

\*\* Operating profit converted to free cash flow before non-underlying items, interest and tax

### Media Products

Media Products represents 41% of Group external sales. This comprises the production of books and magazines and associated logistics for the UK market.

	2010 £'000	2009 £'000
Media Products total revenue before non-underlying items	<b>147,176</b>	154,492
Media Products operating profit before non-underlying items	<b>13,585</b>	12,341

### Books

The Group's book business accounted for 54% of Media Products' external sales. Sales were broadly flat versus the previous year at £79.7 million, as were net returns.

We have renewed a number of our contracts during the year including contracts to provide HarperCollins with distribution services and also for their manufacturing requirements.

The investment into an integrated digital book production system has been very successful and we are currently commissioning a print-on-demand digital device capable of economically producing single copies of titles as part of our overall service offering. We are very confident that this device will provide our customers with immediate benefit and further extend our offering as a single source solution.

## Business Review *continued*

### Books *continued*

The new warehouse facility has enabled us to offer a unique service whilst reducing the cost and time of fulfilment. As a result of our superior levels of service and reliability we have again produced the majority of the bestselling books which included the following titles:

For HarperCollins 'Wolf Hall' by Hilary Mantel; for Headline 'Hard Girls' by Martina Cole; for Hodder 'Burning Wire' by Jeffery Deaver; for Little, Brown 'Breaking Dawn' and 'Twilight' by Stephenie Meyer; for Orion 'The Return Journey' by Maeve Binchy; for Penguin 'Driven to Distraction' by Jeremy Clarkson and 'Juliet, Naked' by Nick Hornby; for Random House 'At Home' by Bill Bryson; for Quercus 'The Girl with the Dragon Tattoo', 'The Girl Who Played with Fire' and 'The Girl who Kicked the Hornet's Nest' by Stieg Larsson; and for Transworld 'The Lost Symbol' by Dan Brown.

### Magazines

Magazines for the consumer, business to business and contract publishing markets accounted for 46% of sales in the Media Products segment. Sales were 8% lower than the previous year but net returns were much improved as a result of the actions taken to reduce cost and improve efficiencies.

The market remains fiercely competitive with excess capacity continuing to drive prices down despite some reduction in overall capacity during the past twelve months. Our focus remains on producing products where there is a demand for service and/or high quality and despite the tough market conditions we have made good progress to achieve a better work mix across the business.

The closure of the Andover plant and transfer of work to other sites was completed successfully and following the further announcement to close the Edenbridge plant, part of the direct response and commercial business, we have installed one of its two presses at the Peterborough factory.

We have made progress to improve the throughput at our plants this year following a number of actions initiated by the new management team and we are benefiting from their broader manufacturing experience in other sectors. We will continue to seek opportunities to further reduce costs and if necessary remove capacity if we are unable to achieve acceptable levels of utilisation and margin. Whilst the magazine business remains loss making it continues to generate positive operating cash flows, it is well invested with state-of-the-art equipment and further progress will be made as market conditions improve.

### Commercial Products

Commercial Products accounts for approximately 59% of Group external sales and includes direct response and commercial printing (including print management services); point of sale for major retailers and brands; advertising materials for exhibitions and events; and our recently acquired database marketing business.

We are very pleased to have returned this segment to profit following the loss recorded in the previous financial year.

	2010 £'000	2009 £'000
Commercial Products total revenue before non-underlying items	<b>214,743</b>	232,290
Commercial Products operating profit/(loss) before non-underlying items	<b>2,428</b>	(2,191)

### Direct Response and Commercial

Direct response and commercial printing accounted for 47% of revenues in the Commercial Products segment. Market conditions continued to be extremely challenging and excess capacity again exerted downward pressure on prices. Despite the closure of our facility in Crayford during the last financial year, it was necessary to take further action to reduce capacity and consequently we announced the closure of our facility in Edenbridge.

## **Business Review** *continued*

### **Direct Response and Commercial** *continued*

Sales in the direct response and commercial businesses were significantly down compared to the previous year at £100.8 million but operating profit benefited from the actions to reduce cost, improve efficiencies and remove low margin work.

### **Point of sale**

Point of sale material for the UK retailers and international brands represented 38% of Commercial Products revenue at £81.8 million. Demand continues to be robust but ongoing price pressure has impacted upon our revenues and net margins. We have completed the appointment of a new senior management team into the business and have had some high profile wins in the retail market with Game Stores Group and for Warburtons' brand.

We have made good progress in strengthening relationships with our key retail accounts and in addition to the new contract wins commented on above, we have renewed our contracts with M&S, Wilkinson and Bacardi and continue to extend and build upon our relationship with Sainsbury's.

### **Exhibitions and Events**

Sales for the exhibitions, events and outdoor media business represented 15% of Commercial Product sales.

We have seen some signs of improvement in activity during the second half of the year and, as a result of the previous actions taken to reduce costs, we are pleased to have returned this business to a modest profit. We have announced the move of our Wandsworth operations to a new site in Chessington and a further consolidation of manufacturing from Salisbury into that new site. In addition to the planned new facility, we have invested in further output devices and IT systems to extend our capabilities, increase capacity and improve efficiency.

The new management team has made a great impact upon the performance of the business and we are confident in the team's ability to further improve the business going forward.

### **Data Management**

The Occam business was acquired on 1 June 2010 and has therefore had minimal impact on the financial results for 2009/2010. Occam is a leading supplier of marketing management software and innovative data-driven solutions for direct marketing requirements and we are delighted to be able to incorporate their expertise into the Group.

In addition to extending the range of services available within the Group, Occam supports our strategy to help our customers maximise returns from their investment in print by identifying and targeting the right audience, gaining insight into that audience and, utilising the Group's extensive facilities, outputting digitally produced personalised print.

### **Balance sheet**

The balance sheet has been further strengthened during the year and the Group continues to be very well invested; as a result, net capital expenditure was again lower than depreciation at £7.5 million. Underlying cash flow remains robust and net debt for the year end stood at £2.7 million (2009 – £19.0 million), an excellent performance given the impact on cash of funding cost reduction actions and the acquisition of Occam.

We disposed of our site in Romford during the year but continue to hold some surplus property for sale, which now also includes the sites at Edenbridge. In addition, we are in the process of investigating the sale of our building in Lavington Street, Southwark and transferring our Head Office operations to new leased offices.

The Group's strong financial position ensures we have the necessary flexibility to invest to improve our business and take advantage of opportunities despite the current difficult trading conditions.

### **Strategy**

Our results this year show that we have already made good progress in restructuring our current business, improving efficiencies and margins and in developing our added value offerings. We have reduced our exposure to commoditised markets, invested in those businesses we believe will continue to generate acceptable returns and extended our offerings following the acquisition of Occam.

We continue to move away from supplying markets where print is commoditised, differentiated only by price and to focus upon customers where there is a requirement for quality and service. We seek to build partnerships with our customers and to add value through long term relationships and to provide both manufacturing solutions and other services linked to the effective use of print.

The Group benefits from strong relationships with blue chip organisations across a number of markets. Our initiative to cross sell into the existing customer base is ongoing and we are pleased with the progress we are making. We have invested in further strengthening and developing our sales resource throughout the Group and in building a Group sales team.

Our extensive range of added value services combined with our unrivalled modern production and fulfilment facilities enable us to offer integrated solutions for multi-channel communications, complex manufacture and fulfilment from a single source.

The acquisition of Occam is another step in developing our strategy, adding to existing capabilities and providing us with data gathering and data analysis expertise critical to helping our customers identify and gain insight into their target audience and to measure return on investment. Occam is a great fit with our business and the Group will benefit from their skills and in turn provide them with access to markets and customers previously unavailable to them. We expect to continue to build upon our offering of non-print services both through acquisition and organic development.

Our uniqueness as a Group is the range and diversity of products and services supplied to a blue chip customer base across a number of markets.

### **Outlook**

The challenges to traditional print markets, driven by both cyclical and structural changes, have resulted in extremely difficult trading conditions but also represent an opportunity for us to extend and add greater value to our services by printing only what is required, delivering it directly and efficiently to where it is needed and to ensuring it is relevant.

We start the new financial year against a backdrop of improved financial performance and having made good progress to execute our strategy. There is still much to do and improvements in trading conditions are likely to take some time. We are confident that the actions we have taken to date and the strategy we are pursuing will ensure the Group is well placed to take advantage as markets recover and that our financial strength will support our plans and continue to set us apart from our competition.

**Patrick Martell**

Chief Executive

5 October 2010

## Financial Review

### Overview of revenue

Underlying revenue for the Group from continuing operations reduced by £24.9 million (6.4%) to £361.9 million. Revenue of £0.9 million is included for Occam, acquired 1 June 2010. At the half year, revenue had declined by 10% versus the prior year although this decline slowed in our third and fourth quarters to 3.2% and 1.1% respectively.

Media Products' revenue decreased by £7.3 million (4.7%). Revenue decreased by 1.4% in the Books business but market share was maintained. Magazine revenue decreased by 8.4% as pagination and run length reductions, along with title closures, offset any new title wins during the period. The loss of the IPC magazine business did not have a significant effect in the year and we have been successful in replacing a significant part of this work for the coming year.

Commercial Products' revenue decreased by £17.5 million (7.6%). Direct Response and Commercial revenue declined by 10.0%, partly due to planned reductions in capacity and the removal of less profitable work from the overall mix. Revenue for the Point of sale business reduced by £7.0 million (7.9%), partly as a result of margin pressure being passed down the supply chain resulting in certain volumes being declined due to unsustainable pricing levels. Revenue from our Exhibitions and Events business was broadly in line with the prior year although in the second half of the financial year we experienced an encouraging increase in activity.

From a geographical point of view, 97% of our Commercial and Media Products' revenue is generated within the UK.

### Gross margin and underlying profitability

Although the revenue decline detailed above is partly due to pricing pressure, gross margins have increased to 22.9% (2009 – 21.7%). The margin increase is due to improved work mix, lower levels of outsourced work, improved production efficiencies, successful procurement initiatives and the labour cost reductions resulting from restructuring activities (principally site closures).

Sales and administrative overheads decreased by £6.8 million to 18.6% of revenue (2009 – 19.2%) due primarily to the significant headcount reductions that have been made across the Group associated with the restructuring activities mentioned above.

As a result of these management actions, underlying profit before taxation for the Group increased from £7.3 million to £14.4 million (1.9% to 4.0% of revenue).

### Non-underlying items

The Group has undergone further restructuring during the year in order to mitigate the effects of the economic downturn, remove excess capacity and improve operating performance.

The £6.3 million charge (2009 – £14.5 million), before tax, primarily relates to: the closure of our Edenbridge site and further redundancy-related costs within our magazines and direct response and commercial businesses of £5.6 million; the closure of our Hayes site and further redundancy-related costs within our exhibitions and events business of £1.4 million; the closure of excess warehousing capacity within our point of sale business of £0.5 million; and transaction costs associated with the acquisition of Occam of £0.4 million, partially offset by a gain on the sale of our Romford property of £1.6 million.

### **Balance sheet**

The balance sheet has strengthened with net assets increasing to £129.9 million (2009 – £122.1 million). The movement reflects the profit after taxation of £7.7 million; dividends of £2.3 million and actuarial gains on the defined benefits pension scheme (net of deferred tax) of £2.4 million.

### **Net debt**

Net debt decreased during the year from £19.0 million to £2.7 million. The major contributing factors to the movement are an improvement in underlying profitability, further significant improvements in working capital and a further reduction in net capital expenditure.

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

### **Capital expenditure and depreciation**

Capital expenditure in cash flow terms on property, plant and equipment, together with additions to intangible assets, other than in the context of acquisitions, was £12.1 million (2009 – £19.8 million) and cash receipts from asset disposals were £4.6 million (2009 – £5.0 million). Depreciation, amortisation and impairment charged in the year was £20.2 million (2009 – £23.9 million). All of our businesses are very well invested and we are therefore able to operate at reduced levels of capital expenditure versus historic levels without any deterioration in our competitive advantage. We will, however, continue to invest in those businesses that present opportunities for growth.

### **Acquisition**

On 1 June 2010, the Group acquired Occam DM Limited, one of the UK's leading database marketing companies. The total consideration payable for the business was £11.7 million.

### **Tax**

The Group's tax rate on profit before non-underlying items was 31.0% (2009 – 30.1%). The increase is due to a prior year adjustment positively affecting the prior year rate; excluding this adjustment, the underlying rate has reduced due to the leverage effect of higher profits on relatively fixed non-deductibles during the 2010 financial year.

### **Dividends**

The board is recommending a final dividend of 1.75p, bringing the total dividends for the year to 3.50p, resulting in an underlying cover of 2.8 times.

The Group remains cash generative and net debt in relation to net tangible assets continues to be relatively low. Retained earnings in the Group balance sheet at 30 July 2010 were £73.4 million (2009 – £65.5 million).

### **Pensions**

The deficit (on an IAS 19 basis) in the defined benefits pension scheme at the end of the year, excluding the related deferred tax asset, was £32.9 million (2009 – £38.3 million). The decrease of the deficit is due, primarily, to an increase in the value of the scheme assets partially offset by a decrease in corporate bond yields (and therefore the discount rate) from 6.0% to 5.4%.

## **Financial Review** *continued*

### **Pensions** *continued*

The charge to underlying operating profit for this scheme was £0.2 million (2009 – £0.5 million) which represents the costs of administering the scheme. The income statement also includes a net financing cost of £0.4 million (2009 – £1.2 million) which reflects the fact that the benefits are one year closer to being paid, less the expected return on assets of the scheme based on market rates available at the start of the financial year.

The Group contributes £2.2 million per annum in order to meet its obligations regarding the current level of deficit within the scheme.

The triennial valuation for the scheme is under-way although it is unlikely that this exercise will be completed until the latter half of our new financial year.

### **Financial risk management and treasury policies**

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

The Group introduced an internal audit function in 2007. The Group's policy is to test all the business's 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 situation under constant review.

#### *Liquidity risk*

In September 2009 the Group concluded a £70.0 million committed revolving multicurrency credit agreement which expires 31 October 2012. At the year end the Group had unused facilities of £56.8 million.

#### *Foreign exchange risk*

The Group's trading, including purchases of property, plant and equipment, is principally in Sterling. Currency risk management relating to transactional business, if significant, is dealt with by the use of currency derivatives, which are mainly foreign currency forward contracts.

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

The majority of sales of the Group to its customers are made on credit. The Group maintains credit insurance covering its larger trade debtors. It is Group policy that all customers are granted credit subject to credit verification procedures. A rigorous system of credit control is applied and receivables are continually monitored. Bad debt provisions represented 4.6% (2009 – 5.2%) of gross trade debtors at the year end.

**Matt Armitage**

Finance Director

5 October 2010

## Consolidated Income Statement

	52 weeks to 30 July 2010			52 weeks to 31 July 2009			
	Note	Underlying £'000	Non- underlying* (note 3) £'000	Total £'000	Underlying £'000	Non- underlying* (note 3) £'000	Total £'000
<b>Revenue</b>	2	<b>361,919</b>	<b>337</b>	<b>362,256</b>	386,782	–	386,782
Cost of sales		(278,872)	(4,406)	(283,278)	(302,551)	(8,872)	(311,423)
<b>Gross profit</b>		<b>83,047</b>	<b>(4,069)</b>	<b>78,978</b>	84,231	(8,872)	75,359
Selling costs		(23,882)	(217)	(24,099)	(27,315)	(1,295)	(28,610)
Administrative expenses		(43,486)	(4,064)	(47,550)	(46,897)	(3,903)	(50,800)
Other operating income/(expense)		334	2,040	2,374	131	(462)	(331)
<b>Profit/(loss) from operations</b>	2	<b>16,013</b>	<b>(6,310)</b>	<b>9,703</b>	10,150	(14,532)	(4,382)
Investment income		13,267	–	13,267	12,857	–	12,857
Finance costs		(14,866)	–	(14,866)	(15,716)	–	(15,716)
<b>Profit/(loss) before tax</b>		<b>14,414</b>	<b>(6,310)</b>	<b>8,104</b>	7,291	(14,532)	(7,241)
Income tax (charge)/credit	4	(4,472)	4,106	(366)	(2,198)	3,114	916
<b>Profit/(loss) for the period from continuing operations</b>		<b>9,942</b>	<b>(2,204)</b>	<b>7,738</b>	5,093	(11,418)	(6,325)
Profit/(loss) from discontinued operations		–	–	–	476	(8,709)	(8,233)
<b>Net profit/(loss) for the period</b>		<b>9,942</b>	<b>(2,204)</b>	<b>7,738</b>	5,569	(20,127)	(14,558)
<b>Basic and diluted earnings per share (p)</b>							
From continuing operations:	6	9.65	(2.14)	7.51	4.94	(11.08)	(6.14)
From continuing and discontinued operations:	6	9.65	(2.14)	7.51	5.40	(19.53)	(14.13)

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

## Consolidated Statement of Comprehensive Income

	52 weeks to 30 July 2010 £'000	52 weeks to 31 July 2009 £'000
<b>Profit/(loss) for the period</b>	<b>7,738</b>	<b>(14,558)</b>
Exchange gains on translating foreign operations	–	275
Transfer to profit and loss from equity of exchange differences on disposal of foreign operations and repayment of foreign hedging loan	–	(235)
Actuarial gains/(losses) on defined benefits pension schemes	<b>3,835</b>	<b>(5,511)</b>
Transfers of gains on cash flow hedges to hedged items	<b>(209)</b>	–
Gains on cash flow hedges taken directly to equity	<b>59</b>	209
Tax (charge)/credit on items taken directly to equity	<b>(1,367)</b>	1,491
<b>Other comprehensive income/(expense) for the period</b>	<b>2,318</b>	<b>(3,771)</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>10,056</b>	<b>(18,329)</b>

## 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 1 August 2008	10,355	46,689	(1,913)	1,238	149	(40)	46,123	98,392	154,870
Loss for the period	–	–	–	–	–	–	–	(14,558)	(14,558)
Other comprehensive income/(loss) for the period	–	–	–	–	–	197	197	(3,968)	(3,771)
Comprehensive income/(loss) for the period	–	–	–	–	–	197	197	(18,526)	(18,329)
Dividends	–	–	–	–	–	–	–	(14,324)	(14,324)
Release of share-based payments	–	–	–	–	(149)	–	(149)	–	(149)
Balance at 31 July 2009	10,355	46,689	(1,913)	1,238	–	157	46,171	65,542	122,068
Profit for the period	–	–	–	–	–	–	–	7,738	7,738
Other comprehensive (loss)/income for the period	–	–	–	–	–	(114)	(114)	2,432	2,318
Comprehensive (loss)/income for the period	–	–	–	–	–	(114)	(114)	10,170	10,056
Dividends	–	–	–	–	–	–	–	(2,318)	(2,318)
Issue of share capital	3	17	–	–	–	–	17	–	20
Recognition of share-based payments	–	–	–	–	60	–	60	–	60
<b>Balance at 30 July 2010</b>	<b>10,358</b>	<b>46,706</b>	<b>(1,913)</b>	<b>1,238</b>	<b>60</b>	<b>43</b>	<b>46,134</b>	<b>73,394</b>	<b>129,886</b>

## Consolidated Balance Sheet

	Note	30 July 2010 £'000	31 July 2009 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		107,438	122,178
Goodwill		54,383	46,274
Other intangible assets		4,683	1,215
Financial assets		3,495	3,109
Deferred tax assets		1,355	3,484
Other non-current assets		202	1,415
		<b>171,556</b>	<b>177,675</b>
<b>Current assets</b>			
Inventories		10,112	10,642
Trade and other receivables		68,148	71,685
Current tax receivable		568	1,666
Derivative financial instruments		59	209
Cash and cash equivalents		10,515	14,016
Assets held for sale		2,140	1,282
		<b>91,542</b>	<b>99,500</b>
<b>Total assets</b>		<b>263,098</b>	<b>277,175</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		79,920	74,429
Loans and bank overdrafts		–	33,016
Deferred income		934	851
Provisions		3,752	5,421
		<b>84,606</b>	<b>113,717</b>
<b>Non-current liabilities</b>			
Loans		13,193	–
Retirement benefits obligations	7	32,887	38,283
Deferred income		593	983
Provisions		666	582
Deferred tax liability		1,267	1,542
		<b>48,606</b>	<b>41,390</b>
<b>Total liabilities</b>		<b>133,212</b>	<b>155,107</b>
<b>Net assets</b>		<b>129,886</b>	<b>122,068</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital		10,358	10,355
Other reserves		46,134	46,171
Retained earnings		73,394	65,542
<b>Total equity</b>		<b>129,886</b>	<b>122,068</b>

## Consolidated Cash Flow Statement

	Note	52 weeks to 30 July 2010 £'000	52 weeks to 31 July 2009 £'000
<b>Operating activities</b>			
Cash generated from operations	9	37,222	33,807
Interest paid		(1,160)	(1,779)
Income taxes received/(paid)		744	(2,680)
<b>Net cash generated from operating activities</b>		<b>36,806</b>	<b>29,348</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(11,245)	(19,197)
Purchase of other intangibles		(804)	(613)
Proceeds on disposal of property, plant and equipment		4,584	4,965
Disposal proceeds of subsidiary, net of cash disposed		–	20,608
Acquisition of subsidiary, net of cash acquired	8	(10,517)	–
<b>Net cash (used in)/generated from investing activities</b>		<b>(17,982)</b>	<b>5,763</b>
<b>Financing activities</b>			
Capital element of finance lease rentals		–	(230)
Dividends paid	5	(2,318)	(14,324)
Decrease in bank loans		(20,000)	(12,961)
<b>Net cash used in financing activities</b>		<b>(22,318)</b>	<b>(27,515)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,494)</b>	<b>7,596</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>14,016</b>	<b>5,635</b>
Effect of foreign exchange rate changes		(7)	785
<b>Cash and cash equivalents at end of period</b>		<b>10,515</b>	<b>14,016</b>

## Notes to the Preliminary Results

### 1. Basis of preparation

The preliminary results have been prepared on the basis of the accounting policies as set out in the Group's Annual Report and Accounts 2010. Certain balance sheet items have been reclassified in the prior year comparatives to reflect changes in presentation.

The financial information set out in the preliminary results does not comprise statutory accounts for the purpose of section 434 of the Companies Act 2006 in respect for the year ended 30 July 2010 and 31 July 2009.

The financial information for the year ended 30 July 2010 has been extracted from the Group's 2010 statutory accounts for that period which have been prepared on going concern basis and in accordance with the recognition and measurement principle of International Financial Reporting Standards as adopted by European Union ('IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The 2010 statutory accounts will be delivered to the Registrar of Companies following the Company's 2010 Annual General Meeting.

The financial information for the year ended 31 July 2009 has been extracted from the Group's statutory accounts for that period which have been delivered to the Registrar of Companies. The Auditor's report on both the Group's 2010 and 2009 statutory accounts were unqualified and did not contain statements under sections 498(2) or 498(3) of the Companies Act 2006 in respect of the 2009 and 2010 statutory accounts.

### 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 non-underlying items are allocated to revenue generating segments.

The US segment was sold on 22 January 2009 and is classified as a discontinued operation throughout the comparative period. They are not included below.

Occam is recorded within the Commercial Products segment.

#### Business segments

	52 weeks to 30 July 2010			
	Media Products £'000	Commercial Products £'000	Elimination £'000	Total £'000
<b>Revenue</b>				
External sales	147,513	214,743	–	362,256
Inter-segment sales	3,084	3,519	(6,603)	–
<b>Total revenue</b>	<b>150,597</b>	<b>218,262</b>	<b>(6,603)</b>	<b>362,256</b>
<b>Result</b>				
Segmental result	11,643	(1,940)	–	9,703
Add back non-underlying items	1,942	4,368	–	6,310
Segmental result before non-underlying items	13,585	2,428	–	16,013
Total non-underlying items				(6,310)
Profit from operations				9,703
Investment income				13,267
Finance costs				(14,866)
Profit before tax				8,104
Income tax charge				(366)
<b>Profit for the period from continuing operations</b>				<b>7,738</b>

## Notes to the Preliminary Results *continued*

### 2. Segment reporting *continued*

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

### 3. Non-underlying items

Non-underlying items ('middle column' items) disclosed on the face of the consolidated income statement included in respect of continuing operations are as follows:

	2010 £'000	2009 £'000
<b>Expense/(income)</b>		
<b>Restructuring items</b>		
Redundancies, impairments and other charges	7,936	13,801
Provision releases	(612)	–
(Profit)/loss on disposal of fixed assets	(2,040)	807
Profit on disposal of Dutch music and multimedia business	–	(345)
	<b>5,284</b>	<b>14,263</b>
<b>Other</b>		
Operating losses from non-continuing operations	358	–
Amortisation of acquired intangibles	105	–
Remaining other non-underlying expenses	563	269
	<b>6,310</b>	<b>14,532</b>
Income tax credit	(4,106)	(3,114)
	<b>2,204</b>	<b>11,418</b>

### 3. Non-underlying items *continued*

#### **Restructuring items**

Included within redundancies, impairment and other charges are redundancies and other charges of £4,043,000 relating to the closure of the Edenbridge site. The activities of the Edenbridge site are recorded within the Commercial Products segment. Also included here are redundancy and other charges associated with restructuring activities within the Media Products and Commercial Products segments. Provision releases include the release of £420,000 in respect of costs associated with the Andover site closure recorded within the Media Products segment, and a release of £161,000 associated with the costs of maintaining the Romford building recorded within the Commercial Products segment. Profit on disposal of fixed assets includes a gain of £1,614,000 from the disposal of the Romford building which was held within the Commercial Products segment, as well as gains of £427,000 on disposal of plant and machinery in the Media Products segment.

#### **Other**

Operating losses from non-continuing operations classified as non-underlying items relate to operating results arising after the decision to close a site. In the period these arose in the Andover site recorded within the Media Products segment and the Hayes site recorded within the Commercial Products segment. Amortisation of acquired intangibles relates to customer relationships and in-house developed software acquired with Occam in the period. Remaining other non-underlying expenses comprise £418,000 of costs incurred in connection with the Occam acquisition, principally professional adviser fees, and £130,000 related to the settlement of a health-related legal claim from a former employee.

#### **Tax**

As well as the tax effects of the items noted above of £1,653,000, the tax credit of £4,106,000 includes a credit £2,453,000 comprised of the release of a deferred tax liability in respect of rolled over capital gains, the current tax effect of a carryback and offset of unrecognised trading losses in The Netherlands and the revaluation of net deferred tax liabilities following the substantial enactment of the reduction of the UK corporate tax rate from 28% to 27% from April 2011.

## Notes to the Preliminary Results *continued*

### 4. Income tax charge/(credit)

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

	Continuing operations		Discontinued operations		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
United Kingdom corporation tax charge/(credit) at 28% (2009 – 28%):						
Current year	<b>1,837</b>	4,152	–	(1,540)	<b>1,837</b>	2,612
Adjustments in respect of prior years	<b>(878)</b>	(469)	–	–	<b>(878)</b>	(469)
	<b>959</b>	3,683	–	(1,540)	<b>959</b>	2,143
Overseas current tax charge/(credit):						
Current year	–	–	–	69	–	69
Adjustments in respect of prior years	<b>(545)</b>	(98)	–	–	<b>(545)</b>	(98)
Total current tax charge/(credit)	<b>414</b>	3,585	–	(1,471)	<b>414</b>	2,114
Deferred tax on origination and reversal of temporary differences:						
United Kingdom deferred tax	<b>668</b>	(4,854)	–	–	<b>668</b>	(4,854)
Adjustments in respect of prior years	<b>(716)</b>	353	–	–	<b>(716)</b>	353
Total deferred tax credit (note 18)	<b>(48)</b>	(4,501)	–	–	<b>(48)</b>	(4,501)
Total income tax charge/(credit)	<b>366</b>	(916)	–	(1,471)	<b>366</b>	(2,387)

The income tax charge/(credit) on the profit/(loss) before and after non-underlying items is as follows:

	Continuing operations		Discontinued operations		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Tax charge on profit before non-underlying items	<b>4,472</b>	2,198	–	69	<b>4,472</b>	2,267
Tax credit on non-underlying items	<b>(4,106)</b>	(3,114)	–	(1,540)	<b>(4,106)</b>	(4,654)
	<b>366</b>	(916)	–	(1,471)	<b>366</b>	(2,387)

## Notes to the Preliminary Results *continued*

### 4. Income tax charge/(credit) *continued*

The charge can be reconciled to the profit before tax per the income statement as follows:

	Continuing operations		Discontinued operations		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit/(loss) before tax	<b>8,104</b>	(7,241)	–	(9,704)	<b>8,104</b>	(16,945)
Tax calculated at a rate of 28% (2009 – 28%)	<b>2,269</b>	(2,027)	–	(2,717)	<b>2,269</b>	(4,744)
Non-deductible losses on disposal of subsidiaries	–	–	–	2,870	–	2,870
Expenses not deductible for tax purposes	<b>580</b>	1,523	–	69	<b>580</b>	1,592
Non-taxable income	<b>(32)</b>	(293)	–	(1,540)	<b>(32)</b>	(1,833)
Overseas losses not recognised	–	96	–	–	–	96
Utilisation of losses previously unrecognised	–	–	–	(153)	–	(153)
Effect of change in UK corporate tax rate	<b>(312)</b>	–	–	–	<b>(312)</b>	–
Adjustments in respect of prior years	<b>(2,139)</b>	(215)	–	–	<b>(2,139)</b>	(215)
<b>Total income tax charge/(credit)</b>	<b>366</b>	(916)	–	(1,471)	<b>366</b>	(2,387)

### 5. Dividends

	per share	2010 £'000	2009 £'000
Final dividend paid for the 52 weeks ended 1 August 2008	12.15 p	–	12,521
Interim dividend paid for the 26 weeks to 30 January 2009	1.75 p	–	1,803
Final dividend paid for the 52 weeks ended 31 July 2009	0.50 p	<b>515</b>	–
Interim dividend paid for the 26 weeks to 29 January 2010	1.75 p	<b>1,803</b>	–
<b>Dividends paid during the period</b>		<b>2,318</b>	14,324
Proposed final dividend at the period end of 1.75p per share (2009 – 0.50p per share)		<b>1,803</b>	515

The proposed final dividend is subject to the approval by shareholders at the 2010 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:

#### Number of shares

	2010 '000	2009 '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>103,056</b>	103,051

#### Basic and diluted earnings per share

	2010		2009	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
<b>Earnings and earnings per share from continuing activities</b>				
Earnings/(losses) and basic earnings/(losses) per share	<b>7,738</b>	<b>7.51</b>	(6,325)	(6.14)
Non-underlying items	<b>2,204</b>	<b>2.14</b>	11,418	11.08
Underlying earnings and underlying earnings per share	<b>9,942</b>	<b>9.65</b>	5,093	4.94

	2010		2009	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
<b>Earnings and earnings per share from discontinued activities</b>				
Losses and basic losses per share	–	–	(8,233)	(7.99)
Non-underlying items	–	–	8,709	8.45
Underlying earnings and underlying earnings per share	–	–	476	0.46
<b>Basic earnings/(losses) per share from continuing and discontinued activities</b>	–	<b>7.51</b>	–	(14.13)

### 7. Retirement benefits

The net liability in respect of retirement benefits obligations of £32,887,000 at the balance sheet date has decreased compared to July 2009 (£38,283,000) due mainly to investment returns on scheme assets, partially offset by a decrease in the discount rate used to measure the retirement benefits obligations from 6.0% at 31 July 2009 to 5.4% at 30 July 2010.

## 8. Acquisitions

On 1 June 2010 the Group acquired 100% of all classes of shares in Occam DM Limited ('Occam'), a provider of marketing database services. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce. The fair values of the net assets acquired were as follows:

### Purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Software	–	1,628	1,628
Customer relationships	–	1,801	1,801
Property, plant and equipment	313	–	313
Inventories	226	–	226
Trade and other receivables	1,352	–	1,352
Bank balances and cash	340	–	340
Trade and other payables	(1,520)	–	(1,520)
Deferred tax liabilities	–	(535)	(535)
Net assets acquired	711	2,894	3,605
<b>Goodwill arising on acquisition</b>			<b>8,109</b>
			<b>11,714</b>

The fair value of the total consideration payable is as follows:

	£'000
Paid in cash prior to 30 July 2010	10,857
St Ives plc ordinary shares issued on 1 June 2010	20
Payable in cash or shares after 30 July 2010	837
<b>Total consideration</b>	<b>11,714</b>

The acquisition had the following impact on investing cash outflows in the period:

	£'000
Cash paid in the period	10,857
Cash acquired	(340)
<b>Net cash outflow in the period</b>	<b>10,517</b>

Of the £837,000 outstanding at 30 July 2010, £776,000 was paid in cash after the balance sheet date, and the balance of £61,000 was settled by 96,173 St Ives plc ordinary shares issued at 62.85p on 19 August 2010.

Had Occam been acquired at the beginning of the financial year, it would have had the following impact on the Group's underlying operating results:

	£'000
Revenue	7,566
Operating profit	718

## 9. Notes to the consolidated cash flow statement

### Reconciliation of cash generated from operations

	2010 £'000	2009 £'000
Profit/(loss) from continuing operations	<b>9,703</b>	(4,382)
Loss from discontinued operations	–	(9,547)
Adjustments for:		
Depreciation of property, plant and equipment	<b>18,303</b>	20,760
Loss on disposal of subsidiary	–	10,554
Impairment losses	<b>1,171</b>	2,219
Amortisation of intangible assets	<b>756</b>	923
(Profit)/loss on disposal of property, plant and equipment	<b>(2,374)</b>	368
Deferred income credit	<b>(307)</b>	(351)
Foreign exchange gains	–	(204)
Share-based payment charge/(credit)	<b>60</b>	(149)
Decrease in retirement benefit obligations	<b>(2,000)</b>	(16,805)
(Decrease)/increase in provisions	<b>(1,585)</b>	2,768
Operating cash inflows before movements in working capital	<b>23,727</b>	6,154
Decrease in inventories	<b>757</b>	260
Decrease in receivables	<b>5,829</b>	17,594
Increase in payables	<b>6,909</b>	9,799
Cash generated from operations	<b>37,222</b>	33,807

### Analysis of net debt

	31 July 2009 £'000	Cash flow £'000	Exchange movements £'000	30 July 2010 £'000
Cash and cash equivalents	14,016	(3,494)	(7)	<b>10,515</b>
Bank loans	(33,016)	20,000	(177)	<b>(13,193)</b>
	(19,000)	16,506	(184)	<b>(2,678)</b>

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

The effective interest rates on cash and cash equivalents are based on current market rates.

### Cash flows from discontinued operations

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

	2010 £'000	2009 £'000
Net cash generated from operating activities	–	1,691
Net cash generated from investing activities	–	2,232
Net increase in cash from discontinued activities	–	3,923

The foregoing contains forward looking statements made by the directors in good faith based on information available to them up to 5 October 2010. Such statements need to be read with caution due to inherent uncertainties, including economic and business risk factors underlying such statements.