ANNUAL REPORT 2008

St Ives plc

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Financial Highlights

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

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

All figures relate to continuing operations.

Chairman's Statement

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

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

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

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

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

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

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

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

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

Chairman's Statement *continued*

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

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

Miles Emley
Chairman

21 October 2008

Business Review

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

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

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

Media Products

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

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

Media Products represented 39% of Group external sales.

Books

Books accounted for around 45% of Media Products' external sales. Our book business continues to perform well and further progress has been made in winning market share. We continued to benefit from our market leading position and reputation for delivering unrivalled service throughout the year. This enabled us largely to offset the sales previously provided by Harry Potter titles.

Our strategy of focusing on time-sensitive products and expanding our added value services is improving our competitive position and involving us in the wider supply chain. This allows us to deliver more cost effective and efficient services. During the year we have successfully renewed a number of our key contracts and again produced a significant

Business Review *continued*

Books *continued*

proportion of the best selling titles including 'Friday Nights' (Joanna Trollope) for Bloomsbury; Lewis Hamilton's autobiography (Lewis Hamilton) for Harper Collins; 'My Manchester United Years' (Bobby Charlton) for Headline; 'My Booky Wook' (Russell Brand) for Hodder; 'Long Way Down' (Ewan McGregor and Charley Boorman) for Little, Brown; 'On the Edge' (Richard Hammond) for Orion; and 'The World According to Clarkson' (Jeremy Clarkson) for Penguin.

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

Magazines

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

The market remained extremely competitive and there has been a number of title closures. In addition, particularly in the second half, we experienced volatility in demand and many titles suffered a reduction in pagination. This made effective utilisation a challenge. However, our continued focus on shorter-run titles and specialist publications with high quality and demanding service requirements has seen us awarded a number of new contracts. These have helped offset price and volume reductions elsewhere and have resulted in an overall increase in sales.

In addition, we have successfully renewed or extended a number of existing contracts. We continue to work for many of the leading UK publishers including Condé Nast, Financial Times Group, Haymarket, IPC Media, The Economist and Time Out, mainly concentrating on titles with the most demanding service requirements.

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

Multimedia

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

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

Commercial Products

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

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

Commercial Products accounts for approximately 50% of Group external sales.

Direct Response and Commercial

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

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

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

Business Review *continued*

Direct Response and Commercial *continued*

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

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

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

Point-of-Sale

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

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

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

Exhibitions and Events

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

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

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

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

USA

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

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

This segment represents approximately 11% of Group Sales.

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

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

Business Review *continued*

Balance Sheet and Capital Expenditure

The Group has maintained a robust balance sheet and cash flow is strong. Net debt increased to £33.1 million which was partly attributable to the payment of £5.6 million into the pension scheme (the initial instalment of a £20.0 million special contribution associated with the closure of the scheme to future benefits accrual) referred to in the Financial Review.

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

Outlook

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

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

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

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

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

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

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

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

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

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

Brian Edwards

Chief Executive

21 October 2008

FINANCIAL REVIEW

Overview of revenue

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

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

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

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

The geographical breakdown of revenue is broadly in line with the segmental breakdown: 95% of the Commercial and Media Products' revenue is generated within the UK (the remaining 5% derives from the Rest of the World) and 100% of the revenue generated by the USA segment derives from North America.

Key financial performance indicators

The most significant key performance indicators ('KPIs') used by the Group are financial and are explained below. Other performance indicators of an operational nature are focused on individual machines, factories and divisions and, because of the varied and bespoke nature of the products and services provided by the Group, are specific to each operation. Consequently it is not possible to present operational indicators in a segmental context. KPIs in respect of environmental and employee matters are referred to under the sections on employees and St Ives and the environment, within the consolidated financial statements.

The financial KPIs are explained under each section. As reported in the Interim Statement, corporate costs before restructuring costs, provision releases and other one-off items are allocated to revenue generating segments. As part of a reorganisation to improve plant utilisation, two UK operating sites have been transferred from the Media Products segment to the Commercial Products segment. All prior year comparatives have been restated, where appropriate, to reflect these changes in presentation. The prior year Discontinued Operations, referenced in the KPIs below, relate to the Corporate Finance printing activities disposed of on 16 January 2007.

Operating profit by segment

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

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

Operating profit as a percentage of added value by segment

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

	2008 %	2007 %	change %
Media Products	**22.7**	22.7	0.0
Commercial Products	**6.7**	6.3	0.4
USA	**7.2**	4.5	2.7
Continuing Operations	**14.0**	13.6	0.4

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

Underlying EBITDA by segment

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

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

Free cash flow by segment

Free cash flow provides a measure of the Group's liquidity and the cash generated from its operations. Capital payments are the amounts, by segment, from the Consolidated Cash Flow Statement for the purchase of property, plant and machinery and other intangibles. By deducting the capital payments from the underlying EBITDA the cash available for acquisitions, dividends, tax and working capital is measured.

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

FINANCIAL REVIEW *continued*

Key financial performance indicators *continued*

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

Underlying gross margin and profitability

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

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

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

Restructuring costs, provision releases and other one-off items

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

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

The charge of £2.8 million, before tax, in 2007 is the net of profit on sale of property, plant and equipment of £4.8 million, approach defence costs of £0.6 million and rationalisation costs both in the UK and USA of £7.0 million to reduce further the cost base of the business.

Balance sheet

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

Net debt

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

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

In July 2007 the Group concluded an £80.0 million multicurrency agreement of which £55.0 million is a three-year revolving credit and £25.0 million overdraft facility. None of the debt is secured.

Capital expenditure and depreciation

Capital expenditure in cash flow terms on property, plant and equipment, together with additions to intangible assets, other than goodwill, was £22.8 million (2007 – £21.2 million) and cash receipts from asset disposals were £1.8 million (2007 – £7.8 million). Net capital-related outflow in the year was £21.0 million (2007 – £12.3 million). Depreciation, amortisation and impairment charged in the year was £28.2 million (2007 – £27.5 million).

Disposal

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

Income tax

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

The abolition of Industrial Buildings Allowances is mentioned above.

Dividends

The board is recommending a final dividend of 12.15p, bringing the total dividend for the year to 17.15p. The same total dividend has been paid in respect of each financial year from 2001. Although dividend cover based on underlying earnings from continuing operations is 1.23 times, the basic earnings per share are 15.76p so the dividend is uncovered by the net profit for the period. However, net profit for the period includes the negative impact of the abolition of Industrial Buildings Allowances of £5.4 million.

The Group remains cash generative and net debt in relation to net tangible assets continues to be relatively low. Retained earnings in the Group balance sheet at 1 August 2008 were £98.4 million (2007 – £109.0 million).

Pensions

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

The Group invited all members of the scheme to join a new defined contribution pension scheme from 1 September 2008. In addition, the Group made a special contribution of £20.0 million into the defined benefits scheme. The contribution was made in two stages: £5.6 million on 31 July 2008 and £14.4 million on 4 August 2008.

FINANCIAL REVIEW *continued*

Pensions *continued*

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

The charge to underlying operating profit for this scheme was £3.1 million (2007 – £3.7 million) which represents the costs of the benefits accrued to members of the scheme during the period. In addition, the curtailment credit of £5.0 million mentioned above has been categorised in the income statement within restructuring costs, provision releases and other one-off items. The income statement also includes a net financing cost of £2.0 million (2007 – £1.8 million) which represents the fact that the benefits are one year closer to being paid, less the expected return on assets of the scheme based on market rates available at the start of the financial year.

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

In addition to the special contribution of £20 million mentioned above, the Group will also contribute £2.2 million per annum, monthly with effect from 2 August 2008 in order to meet its obligations regarding the current level of deficit within the scheme.

Financial risk management and treasury policies

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

During the previous year the Group introduced an internal audit function. The Group's policy is to test all the divisions' trade cycles over a three-year period.

The Group's treasury function is responsible for managing the Group's exposure to financial risk and operates within a defined set of policies and procedures approved by the board.

The overall objective of the treasury policy is to use financial instruments to manage the financial risks that arise from the specific activities of the business. It follows, therefore, that the Group does not enter into speculative financial transactions for which there is no underlying business requirement.

Interest rate risk

The Group's borrowings are at floating interest rates. Interest as a proportion of profits before tax is relatively small and changes in interest rates have a low impact on profits. The Group keeps this under constant review.

Liquidity risk

As mentioned above, in the previous financial year, the Group secured an £80.0 million multicurrency agreement of which £55.0 million is for a three-year term. At the year end the Group had unused facilities of £41.5 million.

Foreign exchange risk

The Group's trading, including purchases of property, plant and equipment, is principally in the currency that each subsidiary operates. Translational risk relating to the capital employed in overseas subsidiaries is covered, in part, by the use of currency loans included in the multicurrency agreement. Currency risk management relating to transactional business, if significant, is dealt with by the use of currency derivatives, which are mainly foreign currency forward contracts.

Credit risk (trade receivables)

The majority of sales of the Group to its customers are made on credit. The Group maintains credit insurance covering its larger trade debtors. It is Group policy that all customers are granted credit subject to credit verification procedures. A rigorous system of credit control is applied and receivables are continually monitored. Bad debt provisions represented 3.0% (2007 – 5.2%) of gross trade debtors at the year end; this has reduced due to the successful implementation of the credit insurance mentioned above.

Matt Armitage

Finance Director

21 October 2008

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifty two weeks ended 1 August 2008.

Principal activities

The principal activities of the Group are described in the Business Review on pages 5 to 9.

The subsidiaries principally affecting the profits or net assets of the Group in the year are listed in note 37 of the financial statements.

Business and operating review

A detailed review of the performance of the Group and its future prospects can be found in the Business Review, the Financial Review and the note on financial risk management set out on pages 75 to 78 which should be read in conjunction with the Chairman's Statement which all form part of this report.

This report (together with the sections mentioned above which are incorporated by reference) has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by the law.

Results and dividends

The Group profit for the year before taxation for continuing and discontinued operations amounted to £32,360,000 (2007 – £13,288,000). The directors propose a final dividend of 12.15p for each ordinary share payable on 5 December 2008 to holders on the register as at 7 November 2008. If approved, the final dividend will make total dividends for the year of 17.15p per ordinary share:

	£'000
Ordinary dividends – interim	5,152
– proposed final	12,521

Share capital

Details of the Company's share capital which, authorised and issued, are of a single class of ordinary share of 10p each with no restrictions on voting rights are set out in note 28 to the financial statements.

Major interests in shares

As at 21 October 2008 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholder of the Company:

	Number of voting rights	%
Silchester International Investors Limited and its subsidiaries	18,591,470	17.95
Prudential plc and its subsidiaries	7,037,813	6.79
Aviva PLC and its subsidiaries	5,224,010	5.05
State Teachers' Retirement System of Ohio	5,213,741	5.03
Legal & General Group plc and its subsidiaries	4,718,341	4.55
Sanderson Asset Management Ltd	4,058,243	3.92

Directors

The present membership of the board is set out on page 28. Sue Tinson retired on 3 December 2007. The directors' interests in shares of the Company are set out on page 36 in the Directors' Remuneration Report.

The Company has made qualifying third party provisions for the benefit of its directors (as defined by Section 234 of the Companies Act 2006) which remain in force at the date of this report. The Company has entered into deeds of indemnity in favour of each of its directors (on identical terms) who served during the year, under which the Company has agreed to indemnify each director against liabilities incurred by that director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office.

Corporate and social responsibility

Relations with customers and suppliers

The Company deals with all of its customers and suppliers on an arm's length, commercial, basis and applies ethical trading values that makes it a disciplinary offence for any employee or director to offer gifts, bribes, or clearly excessive entertainment to customers in order to secure work. Employees and directors are not permitted to accept similar inducements from suppliers. The Company's 'whistle blowing policy' provides an avenue for detecting any breaches of its ethical trading policy.

Payment terms granted to customers are negotiated according to the amount at risk and the financial strength of the customer concerned. Work is either part billed as the work progresses or is invoiced when the work or service is completed. Ownership in the work does not usually pass until it is paid for.

Where it is considered to be appropriate and available, long-term supply agreements of between one and three years are sought for paper, ink and other consumables. In some cases the Group's interests are best served by purchasing goods and services on an ad hoc basis rather than pursuant to a long-term supply agreement. Reports on procurement matters are presented to the Company's board directors on a monthly basis. The Group may only be committed to agreements in excess of twelve months' duration or having an annual value in excess of £2.0 million with the authority of the board.

Customers have the final decision on which substrate they wish their work to be printed and, indeed, many of the larger book and magazine publishers prefer to supply their own paper for use in producing their work.

The Company's policy for retaining customers is to deliver consistency and reliability of service and quality; none of the Group's customers is tied in to an agreement that cannot be terminated in the event of under-performance.

It is the Group's normal practice to agree terms of trading, including payment terms, with all suppliers. Provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment should be made accordingly. The average creditor days outstanding at 1 August 2008 for the Group and the Company were 58 and 61 days, respectively (2007 – 35 and 33 days). Current period Group creditor days are based on a fifty two week period, one week less than the previous period and, on a comparable basis of creditor payment phasing, would have been 60 days in the previous period.

Employees

The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, gender, sexual orientation, marital status, race, colour, religion or belief.

It is the policy of the Group that disabled people, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's ability.

A 'dignity at work' policy operates to ensure, so far as is practicable, that the Company and its subsidiaries provide a working environment free from harassment and bullying and in which employees do not behave in a manner which may be offensive to others.

Employees of the Company and its subsidiaries are regularly consulted by local managers and kept informed of matters affecting them and the overall development of the Group.

Corporate and social responsibility *continued*

Details of the Group's pension schemes are set out in note 25 to the financial statements; all of the schemes are independently managed. The Group's defined contribution scheme is available to all eligible employees. The scheme was established in 2002 on the closure of the defined benefits scheme to new membership.

The investments of the Group's closed defined benefits scheme, which was closed to future accrual with effect from 31 August 2008, are managed separately, partly passively and partly actively under the direction of a trustee company ('the Trustee'). The fund managers of the actively managed portfolios are proscribed from holding any investment in the Group. No fund manager is permitted by the Trustee to lend to the Group. The number of directors of the Trustee is split equally between member-nominated and Company-nominated trustee directors, subject to casual vacancies which may arise from time to time.

In respect of employment matters the Group uses statistics of accidents resulting in three days' or more absence and total number of working days lost from all accidents as key performance indicators of the safety of its employees. In 2008 the total number of accidents which resulted in at least three days' absence each was 32 (2007 – 64) and the number of days' work lost from all accidents at work was 438 (2007 – 1,047).

St Ives and the environment

The board has established an environmental policy which is implemented through the Group's existing management structure. The policy concentrates on achieving a deliverable improvement in performance in consultation with suppliers, customers and employees. Specific areas targeted for continuous attention include the adoption, where practicable, of processes which reduce the Group's emissions of volatile organic compounds, noise and dust, minimising and recycling of waste products, recycling of water and securing reductions in energy consumption. The Group continues to make good progress towards improving its performance in the areas identified for attention and, during the year nineteen of the Group's twenty two UK operating sites achieved ISO14001 accreditation. The remainder are scheduled to complete their audits by the end of March 2009.

The Group is on course to meet the targets set for the 2008 calendar year for the UK sites which are signatories to Climate Change Levy Agreements, thereby helping to contain the net financial impact on the Group of the Climate Change Levy. The next milestone year, for which targets have been set, is in 2010.

The key performance indicators used to measure environmental performance are:

(a) waste sent to landfill;

(b) water consumption; and

(c) gas and electricity usage ('energy efficiency')

per square metre of substrate (usually, but not always, paper or board).

In the year waste was reduced by 12.2 per cent (2007 – 3.3 per cent); water consumption was reduced by 5.8 per cent (2007 – 8.8 per cent); and energy efficiency improved by 3.7 per cent (2007 – 0.3 per cent) compared to the previous year's figures.

Individual targets are set on a site by site basis to improve the Group's overall environmental performance and these are set out in the Group's latest Environmental Report which is available, on request, from the Company Secretary.

Charitable and political donations

The Group made charitable donations of £15,557 during the year (2007 – £8,600) principally to local charities serving communities in which the Group operates. No political donations were made in either year.

Shareholder relations

The board attaches considerable importance to the maintenance of good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations, sometimes at production sites, involving the Group's Chief Executive and Finance Director. Major shareholders are given the opportunity to meet with the non-executive directors. The board receives an investor relations report at each of its meetings.

The Annual General Meeting is regarded as an opportunity to communicate directly with shareholders and the chairmen of the Audit and Remuneration Committees are available at the Annual General Meeting to answer shareholders' questions. The Notice of this year's Annual General Meeting has been circulated more than twenty working days prior to the meeting, in accordance with the Combined Code.

Annual general meeting

The Notice of Annual General Meeting 2008 includes the following business in addition to routine business:

(a) Authority for the directors to allot ordinary shares

At the Annual General Meeting of the Company held on 3 December 2007, the directors were authorised, for the purpose of Section 80 of the Companies Act 1985 (the '1985 Act') to allot relevant securities up to an aggregate of £3,580,000. This amount represents approximately one-third of the issued ordinary share capital of the Company, together with relevant securities which may be issued pursuant to outstanding options under the Group's discretionary share option schemes and savings-related share option schemes. A resolution will be proposed at the Annual General Meeting 2008 to renew this authority.

(b) Partial disapplication of pre-emption rights

The 1985 Act requires that pre-emption rights must be applied to any issue of shares for cash unless shareholders have given their consent to the waiver of such rights. A resolution will therefore be proposed at the Annual General Meeting 2008 to enable the directors to issue shares for cash (other than by way of a rights issue or pursuant to the Group's share option schemes) up to a maximum of 5,150,000 ordinary shares, representing approximately 5 per cent of the issued ordinary share capital, without applying pre-emption rights.

Details of the Company's authorised and issued share capital are set out in note 28 to the financial statements.

(c) Authority for the Company to purchase its own ordinary shares

At the Annual General Meeting of the Company held on 3 December 2007, the directors were authorised on behalf of the Company to purchase the Company's ordinary shares which are traded on the London Stock Exchange's main market for listed securities. A resolution will be proposed at the Annual General Meeting 2008 to renew this authority to purchase up to 10,300,000 ordinary shares, being approximately 10 per cent of the issued ordinary share capital of the Company. The directors will continue only to exercise such power if it is anticipated that it would result in an increase in the earnings per share attributable to the ordinary share capital of the Company and would be in the best interests of the shareholders generally. Save to the extent that the directors may decide to treat any shares purchased under this resolution as treasury shares (pursuant to the Companies (Acquisition of Own Shares) Regulations 2003 (as amended)), any shares so purchased will be cancelled.

DIRECTORS' REPORT *continued*

Auditors

The Audit Committee has considered both the effectiveness of the external audit and the objectivity and independence of Deloitte & Touche LLP as the Group's auditors in the light of their internal quality and control procedures, the promptness and accuracy of their work, and other services obtained from them.

As a result of this review, the Audit Committee recommended to the board that Deloitte & Touche LLP be re-elected and a resolution to re-appoint them as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Going concern

After making enquiries, the directors consider that the Group has adequate resources and borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that to the best of their knowledge the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and that the Directors' Report includes a fair review of the development and performance of the businesses and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Directors' disclosures to the auditors

Section 234ZA of the 1985 Act requires each director to make an individual statement regarding the disclosure of information to the auditors. The statement must confirm that as at the date of this report and as far as the director is aware there is no relevant audit information of which the Company's auditors are unaware; and that the director has taken all the steps he/she ought to have taken in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. A director is deemed to have taken all the steps necessary that he/she ought to have taken if he/she has made such enquiries of his/her fellow directors and of the Company's auditors for that purpose, and taken such other steps, if any, for that purpose as are required by his/her duty as a director of the Company to exercise due care, skill and diligence. All of the directors of the Company as at 21 October 2008 have provided such a statement to the Company. The Company's auditors have been advised that confirmation has been given and should be interpreted in accordance with the provisions of Section 234ZA of the 1985 Act.

Corporate governance

Compliance Statement

In the opinion of the board the Company has, with the exception of Provision A.4.1 (in relation to the formation of a Nomination Committee), throughout the year complied with the Provisions of the Combined Code on corporate governance issued by the Financial Reporting Council in 2006 ('the Code'). The board has not formed a Nomination Committee and applies an alternative process for the selection of new directors to the board. The full board initially agrees a candidate profile and then forms a panel of directors, comprising those directors whom the board decides are best suited to the circumstances. In the case of an external appointment, the panel selects a recruitment consultant and then agrees on a long listing of applicants, conducting initial interviews and agreeing a short-list of prospective directors for further interview. All directors participate in interviewing prospective directors, whether for executive or non-executive positions, and whether the candidates are internal or external applicants, prior to selecting the preferred candidate.

The following section describes how the board has applied the other Principles and Supporting Principles contained in the Code and, where appropriate, has adopted elements of corporate governance 'good practice'.

Board of Directors

Prior to the retirement of Sue Tinson on 3 December 2007, the board maintained a balance between

Corporate governance *continued*

executive and non-executive directors, excluding the chairman, of five executive directors to five non-executive directors. It is the intention of the board to appoint an independent non-executive director in the near future and to maintain a suitable balance in the medium-term.

The board meets at regular intervals and is responsible to the shareholders for overall Group strategy, acquisitions and divestments, major capital projects and financial matters. All directors receive agendas and papers in advance of each meeting, detailed minutes are recorded and actions followed up.

In addition to ad hoc meetings to deal with procedural and special matters, the board met ten times during the year in the normal course of business. The directors also held an additional board meeting to discuss strategic issues and board succession. With the exceptions of Richard Stillwell and Patrick Martell, who were unable to be present on one occasion each, all board meetings held during the year were fully attended.

It is the opinion of the board that, throughout the year, each of the Company's non-executive directors was independent for corporate governance purposes and free from any business or other relationship which could materially interfere with the exercise of his or her judgment. In reaching this opinion the board has carefully considered the balance between applying 'good practice' and what it believes is in the shareholders' best interests. David Wilbraham has served on the board in excess of nine years. The board's view is that David Wilbraham continues to display every quality of independence in carrying out his responsibilities as a non-executive director. He is prepared to challenge others' assumptions and viewpoints, questions intelligently, debates constructively and has developed a sound understanding of the Group's business which, allied to his independence of judgment has served shareholders' interests well. David Wilbraham will retire at the forthcoming Annual General Meeting. The non-executive directors each have a clear understanding of their roles and responsibilities, which are appropriately documented. The non-executive directors met during the year, without the Chairman being present, and appraised the Chairman's performance. The non-executive directors also met separately with the auditors. David Wilbraham fulfilled the role of Senior Independent Director throughout the year.

During the year the board carried out a review of matters reserved to it for decision. These matters include the approval of annual budgets of individual trading subsidiaries, major individual items of capital expenditure, acquisitions and major procurement and supply contracts; the management of risks that could potentially disrupt the ability of the Group or any subsidiary to carry on business or which might damage the reputation of the Group as a whole in the eyes of its shareholders or the general public; and the management of matters which might result in a substantial unplanned financial risk to any subsidiary.

The board also reviewed the list of matters delegated to the Group's executive committee and its role. During the year the executive committee was directed to developing additional added value services, fostering intra-group trading and co-ordinating divisions' joint selling approaches to prospective customers. From August 2008 the board reconstituted the executive committee, giving it a more focused remit, further details of which are given on page 27.

The directors consider themselves collectively responsible for ensuring that risks arising from social, environmental and ethical factors and the health and safety of the Group's employees are suitably managed and are referred to the board, as necessary. The board has identified and assessed those regulatory, financial, social, environmental and ethical issues which may present a significant risk to the business.

The principal regulations affecting the Group's day-to-day business and markets it serves have been identified by the board as Employment Law, Health & Safety Law, Environmental Law, Planning Law, Data Protection legislation, Taxation Law, the Law of defamation and Competition Law. The board each year reviews the impact that these might have on the business and how to manage the risks to the business.

The board has established a process, led by the Chairman, for the evaluation of the board, its committees and individual directors. These evaluations were carried out during the year and resultant recommendations were considered by the board and implemented.

The roles of Chairman and Chief Executive of the Group are separate and distinct and have been so since the Company first obtained a Listing on the London Stock Exchange in 1985. An appropriate division of responsibilities between the two has been set out in writing and approved by the board.

All directors have full and timely access to all relevant information needed to enable them properly to discharge their responsibilities. The procedure for directors to seek independent professional advice in the furtherance of their duties and to be reimbursed their reasonable legal fees was reconfirmed during the year, as was the right of each to have access to the advice and services of the Company Secretary. All directors also have unrestricted access to other executives within the business to discuss any matter of concern to them. Senior executives within the Group make regular presentations to the board on issues affecting their businesses, future challenges and how they propose to address them.

On appointment, each director receives an induction appropriate to their previous experience as a director and their knowledge of the industry.

The Company's Articles of Association require all directors to retire and offer themselves for the re-appointment by shareholders at least once every three years.

Board Committees

Separate Audit and Remuneration Committees of the board exist, each with written terms of reference which were reviewed and revised during the year. Copies of these terms of reference can be obtained from the Company Secretary and may be viewed on the Group's corporate web site (www.st-ives.co.uk).

The Company Secretary acts as secretary to these committees and ensures that committee members receive agendas and papers in advance of each meeting so that they are adequately prepared to transact the business in hand.

Audit Committee

During the year the Audit Committee was made up solely of independent non-executive directors: David Best (Chairman), Richard Stillwell and David Wilbraham. The board is of the opinion that throughout the year the Audit Committee had sufficient relevant financial experience.

The Committee held three meetings during the year, each of which were attended by all members of the Committee for the time being. In the opinion of the board the Committee met sufficiently frequently to properly discharge its responsibilities. The Committee's role and responsibilities are set out in its terms of reference, referred to above.

During the year the Audit Committee discharged its responsibilities by:

- receiving a report at the half year end from Deloitte & Touche LLP ('Deloitte') on the procedures they had undertaken to review certain subsidiaries' balance sheets and income statements and the application of certain group accounting controls;
- considering reports from BDO Stoy Hayward LLP and the Group's Internal Audit Manager on work carried out during the year and agreeing an internal audit plan for 2008/2009;
- reviewing the annual internal control reviews performed by the Group's operating sites and the controls over key business risks;
- agreeing the nature and scope of the external annual audit;
- agreeing the fee for the external audit;

Corporate governance *continued*

- reviewing and safeguarding the independence of Deloitte and reviewing their performance, recommending Deloitte's reappointment as auditors; and approving Deloitte's fees for their audit and non-audit services in accordance with Group policy;
- reviewing the findings of the annual audit for 2006/2007;
- reviewing the Group's 'whistle-blowing' policy; and
- conducting a formal evaluation of the Committee's effectiveness in delivering its terms of reference.

The members of the Audit Committee have been given specific approval by the board to meet with the Group's auditors whenever they, or the auditors, consider it appropriate. The Group's Finance Director, Chief Executive and Internal Audit Manager were also invited to attend some of the meetings to ensure that Committee members were fully informed and supported in carrying out their duties.

Remuneration Committee

During the year the Remuneration Committee has been made up solely of independent non-executive directors: Richard Stillwell (Chairman), David Best, Simon Marquis, David Wilbraham and, until her retirement on 3 December 2007, Sue Tinson. The Committee met four times during the year. The meetings of the Committee were all fully attended. In the opinion of the board the Committee met sufficiently frequently to properly discharge its duties.

During the year the Remuneration Committee discharged its responsibilities by:

- approving the payment of discretionary bonuses to certain directors for 2006/2007;
- approving the Directors' Remuneration Report for 2006/2007;
- agreeing the executive directors' and senior executives' basic salaries and bonus arrangements for 2008/2009;
- approving the grant of options under the Executive Share Option Scheme 2001; and
- completing a formal evaluation of its effectiveness in delivering its terms of reference.

Internal control

This report covers the year under review and the period up to the date of this annual report.

The board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. A workable and realistic system can only be designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives and, therefore, can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal audit team, assisted by BDO Stoy Hayward LLP as required, focused on the Group's accounting policies and controls; reinforcing the control environment and the testing of those controls. Control testing took place throughout the Group with a particular focus on procurement, stock and work-in-progress; payroll and fixed assets. No significant failings or weaknesses were identified in the course of these reviews.

During the year the board conducted its annual review of the internal control processes by which Main Principle C.2 of the Combined Code is applied.

The board exercises control via monthly meetings with senior management within each of the Group's business segments. The meetings are chaired by a parent board executive director, and are also attended by the Finance Director. Regular items for discussion encompass any areas of significant risk to the businesses, which are then raised at the next meeting of the board if appropriate.

Annual internal control reviews are performed by all operating sites and any inconsistencies with the Group's established corporate governance and authority limits regimes are identified and disclosed to the Audit Committee. Regular meetings of the executive committee were held throughout the year, attended by the UK executive directors, senior divisional management, the Company Secretary and the Group's technical and IT directors, to discuss business devolved to the committee under delegated authority. The executive committee was reconstituted at the end of the year and will be attended by the UK executive directors and the UK divisional operations directors who will review the Group's businesses as an integral part of the Group's internal control process.

All attendees of these executive committee and senior management meetings receive agendas and papers in advance of each meeting, minutes are recorded by the Company Secretary and actions followed up.

During the year the board undertook a review of the key risks to the business.

Approved by the board of directors
and signed on its behalf by

Philip Harris

Company Secretary

21 October 2008

DIRECTORS

Executive Directors

Brian Edwards, FCA – aged 58, Chief Executive from August 2007, joined the Company in 1978 from Deloitte & Touche, became Finance Director in 1988 and Group Managing Director in 1991.

Wayne Angstrom – aged 69. Joined the Group in 1991 after holding senior positions with Maxwell Communication Corp and R R Donnelley. Appointed to the board in 1997 and is responsible for the Group's commercial and magazine printing interests in the USA.

Matthew Armitage, ACMA – aged 40. Appointed to the board on 3 September 2007, Mr Armitage had previously worked for Tequila London Ltd – a below-the-line marketing services business owned by Omnicom Inc – for five years as their Finance Director. Previously he had held various financial management positions with companies operating in the telecommunications, technology and fast-moving consumer goods industries, including ten years with Unilever plc.

Patrick Martell – aged 44, was appointed to the board in 2003. Joined the Group in 1980, was appointed a director of Clays in 1994 and became its Managing Director in 2000. Appointed Managing Director Media Products in October 2005 and changed role to that of Managing Director – UK Operations in August 2007.

Simon Ward – aged 40. Photographer by training, from 1997 Mr Ward developed SP Group's digital offering before leading an MBO in 1999. St Ives subsequently acquired SP Group and Simon Ward was appointed to the board in December 2006. Responsible for the Group's Commercial and Point-of-Sale activities, he was appointed Managing Director – UK Sales in August 2007.

Non-Executive Directors

Miles Emley – aged 59, Chairman. Previously with UBS Philips & Drew Ltd and N.M. Rothschild & Sons Ltd. Joined in 1992 as Deputy Chairman and was appointed Chairman the following year. Became non-executive from the Autumn of 2007. Mr Emley has held a non-executive directorship with Marston's plc since 1998.

David Best, FCA – aged 57, formerly group finance director of Xansa plc. Appointed to the board in September 2006, Mr Best was previously finance director of Lucas Management Systems Ltd after holding various senior positions in Lockheed Martin Corporation in the USA where he qualified as a Certified Public Accountant. Mr Best holds non executive directorships in Senior plc, the engineering company and Plasmon plc a technology company specialising in archival solutions. Mr Best is chairman of the Audit Committee and a member of the Remuneration Committee.

Simon Marquis – aged 54, was appointed to the board in 2004. Mr Marquis has 30 years' experience in the media and marketing industries: being Chairman of ZenithOptimedia UK until 2006; and currently Chairman of C Squared Holdings Ltd, Evolutions Television Ltd, National Readership Surveys Ltd and The Media Circle. He also serves as non-executive director of Packet Vision Limited. Mr Marquis serves on the Remuneration Committee.

Richard Stillwell – aged 58, is a qualified barrister and holds non-executive directorships with Fiberweb plc, Penna Consulting plc, Scott Bader Company Ltd (chairman) and TBI plc. Until 2000 Mr Stillwell was executive vice president of ICI plc, where he had held various posts for 26 years. Mr Stillwell was appointed to the board in September 2006, is chairman of the Remuneration Committee and a member of the Audit Committee.

Dr David Wilbraham – aged 68, senior non-executive director, was appointed to the board in 1994. Dr Wilbraham, formerly Chief Executive Officer and later Chairman of Hickson International plc, is now a non-executive director of RPC Group Plc and non-executive chairman of Akers Biosciences, Inc, an AIM-listed company which designs and manufactures rapid medical diagnostic products. Dr Wilbraham serves on the Audit and Remuneration Committees.

DIRECTORS' REMUNERATION REPORT

This report, approved by the board, has been prepared by the Remuneration Committee of St Ives plc ('the Committee') in accordance with the Companies Act 1985 ('the Act') as amended by the Directors' Remuneration Report Regulations, 2002 and the Listing Rules of the Financial Services Authority.

Information relating to remuneration of the directors on page 33, directors' pension entitlements on page 34 and directors' share options on page 35 has been audited.

Policy on directors' remuneration

The board is responsible for setting the Company's policy on directors' remuneration in respect of the 2007/2008 financial year and future years and the role of the Committee, inter alia, is to apply the Company's policy and decide on the remuneration of each executive director. No director is involved in determining his or her own remuneration.

The primary objectives of the Company's policy on executive directors' remuneration are firstly, that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully and, secondly, to reward them in a way which encourages the creation of value for the shareholders. The setting of appropriate targets for executive directors, which have to be achieved for them to earn a performance-related bonus, and the determination of their overall remuneration package, is undertaken annually by the Committee. Financial targets may be adjusted, where appropriate, to take account of any change in the issued share capital of the Company. It is the Company's policy that a bonus shall not exceed a maximum percentage of the executive's basic pay for the year in question and shall not qualify for pension benefits. The Committee periodically considers available remuneration and benefits data relevant to UK public companies and others in the same business sector as the Company. The Committee applies a cap to annual bonuses, including any bonus earned from the achievement of personal targets, of 100 per cent of basic pay. This will apply to 2008/2009. In circumstances it considers to be appropriate, the Committee may award a discretionary performance-related bonus to a director. The Company's policy on setting non-executive directors' remuneration is to offer a director's fee sufficient to attract and retain individuals of appropriate calibre such that they are able to apply an independent view based on their experience and skills. Non-executive directors may not participate in the Group's share option schemes, or in any long-term incentive plan.

It is the Company's policy that executive directors should serve under rolling service contracts of twelve months' duration or less and that there should be no special provisions for compensation in the event of termination and that the executive should mitigate his losses. The appropriateness of this policy was reconfirmed during the year. Payment in lieu of any unworked notice on termination of service shall therefore be a matter of negotiation between the parties. The policy on non-executive directors' letters of appointment is that they shall be for an initial period of no more than three years, but subject to a month's notice at any time (three months in the case of the Chairman) and retirement by rotation at Annual General Meetings of shareholders. Executive directors may accept appointments outside the Company provided that the permission of the board has been obtained and that fees from all such appointments held by full time executive directors shall be accounted for to the Company.

Summaries of the terms of executive directors' service contracts and non-executive directors' letters of appointment are shown on page 32.

During the year the Committee, having satisfied itself that Hewitt New Bridge Street LLP ('HNBS') had no other connections with the Company which would prejudice their independence, from time to time drew on advice and assistance from HNBS. The Committee also sought and obtained, when appropriate, advice and assistance from the Chairman of the Company and the Company Secretary in connection with carrying out its business.

After taking advice from Punter Southall & Co Limited, consulting actuaries, on the effects of changes to the

Policy on directors' remuneration *continued*

legislation on pensions taxation made in April 2006, the Remuneration Committee agreed to adopt a policy that any employee or director electing to register for 'enhanced protection' under the new legislation should be offered additional salary to replace future pension accrual, but with no overall increase in the Company's costs.

Components of directors' remuneration

The executive directors' remuneration consists of five components: basic salary; performance-related bonus; benefits in kind and pensions arrangements; and, potentially, share options and participation in the Group's Equity Partnership Plan ('EPP').

Basic salary

Each director is paid an annual basic salary, which is reviewed annually by the Committee to ensure that it suitably reflects the executive's experience, responsibility and market value.

Performance-related bonus

The Committee sets objectives annually relative to the performance of the Group, operating unit or individual as appropriate, as an incentive to the executive directors to achieve relevant and demanding targets for the forthcoming financial year. For 2008/2009 the Committee has set an incentive for the executive directors to achieve a real growth in earnings per share over 2007/2008 as adjusted for inflation; goodwill amortisation or impairment; and extraordinary and other non-recurring items not in the ordinary course of trade. Personal targets are in the process of being set by the Committee for 2008/2009. In the event that the total bonus earned exceeds 50 per cent of basic salary, 70 per cent of the whole of the bonus net of statutory deductions shall be paid as salary in October 2009 and the balance in October 2010, provided that the executive is employed by the Group at these times.

Wayne Angstrom, Matthew Armitage, Brian Edwards, Patrick Martell and Simon Ward were awarded bonuses of £35,800, £35,000, £79,000, £48,000 and £48,000, respectively, having achieved the personal targets set for them for 2007/2008. These included a reduction in working capital; an increase in sales from new sources and improvement to sales mix; the implementation of management changes within the Group's businesses; the formulation and implementation of a sheet-fed investment platform; a reduction in the number of accidents resulting in three days' or more absence; the implementation of a number of cost reduction and rationalisation plans; and improvements to management reporting and internal controls.

Benefits in kind and pension arrangements

Executive directors may receive benefits in kind, which may include the provision of a car, fuel and medical costs insurance or the cash equivalent.

Brian Edwards and Patrick Martell each participated in the Group's defined benefits pension scheme, which has a normal retirement age of 65. Wayne Angstrom participates in a Section 401(k) Plan set up in the USA for the benefit of employees of St Ives Inc and Simon Ward and Matthew Armitage contribute to defined contributions schemes to which the Company contributes.

Share options

Executive directors and certain members of senior management have, from time to time, been granted share options under discretionary share option schemes operated by the Company. These share options are not granted at a discount and, therefore, over time are intended to reward management in the event that shareholders are rewarded, but not otherwise. The current discretionary Share Option Scheme is the Executive Share Option Scheme 2001 ('2001 Scheme'). The Company's policy is to grant options to executive directors at the discretion of the Committee up to an annual maximum of 150 per cent of basic salary (400 per cent in exceptional circumstances). It is also the Company's policy normally to phase the granting of share options, rather than to award them in a single large block to any individual. The Committee decides on an appropriate performance condition which has to be satisfied before options can normally be exercised. The Company decided in 2004 that no further options subject to re-testing would be granted. Details of options granted to directors under the Group's discretionary share option schemes are given in the table of directors' share options on page 35. The Committee's view on what it decided to be appropriate bases for setting performance conditions at the dates of grant is set out below.

Options granted under the 2001 Scheme can only be exercised if, after a period of between three and five years commencing from a base year (which is the financial year ending immediately prior to the date of grant), some or all of the following are satisfied: 25 per cent of any option may be exercised in the event that the Company's Earnings Per Share before exceptional items and goodwill amortisation ('EPS') growth has exceeded the UK's Retail Prices Index ('RPI'), plus at least 3 per cent per annum compound since the base year; RPI plus at least 4 per cent over the same period must be achieved to exercise the next 25 per cent of the grant; RPI plus at least 5 per cent for the third 25 per cent and RPI plus 6 per cent for the final 25 per cent of the grant to be exercisable. To the extent that the foregoing performance conditions are not satisfied by the fifth anniversary of grants made in October 2003, and by the third anniversary in the case of grants made since October 2003 (which are not subject to re-testing), the options lapse. No options granted under the 2001 Scheme have vested to date.

Options granted under the 2001 Scheme on 30 October 2003 will lapse in October 2008 as the performance conditions in relation to these options have not been met.

Executive directors may participate in the Company's savings-related share option schemes.

Long term incentive plan
Executive directors and certain members of senior management may be invited to participate in the EPP. Under the rules of the EPP a participant may invest at each invitation no more than the equivalent of 50 per cent of his/her basic salary in shares which are deposited with an Employee Benefits Trust ('Investment Shares'). Participants potentially qualify for an award of free matching shares to a maximum of three times the number of Investment Shares on condition that objective terms and/or requirements set by the Remuneration Committee are met or exceeded.

No invitations have been made under this scheme since November 2005 and none of the directors has any outstanding entitlements to free matching shares under the terms of the EPP.

The performance conditions
On page 37 of this Report, a graph is included illustrating the Company's Total Shareholder Return ('TSR') over the past five years, compared with that of the FTSE Small Cap. Shareholders will, however, note that this performance measurement has not been adopted by the Committee for determining the extent to which options may be exercised under the 2001 scheme. The Committee considers that, so far as the shareholders are concerned, the directors' primary objective should be the delivery of sustained, long-term real growth in EPS and that it is appropriate therefore that this is the measure which should be applied to the exercise of options and award of matching shares.

The Committee continues to favour real EPS growth rather than TSR for the following reasons:

(a) TSR is an unreliable measure because it is highly dependent on the Company's share price performance and is outside the control of the participants;

(b) the interests of shareholders, who look for sustained financial performance and strong cash flow, may not be best served if the directors actively seek ways of affecting the short-term share price; and

The performance conditions *continued*

(c) the Committee does not favour a criterion (whether EPS- or TSR-based) that is dependent on performance relative to a group of comparators because (i) there are no listed companies of comparable size trading in the Company's markets; (ii) while it would in theory be possible to treat the FTSE Small Cap as a single comparator group, the Committee believes that to do so would dilute the incentive inherent in the Company's real EPS increase if it were referenced to the performance of a remote group of non-competing companies with no direct relevance to the Company's business. The board seeks to deliver long-term sustainable growth in earnings, employing consistently applied and appropriately prudent accounting policies.

The Committee will take account, at the appropriate time, of the effects of International Accounting Standards on the performance conditions before deciding on whether options should vest.

Directors' contracts

Summaries of the directors' contracts are disclosed below and brief biographical details are set out on page 28. In accordance with the board's policy on directors' remuneration, none of the contracts includes specific provisions for compensation on early termination by the Company.

Director's contracts and letters of appointment are available for inspection in accordance with Provision A.4.4 of the Combined Code.

Executive	**Date of contract**	**Unexpired term/ notice period**
Wayne Angstrom	1 October 1997	3 months
Matthew Armitage	1 June 2007	12 months
Brian Edwards	3 October 1985	6 months
Patrick Martell	1 August 2003	12 months
Simon Ward	4 December 2006	12 months

Non-executive	**Date of letter of appointment**	**Unexpired term/ notice period**
David Best	11 August 2006	1 month
Miles Emley	3 December 2007	3 months
Simon Marquis	5 December 2003	1 month
Richard Stillwell	11 August 2006	1 month
David Wilbraham	1 August 1994	1 month

In accordance with the Company's Articles of Association Wayne Angstrom, David Best and Richard Stillwell each retire by rotation at the forthcoming Annual General Meeting. The board having supported their re-elections and being eligible they offer themselves for re-election.

Directors' remuneration

The total amounts for directors' remuneration were as follows:

	2008 £'000	2007 £'000
Emoluments	**1,886.3**	2,046.2
Termination payments	**–**	66.2
Gains on exercise of share options	**–**	–
Money purchase pension contributions	**33.1**	17.5
Total remuneration	**1,919.4**	2,129.9

Brian Edwards is the highest paid director of the Company.

Individual directors' emoluments from the Group were as follows:

	Basic salary/fee £'000	Bonus £'000	Benefits in kind £'000	Total emoluments 2008 £'000	Total emoluments 2007 £'000
Executive					
Wayne Angstrom	179.0	35.8	13.4	**228.2**	226.5
Matthew Armitage (appointed 3 September 2007)	169.0	35.0	–	**204.0**	–
Brian Edwards	395.0	79.0	22.0	**496.0**	530.1
Patrick Martell	254.7	48.0	–	**302.7**	343.8
Ray Morley (retired 31 March 2007)	–	–	–	**–**	205.4
Simon Ward	240.0	48.0	24.4	**312.4**	292.2
Non-Executive					
David Best	34.0	–	–	**34.0**	28.8
Miles Emley	196.9	–	–	**196.9**	358.8
Simon Marquis	30.0	–	–	**30.0**	30.0
Richard Stillwell	34.0	–	–	**34.0**	28.8
Dame Sue Tinson (retired 3 December 2007)	10.1	–	–	**10.1**	30.0
David Wilbraham	38.0	–	–	**38.0**	38.0
	1,580.7	245.8	59.8	**1,886.3**	2,112.4

The basic salaries of Matthew Armitage, Miles Emley and Patrick Martell include additional payments of £8,596, £7,310 and £14,662, respectively (2007 – £nil, £14,620 and £13,859, respectively) in lieu of the provision of a car and fuel benefits. Miles Emley's basic salary for the period up to 31 January 2008 included £34,888 additional salary in lieu of the Company's contributions to his pension arrangements, which ceased from 6 April 2006 ('A Day'). None of these payments is included when calculating the directors' pensionable salary and bonus entitlements.

DIRECTORS' REMUNERATION REPORT *continued*

Directors' pensions

The directors' entitlements from the Group's defined benefits pension scheme are disclosed below:

	Transfer value of accrued pension (Note 1)		Increase in transfer value during the year less directors' contributions (Note 1)	Increase in accrued pension during the year (Note 2)	Transfer value of increase in accrued pension less directors' contributions (Note 1)	Accumulated total accrued pension (Note 3)	
	at 1 August 2008	at 3 August 2007				**at 1 August 2008**	at 3 August 2007
	£'000	£'000	£'000	£'000 p.a.	£'000	**£'000 p.a.**	£'000 p.a.
Brian Edwards	**3,153.4**	2,481.3	655.1	12.2	172.6	**203.0**	183.6
Patrick Martell	**735.7**	558.7	166.6	2.2	10.3	**76.9**	72.0

Notes

1. The transfer values have been calculated on the basis of actuarial advice in accordance with Professional Guidance Note GN11. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the defined benefits pension scheme.
2. The increase in the accrued pension during the year shown above excludes any increase arising from the statutory revaluation in deferment up to normal retirement age. The inclusion of the statutory revaluation in deferment up to normal retirement age would have the effect of increasing the accrued pension during the year to £19,400 per annum for Brian Edwards and £4,900 per annum for Patrick Martell.
3. The accumulated total accrued pension entitlements shown are annual amounts at retirement calculated on service completed to the relevant year end. This was 23 years 9 months, including 4 years 6 months' service purchased from transfers-in to the Company's defined benefits pension scheme, in the case of Brian Edwards and 23 years 4 months including 5 years 2 months' service purchased from transfers-in to the Company's defined benefits pension scheme, for Patrick Martell.
4. Member contributions were payable in the year by the directors under the defined benefits pension scheme. Additional voluntary contributions paid and any benefit arising are not included in the above tables.

Pension contributions made by the Company to defined contribution schemes in respect of executive directors are shown below:

	2008	2007
	£'000	£'000
Wayne Angstrom	**2.9**	2.5
Matthew Armitage	**6.2**	–
Simon Ward	**24.0**	15.0
	33.1	17.5

Directors' share options

Details of the directors' share options are shown below. All options were granted for nil consideration.

	Date of grant	Number of options: 3 August 2007	Exercised during year	Lapsed during year	Granted during year	1 August 2008	Exercise price pence	Date from which exercisable	Expiry date
Wayne Angstrom									
Executive share options									
2001 Scheme									
	30 Oct 2002	37,500	–	(37,500)	–	**–**	315.00	30 Oct 2005	29 Oct 2012
	30 Oct 2003	35,000	–	–	–	**35,000**	426.84	30 Oct 2006	29 Oct 2013
	21 Oct 2004	40,000	–	(40,000)	–	**–**	345.25	21 Oct 2007	20 Oct 2014
		112,500	–	(77,500)	–	**35,000**			
Matthew Armitage									
Executive share options									
2001 Scheme									
	28 Apr 2008	–	–	–	110,800	**110,800**	236.75	28 Apr 2011	27 April 2018
		–	–	–	110,800	**110,800**			
Brian Edwards									
Executive share options									
2001 Scheme									
	30 Oct 2002	50,000	–	(50,000)	–	**–**	315.00	30 Oct 2005	29 Oct 2012
	30 Oct 2003	42,500	–	–	–	**42,500**	426.84	30 Oct 2006	29 Oct 2013
	21 Oct 2004	50,000	–	(50,000)	–	**–**	345.25	21 Oct 2007	20 Oct 2014
	30 Apr 2007	150,000	–	–	–	**150,000**	316.75	30 Apr 2010	19 Apr 2017
	28 Apr 2008	–	–	–	250,200	**250,200**	236.75	28 Apr 2011	27 Apr 2018
Sharesave options									
	19 Jun 2002	1,904	–	(1,904)	–	**–**	431.00	1 Aug 2007	31 Jan 2008
		294,404	–	(101,904)	250,200	**442,700**			
Miles Emley									
Executive share options									
2001 Scheme									
	30 Oct 2002	55,000	–	(55,000)	–	**–**	315.00	30 Oct 2005	29 Oct 2012
	30 Oct 2003	45,000	–	(45,000)	–	**–**	426.84	30 Oct 2006	29 Oct 2013
	21 Oct 2004	55,000	–	(55,000)	–	**–**	345.25	21 Oct 2007	20 Oct 2014
Sharesave options									
	19 Jun 2002	1,320	–	(1,320)	–	**–**	431.00	1 Aug 2007	31 Jan 2008
		156,320	–	(156,320)	–	**–**			
Patrick Martell									
Executive share options									
2001 Scheme									
	30 Oct 2002	30,000	–	(30,000)	–	**–**	315.00	30 Oct 2005	29 Oct 2012
	30 Oct 2003	35,000	–	–	–	**35,000**	426.84	30 Oct 2006	29 Oct 2013
	21 Oct 2004	40,000	–	(40,000)	–	**–**	345.25	21 Oct 2007	20 Oct 2014
	30 Apr 2007	94,700	–	–	–	**94,700**	316.75	30 Apr 2010	29 Apr 2017
	28 Apr 2008	–	–	–	152,000	**152,000**	236.75	28 Apr 2011	27 Apr 2018
		199,700	–	(70,000)	152,000	**281,700**			
Simon Ward									
Executive share options									
2001 Scheme									
	30 Apr 2007	94,700	–	–	–	**94,700**	316.75	30 Apr 2010	29 Apr 2017
	28 Apr 2008	–	–	–	152,000	**152,000**	236.75	28 Apr 2011	27 Apr 2018
		94,700	–	–	152,000	**246,700**			

No options were exercised by the directors during the year. The market price of St Ives plc ordinary shares of 10p each at 1 August 2008 was 166.5 pence and the range during the financial year was 157 pence to 296.5 pence.

Directors' Remuneration Report *continued*

Directors' share interests

Directors' share interests (as defined by the Act) on 1 August 2008 and 3 August 2007 (or date of appointment) in 10p ordinary shares of the Company were as follows:

	1 August 2008	3 August 2007
Executive		
Wayne Angstrom	**–**	–
Matthew Armitage (appointed 3 September 2007)	**–**	–
Brian Edwards	**528,725**	515,117
Patrick Martell	**14,789**	6,653
Simon Ward	**4,742**	–
Non-executive		
David Best	**3,000**	3,000
Miles Emley	**105,884**	105,884
Simon Marquis	**3,000**	–
Richard Stillwell	**3,000**	3,000
David Wilbraham	**15,000**	15,000

All the above share interests were held beneficially and there has been no change to these, nor to the directors' share options, between the year end and 21 October 2008.

Performance graph

A comparison of the Total Shareholder Return of the Company compared with the Total Shareholder Return for the FTSE Small Cap over the past five years is shown below, and is included in this report pursuant to the requirements of the Directors' Remuneration Report Regulations, 2002.

Approved by the board of directors
and signed on its behalf by

Philip Harris
Secretary

21 October 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST IVES PLC

We have audited the Group financial statements of St Ives plc for the 52 weeks ended 1 August 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 37. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of St Ives plc for the 52 weeks ended 1 August 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review, Financial Review and Chairman's Statement that is cross referred from the Business and Operating Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the unaudited part of the Directors' Remuneration Report, the Business Review, the Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 1 August 2008 and of its profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

21 October 2008

Note

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

	Note	**52 weeks to 1 August 2008**			53 weeks to 3 August 2007		
		Before restructuring costs, provision releases and other one-off items	**Restructuring costs, provision releases and other one-off items (note 7)**	**Total**	Before restructuring costs, provision releases and other one-off items	Restructuring costs, provision releases and other one-off items (note 7)	Total
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	3,4	**439,149**	**–**	**439,149**	425,030	–	425,030
Cost of sales		**(326,248)**	**(433)**	**(326,681)**	(314,951)	(5,530)	(320,481)
Gross profit/(loss)		**112,901**	**(433)**	**112,468**	110,079	(5,530)	104,549
Selling costs		**(31,037)**	**147**	**(30,890)**	(28,681)	(409)	(29,090)
Administrative expenses		**(47,559)**	**951**	**(46,608)**	(47,665)	(1,635)	(49,300)
Other operating income		**761**	**594**	**1,355**	596	4,809	5,405
Profit/(loss) from operations	4,5	**35,066**	**1,259**	**36,325**	34,329	(2,765)	31,564
Investment income	8	**10,543**	**–**	**10,543**	10,171	–	10,171
Finance costs	9	**(14,508)**	**–**	**(14,508)**	(14,179)	–	(14,179)
Profit/(loss) before tax		**31,101**	**1,259**	**32,360**	30,321	(2,765)	27,556
Income tax (charge)/credit	10	**(9,355)**	**(6,765)**	**(16,120)**	(9,460)	2,303	(7,157)
Profit/(loss) for the period from continuing operations		**21,746**	**(5,506)**	**16,240**	20,861	(462)	20,399
Loss from discontinued operations	11	**–**	**–**	**–**	(865)	(13,219)	(14,084)
Net profit/(loss) for the period		**21,746**	**(5,506)**	**16,240**	19,996	(13,681)	6,315
Basic and diluted earnings per share (p)							
From continuing operations	13	**21.10**		**15.76**	20.25		19.80
From continuing and discontinued operations	13			**15.76**			6.13

Consolidated Statement of Recognised Income and Expense

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

CONSOLIDATED BALANCE SHEET

	Note	1 August 2008 £'000	3 August 2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**141,581**	147,006
Goodwill	15	**54,679**	54,679
Other intangible assets	16	**1,753**	1,394
Deferred tax asset	17	**39**	4,785
Other non-current assets	19	**2,478**	338
		200,530	208,202
Current assets			
Inventories	18	**14,211**	13,824
Trade and other receivables	19	**96,965**	78,750
Cash and cash equivalents	26	**5,635**	7,547
Assets held for sale	20	**6,650**	3,345
		123,461	103,466
Total assets		**323,991**	311,668
LIABILITIES			
Current liabilities			
Trade and other payables	21	**72,694**	57,227
Loans and bank overdrafts	22	**–**	2,327
Other financial liabilities	27	**230**	419
Current tax payable		**3,209**	4,293
Provisions	24	**1,901**	2,973
Deferred income	23	**981**	480
Liabilities directly associated with assets held for sale	20	**1,142**	–
		80,157	67,719
Non-current liabilities			
Loans	22	**38,491**	27,892
Retirement benefit obligations	25	**48,344**	45,203
Deferred income	23	**1,204**	1,604
Other financial liabilities	27	**–**	521
Provisions	24	**925**	4,202
		88,964	79,422
Total liabilities		**169,121**	147,141
Net assets		**154,870**	164,527
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	**10,355**	10,355
Other reserves	29	**46,123**	45,127
Retained earnings	30	**98,392**	109,045
Total equity		**154,870**	164,527

These financial statements were approved by the board of directors on 21 October 2008 and signed on its behalf by

Brian Edwards
Directors
Matt Armitage

CONSOLIDATED CASH FLOW STATEMENT

	Note	52 weeks to 1 August 2008 £'000	53 weeks to 3 August 2007 £'000
Operating activities			
Cash generated from operations	31	**40,138**	37,491
Interest received		**17**	465
Interest paid		**(1,992)**	(2,530)
Income taxes paid		**(8,938)**	(5,946)
Net cash from operating activities		**29,225**	29,480
Investing activities			
Acquisitions, net of cash acquired		**–**	(18,358)
Purchase of property, plant and equipment		**(21,443)**	(20,396)
Purchase of other intangibles		**(1,347)**	(813)
Proceeds on disposal of property, plant and equipment		**1,838**	7,784
Disposal proceeds of subsidiary, net of cash disposed		**–**	4,288
Regional grants received		**–**	1,092
Net cash used in investing activities		**(20,952)**	(26,403)
Financing activites			
Loan notes redeemed		**(358)**	(1,287)
Capital element of finance lease rentals		**(398)**	(335)
Dividends paid	12	**(17,673)**	(17,673)
Increase in bank loans		**10,000**	10,000
(Decrease)/increase in bank overdrafts		**(1,969)**	1,641
Net cash used in financing activities		**(10,398)**	(7,654)
Net decrease in cash and cash equivalents		**(2,125)**	(4,577)
Cash and cash equivalents at beginning of period		**7,547**	12,620
Effect of foreign exchange rate changes		**213**	(496)
Cash and cash equivalents at end of period	31	**5,635**	7,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

St Ives plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is St Ives House, Lavington Street, London, SE1 0NX. The nature of the Group's operations and its principal activities are set out in the Business Review, pages 5 to 9.

These consolidated financial statements ('the financial statements') are presented in pounds sterling because this is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the significant accounting policies set out in note 2.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8 Operating Segments; the Standard is mandatory for accounting periods commencing on or after 1 September 2009.

IFRIC 12 Service Concession Arrangements; the Standard is mandatory for accounting periods commencing on or after 1 January 2008.

IFRIC 13 Customer Loyalty Programs; the Standard is mandatory for the accounting periods commencing on or after 1 July 2008.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; the Standard is mandatory for accounting periods commencing on or after 1 January 2008.

The directors anticipate that the adoption of these Standards and the Interpretations in future periods will have no material impact on the Group's results or financial position, but IFRS 8 is likely to affect the disclosure of information in the Group's financial statements.

In the current year the Group adopted IFRS 7 Financial Instruments: Disclosures which is effective for accounting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the amendments to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 26). Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

IFRIC 7 Applying the Restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies;

IFRIC 8 Scope of IFRS 2;

IFRIC 9 Reassessment of embedded derivatives;

IFRIC 10 Interim Financial Reporting & Impairment;

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions.

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

2. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The significant accounting policies adopted are set out below.

In the process of applying the Group's accounting policies, management has made judgements as to the policies that have the most significant effect on the amounts recognised in the financial statements.

The accounting estimates and assumptions that management considers to be its critical accounting estimations are detailed and explained in the Financial Review.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) for each period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated income statement does not consolidate line by line the trading of operations classified as discontinued operations. These are shown on a single line under 'loss from discontinued operations' in the consolidated income statement.

Certain balance sheet comparatives have been restated to reflect changes in presentation.

Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies in line with those of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(b) Columnar classification in the income statement

Income statement items are presented in the middle column under the heading 'restructuring costs, provision releases and other one-off items' if they are significant in size and do not occur in the normal course of business.

(c) Revenue recognition

Revenue

Revenue is measured at the fair value of consideration received or receivable and comprises amounts receivable for goods and services, net of trade discounts, up-front payments, VAT and other sales related taxes. Revenue is recognised in the income statement when the significant risks and rewards of ownership are transferred to the customer, normally on shipment of the product.

Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition. Fair value is finalised within twelve months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

2. Significant accounting policies *continued*

Other intangible assets – computer software

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and is held on the balance sheet at cost. These assets are amortised over their estimated useful lives, which is generally two years.

(e) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods, or for administration purposes is stated in the balance sheet at deemed cost less any accumulated depreciation and impairment losses.

Costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the period in which they are incurred.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is charged, other than on freehold land and assets under the course of the construction, so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33⅓%
Fixtures, fittings and equipment	10% – 33⅓%
Motor vehicles	20% – 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(f) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in the income statement.

(g) Impairment of goodwill

Goodwill arising on acquisition is allocated to the group of cash generating units that are expected to benefit from the synergies of the combination. A cash generating unit represents the lowest level at which goodwill is monitored by the Group's board of directors for internal management purposes. The recoverable amount of the group of cash generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or more frequently when such events or changes in circumstances indicate that it may be impaired.

Any impairment is recognised immediately in the income statement. Impairments of goodwill are not subsequently reversed.

(h) Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition. Cost is valued on a first in, first out ('FIFO') basis. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in selling and distribution.

(j) Tax

The tax expense in the income statement comprises tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit; and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on goodwill or from the initial recognition (other than business combinations) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies *continued*

(j) Tax *continued*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(k) Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over a period to match the expected useful lives of the assets to which they relate. Grant income is recognised separately from the related expense.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and its value can be reliably estimated.

Provisions for repairs

Provisions for repairs are made where the Group is committed under the terms of the lease to make repairs to leasehold property. The provision is made for the estimated cost over the period of the lease.

Provisions for restructuring costs

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

(m) Foreign currencies

Transactions in foreign currencies other than Sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the exchange rate ruling at that date.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated each period end. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Sterling at exchange rates ruling at the date the fair value was determined. Exchange gains and losses arising on retranslation of non-monetary assets and liabilities are recognised directly in a separate component of equity.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Sterling at the rates prevailing at the balance sheet date. Income and expense items and the cash flows of foreign operations are translated at the average exchange rates for the period, except for individually material items which may be translated at the exchange rate on the date of the transaction. Exchange differences arising are classified in equity and transferred to the Group's translation reserve.

Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds receivable, net of direct issue costs. Finance charges are accounted for on an accruals basis to the income statement using the effective interest rate method and are included in creditors to the extent that they are not settled in the period in which they arise.

Unsecured loan notes

Floating Rate Guaranteed Loan Notes are recorded at their nominal value. Interest payable is accounted for on an accruals basis to the income statement using the effective interest rate method and is included in creditors to the extent that it is not settled in the period in which it arises.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses derivative financial instruments to hedge its exposure to foreign exchange for the purchase of capital equipment denominated in foreign currencies and the sale of goods similarly denominated.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk

2. Significant accounting policies *continued*

(o) Financial instruments *continued*

management strategy. The Group does not hold or issue derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the net profit or loss.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity and the ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in equity are included in the income statement when the foreign operations are disposed of.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Those derivatives which are not designated as hedges are classified as held for trading and gains and losses on those instruments are recognised immediately in the income statement.

(p) Retirement benefits

The Group operates both defined benefits and defined contribution schemes for its employees. Payments to the defined contribution scheme are expensed to the income statement as they fall due.

For the defined benefits pension scheme full actuarial valuations are carried out every three years using the projected unit credit method and updates are performed for each financial year end. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligations and unrecognised past service costs, and as reduced by the fair value of scheme's assets.

Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions to the plan.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

(q) Share-based payments

The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value of share options issued is measured using a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental costs under operating leases are charged to the income statement in equal amounts over the term of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

(s) Critical accounting judgments

In the course of applying the Group's accounting policies the following estimations have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units for which goodwill has been identified. In arriving at the value in use an estimation of the future cash flows of cash generating units and selecting appropriate discount rates is required to calculate present values. This process involves estimation. The carrying value of goodwill at the balance sheet date was £54.7 million (2007 – £54.7 million).

Retirement benefit obligations

The calculation of retirement benefit obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net liability in the balance sheet for retirement benefit obligations is £48.3 million (2007 – £45.2 million).

3. Revenue

An analysis of the Group's revenue as defined by International Accounting Standard 18; "Revenue" is as follows:

	2008 £'000	2007 £'000
Continuing operations		
Revenue from the sale of goods and rendering of services	**439,149**	425,030
Investment income (note 8)	**10,543**	10,171
	449,692	435,201
Discontinued operations		
Revenue (note 11)	**–**	5,947
Total revenue	**449,692**	441,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

4. Segment reporting

The Group manages its business on a market segment basis. The nature of the market segments is described in the Business Review.

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

The Group was also previously involved in Corporate Finance printing activities. This operation was sold on 16 January 2007 (see note 11) and the results of this operation are treated as discontinued throughout the comparative period. They are not included below.

Business segments

	52 weeks to 1 August 2008				
	Media Products £'000	Commercial Products £'000	USA £'000	Elimination £'000	Total £'000
Revenue					
External Sales	173,153	218,047	47,949	–	439,149
Inter-segment sales	2,280	3,737	–	(6,017)	–
Total revenue	175,433	221,784	47,949	(6,017)	439,149
Result					
Segmental result	24,536	9,705	2,084	–	36,325
Add back/(deduct) restructuring costs, provision releases and other one-off items	1,264	(2,390)	(133)	–	(1,259)
Segmental result before restructuring costs, provision releases and other one-off items	25,800	7,315	1,951	–	35,066
Total restructuring costs, provision releases and other one-off items					1,259
Profit from operations					36,325
Investment income					10,543
Finance costs					(14,508)
Profit before tax					32,360
Income tax expense					(16,120)
Profit for the period from continuing operations					16,240

	53 weeks to 3 August 2007				
	Media Products £'000	Commercial Products £'000	USA £'000	Elimination £'000	Total £'000
Revenue					
External sales	174,350	191,414	59,266	–	425,030
Inter-segment sales	2,210	2,999	28	(5,237)	–
Total revenue	176,560	194,413	59,294	(5,237)	425,030
Result					
Segmental result	25,157	4,069	(1,145)	–	28,081
Add back restructuring costs, provision releases and other one-off items	1,177	2,431	2,640	–	6,248
Segmental result before restructuring costs, provision releases and other one-off items	26,334	6,500	1,495	–	34,329
Total restructuring costs, provision releases and other one-off items					(2,765)
Profit from operations					31,564
Investment income					10,171
Finance costs					(14,179)
Profit before tax					27,556
Income tax expense					(7,157)
Profit for the period from continuing operations					20,399

Notes to the Consolidated Financial Statements *continued*

4. Segment reporting *continued*

Other information

	52 weeks to 1 August 2008			
	Media Products £'000	**Commercial Products £'000**	**USA £'000**	**Total £'000**
Capital additions	**12,966**	**7,453**	**4,220**	**24,639**
Depreciation and amortisation	**11,311**	**10,725**	**3,172**	**25,208**

	53 weeks to 3 August 2007			
	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
Capital additions	10,816	10,198	1,785	22,799
Depreciation and amortisation	13,702	9,093	3,319	26,114

Balance sheet

	52 weeks to 1 August 2008			
	Media Products £'000	**Commercial Products £'000**	**USA £'000**	**Total £'000**
Assets				
Segment assets	**108,487**	**172,044**	**37,785**	**318,316**
Unallocated corporate assets				**5,674**
Consolidated total assets				**323,990**
Liabilities				
Segment liabilities	**27,029**	**44,206**	**7,841**	**79,076**
Unallocated corporate liabilities				**90,045**
Consolidated total liabilities				**169,121**

	53 weeks to 3 August 2007			
	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
Assets				
Segment assets	117,164	146,464	35,709	299,337
Unallocated corporate assets				12,332
Consolidated total assets				311,669
Liabilities				
Segment liabilities	26,008	32,412	9,006	67,426
Unallocated corporate liabilities				79,715
Consolidated total liabilities				147,141

Discontinued operations had the following effect on the segment results of Commercial Products, analysed into continuing and discontinued components.

	53 weeks to 3 August 2007		
	Discontinued operations £'000	Continuing operations £'000	Commercial Products £'000
Revenue			
External sales	5,947	174,266	180,213
Inter-segment sales	–	1,229	1,229
Total revenue	5,947	175,495	181,442
Result			
Segmental result	(991)	6,212	5,221

The segment result from discontinued operations stated above is equal to the loss from operations from discontinued operations disclosed in note 11, which provides a reconciliation to the net loss from discontinued operations.

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.

Reconciliation of segment assets and liabilities

	2008 £'000	2007 £'000
Unallocated corporate assets comprise:		
Deferred tax asset	39	4,785
Cash and cash equivalents	5,635	7,547
Unallocated assets as per balance sheet	5,674	12,332
Unallocated corporate liabilities comprise:		
Loans and bank overdrafts (current)	–	2,327
Current tax liabilities	3,209	4,293
Loans and bank overdrafts (non-current)	38,491	27,892
Retirement benefit obligations	48,345	45,203
Unallocated liabilities as per balance sheet	90,045	79,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

5. Profit from operations

Profit from operations has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Total	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Fees payable to the Company's auditors for						
– the audit of the Company's annual accounts	**65**	71	**–**	–	**65**	71
– the audit of the Company's subsidiaries pursuant to legislation	**357**	406	**–**	–	**357**	406
Total audit fees	**422**	477	**–**	–	**422**	477
Tax services	**111**	244	**–**	37	**111**	281
Other services (review of interim accounts)	**32**	30	**–**	–	**32**	30
Non-audit fees	**143**	274	**–**	37	**143**	311
	565	751	**–**	37	**565**	788
Staff costs (note 6)	**149,748**	147,341	**–**	4,245	**149,748**	151,586
Net foreign exchange losses	**–**	38	**–**	–	**–**	38
Depreciation of property, plant and equipment (note 14)	**24,250**	25,304	**–**	410	**24,250**	25,714
Impairment of property, plant and equipment (notes 14 and 20)	**2,937**	956	**–**	–	**2,937**	956
Amortisation of intangible fixed assets (note 16)	**998**	810	**–**	–	**998**	810
Operating lease rentals						
– land and buildings	**1,378**	1,997	**–**	286	**1,378**	2,283
– plant and machinery	**1,444**	944	**–**	–	**1,444**	944
– other	**559**	342	**–**	–	**559**	342
Profit on disposal of fixed assets	**(1,355)**	(5,405)	**–**	–	**(1,355)**	(5,405)
Regional grant amortisation (note 23)	**(485)**	(218)	**–**	–	**(485)**	(218)

6. Staff costs

The average monthly number of employees (including executive directors) was:

	Continuing operations		Discontinued operations		Total	
	2008 Number	2007 Number	**2008 Number**	2007 Number	**2008 Number**	2007 Number
Production	**3,465**	3,697	**–**	15	**3,465**	3,712
Sales	**556**	581	**–**	25	**556**	606
Administration	**546**	576	**–**	10	**546**	586
	4,567	4,854	**–**	50	**4,567**	4,904

Their aggregate remuneration comprised:

	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Wages and salaries	**129,735**	129,409	**–**	3,677	**129,735**	133,086
Social security costs	**13,938**	13,731	**–**	469	**13,938**	14,200
Other pension costs	**5,989**	4,348	**–**	99	**5,989**	4,447
	149,661	147,488	**–**	4,245	**149,661**	151,733
Share-based payments (note 33)	**87**	(147)	**–**	–	**87**	(147)
	149,748	147,341	**–**	4,245	**149,748**	151,586

The number of employees in discontinued operations for 2007 represents an average calculated over the 53 week period to 3 August 2007. Discontinued operations were divested on 16 January 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

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

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

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

Restructuring items

Included within redundancies, impairments and other charges are asset writedowns and other charges of £3,929,000 relating to the Music and Multimedia business in Uden, Netherlands which was classified as a disposal group in the period and was subsequently sold on 24 September 2008. Uden is included in the Media Products segment. Also included here are redundancy and other charges associated with restructuring activities within the Media Products and Commercial Products segments. Provision releases relate to the Media Products (£603,000) and Commercial Products (£770,000) segments following the finalisation of related reorganisation activities. Profit on disposal of fixed assets arose from the sale of plant and machinery in Commercial Products (£461,000) and USA (£133,000).

Other

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

Tax

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

8. Investment income

	Continuing operations	
	2008 £'000	2007 £'000
Interest on bank deposits	**17**	465
Expected return on defined benefits pension scheme assets (note 25)	**10,526**	9,706
	10,543	10,171

9. Finance costs

	Continuing operations	
	2008 £'000	2007 £'000
Interest on bank overdrafts and loans	**1,944**	2,604
Interest on obligations under finance leases	**27**	31
	1,971	2,635
Interest on unsecured loan notes	**16**	58
Finance charge on retirement benefits obligations (note 25)	**12,521**	11,486
	14,508	14,179

Notes to the Consolidated Financial Statements *continued*

10. Income tax charge

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

	Continuing operations		Discontinued operations		Total	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
United Kingdom corporation tax charge/(credit) at 29.33% (2007 – 30%):						
Current year	**7,671**	7,014	**–**	(184)	**7,671**	6,830
Adjustments in respect of prior years	**153**	(504)	**–**	–	**153**	(504)
	7,824	6,510	**–**	(184)	**7,824**	6,326
Overseas current tax charge/(credit):						
Current year	**92**	(89)	**–**	–	**92**	(89)
Adjustments in respect of prior years	**(68)**	129	**–**	–	**(68)**	129
Total current tax charge/(credit)	**7,848**	6,550	**–**	(184)	**7,848**	6,366
Deferred tax on origination and reversal of temporary differences:						
United Kingdom deferred tax	**8,292**	909	**–**	–	**8,292**	909
Overseas deferred tax	**–**	(704)	**–**	–	**–**	(704)
Adjustments in respect of prior years	**(20)**	402	**–**	–	**(20)**	402
Total deferred tax charge (note 17)	**8,272**	607	**–**	–	**8,272**	607
Total income tax charge/(credit)	**16,120**	7,157	**–**	(184)	**16,120**	6,973

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

	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Tax on profit before restructuring costs, provision releases and other one-off items	**9,355**	9,460	**–**	(125)	**9,355**	9,335
Tax on restructuring costs, provision releases and other one-off items	**6,765**	(2,303)	**–**	(59)	**6,765**	(2,362)
	16,120	7,157	**–**	(184)	**16,120**	6,973

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

	Continuing operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Profit/(loss) before tax	**32,360**	27,556	**–**	(14,268)	**32,360**	13,288
Tax calculated at a rate of 29.33% (2007 – 30%)	**9,491**	8,267	**–**	(4,280)	**9,491**	3,987
Revaluation of deferred tax liabilities following removal of UK industrial buildings allowances (note 7)	**5,357**	–	**–**	–	**5,357**	–
Revaluation of deferred tax assets and liabilities following enactment of UK tax rate reduction	**–**	(618)	**–**	–	**–**	618
Non-deductible losses on disposal of subsidiaries	**–**	–	**–**	4,096	**–**	4,096
Expenses not deductible for tax purposes	**797**	882	**–**	–	**797**	882
Non-taxable income	**(311)**	(1,518)	**–**	–	**(311)**	1,518
Overseas losses not recognised	**1,131**	–	**–**	–	**1,131**	–
Utilisation of losses previously unrecognised	**(493)**	–	**–**	–	**(493)**	–
Different statutory tax rates on foreign subsidiaries	**104**	117	**–**	–	**104**	117
Adjustments in respect of prior years	**44**	27	**–**	–	**44**	27
Total income tax charge/(credit)	**16,120**	7,157	**–**	(184)	**16,120**	6,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

11. Discontinued operations

On 16 January 2007, the group disposed of all the corporate financial printing activities carried on by St Ives Financial Limited together with the entire share capital of St Ives Financial Inc and St Ives Financial Japan KK ('the Corporate Finance activities').

The loss after tax for the prior period from the discontinued operations is analysed below:

	53 weeks to 3 August 2007 £'000
Loss from the Corporate Finance activities	
Revenue	5,947
Cost of sales	(3,362)
Gross Profit	2,585
Operating costs	(3,576)
Loss from operations	(991)
Financial income	1
Loss before tax	(990)
Income tax credit	125
Loss after tax before restructuring costs, provision releases and other one-off items	(865)
Restructuring costs, provision releases and other one-off items	
Loss on disposal of the Corporate Finance activities	(13,278)
Other restructuring costs, provision releases and one-off items	–
	(13,278)
Income tax credit	59
Restructuring costs, provision releases and other one-off items	(13,219)
Loss before restructuring costs, provision releases and other one-off items	(865)
Restructuring costs, provision releases and other one-off items	(13,219)
Loss from discontinued operations	(14,084)

The effect on segment results is disclosed in note 4.

12. Dividends

	per share	**2008 £'000**	2007 £'000
Final dividend paid for the 52 weeks ended 28 July 2006	12.15p	**–**	12,521
Interim dividend paid for the 27 weeks to 2 February 2007	5.00p	**–**	5,152
Final dividend paid for the 53 weeks ended 3 August 2007	12.15p	**12,521**	–
Interim dividend paid for the 26 weeks to 1 February 2008	5.00p	**5,152**	–
Dividends paid during the period		**17,673**	17,673
Proposed final dividend at the period end of 12.15p per share (2007 – 12.15p per share)		**12,521**	12,521

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

13. Earnings per share

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

Number of shares

	2008 '000	2007 '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**103,051**	103,051

Basic and diluted earnings per share

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

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

Underlying earnings is calculated by adding back restructuring costs, provision releases and other one-off items, as adjusted for tax, to the profit for the period (see note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

14. Property, plant and equipment

	Land and buildings Freehold £'000	Land and buildings Long leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost or valuation:					
At 28 July 2006	68,044	5,692	331,010	23,287	428,033
Exchange differences	(1,365)	(4)	(5,938)	(294)	(7,601)
Acquisitions	–	290	2,091	126	2,507
Additions	704	–	16,544	1,893	19,141
Disposals – discontinued operations	–	–	(2,951)	(3,669)	(6,620)
Disposals – other	(2,710)	–	(9,973)	(2,344)	(15,027)
Reclassifications – assets held for sale	(5,165)	–	(12,359)	(633)	(18,157)
Reclassifications – other	113	(579)	(285)	751	–
At 3 August 2007	59,621	5,399	318,139	19,117	402,276
Exchange differences	509	1	3,251	355	4,116
Additions	3,072	82	17,462	2,676	23,292
Disposals – other	(6)	–	(16,582)	(1,732)	(18,320)
Reclassifications – assets held for sale	(2,550)	–	(9,227)	(2,031)	(13,808)
At 1 August 2008	**60,646**	**5,482**	**313,043**	**18,385**	**397,556**
Accumulated depreciation:					
At 28 July 2006	16,334	1,418	233,032	16,340	267,124
Exchange differences	(523)	(3)	(4,908)	(238)	(5,672)
Charge for the period	1,359	387	21,555	2,413	25,714
Impairment losses	–	–	155	110	265
Disposals – discontinued operations	–	–	(2,734)	(2,961)	(5,695)
Disposals – other	(1,350)	–	(9,487)	(2,156)	(12,993)
Reclassifications – assets held for sale	(1,959)	–	(10,881)	(633)	(13,473)
Reclassifications – other	9	(369)	127	233	–
At 3 August 2007	13,870	1,433	226,859	13,108	255,270
Exchange differences	165	–	2,569	303	3,037
Charge for the period	1,220	436	20,318	2,276	24,250
Impairment losses	552	–	2,207	174	2,933
Disposals	(1)	–	(16,398)	(1,551)	(17,950)
Reclassifications – assets held for sale	(1,029)	–	(8,712)	(1,824)	(11,565)
At 1 August 2008	**14,777**	**1,869**	**226,843**	**12,486**	**255,975**
Net book value:					
At 1 August 2008	**45,869**	**3,613**	**86,200**	**5,899**	**141,581**
At 3 August 2007	45,751	3,966	91,280	6,009	147,006

The Group has freehold land, included within property, plant and equipment and assets held for sale, with a book value of £8,234,000 (2007 – £8,097,000) which has not been depreciated. The amount of fully depreciated property, plant and equipment and assets held for sale is £141,379,000 (2007 – £135,618,000).

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £6,480,000 (2007 – £618,000).

The carrying amount of the Group's fixtures and fittings includes an amount of £710,000 (2007 – 628,000) in respect of assets held under finance lease.

15. Goodwill

	£'000
Cost and carrying amount	
At 28 July 2006	54,135
Additions	14,951
Disposals	(14,408)
At 3 August 2007 and 1 August 2008	**54,679**

Goodwill is allocated amongst the following cash generating units:

	£'000
USA	8,405
SP Group	31,322
Service Graphics	14,952
	54,679

SP Group and Service Graphics are reported within the Commercial Products division.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the cash generating units are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs (and therefore profits and losses) during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. A pre-tax discount rate of 13.0% (2007 – 13.1%) has been used to estimate the value-in-use of all cash generating units. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent medium-term business forecasts with a terminal value calculation based on an estimated long-term annual growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

16. Other intangible assets

Computer software

	£'000
Cost:	
At 28 July 2006	4,507
Exchange differences	(79)
Acquisitions	37
Additions	1,113
Disposals – discontinued operations	(1,133)
Disposals – other	(2)
Reclassifications – assets held for sale	(13)
At 3 August 2007	4,430
Exchange differences	49
Additions	1,347
Disposals	(56)
Reclassifications – assets held for sale	(339)
At 1 August 2008	**5,431**
Amortisation:	
At 28 July 2006	3,418
Exchange differences	(65)
Charge for the period	810
Disposals – discontinued operations	(1,113)
Disposals – other	(1)
Reclassifications – assets held for sale	(13)
At 3 August 2007	3,036
Exchange differences	37
Charge for the period	959
Impairment losses	39
Disposals	(56)
Reclassifications – assets held for sale	(337)
At 1 August 2008	**3,678**
Net book value:	
At 1 August 2008	**1,753**
At 3 August 2007	1,394

17. Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2007 – 28%).

The gross movement on the deferred income tax account is as follows:

	2008 £'000	2007 £'000
At the beginning of the period	**4,785**	12,065
Income statement charge (note 10)	**(8,272)**	(607)
Acquisitions	**–**	162
Disposals (note 11)	**–**	(1,099)
Items taken directly to equity	**3,522**	(5,713)
Exchange differences	**4**	(23)
At the end of the period	**39**	4,785

The movement in the deferred tax assets and liabilities recognised during the period and prior reporting period was as follows:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Rolled over capital gains £'000	Revenue tax losses £'000	Short-term timing differences £'000	Derivative financial instruments £'000	Total £'000
Balance at 28 July 2006	(9,894)	19,716	(972)	489	2,700	26	12,065
(Charge)/credit to income statement	788	(1,317)	(99)	1,446	(1,425)	–	(607)
Items taken directly to equity	–	(5,743)	–	–	56	(26)	(5,713)
Acquisitions	105	–	–	–	57	–	162
Disposal of subsidiary	–	–	–	(1,099)	–	–	(1,099)
Exchange differences	268	–	–	(33)	(258)	–	(23)
Balance at 3 August 2007	(8,733)	12,656	(1,071)	803	1,130	–	4,785
(Charge)/credit to income statement	(5,685)	(2,705)	–	(144)	262	–	(8,272)
Items taken directly to equity	–	3,586	–	–	(64)	–	3,522
Exchange differences	4	–	–	–	–	–	4
Balance at 1 August 2008	**(14,414)**	**13,537**	**(1,071)**	**659**	**1,328**	**–**	**39**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

At 1 August 2008 deferred tax assets in respect of losses, at current tax rates, all of which have an unlimited life, are as follows:

	2008 £'000	2007 £'000
Recognised deferred tax in respect of losses	**659**	803
Unrecognised deferred tax in respect of capital losses	**5,196**	7,145
Unrecognised deferred tax in respect of revenue losses	**3,439**	3,443
	9,294	11,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

18. Inventories

	2008 £'000	2007 £'000
Raw materials	**9,232**	7,325
Work-in-progress	**5,369**	6,626
	14,601	13,951
Less: payments on account and provisions	**(390)**	(127)
	14,211	13,824

There was no material write-down of inventories in either period.

19. Trade and other receivables

Current	2008 £'000	2007 £'000
Amounts receivable for the sale of goods and services	**86,029**	75,785
Allowance for doubtful debts	**(2,592)**	(3,910)
Trade debtors	**83,437**	71,875
Other debtors	**9,771**	4,162
Prepayments and accrued income	**3,757**	2,713
	96,965	78,750

Non-current	2008 £'000	2007 £'000
Other non-current assets	**2,478**	338

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

20. Assets and liabilities held for sale

	2008			2007
	Uden disposal group £'000	Other £'000	Total £'000	Total £'000
Assets held for sale				
Freehold land and buildings	460	4,595	5,055	3,206
Plant and equipment	526	–	526	139
Inventory	436	–	436	–
Trade and other receivables	633	–	633	–
	2,055	4,595	6,650	3,345
Liabilities directly associated with assets held for sale				
Trade and other payables	1,142	–	1,142	–

The assets and liabilities of the Uden business ('the Uden disposal group') were sold on 23 September 2008. The Uden assets are stated net of impairment losses of £2,971,000 and are recorded in the Media Products Segment.

Other assets held for sale comprise a property at the Florida, USA facility which was sold on 28 August 2008, and a property at the Romford, UK site which is surplus to requirements. The Florida and Romford properties are recorded within the USA and Commercial Products segments respectively.

21. Trade and other payables

	2008 £'000	2007 £'000
Trade creditors	41,263	21,751
Other creditors	9,906	9,283
Other taxes and social security	10,540	7,732
Accruals and deferred income	10,985	18,461
	72,694	57,227

The directors consider that the carrying amount of trade payables approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

22. Loans and bank overdrafts

	2008 £'000	2007 £'000
Unsecured loan notes	–	358
Bank overdrafts	–	1,969
Bank loans	38,491	27,892
	38,491	30,219

The borrowings are repayable as follows:

	2008 £'000	2007 £'000
On demand or within one year	–	2,327
Between one and two years	38,491	–
Between two and three years	–	27,892
	38,491	30,219

Unsecured loan notes

	2008 £'000	2007 £'000
Balance outstanding		
2008 Notes	–	358

	2008 £'000	2007 £'000
Redeemed during the period		
2006 Notes	–	339
2008 Notes	358	948
	358	1,287

2008 Notes not previously purchased by the Company were repaid in full at par value on 30 June 2008.

Bank overdrafts and loans

On 20 July 2007 the Group entered into an £80 million three-year revolving multicurrency loan agreement ('the agreement') of which £25 million is an overdraft facility which is renewable annually. Overdraft interest is payable at 1.00% over UK base rate. Interest on loan drawdowns is charged at 0.65% over LIBOR. Loans are repayable on the third anniversary of the agreement. As at 1 August 2008 the Group outstanding loans, within the agreement, were US$36.5 million and £20 million. (2007 – US$36.5 million and £10 million). The undrawn portion of the facility was £41.5 million at 1 August 2008 (2007 – £50.1 million).

As at 1 August 2008 there was no loan or overdraft secured against the assets of the Group (2007 – £nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

23. Deferred income

	2008 £'000	2007 £'000
UK regional capital grants	**1,341**	1,826
Advance billings and other deferred income	**844**	258
	2,185	2,084

	2008 £'000	2007 £'000
Current deferred income	**981**	480
Non-current deferred income	**1,204**	1,604
	2,185	2,084

	2008 £'000	2007 £'000
Movement in UK regional capital grants:		
Balance at the beginning of the period	**1,826**	492
Receivable during the period	**–**	1,552
Transfer to income statement	**(485)**	(218)
Balance at the end of the period	**1,341**	1,826

24. Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Other £'000	Total £'000
Balance at 28 July 2006	945	2,615	–	3,560
Exchange differences	5	(4)	–	1
Acquisition of subsidiary	473	–	775	1,248
Disposal of subsidiary	(111)	(122)	–	(233)
Charged to the income statement	177	4,574	–	4,751
Credited to the income statement	–	(214)	–	(214)
Utilised during the period	(132)	(1,715)	(91)	(1,938)
Balance at 3 August 2007	1,357	5,134	684	7,175
Exchange differences	–	27	–	27
Charged to the income statement	250	1,298	–	1,548
Credited to the income statement	(290)	(1,304)	(180)	(1,774)
Utilised during the period	(94)	(3,702)	(354)	(4,150)
Balance at 1 August 2008	**1,223**	**1,453**	**150**	**2,826**
Current	298	1,453	150	1,901
Non-current	925	–	–	925
	1,223	1,453	150	2,826

Provision for repairs

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, provision for repairs is made for these estimated costs over a period of the lease. It is anticipated that these liabilities will crystallise between 2008 and 2021.

Notes to the Consolidated Financial Statements *continued*

24. Provisions *continued*

Provision for reorganisation

The provision for reorganisation relates primarily to the remaining costs in respect of plant closures and relocation and comprises severance payments, plant relocation and other costs, unfunded pension liabilities and onerous property costs which are expected to be settled by 2009. The release in the period of £1,304,000 follows finalisation of related reorganisation activities within the Direct and Web divisions.

Other

£270,000 of deferred consideration was paid in the period by St Ives plc to the former owners of Service Graphics Limited. A final payment of £84,000 was made in the period by Service Graphics Limited in respect of deferred consideration payable to the former owners of its subsidiary, P. R. Exhibition Services Limited.

25. Retirement benefits

Defined contribution schemes

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under control of the trustees. Payments to the schemes are expensed to the income statement as they fall due. The total expense recognised in the income statement of £588,000 (2007 – £522,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 1 August 2008, contributions of £85,000 (2007 – £59,000) due in respect of the 2008 reporting period had not been paid over to the schemes. The amounts were paid over subsequent to the balance sheet date, within the requisite time limits.

The pension cost relating to foreign schemes was £457,000 (2007 – £461,000).

Defined benefits scheme – St Ives Group

The Group operates the St Ives defined benefits pension scheme, with assets held in separate trustee administered funds. This scheme was closed to new entrants from 6 April 2002, and closed to future benefits accruals with effect from 31 August 2008.

The most recent full actuarial valuations of the scheme assets and the present value of the defined benefits obligation were carried out at 6 April 2007 by Jonathan Punter, Fellow of the Institute of Actuaries, Punter Southall & Co Ltd, ('the actuary') who is independent of the Group. This valuation was updated at 1 August 2008. The present value of the defined benefits obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2008 per annum	2007 per annum
Discount rate	**6.25%**	5.70%
Expected rate of inflation	**3.65%**	3.10%
Expected rate of salary increases	**4.65%**	4.10%
Future pension increases	**3.65%**	3.10%

For the 2008 calclulations, salary growth of 4.65% per annum has been allowed for up until 31 August 2008. After this date, if a member remains employed by the Group, their accrued benefit will increase in line with the Retail Price Index plus 0.5% per annum subject to a maximum of 5.5% per annum. A rate of 4.15% per annum has been assumed for increases on active members' pensions after 31 August 2008.

Post-retirement mortality in the 2008 calculation is in accordance with the PA00 tables with future mortality improvements from 2002 in line with the '92 series' year of birth projections allowing for the medium cohort effect and a miminum level of improvements of 1% per annum. The base table has been adjusted to assume 6% greater mortality for males and 4% greater mortality for females.

The 2007 calculation assumed post-retirement mortality based on the PA92 tables with a year of birth projection and an allowance for the medium cohort effect. The mortality has been adjusted to allow for a 16% greater probability of death as suggested by SAPS data.

The amount recognised in the balance sheet in respect of the Group's defined benefits scheme is as follows:

	2008 £'000	2007 £'000
Present value of funded obligations	**226,605**	220,872
Fair value of scheme assets	**(178,261)**	(175,669)
	48,344	45,203

Amounts recognised in profit and loss in respect of the defined benefits scheme are as follows:

	2008 £'000	2007 £'000
Current service cost	**3,358**	3,697
Settlements/curtailments	**(5,243)**	(390)
Interest on obligation (note 9)	**12,521**	11,486
Expected return on scheme assets (note 8)	**(10,526)**	(9,706)
	110	5,087

The current service cost and curtailment credit were allocated to functional cost lines in the income statement. Expected return on assets is recorded under investment income and interest on obligation is recorded under finance costs. The actual return on scheme assets was a loss of £2,401,000 (2007 – gain of £8,795,000).

Changes in the present value of defined benefits obligations are as follows:

	52 weeks to 1 August 2008 £'000	53 weeks to 3 August 2007 £'000
Opening defined benefits obligation	**220,872**	225,887
Service cost	**3,358**	3,697
Interest cost	**12,521**	11,486
Curtailments and settlements	**(5,243)**	(390)
Contributions by scheme participants	**1,719**	1,910
Age-related rebates	**2,010**	1,099
Actuarial gains and losses	**(1,109)**	(15,847)
Benefits paid	**(7,523)**	(6,970)
Closing defined benefits obligation	**226,605**	220,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

25. Retirement benefits *continued*

Change in the fair value of scheme assets are as follows:

	52 weeks to 1 August 2008 £'000	53 weeks to 3 August 2007 £'000
Opening fair value of scheme assets	**175,669**	166,416
Expected returns	**10,526**	9,706
Actuarial gains and losses	**(13,915)**	(911)
Contributions by employer	**9,775**	4,419
Contributions by scheme members	**1,719**	1,910
Age-related rebates	**2,010**	1,099
Benefits paid	**(7,523)**	(6,970)
Closing fair value of scheme assets	**178,261**	175,669

The fair value of the scheme assets at the balance sheet date is analysed as follows:

	Long-term rate of return expected at 1 August 2008 per annum	**Value at 1 August 2008 £'000**	Long-term rate of return expected at 3 August 2007 per annum	Value at 3 August 2007 £'000
At the beginning of the year				
Equity instruments	**8.0%**	**77,291**	7.0%	80,794
Bonds	**5.7%**	**94,876**	5.2%	93,089
Other	**5.0%**	**6,094**	5.7%	1,786
At the end of the year		**178,261**		175,669

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The expected rates of return on the individual categories of the scheme assets are determined following actuarial advice. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the scheme's investment portfolio.

The history of the scheme for the current and prior period is as follows:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of defined benefits obligations	**226,605**	220,872	225,887	219,965	173,801
Fair value of plan assets	**(178,261)**	(175,669)	(166,416)	(153,381)	(128,870)
Deficit	**48,344**	45,203	59,471	66,584	44,931
Experience adjustments on scheme liabilities	**(1,462)**	(1,700)	(4,798)	36,388	5,137
Percentage of scheme deficit	**(0.6%)**	(0.8%)	(2.1%)	16.2%	3.0%
Experience adjustments on scheme assets	**(13,915)**	(911)	4,176	15,270	(1,207)
Percentage of scheme assets	**(7.8%)**	(0.5%)	2.5%	9.4%	(0.9%)

The Group expects to contribute approximately £16,909,000 to its defined benefits scheme in 2009, including a one-off payment of £14,400,000 which was made on 4 August 2008. There are no contributions to fund future defined benefits accrual after 31 August 2008.

26. Financial risk management

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 reviewed and approved by the board.

Interest rate risk

The Group carries a cash flow risk where there are changes in the interest rate levied on the Group's interest rate borrowings as currently interest on the Group's borrowing are at floating rates. The Group finances its operations through a mixture of retained earnings and bank borrowings. Group policy is to constantly review the exposure risk to interest rate fluctuations in relation to the risk as a proportion of Group earnings and wherever possible with matching short-term deposits of surplus funds. The Group is not subject to fair value interest rate risk as all debt is at floating rate.

Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk is set out below:

Financial assets subject to interest rate risk

	2008 £'000	2007 £'000
Sterling	**688**	18
Dollar	**4,414**	6,552
Other	**533**	977
	5,635	7,547

The Group's financial assets comprise cash and cash equivalents, all of which attract interest at floating rates based upon LIBOR or equivalent measures.

Financial liabilities subject to interest rate risk

	2008 £'000	2007 £'000
Sterling loan notes	**–**	358
Sterling overdrafts	**–**	1,969
Sterling bank loans	**20,000**	10,000
Dollar bank loans	**18,491**	17,892
	38,491	30,219

The Group's financial liabilities comprise loan borrowings which bear interest at floating rates based upon LIBOR, and overdraft borrowings which bear interest at floating rates based upon UK base rate.

Interest rate sensitivity analysis

The analysis below has been performed assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the whole year.

Impact on net profit	2008 £'000	2007 £'000
10% movement in US Dollar LIBOR	**95**	112
10% movement in Sterling LIBOR	**135**	66
10% movement in UK base rate	**–**	16

The changes would not have impacted other equity reserves as all interest bearing financial assets and liabilities are subject to floating interest rates and their fair values do not fluctuate with changes in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

26. Financial risk management *continued*

Foreign exchange risk

The Group has overseas subsidiaries which operate in the USA and whose revenues and expenses are denominated exclusively in US dollars. In order to provide some protection to the Group's Sterling balance sheet from the movements in the US dollar/Sterling exchange rate, the Group finances part of its net investment in these subsidiaries by means of borrowings in US dollars subject to the interest costs of those borrowings. Following the sale of the Netherlands business on 24 September 2008, the Group no longer has subsidiaries whose revenues and expenses are denominated in euros.

Foreign currency sensitivity analysis

The following table illustrates the Group's sensitivity to a 12.5% increase and decrease in Sterling against the US dollar. This represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis has been prepared assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the whole year.

Impact of 12.5% movement in US dollar/Sterling exchange rate	**2008 £'000**	2007 £'000
Net profit	**193**	(102)
Other equity – dollar denominated net operating assets	**2,854**	2,857
Other equity – dollar denominated borrowings	**(2,055)**	(1,988)
Other equity	**799**	869

Hedge of net investment in foreign entity

The Group has a US dollar denominated loan, which it has designed as a hedge for part of its net investment in its subsidiaries in the USA. The fair value of the designated borrowings was £18,491,000 (2007 – £17,892,000). The foreign exchange loss of £609,000 (2007 – loss of £1,626,000) on the translation of the borrowings into Sterling has been recognised in the Group's hedging and translation reserve.

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts and to manage the risk associated with anticipated sale and purchase transactions. Basis adjustments are made to the carrying amount of non-financial hedged items when the anticipated sale or purchase transaction takes place.

As of 1 August 2008 there was a single forward foreign currency contract outstanding which covered certain euro-denominated receivables and anticipated sales denominated in euros, extending 6 months from the balance sheet date. The notional value of the contract at 1 August 2008 was 300,000 euros (£237,000), and the fair value at that date was zero.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk is relatively low as the Group maintains credit insurance up to a maximum aggregate claim in any one year of £3 million. In addition its UK subsidiaries' sales are principally with a large number of counterparties and customers in the UK, and are denominated in Sterling.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables includes an amount with a single large customer which represents more than 10% of the total balance. This customer has the highest credit score attributable under the credit scoring method used by the Group.

Included in the Group's trade receivables are debtors with a carrying value for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. Included in the Group's trade receivables balance are debtors with a carrying amount of £12.0 million (2007 – £12.0 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of impaired receivables	**2008 £'000**	2007 £'000
0-59 Days	**258**	2,778
60-90 days	**162**	501
91-120 days	**1,695**	485
More than 120 days	**477**	146
Total	**2,592**	3,910

Movement in the allowance for doubtful debts	**2008 £'000**	2007 £'000
Balance at the beginning of the period	**3,910**	4,950
Impairment losses recognised	**337**	1,158
Amounts written off as uncollectible	**(904)**	(339)
Amounts recovered during the year	**8**	75
Impairment losses reversed	**(818)**	(1,934)
Exchange differences	**59**	–
Balance at the end of the period	**2,592**	3,910

In determining the recoverability of a trade receivable the Group considers any change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated, and being covered by credit insurance arrangements. Accordingly the directors believe that there is no further credit provison required in excess of the allowance for doubtful debts.

Ageing of past due but not impaired receivables:	**2008 £'000**	2007 £'000
0-59 Days	**8,092**	4,543
60-90 days	**3,498**	3,448
91-120 days	**260**	1,651
More than 120 days	**60**	2,475
	11,910	12,117

26. Financial risk management *continued*

Liquidity risk

The Group's policy is to maintain flexibility with respect to its liquidity position, by utilising short-term cash deposits and, where necessary, short-term bank borrowings for working capital and longer-term borrowings for capital expenditure requirements. The £80 million three-year revolving multicurrency agreement includes an overdraft facility of £25 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 22.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28 to 30.

27. Other financial liabilities

	2008 £'000	2007 £'000
Current		
Finance lease obligations	**230**	419
Non-current		
Finance lease obligations	**–**	208
Other financial liabilities	**–**	313
	–	521

Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Amounts payable under finance leases:				
Within one year	**238**	448	**230**	419
Between two and five years	**–**	214	**–**	208
In more than five years	**–**	–	**–**	–
	238	662	**230**	627
Less: future finance charges	**(8)**	(35)	**N/A**	N/A
Present value of lease obligations	**230**	627	**230**	627
Less current portion (shown within current liabilities)			**(230)**	(419)
Amount due for settlement after one year			**–**	208

Finance lease obligations are secured by the lessors' title to the leased assets.

The fair value of the Group's lease obligations approximates their carrying amount.

28. Share capital

Authorised:	2008 Number of shares	2008 £'000	2007 £'000
10p ordinary shares	160,000,000	**16,000**	16,000

	2008 Number of shares	2008 Ordinary shares of 10p each £'000	2007 Ordinary shares of 10p each £'000
Issued and fully paid:			
At 3 August 2007 and 1 August 2008	103,551,005	**10,355**	10,355

All authorised and issued share capital is represented by equity shareholdings.

29. Other reserves

	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Hedging and translation reserve £'000	Total £'000
Balance at 28 July 2006	46,689	(1,913)	1,238	209	111	46,334
Exchange differences and related tax	–	–	–	–	(1,157)	(1,157)
Transferred to income statement	–	–	–	–	38	38
Cash flow hedges:						
Transferred to fixed assets	–	–	–	–	85	85
Tax on items taken directly to or transferred from equity	–	–	–	–	(26)	(26)
Recognition of share-based payments	–	–	–	(147)	–	(147)
Balance at 3 August 2007	46,689	(1,913)	1,238	62	(949)	45,127
Exchange differences and related tax	–	–	–	–	909	909
Recognition of share-based payments	–	–	–	87	–	87
Balance at 1 August 2008	**46,689**	**(1,913)**	**1,238**	**149**	**(40)**	**46,123**

30. Retained earnings

	£'000
Balance at 28 July 2006	111,212
Dividends paid (note 12)	(17,673)
Profit for the period attributable to equity holders of the parent	6,315
Actuarial gains on defined benefits pension schemes, net of associated tax	9,191
Balance at 3 August 2007	109,045
Dividends paid (note 12)	(17,673)
Profit for the period attributable to equity holders of the parent	16,240
Actuarial losses on defined benefits pension schemes, net of associated tax	(9,220)
Balance at 1 August 2008	**98,392**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

31. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

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

Analysis of net debt

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

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

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

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

Cash flows from discontinued operations

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

	2008 £'000	2007 £'000
Net cash used in operating activities	**–**	(210)
Net cash used in investing activities	**–**	(107)
Net decrease in cash from discontinued activities	**–**	(317)

32. Capital and other commitments

	2008 £'000	2007 £'000
Capital expenditure contracted but not provided	**7,391**	11,540

At 1 August 2008, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2008		2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**1,954**	**1,050**	2,226	1,389
Between two and five years	**5,224**	**2,565**	6,018	1,495
After five years	**5,264**	**–**	6,036	–
	12,442	**3,615**	14,280	2,884

33. Share-based payments

The Company operates a number of share-based payment schemes for certain employees of the Group. IFRS 2: Share-based Payment has been applied to all share-based rewards made after 7 November 2002 that did not vest before 31 July 2004 as detailed below:

Executive Share Option Scheme ('2001 Scheme')

Executive directors and certain members of senior management have been granted share options under the Company's discretionary share option scheme. Details of the 2001 Scheme are included on pages 30 to 31 of the Directors' Remuneration Report. A reconciliation of the movement in the number of share options is shown below:

	2008		2007	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
2001 Scheme				
Outstanding at the beginning of the period	**1,171,900**	**3.63**	1,070,000	3.83
Granted during the period	**665,000**	**2.38**	339,400	3.17
Forfeited during the period	**(527,000)**	**3.62**	(237,500)	3.84
Outstanding at the end of the period	**1,309,900**	**3.00**	1,171,900	3.63
Exercisable at the end of the period	**–**	**–**	–	–

Equity Partnership Plan ('EPP')

Executive directors and certain members of senior management may be invited to participate in the EPP. Details of the EPP are included on page 31 in the Directors' Remuneration Report. The performance condition for the grants made in November 2004 was not met, and so on 24 May 2008 the options lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

33. Share-based payments *continued*

	2008 Number of share options	2007 Number of share options
EPP		
Outstanding at the beginning of the period	**56,964**	106,500
Granted during the period	**–**	–
Forfeited during the period	**–**	–
Expired during the period	**(56,964)**	(49,536)
Outstanding at the end of the period	**–**	56,964
Exercisable at the end of the period	**–**	–

The fair value of the options granted is measured using the binomial options pricing model. The inputs to the model are:

Weighted average mid-market share price	£2.37
Weighted average exercise price	£2.37
Expected life	5.7 years
Expected volatility	30.00%
Risk free rate	5.00%
Dividend yield	7.50%

The Group recognised a total charge of £87,000 (2007 – credit of £147,000) relating to equity-settled share-based payment transactions.

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidations and are not disclosed in this note. No material related party transactions have been entered into during the year, which might reasonably affect the decisions made by the users of these financial statements.

The directors and other executive officers of the Company and their associates, had no material transactions with the group during the year.

Remuneration of key management personnel

The remuneration of the Directors and other executives who are key management personnel of the Group, is set out below in aggregate for each of the categories specified in International Accounting Standard 24: 'Related Party Disclosures':

	2008 £'000	2007 £'000
Short-term employee benefits	**2,112**	3,513
Post-employment benefits	**204**	384
Other long term benefits	**–**	–
Termination benefits	**–**	260
Share-based payments	**87**	(147)
	2,403	4,010

35. Reconciliation of EBITDA

The reconciliation of the EBITDA to the segment result referred to in the Financial Review is shown below:

	52 weeks to 1 August 2008			
	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
Segmental result before restructuring costs, provision releases and other one-off items	**25,800**	**7,315**	**1,951**	**35,066**
Depreciation and amortisation	**11,311**	**10,725**	**3,172**	**25,208**
EBITDA continuing operations	**37,111**	**18,040**	**5,123**	**60,274**

	53 weeks to 3 August 2007			
	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
Segmental result before restructuring costs, provision releases and other one-off items	26,334	6,500	1,495	34,329
Depreciation and amortisation	13,702	9,093	3,319	26,114
EBITDA continuing operations	40,036	15,593	4,814	60,443

36. Events after the balance sheet date

On 31 August 2008 the defined benefits pension scheme was closed to future service accruals. A one-off contribution of £14,400,000 was made to the scheme on 4 August 2008. The contribution was funded from drawdowns on the existing revolving credit facilty.

On 23 September 2008 the business and assets of the music and multimedia operation based in Uden, Netherlands were sold for a net consideration of 1,250,000 euros (£985,416).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

37. List of principal undertakings

The principal trading subsidiaries of the Company as at 1 August 2008 are shown below. All are wholly owned subsidiaries. With the exception of any marked (†) which are owned directly, all are owned via wholly owned intermediate holding companies.

The following companies are incorporated and registered in England and Wales:

	Location
Clays Limited	Bungay
St Ives Andover Limited	Andover
St Ives Blackburn Limited	Blackburn
St Ives Burnley Limited	Burnley
St Ives Crayford Limited	Crayford
St Ives Direct Bradford Limited	Bradford/Leeds
St Ives Direct Edenbridge Limited	Edenbridge
St Ives Direct Leeds Limited	Leeds
St Ives Management Services Limited	London
St Ives Peterborough Limited	Peterborough
St Ives Plymouth Limited	Plymouth
St Ives Roche Limited	Roche
St Ives Westerham Press Limited	Edenbridge
Service Graphics Limited †	London & other UK sites
SP Group Limited	Birmingham/Redditch

The following companies are incorporated overseas:

St Ives Inc Cleveland	USA
St Ives Inc Florida	USA

All the above subsidiaries are engaged in the activities of printing and related services.

Independent Auditors' Report to the Members of St Ives plc

We have audited the parent company financial statements of St Ives plc for the 52 weeks ended 1 August 2008 which comprise the Balance Sheet and the related notes 1 to 16. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of St Ives plc for the 52 weeks ended 1 August 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review, Financial Review and the Chairman's Statement that is cross referred from the Business and Operating Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the unaudited part of the Directors' Remuneration Report, the Business Review, the Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST IVES PLC *continued*

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 1 August 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

21 October 2008

Note

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

COMPANY BALANCE SHEET

	Note	1 August 2008 £'000	3 August 2007 £'000
Fixed Assets			
Intangible assets	5	**75**	113
Tangible assets	6	**43,163**	43,664
Investments	7	**176,260**	173,484
		219,498	217,261
Current assets			
Debtors – amounts falling due within one year	8	**4,408**	8,318
Debtors – amounts falling due after more than one year	8	**322**	156
Cash at bank and in hand		**20,214**	7,008
		24,944	15,482
Creditors: amounts falling due within one year	9	**(8,454)**	(25,951)
Net current liabilities		**16,490**	(10,469)
Total assets less current liabilities		**235,988**	206,792
Creditors: amounts falling due after more than one year	10	**(38,491)**	(27,892)
Provision for liabilities	11	**(449)**	(2,192)
Net assets		**197,048**	176,708
Capital and reserves			
Share capital	12	**10,355**	10,355
Share premium account	12	**46,689**	46,689
Other reserves	13	**(526)**	(613)
Profit and loss account	14	**140,530**	120,277
Total equity		**197,048**	176,708

These financial statements were approved by the board of directors on 21 October 2008 and signed on its behalf by

Brian Edwards
Matt Armitage
Directors

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

The financial statements of the Company have been prepared in accordance with applicable United Kingdom accounting standards.

(a) Accounting convention

The financial statements of the Company are prepared under the historical cost convention, except for revaluation of certain land and buildings and financial instruments.

(b) Accounting period

The financial statements are prepared for the fifty two weeks ended 1 August 2008 ('the financial year'). Comparative figures are for the fifty three weeks ended 3 August 2007.

(c) Tangible fixed assets

Depreciation is not provided on freehold land or assets in the course of construction. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The annual rates of depreciation are as follows:

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33⅓%
Fixtures, fittings and equipment	10% – 33⅓%
Motor vehicles	20% – 25%

As permitted by Financial Reporting Standard 15: 'Tangible Fixed Assets' ('FRS 15'), those freehold buildings valued at 31 July 1985 continue to be carried at that value, subject to depreciation.

(d) Investments

Investments are stated at historical cost, less any provision for impairment.

(e) Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Provision for repairs

As the Company is committed under the terms of a lease to make repairs to leasehold premises, provision is made for the estimated cost of repairs over the lease period.

(g) Foreign currencies

Where foreign currency borrowings have been used to finance or provide a hedge against equity investments in overseas subsidiaries, exchange gains or losses on the borrowings have been offset in reserves to the extent that they do not exceed the associated exchange differences arising on the retranslation of net investments.

The transactions of the Company denominated in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction. Amounts receivable and payable denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These exchange differences are included in profit on ordinary activities before tax.

(h) Share-based payments

The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair value of share options issued is measured using a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(i) Derivative financial instruments

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses derivative financial instruments to hedge its exposure to foreign exchange for the purchase of capital equipment denominated in foreign currencies and the sale of goods similarly denominated.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Company does not hold or issue derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity and the ineffective portion is recognised immediately in the profit and loss account. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the profit and loss account in the same period in which the hedged item affects the net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the profit and loss account for the period.

Notes to the Company Financial Statements *continued*

1. Accounting policies *continued*

(i) Derivative financial instruments *continued*

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the profit and loss account.

Those derivatives which are not designated as hedges are classified as held for trading and gains and losses on those instruments are recognised immediately in the profit and loss account.

(j) Pension costs

The Company operates a defined benefits pension scheme, in which the majority of employees of the Company participate, and a defined contribution pension scheme. The Company accounts for the defined benefits pension scheme as if it were a defined contribution scheme under the provisions of FRS 17. Pension costs for the Company's defined contribution scheme are charged against profits as payable. Further details are set out in note 15.

(k) Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of leases.

(l) Cash flows

A statement of cash flows has not been prepared for the Company as, in accordance with Financial Reporting Standard 1 (Revised): 'Cash Flow Statements' ('FRS 1'), cash flow information has been shown in the financial statements of the ultimate parent company.

2. Profit from operations

As permitted by Section 230 of the Companies Act 1985, no profit and loss account of the Company is included in these financial statements. The profit for the financial period for the Company was £37.9 million (2007 – £27.1 million).

3. Auditor's remuneration

Fees paid to the auditors in respect of their audit of the Company were £65,000 (2007 – £71,600).

4. Employee information

The average monthly number of employees (including executive directors) was:

	2008 Number	2007 Number
Sales	**29**	14
Administration	**37**	35
	66	49

Their aggregate remuneration comprised:

	2008 £'000	2007 £'000
Wages and salaries	**5,150**	3,742
Social security costs	**460**	348
Other pension costs	**370**	389
Share-based payment	**87**	63
	6,067	4,542

5. Intangible fixed assets

	Cost £'000	**Accumulated amortisation £'000**	**Net book value £'000**
Goodwill:			
At 3 August 2007	189	(76)	113
Amortisation charge for the period	–	(38)	(38)
At 1 August 2008	**189**	**(114)**	**75**

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

6. Tangible fixed assets

	Land and buildings		Plant and machinery	Fixtures, fittings, equipment and motor vehicles	Total
	Freehold £'000	Long leases £'000	£'000	£'000	£'000
Cost or valuation:					
At 28 July 2006	50,094	5,765	4,372	2,362	62,593
Additions	–	–	–	362	362
Transfers to subsidiaries	–	–	–	(78)	(78)
Disposals	(2,715)	–	(1,573)	(1,348)	(5,636)
At 3 August 2007	47,379	5,765	2,799	1,298	57,241
Additions	–	–	–	1,240	1,240
Transfers from subsidiaries	–	–	–	124	124
Transfers to subsidiaries	–	–	–	(14)	(14)
Disposals	–	–	–	(47)	(47)
At 1 August 2008	**47,379**	**5,765**	**2,799**	**2,601**	**58,544**
Accumulated depreciation:					
At 28 July 2006	10,027	1,500	2,705	1,825	16,057
Charge	912	306	247	297	1,762
Transfers from subsidiaries	–	–	–	–	–
Transfers to subsidiaries	–	–	–	(42)	(42)
Disposals	(1,349)	–	(1,547)	(1,304)	(4,200)
At 3 August 2007	9,590	1,806	1,405	776	13,577
Charge	830	306	190	480	1,806
Transfers from subsidiaries	–	–	40	–	40
Transfers to subsidiaries	–	–	(3)	–	(3)
Disposals	–	–	–	(39)	(39)
At 1 August 2008	**10,420**	**2,112**	**1,632**	**1,217**	**15,381**
Net book value:					
At 1 August 2008	**36,959**	**3,653**	**1,167**	**1,384**	**43,163**
At 3 August 2007	37,789	3,959	1,394	522	43,664

The Company has freehold land with a book value of £6,040,000 (2007 – £6,040,000) which has not been depreciated.

The net book value of the Company's land and buildings includes £216,000 (2007 – £222,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £92,000 (2007 – £96,000).

7. Investments held as fixed assets

	Shares at cost £'000	Loans £'000	Total £'000
Investment in subsidiaries:			
Balance at 3 August 2007	119,209	54,275	173,484
Additions	9,804	2,743	12,547
Repayment of loans by group undertakings	–	(10,511)	(10,511)
Foreign exchange revaluation	–	741	741
Balance at 1 August 2008	**129,013**	**47,247**	**176,260**

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 37 of the consolidated financial statements.

8. Debtors: amounts falling due within and after more than one year

	2008 £'000	2007 £'000
Within one year		
Amounts owed by group undertakings	**633**	2,789
Other debtors	**232**	305
Tax recoverable	**2,793**	4,614
Prepayments and accrued income	**750**	202
Defined contribution pension scheme prepayments	**–**	409
	4,408	8,318
After more than one year		
Deferred tax asset	**322**	–
Prepayments and accrued income	**–**	156
	322	156

	£'000
Deferred tax asset:	
Balance at 3 August 2007	**–**
Transferred from deferred tax liabilities	**(1,592)**
Credited to profit and loss account	**1,914**
Balance at 1 August 2008	**322**

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

9. Creditors: amounts falling due within and after more than one year

	2008 £'000	2007 £'000
Within one year		
Amounts owing to group undertakings	**2,693**	3,109
Unsecured loan notes (note 10)	**–**	358
Bank loans and overdrafts (note 10)	**–**	15,364
Trade creditors	**634**	395
Other creditors including tax and social security	**2,413**	6,712
Accruals and deferred income	**2,714**	13
	8,454	25,951
After more than one year		
Bank loans and overdrafts (note 10)	**38,491**	27,892

10. Borrowings and finance lease obligations

	2008 £'000	2007 £'000
Within one year		
Unsecured loan notes	**–**	358
Bank overdrafts	**–**	15,364
	–	15,722

	2008 £'000	2007 £'000
After more than one year		
Bank loans		
Between two and five years	**38,491**	27,892

As at 1 August 2008 there were no bank loans secured on land, buildings, plant or machinery (2007 – £nil).

Unsecured loan notes

	2008 £'000	2007 £'000
Balance outstanding		
2008 Notes	**–**	358
Redeemed during the period		
2006 Notes	**–**	339
2008 Notes	**358**	948
	358	1,287

2008 Notes were repaid in full on 30 June 2008.

Bank overdrafts and loans

On 20 July 2007 the Company entered into an £80 million three year revolving multicurrency loan agreement ('the agreement') of which £25 million is an overdraft facility which is renewable annually. Interest is payable at 1.00% over UK base rate on the overdraft and 0.65% over LIBOR on loan drawdowns. Loans are repayable on the third anniversary of the agreement. As at 1 August 2008 the Company's outstanding loans, within this agreement, were US$36.5 million and £20 million (2007 – US$36.5 million and £10 million).

As at 1 August 2008 there was no loan or overdraft secured against the assets of the Company (2007 – £nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company's overdraft is guaranteed by certain United Kingdom subsidiary undertakings and the Company guarantees the loans and overdrafts of those United Kingdom subsidiary undertakings. At 1 August 2008 the aggregate liability for the Company under this guarantee amounted to £51,722,000 (2007 – £37,764,000). The aggregate value of the Company's loans and overdraft liabilities guaranteed by certain United Kingdom subsidiaries amounted to £38,491,000 (2007 – £43,256,000).

11. Provisions for liabilities and charges

	Provision for deferred tax £'000	Provision for repairs £'000	Provision for reorganisation £'000	Provision for additional consideration £'000	Total £'000
Balance at 3 August 2007	1,592	–	–	600	2,192
Transfers to deferred tax assets	(1,592)	–	–	–	(1,592)
Charged/(credited) to the profit and loss account	–	120	230	(180)	170
Utilised in year	–	(4)	(47)	(270)	(321)
Balance at 1 August 2008	**–**	**116**	**183**	**150**	**449**

12. Called up share capital and share premium account

	2008 Number of shares	2008 £'000	2007 £'000
Authorised share capital:			
10p ordinary shares	**160,000,000**	**16,000**	16,000

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 3 August 2007 and 1 August 2008	103,551,005	10,355	46,689

All authorised and issued share capital is represented by equity shareholdings.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

13. Other reserves

	Capital redemption reserve £'000	Share option reserve £'000	ESOP reserve £'000	Total £'000
Balance at 3 August 2007	1,238	62	(1,913)	(613)
Recognition of share-based payments	–	87	–	87
Balance at 1 August 2008	**1,238**	**149**	**(1,913)**	**(526)**

14. Profit and loss account

	£'000
Balance at 3 August 2007	120,277
Exchange differences and related taxation	(13)
Retained profit for the financial period	37,939
Dividends paid on equity shares	(17,673)
Balance at 1 August 2008	**140,530**

Details of the Company's share schemes are set out in note 33 of the consolidated financial statements.

15. Retirement benefits

The Company participates in both the defined benefits and defined contribution schemes operated by St Ives plc. The defined benefits scheme is a multi-employer scheme, the assets and liabilities of which are held in separate trustee-administered funds. The pension costs are based on pension costs across the Group as a whole. For the defined contribution scheme, the profit and loss charge represents contributions payable.

The pension costs of the Company are disclosed in note 4.

For the purpose of FRS 17, the Company is unable to identify its share of the underlying assets and liabilities of the defined benefits scheme on a consistent and reasonable basis. Accordingly, the Company accounts for the defined benefits scheme as if it were a defined contribution scheme.

Contributions were paid by the Company at the rate of 5.3% of pensionable pay, plus £2.7 million per annum across the Group from 1 February 2006, paid monthly, which is equivalent to approximately 15.8% of pensionable pay (2007 – 14.7%). The defined benefits scheme was closed to new entrants with effect from 6 April 2002 and closed to future benefits accrual from 31 August 2008.

The Group is required to account for the defined benefits scheme under International Accounting Standard 19: 'Employee Benefits' ('IAS 19'). The IAS 19 disclosures, included in note 25 of the notes to the consolidated financial statements, have been based on the results of the actuarial valuation of the defined benefits scheme as at 6 April 2007 adjusted to allow for the assumptions and actuarial methodology required by IAS19 and updated to 1 August 2008 by the scheme's actuary. These disclosures show that the scheme's assets represented 78.7% of the scheme's liabilities.

16. Capital commitments

	2008 £'000	2007 £'000
Capital expenditure contracted but not provided	**339**	439

FIVE YEAR RECORD

	IFRS				UK GAAP
	52 weeks to 1 August 2008 £'000	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000	52 weeks to 29 July 2005 £'000	52 weeks to 30 July 2004 £'000
Revenue					
Media Products	**173,153**	174,350	186,253	204,598	198,523
Commercial Products	**218,047**	191,414	131,202	147,870	133,688
USA	**47,949**	59,266	65,055	67,009	78,093
	439,149	425,030	382,510	419,477	410,304
Profit/(loss) from operations before restructuring costs, provision releases and other one-off items*					
Media Products	**25,800**	26,334	23,904	28,670	26,017
Commercial Products	**7,315**	6,500	2,844	6,679	9,752
USA	**1,951**	1,495	(241)	3,484	2,686
Head Office	**–**	–	(33)	1,844	4
	35,066	34,329	26,474	40,677	38,459
Restructuring costs and provision releases	**1,259**	(2,765)	1,245	(9,845)	(9,945)
Goodwill amortisation (UK GAAP only)	**–**	–	–	–	(1,810)
Goodwill impairment	**–**	–	–	–	(13,000)
Profit/(loss) from operations	**36,325**	31,564	27,719	30,832	13,704
Profit/(loss) on disposal of fixed assets	**–**	–	–	(8,135)	–
Investment income	**10,543**	10,171	9,221	8,336	1,645
Finance costs	**(14,508)**	(14,179)	(12,758)	(10,794)	(450)
Profit before taxation	**32,360**	27,556	24,182	20,239	14,899
Income tax expense	**(16,120)**	(7,157)	(8,104)	(8,775)	(11,899)
Profit on ordinary activities after taxation	**16,240**	20,399	16,078	11,464	3,000
Loss on discontinued operations	**–**	(14,084)	(1,264)	–	–
Profit for the period	**16,240**	6,315	14,814	11,464	3,000
Earnings per share					
Basic	**15.76p**	6.13p	14.38p	11.14p	2.92p
Continuing before restructuring costs, provision releases and other one-off items*	**21.10p**	20.25p	15.09p	24.73p	25.08p
Balance sheet					
Property, plant and equipment	**141,581**	147,006	160,909	158,908	163,165
Goodwill	**54,679**	54,679	54,135	53,946	22,814
Other intangible assets	**1,753**	1,394	1,089	649	–
Other non-current assets	**2,517**	5,123	12,197	16,313	–
Assets held for sale	**6,650**	3,345	–	–	–
Other current assets	**116,811**	100,121	90,813	96,700	149,829
Liabilities held for sale	**(1,142)**	–	–	–	–
Other current liabilities	**(79,015)**	(67,719)	(89,212)	(92,878)	(92,833)
Non-current liabilities	**(88,964)**	(79,422)	(62,030)	(69,301)	(20,217)
Net assets	**154,870**	164,527	167,901	164,337	222,758

Revenue and profit/(loss) from operations before restructuring costs, provision releases and other one-off items is shown by business segment. The information given in the Five Year Record for the years ended 29 July 2005 and 30 July 2004 includes discontinued operations. The Five Year Record is not audited.

* For financial information reported under UK GAAP, 'Profit/(loss) from operations before restructuring costs, provision releases and other one-off items' is also before goodwill amortisation and impairment. 2007 comparative figures have been adjusted to ensure a consistent presentation.

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Financial Calendar 2008/2009

Record date for final ordinary dividend	7 November 2008
Interim Management Statement	Between mid October and mid December 2008
Payment of final ordinary dividend	5 December 2008
Half-yearly results	March 2009
Interim Management Statement	Between mid April and mid June 2009
Record date for interim ordinary dividend	April 2009
Payment date for interim ordinary dividend	May 2009

The Annual General Meeting of St Ives plc will be held at St Ives House, Lavington Street, London SE1 0NX on Monday 1 December 2008 at 11.00 a.m.

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