St Ives plc
Annual Report and Accounts 2010

St Ives plc

Our Group today

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

From the latest bestsellers, new car brochures, giant advertising hoardings and magazines to high street window displays and exhibition graphics – our products touch many aspects of everyday life in more ways than might be imagined. There is definitely more to us than meets the eye.

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

Our goal is to grow and diversify the business while adding value for our stakeholders. We aim to do this by following our focused strategy.

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How we performed

Financial highlights

£362.3m
Revenue
2009: £386.8m

£14.4m
Underlying* profit before tax
2009: £7.3m

£8.1m
Profit before tax*
2009: loss £7.2m

9.65p
Underlying* earnings per share
2009: 4.94p

7.51p
Earnings per share
2009: loss 6.14p

3.50p
Total dividends per share
2009: 2.25p per share

£2.7m
Net debt
2009: £19.0m

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

Operational highlights

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

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

The Group's position is being consolidated by management:

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

Management is driving growth by:

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

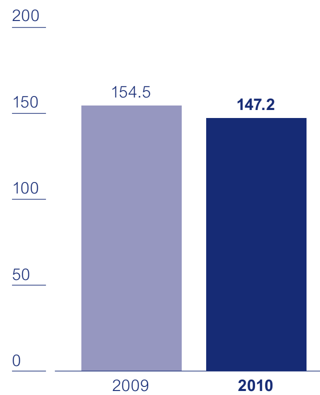
St Ives Group at a glance

Our business services two distinct markets: media and commercial.

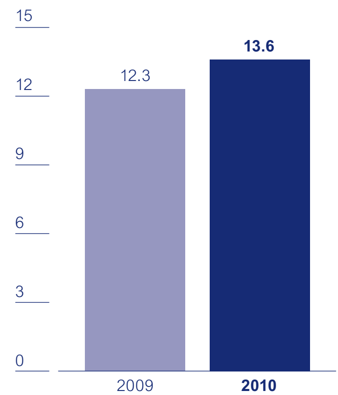
The acquisition of Occam has strengthened the data and marketing offering of our commercial businesses. To further support our strategy, we continue to invest in the development of our business consultancy services, IT consultancy and portfolio of online software solutions.

Media Products

Sales* (£m)

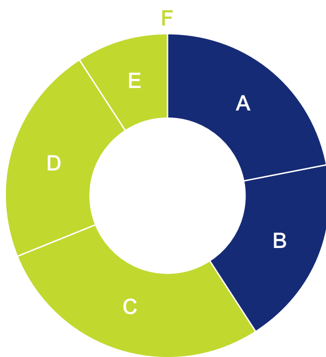


Operating Profit* (£m)



Group

Contribution to Group sales



Media	
A Books	22%
B Magazines	19%
Commercial	
C Direct Response and Commercial	28%
D Point of sale	22%
E Exhibitions and Events	9%
F Data marketing	<1%*

* New acquisition in June 2010.

Media Products

41%

Commercial Products

59%

Media

Books

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

Clays Ltd

Monochromatic books
Distribution
Logistics

Locations
Bungay
London

See case study page 10

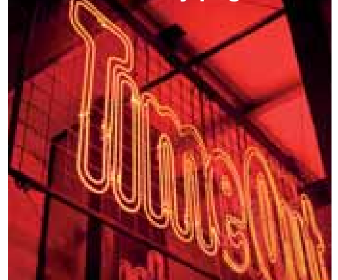
Magazines

We are responsible for the production of more than 400 million individual products each year including weeklies, monthlies and specialist titles.

St Ives Web

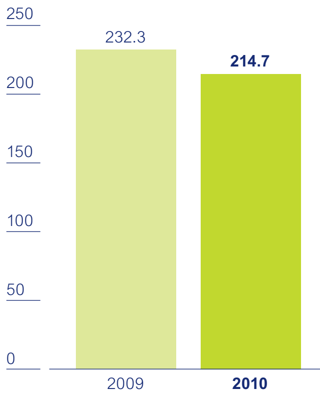
Magazines
Fulfilment services

Locations
London
Peterborough
Plymouth
Roche

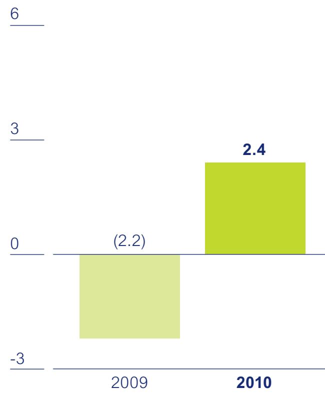

See case study page 12

Commercial Products

Sales* (£m)



Operating Profit* (£m)



* Figures are before non-underlying items

Commercial

Direct Response and Commercial

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

St Ives Direct

Direct mail
Digital print
Personalisation
Commercial print

Music & Multimedia

CD/DVD slipcases
Special packaging

Westerham Press

Fine art printing
Financial Reports & Accounts

SIMS

Detailed audits
Outsourcing solutions
Print management

Locations
Blackburn
Bradford
Leeds
London

Point of sale

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

SP Group

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

Locations
Birmingham
Burnley
Redditch

See case study page 18

Exhibitions and Events

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

Service Graphics

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

Locations
Edenbridge
Glasgow
London
Nottingham
Salisbury
Skelmersdale

Data marketing

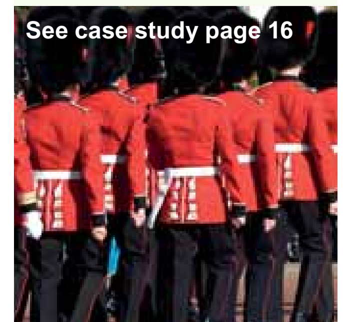
Our data management and data insight services are empowering marketing communications for some of the UK's best known organisations.

Occam

Database management
Data analysis
Data insight
Campaign management

Location
Bath

See case study page 16



Chairman's Statement

Miles Emley
Chairman

Introduction

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

Dividends

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

Current trading

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

“Great efforts have been made to concentrate on those segments of the market where customers’ needs match our capabilities.”

The board

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

Outlook

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

Miles Emley
Chairman

5 October 2010

Chief Executive's Review

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

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

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

Patrick Martell
Chief Executive

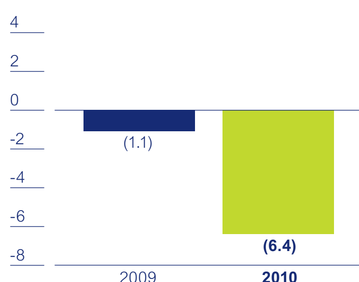
"The Group continues to restructure its activities and implement plans to reposition the business."

Key financial performance indicators

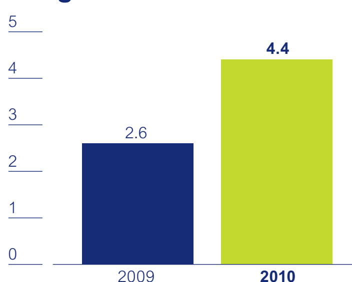
The board uses a range of key performance indicators ('KPIs') to measure past performance and as a basis for future planning. The most significant KPIs used by the Group are financial and are set out below; these replace the KPIs previously reported and have been updated to reflect the board's key priorities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

The following KPIs are used by the Group to measure performance against its strategic objectives:

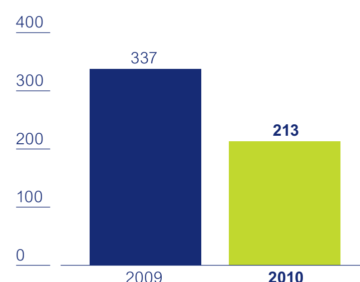
Revenue growth %



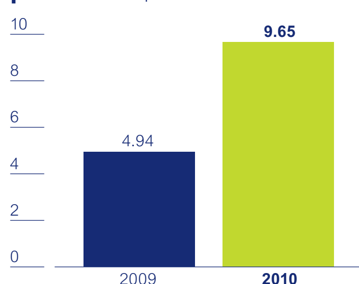
Underlying operating margin* %



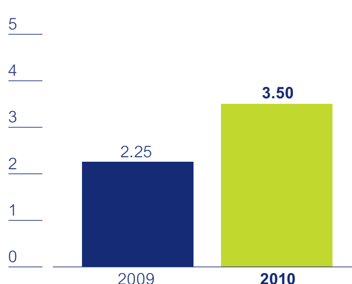
Cash conversion** %



Underlying earnings per share* pence



Dividends per share pence



* Continuing operations before non-underlying items.
** Operating profit converted to free cash flow before non-underlying items.

Strategy

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

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

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

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

Our strategic objectives

Our goal is to grow and diversify the business while adding value to all of our stakeholders and shareholders. We aim to do this through three key objectives:

Stabilise
Reduce cost
Strengthen balance sheet

Consolidate
Improve financial performance
Investment and operational efficiency
New senior management

Grow
Cross sell
Extend range of services
Investment in sales resource

"Our strategy is to focus on customers where there is a requirement for quality and service."

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

Our uniqueness as a Group is the range and diversity of products and services supplied to a blue chip customer base across a number of markets. The following case studies from across the Group help illustrate this diversity.

Balance sheet

For the Consolidated Balance Sheet see page

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

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

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

Outlook

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

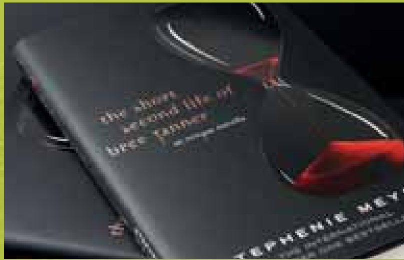
We start the new financial year against a backdrop of improved financial performance and having made good progress to execute our strategy. There is still much to do and improvements in trading conditions are likely to take some time. We are confident that the actions we have taken to date and the strategy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

Time management helps ‘Twilight’ saga

Clays deliver more than just print for the latest in the Twilight series.

Since the original publication of Stephenie Meyer's first novel in the Twilight Saga, Clays have printed over ten million books and managed their distribution to a wide range of retailers. The latest, The Short Second Life of Bree Tanner: An Eclipse Novella, was launched in the UK on 5 June 2010 as part of a world-wide publication.

This was Stephenie Meyer's first book for two years and the level of anticipation was extraordinary, requiring the highest level of security.



There's more to delivery of a book than just the cover.

Clays managed the data, production, fulfilment and distribution, including 1,800 retail display units.

Our distribution model, from print direct to retailers achieved a reduction in 'book miles'. This, along with an improvement in time management across the entire project, resulted in significant cost savings for the client.

St Ives aims to extend its offering into related added value services outside of print. In the book publishing market the business has invested in digital print-on-demand equipment, a new distribution centre and data management capabilities to support delivery of the written word to e-readers.

Turning a new leaf for a valued partner

Time Out benefits from St Ives Marketing Services proposition.

For the last 20 years St Ives has been proud to produce one of the UK's most famous publications, Time Out. Strengthening relationships with key clients is a priority for the business.

With this in mind St Ives developed a new proposition designed to address Time Out's needs in their fast-moving multichannel marketplace.

St Ives conducted a business audit covering marketing, print, working practices and procurement. The analysis formed the basis of a business proposal that was beyond the expectation of Time Out.

Supplying much more than magazine production.

The implementation of the proposals has led to a consolidation of much of the marketing services supply chain, a simplification of process and a cost saving for Time Out.

St Ives now manages many marketing services. This work is directed by St Ives working with Time Out stakeholders and covers management of direct marketing campaigns; print production; point of sale production; fulfilment; distribution and utilisation of St Ives' capabilities in personalisation in print and online marketing. Additionally, work is underway on data management and a range of other services.

St Ives has moved from a print supplier to become a valued business partner, and working together, we aim to achieve shared goals that will benefit both businesses for the longer term.

‘Datastore’ makes a difference

St Ives survey all Sainsbury's stores to create bespoke 'datastore'.

St Ives' research teams visited all 888 of Sainsbury's outlets, across both retail and banking, to create an online store database detailing every aspect of each site.

This database covers many areas from: type of store; number of tills; existence of ATMs and car parks; number of outdoor poster sites, to finer details such as types of leaflet dispensers; sizes of poster sites and the amount of space allocated for free-standing displays.

Over 50,000 images were taken to support the development of the 'datastore' before St Ives proceeded to build the online IT solution that allows Sainsbury's stakeholders to access this information. The system now supports the management process across the supply chain for print, display and point of sale materials.

'Datastore' helps managers optimise allocations of display and promotional materials to each site. The creation of accurate allocations and subsequent reductions in waste have delivered significant savings in the first year of implementation.

Helping Sainsbury's optimise allocations of point of sale materials.

We're with The Army now

Occam provides The British Army with recruitment marketing data solution.

At a time of heightened activity, focused recruitment into The Army has never been so essential. Occam, St Ives' data marketing business, have been engaged by the MOD to develop and manage a data solution that facilitates targeted recruitment for The Army, provides insight into potential recruits and evaluates the success of recruitment marketing campaigns.

Data insight helps to recruit the best to serve our country.

The product created provides The Army with a single source of information on prospects, recruitment events, establishments and a comprehensive view of its recruitment practices across all media including TV, call centre and website.

The system provides The Army with faster, more accurate feedback from potential recruits and, as a result, future campaigns can be modified for even greater effectiveness. Consequently, recruitment response times have been reduced, enabling The Army to build a stronger relationship with its target audience and drive the Army's image as a forward-thinking employer utilising the latest application processes.

Direct mail, for the mail

St Ives' partnership with Royal Mail brings benefits for both businesses.

Contracted to Royal Mail since 2007, and working closely with iRed Partnership Limited, the specialist customer engagement and document management organisation that is a wholly owned subsidiary of Royal Mail Group, St Ives has implemented a print procurement process and service that continues to deliver significant cost savings; internal and external communication improvements; and financial, operational and customer-driven improvements across Post Office Ltd, Royal Mail and Parcelforce

Royal Mail recently launched its new direct mail service, called Mailshots Online™, to small to medium sized businesses. Delivered by St Ives in partnership with iRed, the new service enables customers to quickly, easily and successfully engage with their markets.

Businesses use online templates to design their mailshot, choose their own images, place orders, and have them delivered to their customers the next day. Royal Mail is printing up to 20,000 mailshots per day – enabling customers to communicate to their markets as never before.

Our partnership approach, and close working relationship with iRed, has allowed St Ives to operate across a wide portfolio of the Royal Mail businesses; managing procurement, print, data, and even extending to producing exhibition and event work.

More than ink on paper; we also supply Royal Mail's exhibition displays.

Delivering the ‘dream’ with a personal touch

Helping Honda dealers to personalise their customer magazine.

When Honda wanted a way of providing its UK dealers personalised versions of its customer magazine, 'dream', St Ives had the ideal solution. Working with River Publishing to produce a pilot, St Ives created an online system allowing Honda dealers to choose from different template versions of the publication.

As well as allowing dealers to order copies of the magazine, this web-to-print solution enables dealers to customise various elements of the master publication, including the cover, accompanying letter, article text, imagery and dealer contact details.

The system, which is a module within St Ives' suite of software solutions, called 'DNA', is easy to use; dealers are able to preview their version of the magazine at each stage of the process and dealers' orders are entered in to an approval workflow enabling a review of print-ready artwork files. Print production, process control, turnaround times and costs were all improved and evaluation is underway with participating dealers, with the aim to roll out the title from the start of next year.

Web-to-print innovation creates 'dream' for Honda dealers.

Performance

Media Products

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

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

Books

For Media Products figures see page **70**

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

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

The investment into an integrated digital book production system has been very successful and we are currently commissioning a print-on-demand digital device capable of economically producing single copies of titles as part of our overall service offering. We are very confident that this device will provide our customers with immediate benefit and further extend our offering as a single source solution. The new warehouse facility has enabled us to offer a unique service whilst reducing the cost and time of fulfilment. As a result of our superior levels of service and reliability we have again produced the majority of the bestselling books which included the following titles:

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

"Despite the tough market conditions we have made good progress to achieve a better work mix across the business."

Magazines

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

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

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

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

Commercial Products

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

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

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

Direct Response and Commercial

For Commercial Products figures see page

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

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

Point of sale

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

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

Exhibitions and Events

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

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

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

Data Management

For breakdown of acquisition costs see page

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

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

Patrick Martell
Chief Executive

5 October 2010

Matt Armitage
Finance Director

Overview of revenue

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

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

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

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

Gross margin and underlying profitability

For Consolidated Income Statement see page

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

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

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

> “Underlying profit before tax increased from £7.3 million to £14.4 million.”

Non-underlying items

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

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

Balance sheet

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

Net debt

For details of loans and bank overdrafts see page

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

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

Capital expenditure and depreciation

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

Acquisition

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

Tax

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

Dividends

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

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

Pensions

For further details on retirement benefits see page

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

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

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

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

Financial risk management and treasury policies

For further details see page

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

The Group introduced an internal audit function in 2007. The Group's policy is to test all the business's trade cycles over a three-year period.

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

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

Interest rate risk

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

Liquidity risk

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

Foreign exchange risk

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

Credit risk (trade receivables)

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

Matt Armitage
Finance Director

5 October 2010

Relations with customers and suppliers

The Group deals with all of its customers and suppliers on an arm's length, commercial, basis and applies ethical trading values that make 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 Group'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.

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 a spot purchase basis rather than pursuant to a long-term supply agreement. Reports on procurement matters are presented to the Company's board of 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 Group's policy for retaining customers is to deliver consistency and reliability of service and quality: no customer is tied in to an agreement that cannot be terminated in the event of under-performance.

Employees

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

It is the policy of the Group that individuals with disabilities, 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.

Details of the Group's pension schemes are set out in note 26 to the financial statements; all of the schemes are independently managed. Group companies contribute to a number of defined contribution schemes, the principal one of which is the St Ives Defined Contribution Pension Plan, which is available for all eligible employees to join and which was established in 2002 on the closure of the Group's defined benefits scheme to new membership.

The investments of the defined benefits scheme 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, or lending 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.

Those employees who were active members of the defined benefits scheme on 1 September 2009 were each offered an invitation to participate in an alternative defined contribution Group Personal Pension Plan administered by The Prudential.

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 2010 the total number of accidents at the Group's sites which resulted in at least three days' absence each was 20 (2009 – 19) and the number of days' work lost from all accidents at work was 596 days (2009 – 291).

Charitable and political donations

The Group's cash donations to charities have been modest during the past two years, reflecting the challenging economic climate. The board's policy is to give principally to local charities serving communities in which the Group operates or to which employees or customers have a particular affinity. The amount allocated to these will be kept under review. No political donations were made in either year and the board has no intention to seek shareholders' approval to permit the board to do so.

Shareholder relations

The board attaches considerable importance to maintaining good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations, sometimes at production sites, involving the Chief Executive and the 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 regular meetings.

The Annual General Meeting is regarded as an opportunity to communicate directly with shareholders and the chairman of the Audit and of the Remuneration Committees are each available at the Annual General Meeting to answer shareholders' questions.

St Ives and the environment

St Ives is committed to continuous improvement in its environmental performance and accepts that its responsibilities with regard to environmental protection rank equally in importance with other key business objectives. The board is responsible for the implementation of this policy and senior management throughout the business is responsible for the day-to-day implementation of the policy at each operating unit with assistance and guidance from the Group's full time health, safety and environmental adviser supported by six site-focused qualified health, safety and environmental managers.

An ISO14001:2004 – certified Environmental Management System ('EMS') has been established at each site, with the exception of Occam which was acquired on 1 June 2010. The suitability of Occam's management systems will be assessed during 2010/2011 with the objective of achieving ISO14001:2004 certification. The environmental data, key performance indicators and commentary which follow excludes Occam's site.

These EMSs include procedures and systems aimed at managing and minimising the adverse environmental impacts of the following:

- Energy consumption/carbon emissions;
- Waste management;
- Water consumption;
- Raw materials procurement and usage;
- Materials recycling; and
- Use of volatile organic compounds ('VOCs').

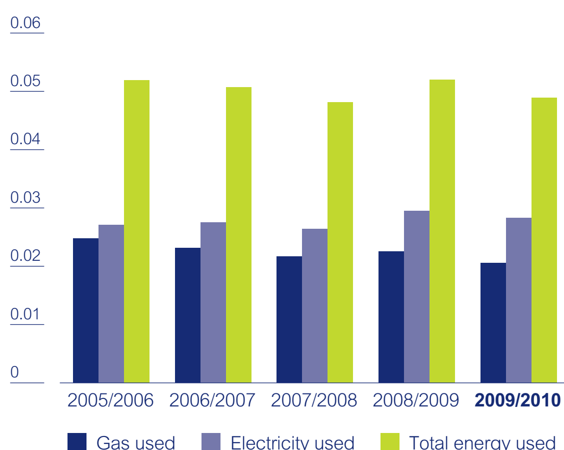
Key performance indicators have long been established for managing energy consumption and carbon emissions, waste sent to landfill and water consumption.

Energy consumption and carbon emissions

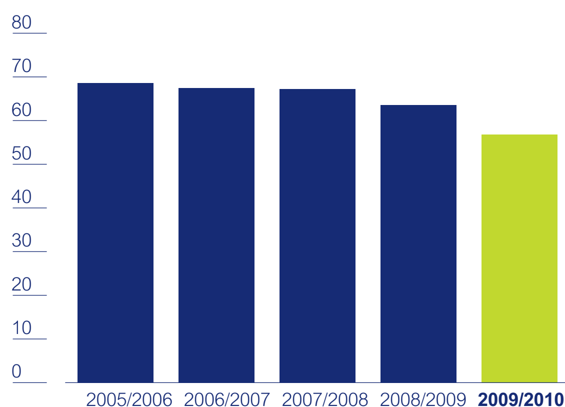
The total amount of energy (electricity and gas) used per square metre of substrate at all St Ives sites fell by 6% compared with the 2008/2009 financial year. Since 2005/2006 this figure has also fallen by 6%. The modest reduction in energy used per square metre over the last five years is largely attributable to reduced throughput and a subsequent reduction in utilisation of plant. Rationalisation of the business, including consolidation of plant at fewer sites in the Magazines and the Direct Response and Commercial businesses has helped to reverse this, resulting in an improvement in energy efficiency in 2009/2010.

The total carbon emissions arising from the combined energy (electricity and gas) used at all sites fell by 11% compared with 2008/2009. Since 2005/2006 this figure has fallen by 17%.

Energy used (KWHr per square metre)



Total emissions from energy ('000 tonnes CO_2)



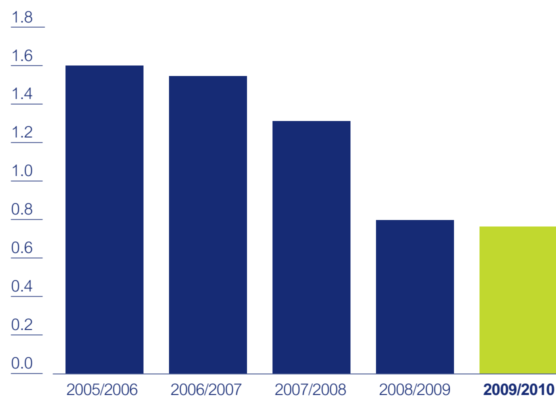
The Group will be obligated under the Carbon Reduction Commitment ('CRC') and has submitted energy consumption data as part of the registration process. In order to minimise the impact of the CRC and also to provide evidence for the Group's improved carbon emissions over the past three years, the Company applied for and successfully achieved the Carbon Trust Standard in April 2010.

A Carbon Trust Carbon Management Programme, undertaken in 2007/2008 resulted in the implementation of specific energy efficiency and energy management initiatives which have since contributed to a reduction in the Group's carbon footprint. These ongoing initiatives include low energy lighting, compressed air management systems, variable speed drives and a feasibility study for the use of renewable energy at our sites. There is no intention at present to offset carbon at a Group level. The Group has, however, developed the capability to calculate the carbon footprint of individual print jobs so that the carbon can be offset, if desired, by its customers. St Ives Westerham Press has achieved carbon neutral status.

Waste management

Recycling programmes are in place at all sites, as appropriate, for paper (office and process waste), cardboard, wood (pallets etc.), aluminium printing plates, plastic packaging, inks and solvents. The quantity of waste sent to landfill fell by 10.5% compared with 2008/2009 and the quantity of waste generated per square metre of substrate fell by 5% compared with 2008/2009. Since 2005/2006, this figure has fallen by 53%.

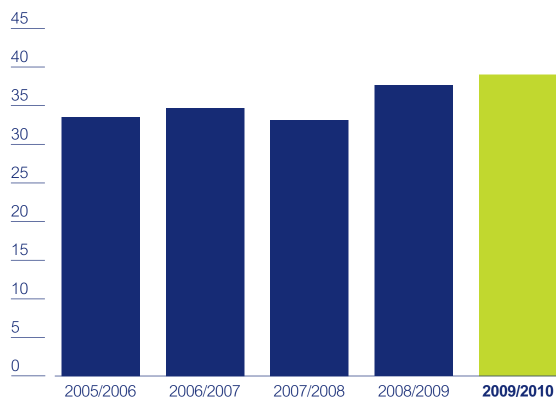
Waste sent to landfill (grammes per square metre)



Water usage

The quantity of water used per square metre of substrate rose by 4% compared with the 2008/2009 financial year. Since 2005/2006, this figure has risen by 16%. In absolute terms, however, the total water consumption year-on-year fell by 2.5% and this figure has fallen by 3% since 2005/2006.

Water consumption (millilitres per square metre)



Raw materials procurement and usage

So far as is reasonably practicable, the Group is committed to not utilising paper and board products that may incorporate wood from illegally harvested sources; wood which has originated from forests in regions of serious social conflict; genetically modified product; or which may originate from uncertified High Conservation Value forests. We endeavour to purchase paper and board from sources which utilise pulp derived from sustainable forests or recycled post-consumer waste. All sites that use paper and board as their principal substrate (eleven in total) have achieved Forest Stewardship Council ('FSC') Chain of Custody certification. Six of these sites have also attained Programme for the Endorsement of Forest Certification. Due to technology and quality limitations our lithographic printing sites normally use mineral oil-based inks, however, our sheet fed printing sites can print using vegetable oil-based inks at our customers' request. The front section of this Annual Report and Accounts is printed on paper made from virgin wood fibre sourced from well-managed forests independently certified according to the rules of the FSC. The rear section is printed on paper made from 100% de-inked post-consumer waste and the inks used in printing the document as a whole are all vegetable-based.

Use of VOCs

All inks that we use are free of VOC emissions when stored and used at room temperature. The oils, whether mineral or vegetable-based, used in heat-set web offset inks become classified as VOC emissions as the product passes through drying ovens which operate at high temperatures, typically between 130 and 150 degrees Centigrade. The VOC content of such inks is typically between 30 and 35%. The VOC emissions from the heat-set web offset press ovens are abated using thermal oxidisers. The Group's web offset printing sites are each compliant with their Environmental Permits which place limits on the permitted VOC emissions. The use of isopropyl alcohol ('IPA') has been eliminated from the web printing processes and from the majority of sheet fed presses used by the Group.

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

Philip Harris
Company Secretary

5 October 2010

Directors' Report

The directors present their Directors' Report and the audited financial statements for the fifty two weeks ended 30 July 2010.

Principal activities

The principal activities of the Group are set out on pages 22 to 25 of the Business Review.

The subsidiaries principally affecting the profits or net assets of the Group in the year are listed in note 34 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 and the Financial Review which should be read in conjunction with the Chairman's Statement on pages 4 and 5 and the report on Corporate and Social Responsibility on pages 30 to 34, all of which is incorporated by reference into and forms part of this Directors' Report.

Certain sections of this Annual Report and Accounts contain forward-looking statements with respect to the strategy, financial condition, results, operations and businesses of the Group or markets in which the Group operates. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that occur in the future and relate to events, not all of which are within the Group's control. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable, there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statement.

Results and dividends

The Group profit for the year before taxation amounted to £8,104,000 (2009 – loss for continuing and discontinued operations £16,945,000). The directors propose a final dividend of 1.75 pence for each ordinary share payable on 23 December 2010 to holders on the register as at 3 December 2010. If approved, the final dividend will make total dividends for the year of 3.50 pence per ordinary share:

	£'000
Ordinary dividends – interim	1,803
– proposed final	1,803

Share capital

Details of the Company's share capital are set out in note 28 to the financial statements. The Company's share capital is comprised of one class of ordinary shares of 10 pence each. The shares carry no rights to fixed income and each share carries the right to one vote at general meetings. All shares are fully paid. There are no specific restrictions on the size of a shareholding nor on the transfer of shares, which are both covered by the provisions of the articles of association and prevailing legislation.

Major interests in shares

As at 5 October 2010, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company:

	Number of voting rights	%
Silchester International Investors Limited and its subsidiaries	18,591,470	17.95
Aviva PLC and its subsidiaries	14,689,627	14.18
Prudential plc and its subsidiaries	6,628,182	6.40
Majedie Asset Management Limited	6,116,675	5.91
Schroder plc	6,028,004	5.82
State Teachers' Retirement System of Ohio	5,213,741	5.03
Sanderson Asset Management Limited	4,058,234	3.92
Legal & General Group plc and its subsidiaries	3,979,783	3.84

Directors

The present membership of the board is set out on page 44. Mike Butterworth was appointed to the board with effect from 1 August 2010 as a non-executive director and David Best will retire at the conclusion of the forthcoming Annual General Meeting. As previously reported, Brian Edwards left the board on 3 August 2009.

The directors' interests in shares of the Company are set out in the Directors' Remuneration Report on page 51.

Annual General Meeting

The notice of Annual General Meeting 2010 includes the following non-routine business in addition to routine business:

Allotment of share capital
The board will seek to renew the shareholders' authority to permit it to allot relevant securities within the limits laid down by the Companies Act 2006 and the December 2008 guidelines issued by the Association of British Insurers.

Disapplication of statutory pre-emption rights
The directors will also seek authority to allot shares in the capital of the Company pursuant to the foregoing authority granted, subject to certain stringent conditions.

Authority for the Company to purchase its own ordinary shares
It will also be proposed to renew the shareholders' approval for the directors to effect market purchases of the Company's ordinary shares on behalf of the Company under the authority of the Companies Act 2006 and subject to certain limits and restrictions.

Approval of new long-term incentive plan
Approval will also be sought to establish the St Ives plc Long-Term Incentive Plan 2010 ('the LTIP'). The LTIP is intended to replace the Group's Discretionary Executive Share Option Scheme 2001 and Equity Partnership Plan 2001.

A detailed explanation of the proposed LTIP and full explanations of the other non-routine business referred to above are set out in the Chairman's letter which accompanies the Notice of Annual General Meeting.

Employment policies

The Group is committed to providing equal opportunities with regard to employment, free from discrimination and harassment and in a healthy and safe working environment. Details of how we deliver on these commitments are provided in the report on Corporate and Social Responsibility.

Charitable and political donations

The Group made charitable donations of £1,808 during the year (2009 – £1,625). Further details are given in the report on Corporate and Social Responsibility. No political donations were made in either year.

Creditor payments

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 30 July 2010 for the Group and the Company were 79 and 60 days, respectively (2009 – 67 and 59 days).

Corporate Governance

Compliance statement

The Company is required to comply with the 2008 Combined Code on Corporate Governance ('the Code') or explain the reasons for non-compliance. The Code is the corporate governance code to which the Company is subject and a copy can be found on the FRC's website (www.frc.org.uk/corporate/combinedcode.cfu).

With the exception of Provision A.4.1 of the Code (which refers to the formation of a Nomination Committee), in the opinion of the board throughout the year ended 30 July 2010 the Company has been in compliance with the Code Provisions contained in Section 1 of the Code. The board confirmed during the year that the formation of a Nomination Committee remained inappropriate owing to the small size of the board and its preference to have all appointments, or potential appointments, fully discussed by all board members. The board as a whole, in effect, acts as its Nomination Committee.

In applying the board's policy on the nomination and recruitment of non-executive directors during the year, the board sought external advice in identifying suitable candidates. All directors participated in the selection process and they concluded that Mike Butterworth's experience with Cookson Group plc, which operates in a supply chain climate of demanding service levels; his exposure to marketing and communications services; and his insights as a serving FTSE250 Finance Director would be of great benefit.

The board has noted that the 2010 UK Corporate Governance Code will apply to the Group's 2010/2011 accounting period and therefore will be addressed and commented on in next year's Directors' Report.

The following section, together with the Directors' Remuneration Report on pages 45 to 54, describes how the board has applied the other Principles and Supporting Principles contained in the Code and, where appropriate, it has adopted elements of corporate governance good practice.

Auditors

The Audit Committee has considered the effectiveness of the external audit undertaken by Deloitte LLP ('Deloitte') in the light of their internal quality control procedures, the promptness and accuracy of their work, and other services obtained from them. The Committee also considered the robustness of Deloitte's safeguards and procedures to counter threats or perceived threats to their objectivity, the application of their independence policies and their adherence to the Ethical Standards published by the Auditing Practices Board. In all these respects the Committee was satisfied with Deloitte's objectivity and independence. During the year, the Committee satisfied itself that the Company's policy on the provision by the Group's external auditors of non-audit services had been appropriately applied.

Last year the Audit Committee undertook a thorough review of the Group's external audit requirements, comparing Deloitte with three other firms. Based on a review of Deloitte's performance during 2009/2010 and after reviewing their independence, the Committee has recommended to the board that Deloitte be re-appointed. The recommendation was accepted and therefore a resolution to re-appoint them as the Group's auditors will be proposed at the forthcoming Annual General Meeting.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, the Chief Executive's Review and report on Corporate and Social Responsibility. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 27 to the financial statements includes the Group's objectives, policies and processes for managing its interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk. The foregoing statement, review and report are to be found on pages 4 to 34 and note 27 to the financial statements on pages 91 to 94.

As highlighted in note 23 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft facility of £15 million that is part of an overall funding facility of £70 million which falls due for renewal on 31 October 2012.

The current economic conditions create uncertainty, particularly over the level of demand for the Group's products, but the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility and obtain further financing when the current facility expires.

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.

Directors' disclosures to the auditors

Section 418 of the Companies Act 2006 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 ought to have taken in order to make himself 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 ought to have taken if he has made such enquiries of his 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 duty as a director of the Company to exercise due care, skill and diligence. All of the directors of the Company as at 5 October 2010 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 418.

Board of directors

Throughout the year the board's membership included at least two independent non-executive directors, in compliance with Provision A.3.2 of the Code to the extent that it relates to smaller companies.

The board meets at regular intervals and is responsible to the shareholders for overall Group strategy, acquisitions and divestments, major capital projects, risk 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.

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 judgement. 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. 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, with no Group executive being present. Simon Marquis fulfilled the role of senior independent director.

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 decided to introduce regular meetings of each business's managing director and the executive directors who will use the forum to drive the implementation of the Group's strategy by developing additional added value related services; growing sales including cross selling opportunities; developing our sales people; and pursuing Group-wide procurement initiatives.

A process, led by the Chairman, for evaluating the board, its committees and individual directors, was undertaken during the year and the resultant recommendations were considered by the board and implemented.

The roles of Chairman and Chief Executive are separate and distinct and 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. A procedure exists for directors to seek independent professional advice in the furtherance of their duties and to be reimbursed their reasonable legal fees and each has 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 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 website (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
The Audit Committee carries out the functions required by DTR 7.1.3R. The members of the Committee throughout the year, all of whom are independent non-executive directors, were: David Best (Chairman), Simon Marquis and Richard Stillwell. David Best is a chartered accountant and the board is of the opinion that throughout the year the Audit Committee had sufficient relevant financial experience. Mike Butterworth, also a chartered accountant, joined the Committee on his appointment to the board on 1 August 2010.

The Committee members' attendance at pre-arranged meetings of the Committee is set out on page 41.

In addition to the pre-arranged meetings the Committee held an ad-hoc meeting during the year principally to receive a briefing on new regulations, standards and technical issues.

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 functions by:

- reviewing the findings of the external annual audit for 2008/2009;
- receiving a report at the half year end from Deloitte on agreed procedures they had undertaken to review certain subsidiaries' balance sheets and income statements and controls;
- reviewing the Group's Interim Management Statements and Half Year Report prior to release;
- considering reports from the Group's Head of Internal Audit on work carried out during 2009/2010 and agreeing an internal audit plan for 2010/2011;
- reviewing annual internal controls questionnaires completed by the Group's operating sites and the controls over key business risks;
- agreeing a revised process by which principal risks to the Group would in future be managed;
- agreeing the nature and scope of the external annual audit for 2009/2010;
- reviewing and safeguarding the independence of Deloitte and reviewing their performance;
- recommending Deloitte's reappointment as auditors;
- approving Deloitte's fees for their audit and non-audit services and a process for observing an acceptable split between these categories of services;
- reviewing the Group's 'whistle-blowing' policy; and
- commencing a formal evaluation of the Committee's effectiveness in delivering its terms of reference.

The Finance Director, the Chief Executive and the Head of Internal Audit were also invited to attend some of the meetings to ensure that Committee members were fully informed and supported in carrying out their duties.

The members of the Audit Committee have been given specific approval by the board to meet with the Group's external auditors whenever they, or the auditors, consider it appropriate. During the year, the Committee's members had private meetings with representatives of Deloitte and with the Head of Internal Audit.

Remuneration Committee

The members of the Committee, all of whom are independent non-executive directors and who served during the whole period, are Richard Stillwell (Chairman), David Best and Simon Marquis. Mike Butterworth was appointed to the Committee on joining the board as a non-executive on 1 August 2010.

The Committee members' attendance at pre-arranged meetings during the year is set out in the table on page 41. In addition to the pre-arranged meetings, the Committee held an ad-hoc meeting during the year to consider further the proposed LTIP.

In the opinion of the board, the Committee met sufficiently frequently to properly discharge its duties.

During the year the Committee:

- approved the payment of bonuses to certain directors for 2008/2009;
- approved the Directors' Remuneration Report for 2008/2009;
- approved the structure of the directors' bonus scheme for 2009/2010;
- approved the provision of medical expenses cover to the Group's executive directors and others;
- approved the grant of share options to certain executives and the performance conditions attached to their vesting;
- appointed PricewaterhouseCoopers LLP ('PwC') as advisers to the Committee;
- received presentations from Hewitt New Bridge Street and PwC;
- approved the executive directors' salaries for 2010/2011;
- approved the nature, structure and design of the proposed LTIP;
- reaffirmed the Company's policy that directors' service contracts should make no specific provision for the payment of compensation in the event of termination payments; and
- completed a formal evaluation of its effectiveness in delivering its terms of reference.

Other board issues

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 continue 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 granted directors an indemnity, to the extent permitted by law, in respect of liabilities incurred by virtue of their office.

In accordance with the provisions of the Companies Act 2006, the Company has procedures in place to deal with the situation where a director has a conflict of interest and regularly reviews conflict authorisation. Directors take no part in discussions on matters in which they are interested and they may be requested to leave a meeting at which a matter in which they are interested is to be discussed.

Details of directors' attendance at board and committee meetings based on their maximum possible attendance are as follows:

	Board*	Audit Committee*	Remuneration Committee*
Matt Armitage	10/10	–	–
David Best	10/10	3/3	3/3
Miles Emley	10/10	–	–
Simon Marquis	10/10	3/3	3/3
Patrick Martell	10/10	–	–
Richard Stillwell	10/10	3/3	3/3
Lloyd Wigglesworth	10/10	–	–

* This table only shows details of attendance at meetings in the pre-arranged annual meeting calendar. Other ad-hoc meetings were held during the year.

Internal control and risk management

This Directors' Report covers the year under review and the period up to the date of signature.

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 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 internal audit team focused on the Group's internal controls; reviewing the control environment and the testing of those controls. Controls testing of procurement, payroll, stock, treasury and credit control cycles took place at selected sites.

The process by which the board exercises control is by monthly meetings with senior management within each of the Group's business segments. These 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 parent board if appropriate.

Annual internal control questionnaires are completed by all operating sites and any inconsistencies with the Group's established corporate governance and authority limits regimes which are identified are disclosed to the Audit Committee.

Risk is reported on and monitored at the monthly meetings with senior management referred to above. During the year the board initiated a comprehensive ground-up review of its risk management process: senior management within the Group's businesses attended training to facilitate the development of risk registers for their businesses, with associated risk ratings, mitigations and assignees. As a consequence, the Group's register of areas of significant risk has been refreshed.

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

Philip Harris
Company Secretary

5 October 2010

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and 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). Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also 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 Group'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 the relevant financial reporting framework, 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 the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business 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 that they face.

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

Patrick Martell
Chief Executive

5 October 2010

Board of Directors

Executive directors

Matt Armitage, ACMA – aged 42. Appointed to the board as Finance Director in 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 46, joined the Group in 1980, was appointed a director of Clays in 1994 and became its Managing Director in 2000. Appointed to the board in 2003, Mr Martell has since held the positions of Managing Director Media Products and Managing Director – UK Operations. In April 2009 Mr Martell was appointed the Group's Chief Executive.

Lloyd Wigglesworth – aged 51, was appointed a non-executive director on 1 December 2008, becoming an executive director on 2 March 2009 on his appointment as Group Managing Director – Commercial Products. Mr Wigglesworth has previously been Managing Director of Entertainment UK, Smiths News, EMAP's Apex and Choice publishing companies, Frontline and The Dutch Meat Marketing Board in the UK. He has served on the boards of retailing, marketing and property companies including WH Smith PLC, Woolworths plc, Crest Nicholson PLC and Donaldsons LLP. His early career was in sales and marketing with Mars Inc.

Non-executive directors

Miles Emley – aged 61, Chairman. Previously with UBS Philips & Drew Ltd and N.M. Rothschild & Sons Ltd, Mr Emley joined the Group in 1992 and was appointed executive Chairman the following year, becoming non-executive in the Autumn of 2007. Mr Emley has held a non-executive directorship with Marston's plc since 1998.

David Best, FCA – aged 60. Appointed to the board in 2006, Mr Best was formerly group finance director of Xansa plc and finance director of Lucas Management Systems Ltd and, prior to these, had held various senior positions in Lockheed Martin Corporation in the USA where he qualified as a Certified Public Accountant. Mr Best holds a non-executive directorship with Senior plc. Mr Best is chairman of the Audit Committee and a member of the Remuneration Committee.

Mike Butterworth, FCA – aged 49, was appointed to the board on 1 August 2010. Mike Butterworth has, for the past five years, served as Group Finance Director of Cookson Group plc, a FTSE250 company supplying products, processes and services to the ceramics, electronics and precious metals industries. Previously, Mr Butterworth was Group Finance Director of Incepta Group plc, an international marketing and communications group, from 2001 until 2005, prior to which he spent five years as Group Financial Controller at BBA Group plc, the international aviation and materials technology group. Mr Butterworth serves on the Audit and Remuneration Committees.

Simon Marquis – aged 57, senior non-executive director, was appointed to the board in 2004. Mr Marquis has over 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 a non-executive director of the COI. He also serves as a non-executive director of Packet Vision Ltd. Mr Marquis serves on the Audit and Remuneration Committees.

Richard Stillwell – aged 61, is a qualified barrister and holds non-executive directorships with Fiberweb plc, Penna Consulting plc, Scott Bader Company Ltd (chairman) and TBI Ltd. 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 2006, is chairman of the Remuneration Committee and a member of the Audit Committee.

As reported last year, changes to board membership and the pay-related issues faced by many companies as a result of the economic downturn, together with the expiry of the Company's existing senior executive share-based incentive arrangements has prompted the Committee to undertake a full review of the Company's short- and long-term incentive arrangements (and executive remuneration policy more generally). The key objectives of this review were to ensure that St Ives' senior executive team are remunerated in a manner that generates returns for shareholders and reflects and supports the delivery of the Company's strategic priorities while taking due account of market and best practice.

This review has resulted in the Committee proposing that a new 'St Ives plc Long-Term Incentive Plan 2010' ('the LTIP') be put to a shareholder vote at the forthcoming Annual General Meeting to replace the Company's existing share-based incentive arrangements which have been in place since 2001 and which will, therefore, shortly expire. The Committee has designed the new LTIP after taking advice from Hewitt New Bridge Street and PricewaterhouseCoopers LLP. Full details of the new LTIP are set out in the Chairman's letter accompanying the Notice of Annual General Meeting.

With regard to the other elements of executive directors' remuneration for the forthcoming year, the Committee has taken the following approach:

- With one exception (explained more fully on page 47) base salaries remain frozen at the levels payable at the end of 2008/2009;
- Any bonus awarded shall be capped at 125 per cent of basic salary;
- Any bonus earned which is in excess of 50 per cent of basic salary shall normally be satisfied by the award of shares in the Company which shall be held in trust for two years (subject to a 'clawback' that has been introduced in relation to any deferred bonus paid going forward);
- A share ownership guideline will be introduced under which executive directors are required to build up and retain a shareholding equal to 100 per cent of their basic salaries; and
- It is currently intended that 50 per cent of the net number of shares received under any bonus share deferral or LTIP award must be retained until this guidance is met. The Committee may also take account of progress towards achieving this target when determining LTIP awards and/or the proportion of annual bonus that is subject to share deferral.

In addition, it was decided during the year to extend medical expenses insurance cover to some of the directors. All other elements of the remuneration package remain unchanged.

The Company seeks to comply with the relevant conditions of the UK Corporate Governance Code ('the Code') relating to directors' remuneration and the Companies Act 2006. The relevant legislation requires the auditors to report to the Company's members on certain disclosures contained in this Report and to state whether in their opinion that part of the Report has been properly prepared in accordance with the Companies Act 2006. The Report has therefore been divided into separate sections containing audited and unaudited information.

In accordance with the Companies Act 2006, a resolution to approve this Report will be proposed at the Company's Annual General Meeting on Tuesday, 30 November 2010. Details of the resolution may be found in the Notice accompanying this Annual Report. The vote will be advisory but will be considered carefully by the members of the Committee and the board in the formulation and approval of the Company's future remuneration policies.

UNAUDITED INFORMATION

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the board the overall remuneration strategy and individual remuneration packages and contractual arrangements for the executive directors, senior management and the Chairman of the board.

The membership, the number of meetings held, attendances and a description of the business the Committee transacted are detailed in the corporate governance section on pages 40 and 41.

When undertaking its duties, the Committee ensures that due account is taken of pay and employment conditions throughout the Group. In this regard, the Committee ensures that it is kept abreast of matters such as (i) the general level of salary increases (if any) applied throughout the Group, (ii) the levels of bonuses paid (and bonus opportunity offered) to the workforce as a whole and (iii) any widespread changes that are proposed to Group-wide employment conditions.

The full terms of reference for the Committee are available on the Company's website (www.st-ives.co.uk).

Committee's advisers

Throughout the year, the Committee and the Company were advised by Hewitt New Bridge Street ('HNBS'). Since the year end, HNBS was acquired by AON Corporation. Other than in relation to advice on remuneration, neither HNBS nor AON provided other services to the Company.

The Committee recognises that there may be occasions when there could be a conflict of interests when proposals are put by management on the recommendation of HNBS. Although the Committee fully accepts the independence of HNBS it has appointed PricewaterhouseCoopers LLP ('PwC') to act solely for the Committee to review proposals where appropriate.

PwC provide pensions consulting services to the Company in relation to the Group's defined benefits scheme. The Committee is satisfied that the provision of theses services to the Company does not affect PwC's ability to comment on proposals for remunerating its executive directors and certain members of senior management.

During the year under review, the Committee also, where appropriate, sought advice and assistance from the Company Secretary and members of the board, including the Chairman of the board, the Chief Executive and the Finance Director in connection with carrying out its business. None of these persons took part in decisions relating specifically to their own remuneration.

Remuneration policy

The Committee's policy for the remuneration of the Company's executive directors is 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. It aims to recommend strategies which support the creation of value for shareholders and reflect and support the delivery of the Company's strategic priorities while taking due account of market and best practice.

When determining levels of remuneration, the Committee periodically reviews the remuneration practices adopted by appropriate comparator companies both in the market generally and in the same business sector as the Company.

The Committee believes that a significant portion of the remuneration package of senior executives should be linked to performance, while ensuring that an appropriate balance is struck between fixed and variable pay and between short-term and long-term variable pay. The Committee will regularly review the Company's remuneration policies to ensure that these polices neither encourage nor reward inappropriate operational risk-taking that may be to the detriment of shareholders' interests and that these remuneration policies are, therefore, compatible with the Company's general risk policies and systems.

The main components of the remuneration package for executive directors are:

Basic salary
In setting the basic salary for each executive director, the Committee takes into account the performance of each individual director, any changes in position or responsibility and market competitiveness. Basic salary is the only element of pay that is pensionable.

Following the most recent review, taking into account the current economic climate and the Group's recent trading performance, the Committee decided that, other than an increase of £8,000 to Matt Armitage's annual basic salary to bring it in line with that paid to Lloyd Wigglesworth, for the second year running no basic salary increase would be awarded. Therefore, the basic salary of each executive director for the forthcoming year is:

Matt Armitage	£248,000
Patrick Martell	£350,000
Lloyd Wigglesworth	£248,000

Benefits in kind
Executive directors may receive benefits in kind, which may include the provision of a car, fuel and medical costs or the cash equivalent. During the year, the benefits of the Company's medical expenses insurance scheme were extended to the executive directors and others in the Group.

Pension arrangements
Matt Armitage and Lloyd Wigglesworth each participated during the year in the Group's defined contribution scheme to which the Company also contributes.

Patrick Martell participated in the Group's defined benefits scheme until it was discontinued on 1 September 2008 and is entitled to a deferred pension under its rules. Brian Edwards participated in the Group's Personal Pension Plan, to which the Company also contributed, until he ceased employment on 3 August 2009.

Each scheme has a normal retirement age of 65.

Annual bonus
Bonuses for 2009/2010
At the beginning of the year the Remuneration Committee reviewed the key features of the annual bonus plan for the executive directors for 2009/2010 to align them more closely to the Group's aims for the year: to improve the Group's cash performance and profit before tax. This resulted in setting a collective target for the executive directors to improve the Group's cash-adjusted normalised profit before tax ('CANPBT') from a 2008/2009 base of £14.4 million. The bonus earned from achieving improved CANPBT would, however, be capped at 50 per cent of basic salary in the event that the profit before tax for 2009/2010 fell below £8.5 million (compared to £7.3 million for 2008/2009). All calculations of bonus were to be made after charging the cost of the relevant bonus against profit.

In the event that the total bonus earned exceeded 50 per cent of basic salary, the excess is usually satisfied in the form of shares in the Company to be held under the rules of the Directors' and Senior Executives' Deferred Bonus Scheme ('the DBS') after being purchased in the market or from the Group's Employee Benefit Trust ('the EBT'). In accordance with the rules of the DBS the shares shall, inter alia, vest immediately, but be held on trust during a holding period, for release to the director in November 2012, provided that he remains employed by the Group at that time. During the holding period, the executive will be entitled to vote the shares ('DBS shares') and receive dividends on them but will be unable to sell, transfer, assign or charge any interest in the shares during the holding period without the consent of the Committee.

Bonuses earned by the executive directors in respect of 2009/2010 were 100 per cent of basic salary, in recognition of the attainment of the challenging CANPBT target set by the Committee for the Group for 2009/2010. To reflect the policy described above, bonuses of 50 per cent of basic salary will be paid in cash to the executive directors at the end of October 2010, with the balance being satisfied in shares under the rules of the DBS, with the exception that this year the Committee has decided that it would be appropriate to pay the majority of Lloyd Wigglesworth's bonus to him in cash in view of the Company's decision to change his work place to London and require him to relocate within reasonable commuting distance to the Group's head office. Mr Wigglesworth will purchase £17,000 worth of shares (estimated to be approximately 20,000 shares) which will be held in trust under the rules of the DBS. Details of the 2009/2010 bonuses paid to executive directors are disclosed on page 51.

Bonuses for 2010/2011
The Committee continues to take the view that cash generation and profit before tax remain the most appropriate drivers for annual bonuses for executive directors. Therefore, for the forthcoming year directors may earn a bonus of up to 125 per cent of basic salary for exceeding a level of CANPBT set by the Committee provided a profit before tax hurdle is also achieved.

In the event that the total bonus earned exceeds 50 per cent of basic salary, the excess will be satisfied in shares under the rules of the DBS. Part, or all, of the deferred portion of the bonus however can be forfeited if it becomes apparent during the holding period that the bonus was paid by reference to materially misstated results.

The Committee will take account of the increased bonus opportunity when setting the bonus target, with the delivery of an outstanding performance required to generate a full bonus payout. This, in addition to, (i) the significant share deferral element of the bonus and (ii) the base salary freezes imposed, makes the Committee confident that this increase in bonus opportunity is entirely appropriate and demonstrates the importance the Committee places on performance-related pay.

Share incentive arrangements

The Company has operated two discretionary share-based incentive plans since they were adopted by shareholders in 2001. These plans expire in 2011 and, as reported above, it is proposed that these plans be replaced by a single new long-term incentive plan, for which shareholder approval is to be sought at the forthcoming Annual General Meeting.

A summary of the existing plans follows:

Discretionary Executive Share Option Scheme 2001 ('ESOS 2001')
Executive directors and certain members of senior management have, from time to time, been granted share options under the ESOS 2001.

Under the ESOS 2001 (which has both HMRC 'approved' and 'unapproved' elements), market value options to executive directors over shares worth up to 150 per cent of salary can be granted each year (400 per cent in exceptional circumstances). Options granted and outstanding under the ESOS 2001 are capable of exercise three years after grant subject to continued employment and the satisfaction of performance conditions (further details of which are set out below on pages 52 and 53).

Equity Partnership Plan 2001 ('EPP 2001')
Executive directors and certain members of senior management have in the past been invited to participate in the EPP 2001, under which awards are made over shares subject to an initial investment in shares by participants.

No invitations have been made under the EPP 2001 since November 2004. None of the directors has any outstanding entitlements to matching shares under the terms of this Plan and it is not intended to make any further awards.

Save As You Earn Scheme ('SAYE scheme')
Eligible employees, including executive directors, may from time to time be invited to participate in the Company's SAYE scheme which is operated in the standard way. No award has been made under this scheme since 2002 and no options remain outstanding. The scheme will expire in 2011.

Dilution
Awards under the ESOS 2001 and EPP 2001 which may be satisfied by new issue shares must not exceed 5 per cent of the Company's issued share capital in any rolling ten-year period, and the total of all awards satisfied via new issue shares under all share option schemes (both discretionary and all-employee) must not exceed 10 per cent of the Company's issued share capital in any rolling ten-year period.

As at 30 July 2010, the headroom under the Company's 5 per cent and 10 per cent limits was 2,684,356 and 7,863,513 shares, respectively, out of an issued share capital of 103,583,137 shares.

Non-executive directors' fees

The Company's policy on setting non-executive directors' remuneration, which is decided by the board (but with the non-executive directors not voting where it affects their personal position) is to offer fees 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. These fees, which have been unchanged since 2007, comprise a base responsibility fee of £30,000 per annum plus additional fees of £8,000 per annum for the post of Senior Independent Director and £4,000 per annum for chairing the Audit and Remuneration Committees respectively. The fee paid to the Chairman is set separately by the Committee.

Non-executive directors may not participate in the Group's cash or share-based incentive arrangements.

Service contracts and letters of appointment

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 (neither in the normal course nor following a change in control of the Company) and that any compensation payments made should take account of the executive's duty to mitigate his loss. This policy was confirmed during the year and the contracts and letters of appointment disclosed below comply with this policy.

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 the appropriate Annual General Meeting.

Summaries of the directors' contracts are disclosed below and brief biographical details are set out on page 44. Directors' contracts and letters of appointment are available for inspection in accordance with Provision A.4.4 of the Code.

Executive	Date of contract	Unexpired term/ Notice period
Matt Armitage	1 June 2007	12 months
Patrick Martell	1 August 2003	12 months
Lloyd Wigglesworth	11 February 2009	12 months

Non-executive	Date of letter of appointment	Notice period
David Best	11 August 2006	1 month
Mike Butterworth	14 July 2010	1 month
Miles Emley	3 December 2007	3 months
Simon Marquis	5 December 2003	1 month
Richard Stillwell	11 August 2006	1 month

In accordance with the Company's Articles of Association Miles Emley and Simon Marquis each retire by rotation at the forthcoming Annual General Meeting. Mike Butterworth was appointed to the board on 1 August 2010 and holds office until the next Annual General Meeting. The board having supported their re-elections and, being eligible, they offer themselves for re-election.

In applying the board's policy on the nomination and recruitment of non-executive directors during the year, the board sought external advice in identifying suitable candidates. All directors participated in the selection process and they concluded that Mike Butterworth's experience at Cookson Group plc, which operates in a supply chain climate of demanding service levels; his exposure to marketing and communications services; and his insights as a serving FTSE250 Finance Director would be of great benefit.

Details of remuneration of executive directors ceasing to serve in the year
Brian Edwards ceased to be a director on 3 August 2009, and the remuneration paid as a result of the cessation of his employment was disclosed in last year's Directors' Remuneration Report.

External appointments

Executive directors may accept appointments outside the Company with the permission of the board. The extent to which any fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis. No executive director held an external appointment during the year.

AUDITED INFORMATION

Directors' remuneration

The total amounts for directors' remuneration were as follows:

	2010 £'000	2009 £'000
Emoluments	**2,018.8**	1,986.9
Termination payments	**–**	273.1
Gains on exercise of share options	**–**	–
Money purchase pension contributions	**18.1**	463.7
	2,036.9	2,723.7

Patrick Martell is the highest paid director of the Company.

Individual directors' emoluments from the Group were as follows:

	Basic salary/fee (note 1) £'000	Bonus £'000	DBS shares £'000	Other pay (note 2) £'000	Benefits in kind (note 3) £'000	Total emoluments 2010 £'000	Total emoluments 2009 £'000
Executive							
Matt Armitage	260.5	124.0	124.0	–	1.0	**509.5**	315.4
Wayne Angstrom	–	–	–	–	–	**–**	129.3
Brian Edwards	1.6	–	–	–	–	**1.6**	797.3
Patrick Martell	350.0	175.0	175.0	–	25.3	**725.3**	346.1
Simon Ward	–	–	–	–	–	**–**	257.9
Lloyd Wigglesworth	260.8	248.0	–	35.0	1.2	**545.0**	167.9
Non-executive							
David Best	34.0	–	–	–	–	**34.0**	34.0
Miles Emley	130.0	–	–	–	1.4	**131.4**	130.0
Simon Marquis	38.0	–	–	–	–	**38.0**	35.3
Richard Stillwell	34.0	–	–	–	–	**34.0**	34.0
David Wilbraham	–	–	–	–	–	**–**	12.8
	1,108.9	547.0	299.0	35.0	28.9	**2,018.8**	2,260.0

In respect of DBS shares, Matt Armitage and Patrick Martell will acquire shares in the Company from their net pay, that is pay after deduction of income tax and employees' national insurance contributions, of £60,760 and £85,750 (gross pay of £124,000 and £175,000) respectively, which will be held under the terms of the DBS. A description of DBS is given on page 47.

Notes
1. The basic salaries of Matt Armitage and Lloyd Wigglesworth include additional payments of £12,533 and £12,815, respectively (2009 – £15,425 and £5,340, respectively) in lieu of the provision of a company car and fuel benefit.
2. The 'other pay' paid to Lloyd Wigglesworth relates to costs he incurred in relocating to within commuting distance of London following his appointment as an executive director with effect from March 2009.
3. Benefits in kind constitute medical expenses insurance cover for Matt Armitage, Patrick Martell, Lloyd Wigglesworth and Miles Emley, for the period from 1 November 2009 to the end of the year, and the provision of a company car and fuel benefit to Patrick Martell.
4. There were no termination payments made to any director during the year.

Directors' interests in the share capital of the Company

Interests of directors in 10 pence ordinary shares (fully paid) at 30 July 2010 (or date of appointment if later) were as follows:

	30 July 2010	31 July 2009
Executive		
Matt Armitage	**–**	–
Patrick Martell	**14,789**	14,789
Lloyd Wigglesworth	**10,000**	–
Non-executive		
David Best	**3,000**	3,000
Mike Butterworth (appointed 1 August 2010)	**–**	–
Miles Emley	**109,884**	105,884
Simon Marquis	**3,000**	3,000
Richard Stillwell	**13,000**	13,000

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 5 October 2010.

Directors' share options

Details of the share options held by directors are shown below. All options were granted for nil consideration under the ESOS 2001.

	Date of grant	Number of options: 31 July 2009	Exercised during year	Lapsed during year	Granted during year	**30 July 2010**	Exercise price pence	Date from which exercisable	Expiry date
Matt Armitage	28 Apr 2008	110,800	–	–	–	**110,800**	236.75	28 Apr 2011	27 Apr 2018
	3 Nov 2009	–	–	–	544,000	**544,000**	66.17	3 Nov 2012	2 Nov 2019
		110,800	–	–	544,000	**654,800**			
Patrick Martell	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
	3 Nov 2009	–	–	–	544,000	**544,000**	66.17	3 Nov 2012	2 Nov 2019
		246,700	–	94,700	544,000	**696,000**			
Lloyd Wigglesworth	3 Nov 2009	–	–	–	544,000	**544,000**	66.17	3 Nov 2012	2 Nov 2019

For options granted on 30 April 2007 and 28 April 2008, the following three-year adjusted Earnings Per Share ('EPS') based performance conditions have been applied:

EPS growth in excess of RPI (average per annum compounded)	% of award vesting (stepped scale)
3%	25%
4%	25%
5%	25%
6%	25%

The EPS of the Company shall, unless the Committee determines otherwise, exclude middle column items and charges for amortisation of goodwill; and the Committee may make such adjustments to the method of calculating the Company's EPS or any other feature of the terms of award of options as it considers appropriate to take account of: (a) any increase or variation of the share capital of the Company; (b) any change to accounting standards practices affecting the calculation of EPS; and (c) any other factors considered by the Committee to be relevant.

The Committee made a final grant of options to the executive directors under the ESOS 2001 on 3 November 2009, the vesting of which are conditional on the achievement, in 2011/2012, of a profit before tax of at least £15 million as follows:

Profit before tax	% of award vesting (stepped scale)
Above £15m and below £17m	20%
Above £17m and below £19m	20%
Above £19m and below £21m	30%
£21m or more	30%

Unless the Committee determines otherwise, for the purposes of calculating the Company's profit before tax there shall be excluded middle column items and charges for amortisation of goodwill. The Committee may make such adjustments to the method of calculating the Company's profit before tax as it considers appropriate to take account of: (a) any increase or variation of the share capital of the Company; (b) any change to accounting standards practices affecting the calculation of profit before tax; or (c) any other factors considered by the Committee to be relevant.

In the view of the Committee at the time of grant, these conditions were no less demanding than those used hitherto, the achievement of which will be independently verified and which the Committee believed would (if achieved) drive the creation of substantial returns to shareholders.

No options granted under the ESOS 2001 have vested to date and no option outstanding is subject to retesting.

The market price of St Ives plc ordinary shares of 10 pence each at 30 July 2010 was 84.25 pence and the range during the financial year was 46.5 pence to 85 pence.

Pension

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 30 July 2010 £'000	At 31 July 2009 £'000	£'000	£'000 p.a.	£'000	**At 30 July 2010 £'000 p.a.**	At 31 July 2009 £'000 p.a.
Patrick Martell	**913.3**	861.6	51.7	0.5	5.5	**77.9**	77.4

Notes

1. The transfer values have been calculated on the basis agreed by the trustees of the St Ives Pension Scheme. 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.
3. The accumulated total accrued pension entitlements shown are annual amounts at retirement calculated on service completed to 31 August 2008, the date the scheme ceased the accrual of further benefits. Total service to 31 August 2008 was 23 years 5 months, including 5 years 2 months' service purchased from transfers-in to the Company's defined benefits pension scheme.

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

	2010 £'000	2009 £'000
Matt Armitage	**9.7**	9.4
Brian Edwards (resigned 3 August 2009)	**0.3**	437.7
Simon Ward (resigned 31 March 2009)	**–**	16.6
Lloyd Wigglesworth (appointed 1 December 2008)	**8.1**	–
	18.1	463.7

Performance graph

The graph below shows the Company's performance, measured by Total Shareholder Return, compared with the performance of the FTSE Small Cap Index over the past five years. The FTSE Small Cap has been chosen as a comparator as it represents a broad equity index of which the Company has been a constituent member for the majority of the relevant five year period.

St Ives plc vs FTSE Small Cap

Approved by the board and signed on its behalf by

Richard Stillwell
Chairman of the Remuneration Committee

5 October 2010

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 30 July 2010 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Comprehensive Income and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 July 2010, and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of St Ives plc for the 52 weeks ended 30 July 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Peter O'Donoghue (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

5 October 2010

Note
An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Hedging and translation reserve £'000	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 1 August 2008	10,355	46,689	(1,913)	1,238	149	(40)	**46,123**	**98,392**	**154,870**
Loss for the period	–	–	–	–	–	–	**–**	**(14,558)**	**(14,558)**
Other comprehensive income/(loss) for the period	–	–	–	–	–	197	**197**	**(3,968)**	**(3,771)**
Comprehensive income/(loss) for the period	–	–	–	–	–	197	**197**	**(18,526)**	**(18,329)**
Dividends	–	–	–	–	–	–	**–**	**(14,324)**	**(14,324)**
Release of share-based payments	–	–	–	–	(149)	–	**(149)**	**–**	**(149)**
Balance at 31 July 2009	10,355	46,689	(1,913)	1,238	–	157	**46,171**	**65,542**	**122,068**
Profit for the period	–	–	–	–	–	–	**–**	**7,738**	**7,738**
Other comprehensive (loss)/income for the period	–	–	–	–	–	(114)	**(114)**	**2,432**	**2,318**
Comprehensive (loss)/income for the period	–	–	–	–	–	(114)	**(114)**	**10,170**	**10,056**
Dividends	–	–	–	–	–	–	**–**	**(2,318)**	**(2,318)**
Issue of share capital	3	17	–	–	–	–	**17**	**–**	**20**
Recognition of share-based payments	–	–	–	–	60	–	**60**	**–**	**60**
Balance at 30 July 2010	**10,358**	**46,706**	**(1,913)**	**1,238**	**60**	**43**	**46,134**	**73,394**	**129,886**

Consolidated Balance Sheet

	Note	30 July 2010 £'000	31 July 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	**107,438**	122,178
Goodwill	16	**54,383**	46,274
Other intangible assets	16	**4,683**	1,215
Financial assets	17	**3,495**	3,109
Deferred tax assets	18	**1,355**	3,484
Other non-current assets	20	**202**	1,415
		171,556	177,675
Current assets			
Inventories	19	**10,112**	10,642
Trade and other receivables	20	**68,148**	71,685
Current tax receivable		**568**	1,666
Derivative financial instruments	20	**59**	209
Cash and cash equivalents	20	**10,515**	14,016
Assets held for sale	21	**2,140**	1,282
		91,542	99,500
Total assets		**263,098**	277,175
Liabilities			
Current liabilities			
Trade and other payables	22	**79,920**	74,429
Loans and bank overdrafts	23	**–**	33,016
Deferred income	24	**934**	851
Provisions	25	**3,752**	5,421
		84,606	113,717
Non-current liabilities			
Loans	23	**13,193**	–
Retirement benefits obligations	26	**32,887**	38,283
Deferred income	24	**593**	983
Provisions	25	**666**	582
Deferred tax liability	18	**1,267**	1,542
		48,606	41,390
Total liabilities		**133,212**	155,107
Net assets		**129,886**	122,068
Equity			
Capital and reserves			
Share capital	28	**10,358**	10,355
Other reserves		**46,134**	46,171
Retained earnings		**73,394**	65,542
Total equity		**129,886**	122,068

These financial statements were approved by the board of directors on 5 October 2010 and signed on its behalf by

Patrick Martell
Chief Executive

Matt Armitage
Finance Director

Consolidated Cash Flow Statement

	Note	**52 weeks to 30 July 2010 £'000**	52 weeks to 31 July 2009 £'000
Operating activities			
Cash generated from operations	29	**37,222**	33,807
Interest paid		**(1,160)**	(1,779)
Income taxes received/(paid)		**744**	(2,680)
Net cash generated from operating activities		**36,806**	29,348
Investing activities			
Purchase of property, plant and equipment		**(11,245)**	(19,197)
Purchase of other intangibles		**(804)**	(613)
Proceeds on disposal of property, plant and equipment		**4,584**	4,965
Disposal proceeds of subsidiary, net of cash disposed		**–**	20,608
Acquisition of subsidiary, net of cash acquired	11	**(10,517)**	–
Net cash (used in)/generated from investing activities		**(17,982)**	5,763
Financing activities			
Capital element of finance lease rentals		**–**	(230)
Dividends paid	13	**(2,318)**	(14,324)
Decrease in bank loans		**(20,000)**	(12,961)
Net cash used in financing activities		**(22,318)**	(27,515)
Net (decrease)/increase in cash and cash equivalents		**(3,494)**	7,596
Cash and cash equivalents at beginning of period		**14,016**	5,635
Effect of foreign exchange rate changes		**(7)**	785
Cash and cash equivalents at end of period	29	**10,515**	14,016

Notes to the Consolidated Financial Statements

1. General information

St Ives plc is a company incorporated in England and Wales under the Companies Act 2006. 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 6 to 25.

These consolidated financial statements ('the financial statements') are presented in 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.

In the period the Group adopted IFRS 8 – Operating Segments, IAS 1 – Presentation of Financial Statements (revised 2007) and amendments to IAS 23 – Borrowing Costs.

The adoption of IAS 1 – Presentation of Financial Statements (revised 2007) has resulted in the renaming of certain of the primary financial statements and requires that the condensed combined statement of changes in equity shows the changes in each component in equity.

IFRS 8 – Operating Segments requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to those segments and to assess their performance, and has not resulted in a change to the way the Group identifies or presents operating segments.

IAS 23 – Borrowing Costs requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised and has not led to any borrowing costs being capitalised in the period.

In addition, the Group has changed the policy for columnar presentation of income statement items. Items are now presented in the middle column under the heading 'non-underlying items' if they are significant in size and do not occur in the normal course of business, or if they comprise operating results of a site after a formal decision on its closure has been taken where that site does not meet the definition of a discontinued operation under IFRS 5 – Assets held for sale and discontinued operations (in which case the site and its activities are referred to as a 'non-continuing operation'), or if they comprise amortisation charges on acquired intangible assets. The adoption of this policy resulted in the operating results of the Andover site arising after 31 August 2009 and of the Hayes site arising after 31 March 2010 (classified from those dates as 'non-continuing operations'), as well as the amortisation of intangibles acquired as part of the Occam acquisition, being presented as middle column items.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

IFRIC 15 Agreements for the Construction of Real Estate.
IFRC 16 Hedges of a Net Investment in a Foreign Operation.
IFRC 17 Distribution of Non-Cash Assets to Owners.
IFRC 18 Transfers of Assets from Customers.

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

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 9 Financial Instruments; the standard is mandatory for accounting periods commencing after 1 January 2012.
IFRC 11 IFRS 2 – Group and Treasury Share Transactions; the standard is mandatory for accounting periods commencing on or after 1 September 2009.
IFRC 19 Extinguishing financial liabilities with equity. The standard is mandatory for accounting periods commencing after 1 July 2010.

The directors expect 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.

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 'Profit/(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 into 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 'non-underlying items' if they are significant in size and do not occur in the normal course of business, or if they comprise the operating results of a site arising after a formal decision on its closure has been taken where that site does not meet the definition of a discontinued operation under IFRS 5 – Assets held for sale and discontinued operations (in which case the site and its activities are referred to as a 'non-continuing operation'), or if they comprise amortisation charges on acquired intangible assets.

(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 realised 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.

2. Significant accounting policies *continued*

(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 12 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.

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 to five years.

Other intangible assets – customer relationships

Customer relationships identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are amortised over their estimated useful lives, which is eight 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 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 basis:

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – $33^1/_3$%
Fixture, fittings and equipment	10% – $33^1/_3$%
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 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.

The 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.

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.

2. Significant accounting policies *continued*

(j) Tax *continued*
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 offset 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 the 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 on retranslation of non-monetary assets and liabilities are recognised directly in a separate component of equity.

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 in 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 their 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 as 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 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 measurements 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 on which the hedged item affects the net profit and 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.

2. Significant accounting policies *continued*

(o) Financial instruments *continued*
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 transition 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 designed 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 schemes are expensed to the income statement as they fall due.

For the defined benefits pension scheme full actuarial calculations 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 consolidated statement of comprehensive income.

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

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, 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 terms 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 judgements

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 £54.4 million (2009 – £46.3 million).

Impairment of plant and machinery

The Group considers the recoverability of plant and machinery which is included within the balance sheet at £64.8 million. The key areas of judgement when assessing the recoverability of these assets are in relation to the forecast growth rates and discount rates to be applied to forecast cash flows. The recoverability analysis at the end of the period indicated that an impairment of £1.2 million was required in respect of assets located at the Edenbridge site, recorded within the Commercial Products segment, following the decision to close this site. The situation will be monitored closely should future developments indicate that further adjustments are appropriate.

Retirement benefits obligations

The calculation of retirement benefits 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 benefits obligations is £32.9 million (2009 – £38.3 million).

Allowances against amounts receivable

The Group considers the recoverability of certain customer and other receivable balances. Determining whether an allowance against these balances is required involves an assessment of the ability of counterparties to make required payments. If the financial positions of the counterparties were to deteriorate, affecting their ability to make payments, additional allowances may be required in future periods. The Group maintains credit insurance covering its larger trade debtors, a rigorous system of credit control is applied and amounts receivable are continually monitored. Management specifically monitors historical bad debt, counterparty creditworthiness, current economic trends and changes in payment patterns when evaluating the adequacy of the allowances in place.

3. Revenue

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

	2010 £'000	2009 £'000
Continuing operations		
Revenue from the sale of goods and rendering of services	**362,256**	386,782
Investment income (note 8)	**13,267**	12,857
	375,523	399,639
Discontinued operations		
Revenue (note 12)	**–**	23,592
Total revenue	**375,523**	423,231

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

As detailed in note 12, the US segment was sold on 22 January 2009 and is classified as a discontinued operation throughout the comparative period and is not included below.

The acquisition of Occam, as detailed in note 11, is recorded within the Commercial Products segment below.

Business segments

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

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

Other information (excluding discontinued operations)

	52 weeks to 30 July 2010		
	Media Products £'000	**Commercial Products £'000**	**Total £'000**
Capital additions	**5,673**	**2,610**	**8,283**
Depreciation and amortisation	**11,645**	**7,414**	**19,059**
Impairment	**–**	**1,171**	**1,171**

	52 weeks to 31 July 2009		
	Media Products £'000	Commercial Products £'000	Total £'000
Capital additions	16,324	3,440	19,764
Depreciation and amortisation	10,921	9,203	20,124
Impairment	219	2,000	2,219

Balance sheet

	52 weeks to 30 July 2010		
	Media Products £'000	**Commercial Products £'000**	**Total £'000**
Assets			
Segment assets	**98,918**	**148,247**	**247,165**
Unallocated corporate assets			**15,933**
Consolidated total assets			**263,098**
Liabilities			
Segment liabilities	**30,884**	**54,981**	**85,865**
Unallocated corporate liabilities			**47,347**
Consolidated total liabilities			**133,212**

4. Segment reporting *continued*

	52 weeks to 31 July 2009		
	Media Products £'000	Commercial Products £'000	Total £'000
Assets			
Segment assets	107,012	147,888	254,900
Unallocated corporate assets			22,275
Consolidated total assets			277,175
Liabilities			
Segment liabilities	32,507	49,759	82,266
Unallocated corporate liabilities			72,841
Consolidated total liabilities			155,107

Geographical segments

The Media Products and Commercial Products market segments operate primarily in the UK, deriving more than 90% of their revenues and profits from operations and customers located in the UK.

The largest customer of the Group accounted for £37.5 million of consolidated revenue in the period (2009 – £39.1 million).

Reconciliation of segment assets and liabilities

	30 July 2010 £'000	31 July 2009 £'000
Unallocated corporate assets comprise:		
Deferred tax assets	**1,355**	3,484
Current tax receivable	**568**	1,666
Financial assets	**3,495**	3,109
Cash and cash equivalents	**10,515**	14,016
Unallocated assets as per balance sheet	**15,933**	22,275
Unallocated corporate liabilities comprise:		
Loans and bank overdrafts (current)	**–**	33,016
Deferred tax liabilities	**1,267**	1,542
Loans and bank overdrafts (non-current)	**13,193**	–
Retirement benefits obligations	**32,887**	38,283
Unallocated liabilities as per balance sheet	**47,347**	72,841

5. Profit/(loss) from operations

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

	Continuing operations		Discontinued operations		Total	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Auditors' remuneration						
Audit fees:						
– Audit of the company accounts	**62**	62	**–**	–	**62**	62
– Audit of the accounts of the Company's subsidiaries	**206**	210	**–**	–	**206**	210
Interim review	**28**	28	**–**	–	**28**	28
Non-audit fees:						
Corporate finance services	**–**	85	**–**	–	**–**	85
Tax services	**7**	34	**–**	–	**7**	34
Other services	**64**	22	**–**	–	**64**	22
	367	441			**367**	441
Staff costs (note 6)	**113,672**	124,822	**–**	8,347	**113,672**	133,169
Net foreign exchange gains	**–**	204	**–**	–	**–**	204
Depreciation of property, plant and equipment (note 15)	**18,303**	19,276	**–**	1,484	**18,303**	20,760
Impairment of property, plant and equipment (note 15)	**1,171**	2,219	**–**	–	**1,171**	2,219
Amortisation of intangible assets (note 16)	**756**	848	**–**	75	**756**	923
Operating lease rentals						
– land and buildings	**1,450**	1,212	**–**	59	**1,450**	1,271
– plant and equipment	**2,560**	1,550	**–**	–	**2,560**	1,550
– other	**699**	529	**–**	86	**699**	615
(Profit)/loss on disposal of property, plant and equipment	**(2,374)**	331	**–**	37	**(2,374)**	368
Regional grant amortisation (note 24)	**(435)**	(198)	**–**	–	**(435)**	(198)

6. Staff costs

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

	Continuing operations		Discontinued operations		Total	
	2010 Number	2009 Number	**2010 Number**	2009 Number	**2010 Number**	2009 Number
Production	**2,488**	2,700	**–**	218	**2,488**	2,918
Sales	**447**	502	**–**	22	**447**	524
Administration	**457**	464	**–**	21	**457**	485
	3,392	3,666	**–**	261	**3,392**	3,927

Their aggregate remuneration comprised:

	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Wages and salaries	**99,160**	110,486	**–**	7,095	**99,160**	117,581
Social security costs	**10,202**	11,259	**–**	1,169	**10,202**	12,428
Other pension costs	**4,250**	3,226	**–**	83	**4,250**	3,309
	113,612	124,971	**–**	8,347	**113,612**	133,318
Share-based payments (note 31)	**60**	(149)	**–**	–	**60**	(149)
	113,672	124,822	**–**	8,347	**113,672**	133,169

The number of employees in discontinued operations for 2009 represents an average calculated over the 52 week period to 31 July 2009. Discontinued operations were divested on 22 January 2009.

7. Non-underlying items

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

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

Restructuring items

Current year

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

Prior year

Included within redundancies, impairment and other charges are redundancies and other charges of £6,503,000 relating to the closure of the Crayford site and £2,621,000 relating to the closure of the Andover site. The activities of the Crayford site are recorded within the Commercial Products segment and those of the Andover site within the Media Products segment. Also included here are redundancy and other charges associated with restructuring activities within the Media Products and Commercial Products segments, including termination costs associated with senior management.

Losses arose on the disposal of plant and equipment by entities within the Commercial Products (£470,000) and Media Products (£337,000) segments.

The assets and liabilities of the music and multimedia business in Uden, The Netherlands, were sold on 24 September 2008 resulting in a net gain of £345,000 recorded in the Media Products segment.

Other

Current year

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

Prior year

The costs and loss of profits arising from a fire in a dryer at the Edenbridge 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 Commercial Products segment.

Tax

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

8. Investment income

	Continuing operations	
	2010 £'000	2009 £'000
Interest on bank deposits	**–**	106
Expected return on defined benefits pension scheme assets (note 26)	**13,267**	12,594
Interest receivable on loans to discontinued operations	**–**	157
	13,267	12,857

9. Finance costs

	Continuing operations	
	2010 £'000	2009 £'000
Interest on bank overdrafts and loans	**1,160**	1,882
Interest on obligations under finance leases	**–**	8
	1,160	1,890
Finance charge on retirement benefits obligations (note 26)	**13,706**	13,826
	14,866	15,716

10. Income tax charge/(credit)

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

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

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

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

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

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

11. Acquisition

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

Purchase price allocation

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

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

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

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

	£’000
Cash paid in the period	10,857
Cash acquired	(340)
Net cash outflow in the period	10,517

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

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

	£’000
Revenue	7,566
Operating profit	718

12. Discontinued operations

On 22 January 2009, the Group disposed of its US segment, St Ives (USA) Inc and its subsidiary undertakings. The US segment is classified as a discontinued operation in this Annual Report and Accounts and prior period figures have been restated accordingly.

The profit after tax for the prior period from the discontinued operation is analysed below:

Profit from the US segment

	22 January 2009 £'000
Revenue	23,592
Operating costs	(22,890)
Operating profit before non-underlying items	702
Interest expense	(157)
Profit before tax before non-underlying items	545
Income tax charge	(69)
Profit after tax before non-underlying items	476

Non-underlying items

	22 January 2009 £'000
Loss on disposal of the US segment before tax	(10,554)
Other non-underlying items	305
Total non-underlying items before tax	(10,249)
Tax credit on disposal	1,540
Total non-underlying items after tax	(8,709)

Loss from discontinued operations

	22 January 2009 £'000
Profit after tax before non-underlying items	476
Non-underlying items	(8,709)
Total loss from discontinued operations	(8,233)

12. Discontinued operations *continued*

The net assets of the US segment at the date of disposal 22 January 2009 were as follows:

	22 January 2009 £'000
Attributable goodwill	8,405
Other intangible assets	210
Property, plant and equipment	21,515
Inventories	4,389
Trade and other receivables	11,345
Bank balances and cash	3,186
Trade and other payables	(11,984)
Other liabilities	(128)
Net assets	36,938
Recycling of cumulative foreign exchange translation losses	1,056
Loss on disposal before tax	(10,554)
Total consideration receivable, net of selling costs	27,440

	£'000
Consideration net of selling costs, received in cash in the period	23,794
Promissory loan note	3,646
Total consideration receivable, net of selling costs	27,440

Net cash inflow

Net cash inflow arising from the disposal in the period:

	£'000
Total consideration net of selling costs, received in cash in the period	23,794
Cash included in net assets disposed of in the period	(3,186)
Proceeds in the period on disposal, net of cash disposed	20,608

The terms of the promissory loan note are detailed in note 17.

13. Dividends

	Per share	**2010 £'000**	2009 £'000
Final dividend paid for the 52 weeks ended 1 August 2008	12.15p	**–**	12,521
Interim dividend paid for the 26 weeks to 30 January 2009	1.75p	**–**	1,803
Final dividend paid for the 52 weeks ended 31 July 2009	0.5p	**515**	–
Interim dividend paid for the 26 weeks to 29 January 2010	1.75p	**1,803**	–
Dividends paid during the period		**2,318**	14,324
Proposed final dividend at the period end of 1.75p per share (2009 – 0.5p per share)		**1,803**	515

The proposed final dividend is subject to the approval by shareholders at the 2010 Annual General Meeting and has not been included as a liability in these financial statements.

14. Earnings per share

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

Number of shares

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

Basic and diluted earnings per share

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

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

Underlying earnings is calculated by adding back non-underlying items, as adjusted for tax, to the profit/(loss) for the period (see note 7).

The average market price of the Company's ordinary shares during both periods was below the exercise price of all options in issue on these shares. As the options are not dilutive, the same number of shares is used for calculating basic and diluted earnings per share.

15. Property, plant and equipment

	Land and buildings			Fixtures, fittings, equipment and motor vehicles	
	Freehold £'000	Long leases £'000	Plant and machinery £'000	£'000	Total £'000
Cost or valuation:					
At 1 August 2008	60,646	5,482	313,043	18,385	397,556
Exchange differences	4,027	17	21,487	793	26,324
Additions	2,039	54	16,550	1,465	20,108
Disposals – discontinued operations	(14,985)	(62)	(78,126)	(2,314)	(95,487)
Disposals – other	(107)	(9)	(25,947)	(1,815)	(27,878)
Reclassifications	(10)	–	(1)	11	–
At 31 July 2009	51,610	5,482	247,006	16,525	320,623
Acquisitions	–	–	304	9	313
Additions	674	35	6,048	722	7,479
Disposals	–	(168)	(31,905)	(3,638)	(35,711)
Reclassification – non-current assets	63	–	(45)	42	60
Reclassification – assets held for sale	(2,297)	–	(111)	(840)	(3,248)
At 30 July 2010	**50,050**	**5,349**	**221,297**	**12,820**	**289,516**
Accumulated depreciation and impairment:					
At 1 August 2008	14,777	1,869	226,843	12,486	255,975
Exchange differences	1,768	16	18,013	723	20,520
Charge for the period	1,039	427	17,205	2,089	20,760
Impairment losses	2,000	–	219	–	2,219
Disposals – discontinued operations	(6,551)	(62)	(65,291)	(2,068)	(73,972)
Disposals – other	(65)	(6)	(25,250)	(1,736)	(27,057)
At 31 July 2009	12,968	2,244	171,739	11,494	198,445
Charge for the period	853	437	15,469	1,544	18,303
Impairment losses	–	–	1,162	9	1,171
Disposals	–	(168)	(31,885)	(2,730)	(34,783)
Reclassification – non-current assets	–	–	50	–	50
Reclassification – assets held for sale	(669)	–	(68)	(371)	(1,108)
At 30 July 2010	**13,152**	**2,513**	**156,467**	**9,946**	**182,078**
Net book value:					
At 30 July 2010	**36,898**	**2,836**	**64,830**	**2,874**	**107,438**
At 31 July 2009	38,642	3,238	75,267	5,031	122,178

Impairment losses (£1,170,000) arose on plant and machinery at the Edenbridge site, recorded within the Commercial Products segment, following the decision to close the site. The plant and machinery has been transferred to other Group sites and impairment losses have been measured by reference to value-in-use. The impairment losses have been recorded as non-underlying items. The freehold property at Lavington Street, London was reclassified as an asset held for sale in the period at its net book value of £2,140,000.

The Group has freehold land, included within property, plant and equipment and assets held for sale, with a book value of £6,175,000 (2009 – £6,072,000) which has not been depreciated. The amount of fully depreciated property, plant and equipment and assets held for sale is £107,207,000 (2009 – £141,379,000).

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £517,000 (2009 – £7,235,000).

The carrying amount of the Group's property, plant and equipment in respect of assets held under finance lease are £nil (2009 – £nil).

16. Goodwill and other intangible assets

	£'000
Cost and carrying amount	
At 1 August 2008	54,679
Disposals – discontinued operations	(8,405)
At 31 July 2009	46,274
Acquisitions	8,109
At 30 July 2010	**54,383**

Goodwill is allocated amongst the following cash-generating units:

	£'000
SP Group	31,322
Service Graphics	14,952
Occam	8,109
	54,383

SP Group, Service Graphics and Occam are reported within the Commercial Products segment.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Occam's recoverable amount was tested by reference to market value at 30 July 2010. The recoverable amounts of the other cash generating units ('CGUs') are determined using 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 forecast 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 CGUs. 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. The key assumptions used in the value-in-use calculations as well as the sensitivities to the key revenue growth assumption are detailed below.

	SP Group	Service Graphics
Value-in-use assumptions:		
Pre-tax discount rate	12.6%	12.6%
Terminal growth used in terminal value calculation	3.0%	3.0%
Average annual revenue growth used in five year forecast calculation	3.6%	5.2%
Excess of value-in-use over carrying value (£'000)	14,280	5,460
Sensitivity of value-in-use to changes in key growth assumption:		
Average annual revenue growth in five year forecast calculation resulting in potential impairment	2.9%	4.7%

16. Goodwill and other intangible assets *continued*

Other intangible assets

	Computer software £'000	Customer relationships £'000	Total £'000
Cost:			
At 1 August 2008	5,431	–	5,431
Exchange differences	366	–	366
Additions	613	–	613
Disposals – discontinued operations	(1,320)	–	(1,320)
Disposals – other	(625)	–	(625)
At 31 July 2009	4,465	–	4,465
Acquisitions	1,628	1,801	3,429
Additions	804	–	804
Reclassifications – non-current assets	(60)	–	(60)
Disposals	(176)	–	(176)
At 30 July 2010	**6,661**	**1,801**	**8,462**
Accumulated amortisation:			
At 1 August 2008	3,678	–	3,678
Exchange differences	296	–	296
Charge for the period	923	–	923
Disposals – discontinued operations	(1,111)	–	(1,111)
Disposals – other	(536)	–	(536)
At 31 July 2009	3,250	–	3,250
Charge for the period	705	51	756
Reclassifications – non-current assets	(50)	–	(50)
Disposals	(177)	–	(177)
At 30 July 2010	**3,728**	**51**	**3,779**
Net book value:			
At 30 July 2010	**2,933**	**1,750**	**4,683**
At 31 July 2009	1,215	–	1,215

17. Financial assets

	2010 £'000	2009 £'000
Loans receivable carried at amortised cost	**3,495**	3,109

Loans receivable carried at amortised cost comprises a US Dollar-denominated promissory loan note plus rolled up interest receivable of US$5.5 million. The promissory loan note bears interest at 6% per annum and is repayable in instalments with US$1.0 million due on 1 February 2012, US$1.0 million due on 1 February 2013 and US$3.0 million due on 1 February 2014. Loan interest may be rolled up into the principal until 1 February 2012. The note is secured on the plant and equipment, inventory and receivables of the US segment sold in the prior financial period.

18. Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 27% (2009 – 28%).

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

	2010 £'000	2009 £'000
At the beginning of the period	**1,942**	39
Acquisitions	**(535)**	–
Income statement credit (note 10)	**48**	4,501
Items taken directly to equity	**(1,367)**	(2,598)
At the end of the period	**88**	1,942

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 benefits obligations £'000	Rolled over capital gains £'000	Revenue tax losses £'000	Short-term timing differences £'000	Derivative financial instruments £'000	Acquired intangible assets £'000	Total £'000
Balance at 1 August 2008	(14,414)	13,537	(1,071)	659	1,328	–	–	39
Credit/(charge) to income statement	4,489	(271)	(471)	660	94	–	–	4,501
Items taken directly to equity	–	(2,546)	–	–	–	(52)	–	(2,598)
Disposals	659	–	–	(659)	–	–	–	–
Balance at 31 July 2009	(9,266)	10,720	(1,542)	660	1,422	(52)	–	1,942
Acquisitions	86	–	–	336	3	–	(960)	(535)
Credit/(charge) to income statement	98	(437)	1,173	(672)	(177)	–	63	48
Items taken directly to equity	–	(1,403)	–	–	–	36	–	(1,367)
Balance at 30 July 2010	**(9,082)**	**8,880**	**(369)**	**324**	**1,248**	**(16)**	**(897)**	**88**

Deferred tax assets and liabilities are classified in the balance sheet as follows:

	2010 £'000	2009 £'000
Deferred tax assets	**1,355**	3,484
Deferred tax liabilities	**(1,267)**	(1,542)
	88	1,942

Deferred 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 30 July 2010, deferred tax assets in respect of losses, at current tax rates, all of which have an unlimited life, are as follows:

	2010 £'000	2009 £'000
Recognised deferred tax in respect of losses	**324**	660

19. Inventories

	2010 £'000	2009 £'000
Raw materials	**5,257**	5,652
Work in progress	**4,581**	4,990
Finished products	**640**	–
	10,478	10,642
Less: payments on account and provisions	**(366)**	–
	10,112	10,642

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

20. Other financial assets

Trade and other receivables

	2010 £'000	2009 £'000
Current		
Amounts receivable for the sale of goods and services	**61,945**	63,595
Allowance for doubtful debts	**(2,851)**	(3,308)
Trade receivables	**59,094**	60,287
Other receivables	**3,394**	4,637
Prepayments and other assets	**5,660**	6,761
	68,148	71,685

	2010 £'000	2009 £'000
Non-current		
Other non-current assets	**202**	1,415

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

Derivative financial instruments

	2010 £'000	2009 £'000
Forward foreign currency contracts	**59**	209

All forward foreign currency contracts are designated and effective as hedging instruments.

Cash and cash equivalents

	2010 £'000	2009 £'000
Cash and cash equivalents	**10,515**	14,016

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair value.

21. Assets held for sale

	2010 £'000	2009 £'000
Assets held for sale		
Freehold land and buildings	**2,140**	1,282

The Romford site, classified under assets held for sale at 31 July 2009, was sold on 8 October 2009 for a net consideration of £2,896,000. At 30 July 2010, the property at Lavington Street, London was reclassified as an asset held for sale.

22. Trade and other payables

	2010 £'000	2009 £'000
Trade creditors	**51,768**	48,322
Other creditors	**6,246**	8,922
Other taxes and social security	**12,009**	9,749
Accruals	**9,897**	7,436
	79,920	74,429

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

23. Loans and bank overdrafts

	2010 £'000	2009 £'000
Bank loans	**13,193**	33,016

The borrowings are repayable as follows:

	2010 £'000	2009 £'000
On demand or within one year	**–**	33,016
Between one and two years	**13,193**	–
	13,193	33,016

Loans and bank overdrafts
The loan balances drawn on the £80 million multicurrency loan agreement at 31 July 2009 were repaid in full on 10 September 2009 and the facility was cancelled. The loans were repaid out of a new three-year £70 million revolving multicurrency loan agreement commencing on that date, of which up to £15 million may be drawn on as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 2.25% and 2.75%, depending on the ratio of the Group's net debt to EBITDA excluding middle column items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate. As at 30 July 2010 the Group outstanding loans, within this agreement, were £10 million and US$5 million (2009 – £30 million and US$5 million). The undrawn portion of this facility at 30 July 2010 was £56.8 million (2009 – £46.9 million).

As at 30 July 2010 there was no loan or overdraft secured against the assets of the Group (2009 – £nil).

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

24. Deferred income

	2010 £'000	2009 £'000
UK regional capital grants	**708**	1,143
Advance billings and other deferred income	**819**	691
	1,527	1,834
Current deferred income	**934**	851
Non-current deferred income	**593**	983
	1,527	1,834

	2010 £'000	2009 £'000
Movement in UK regional capital grants:		
Balance at the beginning of the period	**1,143**	1,341
Transfer to income statement	**(435)**	(198)
Balance at the end of the period	**708**	1,143

25. Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Other £'000	Total £'000
Balance at 1 August 2008	1,223	1,453	150	2,826
Exchange differences	–	183	–	183
Charged to the income statement	242	5,484	–	5,726
Credited to the income statement	(42)	(638)	(150)	(830)
Disposal – discontinued operations	–	(112)	–	(112)
Utilised during the period	(5)	(1,785)	–	(1,790)
Balance at 31 July 2009	1,418	4,585	–	6,003
Charged to the income statement	296	3,313	–	3,609
Credited to the income statement	(142)	(937)	–	(1,079)
Utilised during the period	(330)	(3,785)	–	(4,115)
Balance at 30 July 2010	**1,242**	**3,176**	**–**	**4,418**
Current	576	3,176	–	3,752
Non-current	666	–	–	666
	1,242	**3,176**	**–**	**4,418**

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 2010 and 2021.

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 the end of the 2011 financial year. The charge in the period relates principally to the closure of the Edenbridge, Hayes and Salisbury sites, all of which are included in the Commercial Products segment, as well as restructuring activities in all sites within the magazines business which are included in the Media Products segment.

26. 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 for continuing operations of £639,000 (2009 – £588,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 31 July 2010, contributions of £183,000 (2009 – £298,000) due in respect of the 2010 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 £nil (2009 – £nil).

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 benefit 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 obligations 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 31 July 2010. 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:

	2010 per annum	2009 per annum
Discount rate	**5.40%**	6.00%
Expected rate of inflation	**3.30%**	3.50%
Expected rate of salary increases	**0.00%**	4.50%
Future pension increases	**3.15%**	3.30%

Post-retirement mortality in the 2009 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 minimum 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 amount recognised in the balance sheet in respect of the Group's defined benefits scheme is as follows:

	2010 £'000	2009 £'000
Present value of funded obligations	**251,105**	232,482
Fair value of scheme assets	**(218,218)**	(194,199)
	32,887	38,283

26. Retirement benefits *continued*

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

	2010 £'000	2009 £'000
Current service cost	**200**	451
Curtailments	**–**	(124)
Interest on obligation (note 9)	**13,706**	13,826
Expected return on scheme assets (note 8)	**(13,267)**	(12,594)
	639	1,559

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 profit of £29,698,000 (2009 – £8,545,000).

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

	52 weeks to 30 July 2010 £'000	52 weeks to 31 July 2009 £'000
Opening defined benefits obligation	**232,482**	226,605
Service cost	**200**	451
Interest cost	**13,706**	13,826
Curtailments and settlements	**–**	(124)
Contributions by scheme participants	**–**	286
Age-related rebates	**343**	375
Actuarial losses	**12,596**	1,462
Benefits paid	**(8,222)**	(10,399)
Closing defined benefits obligation	**251,105**	232,482

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

	52 weeks to 30 July 2010 £'000	52 weeks to 31 July 2009 £'000
Opening fair value of scheme assets	**194,199**	178,261
Expected returns	**13,267**	12,594
Actuarial gains/(losses)	**16,431**	(4,049)
Contributions by employer	**2,200**	17,131
Contributions by scheme members	**–**	286
Age-related rebates	**343**	375
Benefits paid	**(8,222)**	(10,399)
Closing fair value of scheme assets	**218,218**	194,199

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

	Long-term rate of return expected at 30 July 2010 per annum	**Value at 30 July 2010 £'000**	Long-term rate of return expected at 31 July 2009 per annum	Value at 31 July 2009 £'000
Equity instruments	**7.80%**	**128,680**	8.00%	115,749
Bonds	**4.60%**	**87,795**	5.40%	77,720
Other	**0.50%**	**1,743**	0.50%	730
		218,218		194,199

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:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefits obligations	**251,105**	232,482	226,605	220,872	225,887
Fair value of scheme assets	**(218,218)**	(194,199)	(178,261)	(175,669)	(166,416)
Deficit	**32,887**	38,283	48,344	45,203	59,471
Experience adjustments on scheme liabilities	**8,844**	(1,462)	(1,462)	(1,700)	(4,798)
Percentage of scheme deficit	**3.5%**	(0.6%)	(0.6%)	(0.8%)	(2.1%)
Experience adjustments on scheme assets	**16,431**	(4,049)	(13,915)	(911)	4,176
Percentage of scheme assets	**7.5%**	(2.1%)	(7.8%)	(0.5%)	2.5%

The Group expects to contribute £2,200,000 to the scheme in 2011.

27. 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 borrowings is 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.

27. Financial risk management *continued*

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

	2010 £'000	2009 £'000
Sterling	**10,209**	13,505
US Dollar	**1**	63
Other	**305**	448
	10,515	14,016

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

	2010 £'000	2009 £'000
Sterling bank loans	**10,000**	30,000
US Dollar bank loans	**3,193**	3,016
	13,193	33,016

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.

	2010 £'000	2009 £'000
100% (2009 – 10%) movement in Sterling LIBOR	**65**	105

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.

Foreign exchange risk

The Group has US $5.5 million loan receivable. In order to provide protection to the Group's Sterling balance sheet from the movements in the US Dollar/Sterling exchange rate, the Group finances this receivable through borrowings of US $5.0 million. As a result, the Group's balance sheet is not significantly exposed to movements in the US Dollar/Sterling exchange rate.

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.

The following table details the forward currency contracts outstanding at the year end:

	Average exchange rate Sterling/Euro	Foreign currency EUR'000	Contract value £'000	Fair value £'000
Sell Euros (up to 30 months)	**1.17**	**2,682**	**2,292**	**59**

The Group has entered into contracts to supply goods to customers trading in continental Europe at prices denominated in Euros. Forward foreign exchange contracts have been used to hedge the exchange rate risk arising from these commitments which are designated as cash flow hedges. As at 30 July 2010 the aggregate amount of unrealised profits under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on trade receivables and anticipated sale transactions amounted to £59,000. It is anticipated that the sales will be made in the 24 months following the balance sheet date.

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 include 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 £15.4 million (2009 – £7.8 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.

27. Financial risk management *continued*

Ageing of impaired receivables

	2010 £'000	2009 £'000
Between 0 and 59 days	**883**	871
Between 60 and 89 days	**1,162**	1,233
Between 90 and 119 days	**761**	599
120 days and above	**45**	605
	2,851	3,308

Movement in the allowance for doubtful debts

	2010 £'000	2009 £'000
Balance at the beginning of the period	**3,308**	2,592
Impairment losses recognised	**1,133**	2,106
Amounts written off as uncollectible	**(1,286)**	–
Amounts recovered during the year	**(304)**	(451)
Impairment losses reversed	**–**	(650)
Disposals	**–**	(289)
Balance at the end of the period	**2,851**	3,308

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 provision required in excess of the allowance for doubtful debts.

Ageing of past due but not impaired receivables:

	2010 £'000	2009 £'000
Between 0 and 59 days	**15,101**	7,768
Between 60 and 89 days	**265**	–
	15,366	7,768

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 £70.0 million, three year revolving multicurrency agreement entered into in the period includes an overdraft facility of £15.0 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 23.

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 23, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

28. Share capital

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
At 3 August 2008 and 1 August 2009	103,551,005	10,355
Issued in the period	32,132	3
At 31 July 2010	**103,583,137**	**10,358**

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

29. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

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

Analysis of net debt

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

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

29. Notes to the consolidated cash flow statement *continued*

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

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

30. Capital and other commitments

	2010 £'000	2009 £'000
Capital expenditure contracted but not provided	**1,820**	6,222

At 30 July 2010, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2010		2009	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**1,503**	**1,666**	2,226	800
Between two and five years	**3,580**	**2,490**	4,329	959
After five years	**4,025**	**10**	4,588	–
	9,108	**4,166**	11,143	1,759

31. 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:

Discretionary 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 schemes. Details of the 2001 Scheme are included on pages 52 and 53 of the Directors' Remuneration Report. A reconciliation of the movement in the number of share options is shown below:

	2010		2009	
	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	**1,004,400**	**2.63**	1,309,900	3.00
Granted during the period	**2,232,000**	**0.66**	–	–
Lapsed during the period	**(741,600)**	**2.73**	(305,500)	4.27
Forfeited during the period	**–**	**–**	–	–
Outstanding at the end of the period	**2,494,800**	**0.84**	1,004,400	2.63
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	£0.62 – £0.66
Weighted average exercise price	£0.62 – £0.66
Expected life	5.7 years
Expected volatility	30.00%
Risk free rate	4.50%
Dividend yield	7.50%

The Group recognised a total charge of £60,000 (2009 – credit of £149,000) relating to equity-settled share-based payment transactions. The exercise price of options outstanding at 30 July 2010 ranges between 62.00 pence and 236.75 pence.

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation 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:

	2010 £'000	2009 £'000
Short-term employee benefits	**2,254**	2,185
Post-employment benefits	**120**	472
Termination benefits	**613**	273
Share-based payment	**60**	(149)
	3,047	2,781

33. Reconciliation of EBITDA

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

	52 weeks to 30 July 2010		
	Media Products £'000	**Commercial Products £'000**	**Total £'000**
Segmental result before non-underlying items	**13,585**	**2,428**	**16,013**
Depreciation and amortisation	**11,645**	**7,414**	**19,059**
EBITDA continuing operations	**25,230**	**9,842**	**35,072**

	52 weeks to 31 July 2009		
	Media Products £'000	Commercial Products £'000	Total £'000
Segmental result before non-underlying items	12,341	(2,191)	10,150
Depreciation and amortisation	10,921	9,203	20,124
EBITDA continuing operations	23,262	7,012	30,274

34. List of principal undertakings

The principal trading subsidiaries of the Company as at 30 July 2010 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
Occam DM Limited †	Chilcompton
St Ives Blackburn Limited	Blackburn
St Ives Burnley Limited	Burnley
St Ives Direct Bradford Limited	Bradford/Leeds
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 and other UK sites
SP Group Limited †	Birmingham/Redditch

All the above subsidiaries other than Occam DM Ltd are engaged in the activities of printing and related services. Occam is engaged in the activity of database marketing 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 30 July 2010 which comprise the parent company Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 July 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of St Ives plc for the 52 weeks ended 30 July 2010.

Peter O’Donoghue (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

5 October 2010

Note
An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Company Balance Sheet

	Note	30 July 2010 £'000	31 July 2009 £'000
Fixed assets		**–**	–
Intangible assets	5	**–**	37
Tangible assets	6	**42,960**	39,427
Investments	7	**95,618**	94,069
		138,578	133,533
Current assets			
Debtors – amounts falling due within one year	8	**4,733**	4,945
Debtors – amounts falling due after more than one year	8	**3,497**	3,890
Cash at bank and in hand		**–**	16,394
		8,230	25,229
Creditors: amounts falling due within one year	9	**(19,428)**	(46,476)
Net current liabilities		**(11,198)**	(21,247)
Total assets less current liabilities		**127,380**	112,286
Creditors: amounts falling due after more than one year	9	**(13,193)**	–
Provision for liabilities	11	**(166)**	(209)
Net assets		**114,021**	112,077
Capital and reserves			
Share capital	12	**10,358**	10,355
Share premium account	12	**46,706**	46,689
Other reserves	13	**(556)**	(466)
Profit and loss account	14	**57,513**	55,499
Total equity		**114,021**	112,077

These financial statements were approved by the board of directors on 5 October 2010 and signed on its behalf by

Patrick Martell
Chief Executive

Matt Armitage
Finance Director

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 30 July 2010 ('the financial year'). Comparative figures are for the fifty two weeks ended 31 July 2009.

(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% – 33$^{1}/_{3}$%
Fixtures, fittings and equipment	10% – 33$^{1}/_{3}$%
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.

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.

1. Accounting policies *continued*

(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 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The profit for the financial period for the Company was £4.4 million (2009 – loss £70.7 million).

3. Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company were £62,000 (2009 – £62,000).

4. Employee information

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

	2010 Number	2009 Number
Sales	**12**	27
Administration	**43**	46
	55	73

Their aggregate remuneration comprised:

	2010 £'000	2009 £'000
Wages and salaries	**3,801**	5,116
Social security costs	**346**	496
Other pension costs	**108**	137
Share-based payment	**60**	(149)
	4,315	5,600

5. Intangible fixed assets

	Cost £'000	Accumulated amortisation £'000	Net book value £'000
Goodwill:			
At 31 July 2009	189	(152)	37
Amortisation charge for the period	–	(37)	(37)
At 30 July 2010	**189**	**(189)**	**–**

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 1 August 2008	47,379	5,765	2,799	2,601	58,544
Additions	–	–	8	124	132
Transfers from subsidiaries	–	–	–	69	69
Transfers to subsidiaries	–	–	–	(184)	(184)
Disposals	–	–	–	(55)	(55)
At 31 July 2009	47,379	5,765	2,807	2,555	58,506
Additions	–	–	3	446	449
Transfers from subsidiaries	5,800	429	–	–	6,229
Transfers to subsidiaries	–	–	–	(549)	(549)
Disposals	(1,695)	–	–	(165)	(1,860)
At 30 July 2010	**51,484**	**6,194**	**2,810**	**2,287**	**62,775**
Accumulated depreciation and impairment:					
At 1 August 2008	10,420	2,112	1,632	1,217	15,381
Charge	813	306	236	443	1,798
Impairment losses	2,000	–	–	–	2,000
Transfers from subsidiaries	–	–	–	26	26
Transfers to subsidiaries	–	–	–	(77)	(77)
Disposals	–	–	–	(49)	(49)
At 31 July 2009	13,233	2,418	1,868	1,560	19,079
Charge	690	308	188	273	1,459
Impairment losses	–	–	–	–	–
Transfers from subsidiaries	274	–	–	–	274
Transfers to subsidiaries	–	–	–	(498)	(498)
Disposals	(413)	–	–	(86)	(499)
Reclassifications	–	–	–	–	–
At 30 July 2010	**13,784**	**2,726**	**2,056**	**1,249**	**19,815**
Net book value:					
At 30 July 2010	**37,700**	**3,468**	**754**	**1,038**	**42,960**
At 31 July 2009	34,146	3,347	939	995	39,427

The Company has freehold land with a book value of £6,040,000 (2009 – £6,040,000) which has not been depreciated.

The net book value of the Company's land and buildings includes £204,000 (2009 – £210,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £84,000 (2009 – £88,000).

7. Investments held as fixed assets

	Shares at cost £'000	Loans £'000	Total £'000
Investment in subsidiaries:			
Balance at 31 July 2009	80,937	13,132	94,069
Acquisitions	1,919	9,795	11,714
Additions	16	325	341
Loan repayments	–	(506)	(506)
Impairments	(10,000)	–	(10,000)
Balance at 30 July 2010	**72,872**	**22,746**	**95,618**

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 35 of the consolidated financial statements.

Acquisition of shares at cost and loans relate to the acquisition of Occam DM Limited on 1 June 2010 as disclosed in note 10 of the notes to the consolidated financial statements. The investment in St Ives Direct Limited was impaired in the period by £10 million due to a reduction in net assets in its subsidiary companies.

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

	2010 £'000	2009 £'000
Within one year		
Amounts owed by Group undertakings	**1,218**	3,240
Other debtors	**1,521**	330
Tax recoverable	**858**	826
Prepayments and accrued income	**1,077**	340
Derivative assets	**59**	209
	4733	4945
After more than one year		
Deferred tax asset	**2**	782
Loans receivable	**3,495**	3,108
	3,497	3,890

Loans receivable comprises a US Dollar-denominated promissory loan note of US$5.5 million received as part of the consideration on the sale of the US operation in January 2009 together with interest rolled up into the loan. The promissory loan note bears interest at 6% per annum.

Deferred tax assets

	£'000
Balance at 31 July 2009	782
Credited to profit and loss account	(780)
Balance at 30 July 2010	**2**

The amounts of deferred tax provided in the financial statements are as follows:

	2010 £'000	2009 £'000
Capital allowances in excess of depreciation	**(149)**	(56)
Other timing differences	**151**	838
	2	782

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

	2010 £'000	2009 £'000
Within one year		
Amounts owing to group undertakings	**8,552**	4,525
Bank loans and overdrafts (note 10)	**4,910**	33,016
Trade creditors	**1,602**	3,625
Other creditors including tax and social security	**2,135**	2,511
Accruals and deferred income	**2,229**	2,799
	19,428	46,476

	2010 £'000	2009 £'000
After more than one year		
Bank loans and overdrafts (note 10)	**13,193**	–

10. Borrowings and finance lease obligations

	2010 £'000	2009 £'000
Within one year		
Bank loans	**–**	33,016
Bank overdrafts	**4,910**	–
	4,910	33,016

	2010 £'000	2009 £'000
After more than one year		
Bank loans	**13,193**	–

Bank overdrafts and loans

The £80.0 million facility in existence at the end of the prior period was cancelled on 10 September 2009 and the Company repaid loans drawn on this facility. A new facility commenced on the same date and comprises a £70.0 million committed revolving multicurrency facility which terminates on 31 October 2012. Within the facility, up to £15.0 million may be drawn as an overdraft. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 2.25% and 2.75%, depending on the ratio of the consolidated net debt to EBITDA, excluding middle column items, of the Company and its subsidiary undertakings. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

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 30 July 2010 the aggregate liability for the Company under this guarantee amounted to £83,557,000 (2009 – £86,674,000). The aggregate value of the Company's loans and overdraft liabilities guaranteed by certain United Kingdom subsidiaries amounted to £43,746,000 (2008 – £33,016,000).

As at 30 July 2010 there was no loan or overdraft secured against the assets of the Company (2009 – £nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

11. Provisions for liabilities and charges

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 31 July 2009	116	93	209
Charged to the profit and loss account	50	43	93
Utilised in year	–	(136)	(136)
Balance at 30 July 2010	**166**	**–**	**166**

12. Called up share capital and share premium account

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 31 July 2009	103,551,005	10,355	46,689
Issue of share capital	32,132	3	17
At 30 July 2010	**103,583,137**	**10,358**	**46,706**

All authorised and issued share capital is represented by equity shareholdings. The share capital issued in the period formed part of the consideration paid for the equity of Occam DM Limited.

13. Other reserves

	Capital redemption reserve £'000	Share option reserve £'000	ESOP reserve £'000	Hedging reserve £'000	Total £'000
Balance at 31 July 2009	1,238	–	(1,913)	209	(466)
Recognition of share-based payments	–	6	–	–	60
Gains on cash flow hedges:					
Transferred to underlying hedged items	–	–	–	(209)	(209)
Arising on forward currency contracts	–	–	–	59	59
Balance at 30 July 2010	**1,238**	**60**	**(1,913)**	**59**	**(556)**

14. Profit and loss account

	£'000
Balance at 31 July 2009	55,499
Retained profit for the financial period	4,332
Dividends paid on equity shares	(2,318)
Balance at 30 July 2010	**57,513**

Details of the Company's share schemes are set out in note 31 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.

The defined benefits scheme was closed to new entrants with effect from 6 April 2002 and closed to future benefit accrual from 31 August 2008. There are no contributions to fund future defined benefit accrual after 31 August 2008. Contributions of £2,200,000 were made in the period and the Company expects to contribute £2,200,000 to the scheme in 2011.

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 26 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 IAS 19 and updated to 30 July 2010 by the scheme’s actuary. These disclosures show that the scheme’s assets represented 86.9% of the scheme’s liabilities (2009 – 83.5%).

16. Capital commitments

	2010 £’000	2009 £’000
Capital expenditure contracted but not provided	**1,097**	242

Five Year Record

	52 weeks to 30 July 2010 £'000	52 weeks to 31 July 2009 £'000	52 weeks to 1 August 2008 (restated) £'000	53 weeks to 3 August 2007 (restated) £'000	52 weeks to 28 July 2006 £'000
Revenue					
Media Products	**147,513**	154,492	173,153	191,498	186,253
Commercial Products	**214,743**	232,290	218,047	174,266	131,202
USA	**–**	–	–	59,266	65,055
	362,256	386,782	391,200	425,030	382,510
Profit/(loss) from operations before non-underlying items*					
Media Products	**13,585**	12,341	25,718	26,334	23,904
Commercial Products	**2,428**	(2,191)	7,235	6,500	2,844
USA	**–**	–	–	1,495	(241)
Head Office	**–**	–	–	–	(33)
	16,013	10,150	32,953	34,329	26,474
Non-underlying items*	**(6,310)**	(14,532)	1,126	(2,765)	1,245
Profit/(loss) from operations	**9,703**	(4,382)	34,079	31,564	27,719
Investment income	**13,267**	12,857	11,051	10,171	9,221
Finance costs	**(14,866)**	(15,716)	(14,508)	(14,179)	(12,758)
Profit/(loss) before taxation	**8,104**	(7,241)	30,622	27,556	24,182
Income tax expense	**(366)**	916	(16,096)	(7,157)	(8,104)
Profit/(loss) on ordinary activities after taxation	**7,738**	(6,325)	14,526	20,399	16,078
Profit/(loss) on discontinued operations	**–**	(8,233)	1,714	(14,084)	(1,264)
Profit/(loss) for the period	**7,738**	(14,558)	16,240	6,315	14,814
Earnings per share					
Basic	**7.51p**	(6.14p)	14.10p	6.13p	14.38p
Continuing before non-underlying items*	**9.65p**	4.94p	19.57p	20.25p	15.09p
Balance sheet					
Property, plant and equipment	**107,438**	122,178	141,581	147,006	160,909
Goodwill	**54,383**	46,274	54,679	54,679	54,135
Other intangible assets	**4,683**	1,215	1,753	1,394	1,089
Other non-current assets	**5,052**	8,008	2,517	5,123	12,197
Assets held for sale	**2,140**	1,282	6,650	3,345	–
Other current assets	**89,402**	98,218	116,811	100,121	90,813
Liabilities held for sale	**–**	–	(1,142)	–	–
Other current liabilities	**(84,606)**	(113,717)	(79,015)	(67,719)	(89,212)
Non-current liabilities	**(48,606)**	(41,390)	(88,964)	(79,422)	(62,030)
Net assets	**129,886**	122,068	154,870	164,527	167,901

Revenue and profit/(loss) from operations before non-underlying items is shown by business segment. For the years ended 28 July 2006 and 3 August 2007 the US segment is included within continuing operations. The Five Year Record is not audited.

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

Financial Calendar

Financial year ended 31 July 2009	
Record date for final dividend	6 November 2009
Annual General Meeting	30 November 2009
Payment date for final dividend of 0.5p per ordinary share	4 December 2009

Financial year ended 30 July 2010	
Half year end	29 January 2010
Announcement of Half year results	9 March 2010
Record date for interim dividend	19 March 2010
Payment date for interim dividend of 1.75p per ordinary share	1 April 2010
Financial year end	30 July 2010
Announcement of Full year results	5 October 2010
Annual General Meeting	30 November 2010
Record date for proposed final dividend	3 December 2010
Payment date for proposed final dividend of 1.75p per ordinary share	23 December 2010*

Financial year ended 29 July 2011	
Half year end	28 January 2011
Announcement of Half year results	March 2011
Financial year end	29 July 2011

* If approved by shareholders at the 2010 Annual General Meeting the proposed final dividend will be paid on 23 December 2010.

Shareholder Information

Corporate information

Further information about the Group can be found on our website: www.st-ives.co.uk

This year's Annual Report and Accounts, as well as copies of past years' Annual Reports and Accounts, Half year and Interim Management Statements and Shareholder circulars are available to view and download from our Investor Centre. Regulatory announcements and press releases made during the year and in past years are also available to view in the Media Centre section of our Investor Centre.

Should you wish to receive further copies of the Annual Report and Accounts or a copy of our Environmental report, please contact the Company Secretary, St Ives plc, St Ives House, Lavington Street, London SE1 0NX.

Shares

St Ives plc ordinary shares of 10 pence each are listed on the London Stock Exchange and trade under the symbol: SIV. Our International Securities Identification Number (ISIN) is GB0007689002 and our Stock Exchange Daily Official List (SEDOL) number is 768900.

Share price information and our latest regulatory announcements can be obtained from the Stock Exchange website, www.londonstockexchange.com

Shareholding enquiries

St Ives plc's register is maintained by Capita Registrars, who are able to deal with shareholders' queries, including in respect of any of the following matters:

- transfer of shares
- change of name or address
- registering the death of a shareholder
- lost share certificates
- lost or out of date dividend warrants
- the payment of dividends directly into a bank or building society account.

Their contact details are: St Ives plc Shareholder Services, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA.

Capita's shareholder helpline telephone number is 0871 664 0300 (calls cost 10 pence per minute plus network extras). If you are calling from overseas, please telephone + 44 208 639 3399. Lines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday.

Alternatively, you can email your query to our registrars at ssd@capitaregistars.com although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

Our principal advisers

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Printed on Hello Silk and Revive Pure White Uncoated paper.

Hello Silk is made from 100% virgin wood fibre from well-managed forests independently certified according to the rules of the Forest Stewardship Council (FSC). Revive Pure White Uncoated is made from 100% de-inked post-consumer waste.

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

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

Designed by Black Sun Plc

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

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