St Ives plc
Annual Report and Accounts 2009

St Ives plc

Contents

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Who are we?

St Ives provides printed products and solutions to the publishing, retail and commercial markets throughout the UK. Our focus is on delivering high quality products to customers who have a need for service, complex solutions and added value services.

The Group at a glance

St Ives Group

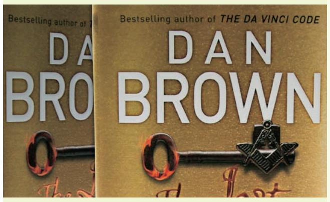
Media

Books

Clays Ltd

Products
Monochromatic books

Locations
Bungay
London

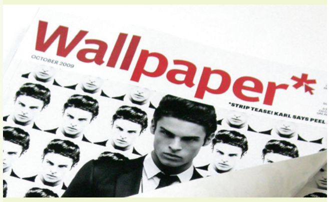


Magazines

St Ives Web

Products
Magazines
Fulfilment services

Locations
London
Peterborough
Plymouth
Roche



Commercial

Direct Response and Commercial

St Ives Direct

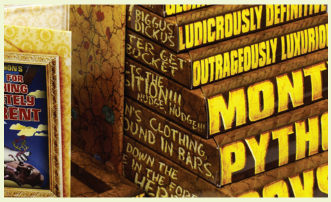
Products
Direct mail
Digital print
Personalisation

Locations
Bradford
Edenbridge
Leeds

Music & Multimedia

Products
Music and multimedia related print products
CD/DVD slipcases
Special packaging

Locations
Blackburn
London



SIMS

Products
Detailed audits
Outsourcing solutions
Print management

Locations
London

Westerham Press

Products
Fine art printing
Financial Reports & Accounts

Locations
Edenbridge

Point of Sale

SP Group

Products
Retail and brand Point of Sale

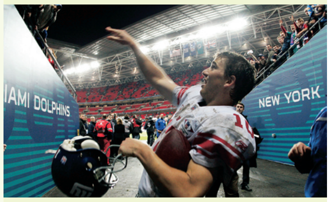
Locations
Birmingham
Burnley
Redditch

Exhibitions and Events

Service Graphics

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

Locations
Glasgow
Hayes
London
Nottingham
Salisbury
Skelmersdale



2008/2009

Our year

We have experienced the toughest market conditions in the history of St Ives as a public company. The impact has been felt across all of our businesses.

We have worked to reduce our costs, heighten our focus on cash and risk, win new business to compensate for the dramatic downturn in our customers' discretionary spend and implement a senior management succession plan.

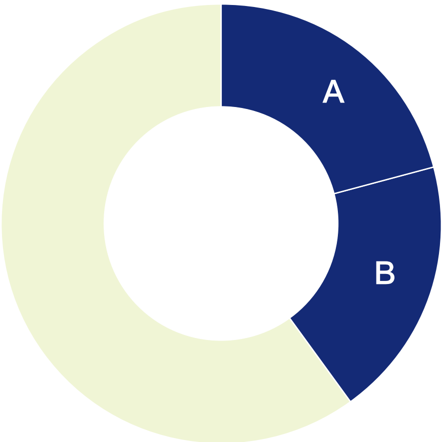
Financial Highlights

Revenue £386.8m (2008: £391.2m)
Underlying* profit before tax £7.3m (2008: £29.5m)
Loss before tax £7.2m (2008: profit £30.6m)
Underlying* earnings per share 4.94p (2008: 19.57p)
Loss per share 6.14p (2008: earnings 14.10p)
Total dividend 2.25p per share
Net debt reduced to £19.0m (2008: £33.1m)
£70.0m three-year committed financing in place

*Continuing operations before restructuring costs, provision releases and other one-off items
All figures relate to continuing operations.

St Ives Group

Media Products

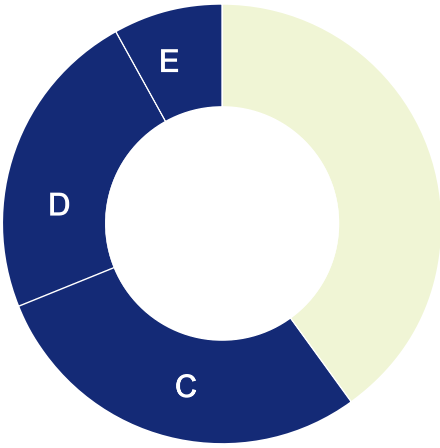


Contribution to Group sales %

40%

A Books	21%
B Magazines	19%

Commercial Products



Contribution to Group sales %

60%

C Direct Response and Commercial	29%
D Point of Sale	23%
E Exhibitions and Events	8%

Chairman's Statement

We have experienced the toughest market conditions in the history of St Ives as a public company during this recession triggered by the financial crisis. The impact has been felt across all of our businesses and by many of our customers and suppliers. Our magazine business has been particularly affected. It has been against this backdrop that we have worked to reduce our costs, heighten our focus on cash and risk, win new business to compensate for the dramatic downturn in our customers' discretionary spend and implement a senior management succession plan.

For more information on disposals and dividends see page

22

The Group has completed significant changes to its structure during the year with the sale of our US and Dutch businesses, the closure of our final salary pension scheme and, sadly, a significant number of redundancies to mitigate the effects of volume and price reductions. However, despite this turbulent period, and the high cost of funding those necessary changes, the Group's balance sheet remains strong, we continue to generate good cash flows and the underlying business remains profitable overall. The board is pleased to recommend a final dividend of 0.5 pence per share.

I would like, on the behalf of the board, to thank all of our staff for their contribution during this difficult year. I remain confident that their continued commitment and effort will ensure the ongoing successful development of the Group, despite the current trading conditions. Brian Edwards stepped down from the board shortly after the year end after more than 30 years with the Group; I would like to pay tribute to the significant contribution that he has made to the Group not only during this difficult year but also throughout his many years of dedicated service. Patrick Martell, who was previously Managing Director UK Operations, took over as Chief Executive in April.

"The Group's balance sheet remains strong, we continue to generate good cash flows and the underlying business remains profitable overall."

Simon Ward left the board at the end of March and I would also like to thank him for his contribution to the Group. We welcome the appointment of Lloyd Wigglesworth, who joined the board initially as a non-executive director in December, as an executive director of St Ives plc.

For Outlook see page

15

We have ended the financial year having completed a number of actions aimed at reducing the cost base in light of the current trading conditions; others are in progress. Whilst there is more to do, we are confident that the actions we have taken to date and the new management team will ensure that the Group is well placed to meet these challenges, take advantage of opportunities that arise and capitalise on the robust platform that has been built.

Miles Emley
Chairman

19 October 2009

Business Review

Overall sales for the year have been maintained at levels close to last year but the mix of sales has changed significantly. We have seen a reduction in sales within the Media Products segment offset by an increase in sales to the Commercial Products segment. This increase in sales, however, has come at the expense of margin; as price pressure and changed work mix, requiring more outsourcing, contributed to an overall loss in the commercial segment. The results also reflect the impact on the media segment of reduced demand some of which will not return due to structural changes arising as a result of reduced advertising spend.

As previously announced, in September 2008 we sold our Dutch music and multimedia activities and, in January 2009, we completed the disposal of our US business. These actions will enable us to focus our resources and build upon our strengths in the UK markets that we serve.

Trading conditions during the year continued to be very challenging and in most markets deteriorated significantly after Christmas. Incremental sales from managed services and new sales won in other areas were insufficient to offset the effect of volume and price reductions. The benefit of actions taken to reduce the Group's cost base will be realised in 2009/2010 and will help to mitigate the ongoing impact of the recession. In addition, we have successfully renegotiated our banking facilities and continue to benefit from a strong balance sheet.

“In September 2008 we sold our Dutch music and multimedia activities and, in January 2009, we completed the disposal of our US business. These actions will enable us to focus our resources and build upon our strengths in the UK markets that we serve.”

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

For Media Products figures see page **78**

Media Products

Comprises the production of books and magazines for the UK markets and, until the sale of our Dutch business, printing for the multimedia industry in mainland Europe.

	2009 £’000	2008 £’000
Media Products total revenue	**154,492**	173,153
Media Products operating profit before restructuring costs, provision releases and other one-off items	**12,341**	25,718

Media Products represents 40% of Group external sales.

Books

The Group’s books business accounted for around 52% of Media Products’ external sales. Total book revenues were 4% ahead of the previous year but, as previously indicated, these were lower than anticipated due to disruption of the supply chain to major supermarkets following the failure of a distributor, EUK, in November 2008. This principally affected hardback sales immediately before and after Christmas and has resulted in volumes of these being some 6% below the prior year although paperback volumes were increased as a result of gaining further market share. Net returns were slightly lower than last year due to changes in order patterns, product specification and the disruption to the supply chain referred to above.

In February, as planned, we successfully opened our new automated warehouse in Bungay, which has enabled us to expand our post production services and offer a unique and compelling proposal to publishers. Together with our unrivalled production service levels this has enabled us to continue to increase market share. We have made an investment in digital book production, purchasing a complete in-line book production system which will be commissioned in the first quarter of the new financial year. As part of this investment we have installed a digital colour press for cover and jacket production, which will also produce colour proofs and lower

Business Review *continued*

Books *continued*

quantity orders. The new production facility will be integrated into our front end e-commerce systems and will supply books directly into the distribution and warehouse facility.

Several major contracts were renewed or extended during the year and we again produced the majority of the bestsellers. We have made further progress in selling post production and distribution services, which has included the supply of added value services for books we did not manufacture. We are very pleased also to have secured with HarperCollins for their new titles our first major contract for book distribution.

Highlights included production of all the Stephenie Meyer titles for Little, Brown – the publishing success of the year; Michael Parkinson's autobiography for Hodder; the new Jeremy Clarkson 'For Crying Out Loud!' for Penguin; Alan Carr's autobiography 'Look Who It Is!' and Cecilia Ahern's novel 'The Gift' for HarperCollins; the new Maeve Binchy novel for Orion; and 'Tales of Beedle the Bard' (JK Rowling) for Bloomsbury. Other notable successes were the two volumes of autobiography by Barack Obama, published by Canongate, and the first two volumes of Stieg Larsson's trilogy, published by Quercus.

We finished the year producing the eagerly awaited Dan Brown book for Random House, 'The Lost Symbol', for whom we also provided a secure storage and distribution service.

Magazines

Consumer, business to business and contract publishing magazines accounted for around 48% of Media Products' external sales. The market became increasingly competitive and sales deteriorated rapidly in the second half of the financial year due to lower paginations, price pressure, title closures and more recently reduced run lengths. Despite significant success in new title wins, these were insufficient to replace falls in pagination and offset price reductions and so overall sales reduced by some 12% compared with the prior year. In addition, as publishers required shorter lead times to maximise their window to sell advertising, demand became increasingly volatile which impacted upon our ability to produce efficiently and achieve optimal utilisation.

"Several major contracts were renewed or extended during the year and we again produced the majority of the best selling books."

Taken together, these factors, and higher utility prices, caused a significant deterioration in financial performance compared to last year and a significant loss has been incurred in this area. As a consequence, the number of production shifts has been reduced and we announced the planned closure of our Andover facility and the transfer of its work to our three remaining sites. These actions will reduce headcount by approximately 200 together with associated overheads; the benefit will be realised in 2009/2010.

For all capital equipment investment see page

87

Installation during the year of a new Lithoman web offset press and a sheet fed press into our factory at Roche, combined with additional stitching capacity into Peterborough, completes our investment programme. Across our three production sites we have the most modern production facilities available to compete in these challenging times and the opportunity to consolidate work from our older less efficient equipment.

Whilst there have been some significant changes in the supplier base, the downward pressure on prices continues due to the impact of the recession upon volumes. The recent acquisition of the Wyndeham Group and Southernprint by Walstead Investments has consolidated some capacity and the closure of Pindar Cooper Clegg, in addition to the previously announced closure of Quebecor Corby, will contribute to reducing excess capacity when market conditions improve. We are not expecting (or waiting for) a significant change in the current market conditions in this sector and so have acted quickly and decisively to reduce our cost base. We will not hesitate to take further action should it be required but believe our well invested modern facilities and reputation for quality and reliable service will enable us to generate an acceptable return, albeit from a smaller base. We believe there remains a long term need for high quality printed products and exceptional service which is not satisfied by online products. Our strategy is to focus on these products and not to chase volume at ever reducing prices.

Business Review *continued*

For Commercial Products figures see page

78

Commercial Products

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

	2009 £'000	2008 £'000
Commercial Products total revenue	**232,290**	218,047
Commercial Products operating (loss)/profit before restructuring costs, provision releases and other one-off items	**(2,191)**	7,235

Commercial Products accounts for approximately 60% of Group external sales.

Direct Response and Commercial

Direct response, commercial printing and managed services, which include work for the Royal Mail, accounted for around 48% of the Commercial Products segment.

The commercial market place continued to be extremely challenging. Significant spare capacity remained in the market and consequently price pressure increased. Sales to music customers reduced steadily up to Christmas but the decline accelerated thereafter. Sales of managed services and Group sales were only able to offset in part this lower volume and price reductions. Consequently, at the year end, our Crayford plant – which served predominantly the needs of the music market – was closed and the remaining work and some equipment transferred to other sites.

In the reports and accounts market we continue to experience lower print runs, although we have gained market share.

The actions detailed above will lead to a reduction in headcount of approximately 100 but, as most of the redundancies were actioned towards the end of the second half, the benefit will not be fully realised until 2009/2010. However, despite the overall increase in sales and actions on costs, the effects of price erosion and poorer utilisation in the direct response and commercial business resulted in a loss.

"We believe there remains a long term need for high quality printed products and exceptional service. Our strategy is to focus on these products."

Point of Sale

Point of sale material for the UK retail and UK and international brands accounted for 38% of Commercial Products' revenue. Volumes were extremely robust for the first half year but have slowed in the second half. Sales for the year as a whole grew by over 20% as we won new customers and existing customers had more frequent, but individually smaller, campaigns. The mix of work was such that there was a much greater element of outwork, much of which was placed within the Group, and added value increased only slightly. Requests for work and changes in requirements were received with shorter notice as our customers' marketing departments sought to stimulate sales and respond to competitor activity. This resulted in less than optimal utilisation at times but, importantly, our service levels were maintained. In addition, as some retailers failed, spare capacity was created in the market place which caused further price pressure. In some instances, prices offered were sub-economic and we declined to take on the work. As a consequence, net margins reduced and the net profit was lower than the prior year. At the year end action was taken to reduce headcount by some 50 people as volumes slowed.

We were very pleased to have been awarded Sainsbury's work at the start of the financial year which has generated sales across the commercial businesses and, in particular, through our point of sale business. As is the case for such large contract wins, transitioning the work resulted in some one-off costs which will not be repeated in subsequent periods.

Exhibitions and Events

Sales for exhibitions, events and outdoor media were subdued and represented some 14% of the commercial segment. Many of our customers reduced spend and some exhibitions and events were cancelled, which lowered our sales by 21% compared with the prior year. Market overcapacity has increased and although some competitors have failed, price pressure remained a feature throughout the year. Our London operations have been merged into our Wandsworth site and headcount has been reduced by approximately 75, both of these actions taking place towards the year end. Despite these actions utilisation remained a challenge and this area returned a loss for the year.

For Balance Sheet
see page
68

Balance Sheet

The Group's balance sheet remains strong and the business is well invested. Net capital expenditure was lower than depreciation and as expected totalled £14.8 million; around £6.1 million lower than last year.

Following the recent cost reductions there is some surplus property and plant to realise, although this may take some time. Underlying cash flow remains robust and net debt at the year end stood at £19.0 million, which was pleasing given the cash cost of the various cost reduction actions taken in the year and the special contribution of £14.4 million made at the beginning of the year (in addition to the £5.6 million contributed at the end of the previous financial year) as part of the closure of the defined benefits pension scheme.

Strategy

A number of key actions have been completed during the year. The defined benefits pension scheme has been closed to future accrual, the loss making Dutch multimedia business and our US business sold, and a number of actions have been taken, detailed above, to align the cost base and capacity to market conditions.

We continue to review all of our businesses during these challenging times and look for ways to reduce cost whilst expanding the range and quality of the services and products we offer. Unfortunately, a significant number of job cuts have had to be made during the year which, excluding the businesses we disposed of during the year, will lead to a headcount reduction in excess of 400. The benefit of the reduced cost base will help to mitigate the effect of reduced volumes and lower prices. Going forward we must ensure that we retain the benefits of the lower cost base and continue to work on improving labour flexibility throughout the Group so as to remain competitive. Despite the extremely competitive conditions we are taking a significant number of steps to improve the effectiveness of our sales efforts to win more business from existing customers and also to identify new customers and revenue streams.

"We continue to review all of our businesses during these challenging times and look for ways to reduce cost whilst expanding the range and quality of the services and products we offer."

Our strategy is to focus upon supplying products and services where there is a need for high quality and complex solutions against challenging timescales. We look to add value to our customers through long term relationships and partnership and have term contracts in many parts of the Group. We have well invested businesses and have demonstrated our ability not only to manufacture but also to manage the provision of products and services sourced externally.

Extending the range of services to our existing blue chip customer base is a key strategy for us and, in addition to fulfilling print requirements, the Group offers warehousing, distribution and storage, mailing, print management, database management, exhibition design & build, post binding added value services and asset management.

We have been successful in developing our 'Forward Thinking' offering across the Group which provides business analysis, market research and fresh insights for our customers. Our uniqueness as a group is the range of products and services that we can offer to a strong, diverse blue chip customer base and our challenge is to ensure we maximise that opportunity.

Outlook

The markets we serve remain extremely competitive and most continue to be oversupplied. In some areas there are prices in the market at sub-economic levels and significant losses continue to be made by some competitors.

The outlook for the markets we supply remains uncertain and will continue to be impacted by both the current economic climate and structural changes that have been accelerated by the recession, such as advertising moving onto the internet. However, the actions we have taken to date, our financial strength and well invested businesses will mitigate these effects and leave us able to take advantage of improvements that arise. We are committed to driving change in those businesses that are loss making and will take action as required if conditions continue to deteriorate.

Where we have taken capacity out of the business, it has been our older less productive equipment and, where practical, we have transferred production to newer more efficient machinery or consolidated equipment at fewer sites.

Business Review *continued*

"The board is confident that the Group remains well positioned to make progress when conditions improve."

Outlook *continued*
In addition to cost reductions, we have been able to negotiate some more flexible labour arrangements going forward which will further enable us to respond better to our customers' requirements and help us to remain competitive in these extremely tough conditions. Our priorities are to drive costs down, improve efficiencies and focus on products and services where we can add value through the provision of exceptional quality and service.

For those parts of the business where the recession has had a cyclical effect on demand, we are well placed to take advantage of any improvement when it occurs. In areas where the recession has accelerated a structural change in demand, we have taken action and will continue to review opportunities to improve efficiencies which may include further rationalisation.

We have started the new financial year with some significant challenges ahead but also with a new and strengthened management team. The board is confident that the Group remains well positioned during this turbulent period and will make progress as and when conditions begin to improve.

Patrick Martell
Chief Executive

19 October 2009

Financial Review

Overview of revenue

Revenue for the Group from continuing operations reduced by £4.4 million (1.1%) to £386.8 million. Excluding the Dutch music and multimedia business (disposed of in September 2008) which, due to its size, has not been treated as a discontinued operation, organic revenue growth was 1.8%.

Media Products' revenue decreased by £18.7 million (10.8%) although £11.5 million of this decrease is due to the disposal of the Dutch operations mentioned above. Revenue increased by 3.6% in Books as we continued to gain market share despite the short term supply chain issues mentioned in the Business Review. Magazine revenue, however, decreased by 11.9% as pagination and run length reductions, along with title closures, offset any new title wins during the period.

Commercial Products' revenue increased by £14.2 million (6.5%). The Point of Sale and the Direct Response businesses grew by 20.6% and 8.0% respectively, largely due to the previously announced Royal Mail and Sainsbury's contract wins. Revenues from our Exhibitions and Events business declined by 22.6% due to the impact of the recession on our clients' discretionary marketing expenditure.

Our business within the USA has been treated as a discontinued operation.

From a geographical point of view, 98% of our Commercial and Media Products' revenue is generated within the UK (the remaining 2% derives from the Rest of the World).

Financial Review *continued*

Gross margin and underlying profitability

While in overall terms the top line has been maintained, price pressure and a change in mix (a greater volume of outsourced work) resulted in an underlying gross profit margin decline to 21.8% (2008 – 26.7%).

Sales and administrative overheads increased to 19.2% of revenue (2008 – 18.3%) due primarily to an increase in the Pension Protection Fund levy, costs of a one-off nature associated with the transition of the two long term contracts mentioned above and an increase in bad debt provisioning due to the current economic environment. As covered in the Business Review, significant headcount reductions have been made across the Group, including within the sales and administrative functions, the full effects of which will be realised in the new financial year.

Profit and loss detail see page

66

As a result of the margin pressure and overhead increase mentioned above, underlying profit before taxation for the Group decreased from £29.5 million to £7.3 million (7.5% to 1.9% of revenue).

Restructuring costs, provision releases and other one-off items

The Group has undergone a significant amount of restructuring during the year in order to mitigate the effects of the economic downturn.

The £14.5 million charge, before tax, primarily relates to the closure of our Andover site and further redundancy related costs within our Magazines business of £5.0 million; the closure of our Crayford site and further redundancy related costs within our Direct Response business of £7.9 million; and redundancy costs within our Point of Sale, Exhibitions and Events businesses and Head Office of £0.6 million, £0.6 million and £0.8 million respectively.

"Net debt decreased during the year from £33.1 million to £19.0 million."

Key financial performance indicators

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

The financial KPIs are explained under each section. Corporate costs before restructuring costs, provision releases and other one-off items are allocated to revenue generating segments. Due to the disposal of Group's US business, it has been necessary to re-allocate corporate costs to our two continuing business segments. The prior year comparatives have been restated, where appropriate, to reflect these changes in allocation.

Financial Review *continued*

For more details on segment results see from page

78

Key financial performance indicators *continued*

Operating profit/(loss) by segment

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

	2009 £'000	2008 £'000	change %
Media Products	**12,341**	25,718	(52.0)
Commercial Products	**(2,191)**	7,235	(130.3)
Continuing Operations	**10,150**	32,953	(69.2)
Discontinued Operations	**702**	2,113	(66.8)
Group	**10,852**	35,066	(69.1)

Operating profit/(loss) as a percentage of added value by segment

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

	2009 %	2008 %	change %
Media Products	**12.7**	22.6	(9.9)
Commercial Products	**(2.2)**	6.6	(8.8)
Continuing Operations	**5.1**	14.8	(9.7)

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

EBITDA and free cash flow by segment

EBITDA is operating profit before depreciation and amortisation and before restructuring costs, provision releases and other one off items and is used as a measure of cash generation by segment. Free cash flow provides a measure of the Group's liquidity and the cash generated from its operations. Capital payments are the amounts, by segment, from the Consolidated Cash Flow Statement for the purchase of property, plant and machinery and other intangibles. By deducting the capital payments from the EBITDA the cash available for acquisitions, dividends, tax and working capital is measured.

"The Group has undergone a significant amount of restructuring during the year in order to mitigate the effects of the economic downturn."

	2009		
	EBITDA £'000	**Capital payments £'000**	**Free cash flow £'000**
Media Products	**23,262**	**(14,440)**	**8,822**
Commercial Products	**7,012**	**(3,676)**	**3,336**
Continuing Operations	**30,274**	**(18,116)**	**12,158**
Discontinued Operations	**2,261**	**(1,694)**	**567**
Group	**32,535**	**(19,810)**	**12,725**

	2008		
	EBITDA (restated) £'000	Capital payments (restated) £'000	Free cash flow (restated) £'000
Media Products	37,029	(11,078)	25,951
Commercial Products	17,960	(8,435)	9,525
Continuing Operations	54,989	(19,513)	35,476
Discontinued Operations	5,285	(3,277)	2,008
Group	60,274	(22,790)	37,484

Balance sheet

The economic downturn has had a material effect on the financial results for the period but the balance sheet remains strong and the business is well invested. Net assets decreased to £122.1 million (2008 – £154.9 million). The movement reflects loss after taxation from continuing operations of £6.3 million; the loss on discontinued operations of £8.2 million; dividends of £14.3 million and actuarial losses on the defined benefits pension scheme (net of deferred tax) of £4.0 million.

For debt structure detail see page

102

Net debt

Net debt decreased during the year from £33.1 million to £19.0 million. The major contributing factors to the movement are a significant improvement in working capital, a reduction in net capital expenditure and the proceeds of the disposal of the US business, partially offset by the second and final payment into the defined benefits pension scheme associated with the closure of the scheme to future benefits accrual and the payment

Financial Review *continued*

Net debt *continued*
of the final dividend for the 2008 financial year. 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 goodwill, was £19.8 million (2008 – £22.8 million) and cash receipts from asset disposals were £5.0 million (2008 – £1.8 million). Depreciation, amortisation and impairment charged in the year was £34.5 million (2008 – £28.2 million).

Disposals
In January 2009 the Group disposed of its US segment for $39.0 million. The loss on disposal before tax was £10.6 million, of which £8.4 million related to goodwill. The US segment has been treated as a discontinued operation.

As announced in September 2008, the Group also disposed of its Dutch music and multimedia business. Impairment charges against the assets are included in the 2008 income statement under restructuring costs, provision releases and other one-off items. Due to its size, the Dutch business has not been treated as a discontinued operation.

Tax
The Group's tax rate on profit before restructuring costs and provision releases was 30.1% (2008 – 31.6%).

Dividends
The board is recommending a final dividend of 0.5p, bringing the total dividend for the year to 2.25p resulting in an underlying cover in excess of 2 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 31 July 2009 were £65.5 million (2008 – £98.4 million).

"The board is recommending a final dividend of 0.5p, bringing the total dividend for the year to 2.25p."

For further details on retirement benefits see page
95

Pensions

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

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

The deficit in the defined benefits pension scheme at the end of the year, excluding the related deferred tax asset, was £38.3 million (2008 – £48.3 million). The decrease of the deficit is due, primarily, to an increase in the value of the scheme assets (in part due to the £14.4 million contribution mentioned above) partially offset by a decrease in corporate bond yields (and therefore the discount rate) from 6.3% to 6.0%.

The charge to underlying operating profit for this scheme was £0.5 million (2008 – £3.1 million) which represents the costs of the benefits accrued to members of the scheme during the period. The income statement also includes a net financing cost of £1.2 million (2008 – £2.0 million) which represents the fact that the benefits are one year closer to being paid, less the expected return on assets of the scheme based on market rates available at the start of the financial year.

In addition to the special contributions of £20.0 million mentioned above, the Group contributes £2.2 million per annum, monthly with effect from 1 September 2008, in order to meet its obligations regarding the current level of deficit within the scheme.

Financial risk management and treasury policies

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

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

Financial Review *continued*

For more information on financial risk management see from page

98

Financial risk management and treasury policies *continued*

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

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

Interest rate risk

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

Liquidity risk

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 £46.9 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 5.2% (2008 – 3.0%) of gross trade debtors at the year end; the increase reflects a heightened risk due to the current poor economic environment.

Matt Armitage
Finance Director

19 October 2009

Directors' Report

The directors present their Annual Report and the audited financial statements for the fifty two weeks ended 31 July 2009.

Principal activities

The principal activities of the Group are set out on pages 8 to 13 of the Business Review.

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

Business and operating review

A detailed review of the performance of the Group and its future prospects can be found in the Business Review and the Financial Review which should be read in conjunction with the Chairman's Statement on pages 6 and 7 and all form part of this 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 loss for the year before taxation for continuing and discontinued operations amounted to £16,945,000 (2008 – profit £32,360,000). The directors propose a final dividend of 0.5 pence for each ordinary share payable on 4 December 2009 to holders on the register as at 6 November 2009. If approved by shareholders at the Annual General Meeting 2009, the final dividend will make total dividends for the year of 2.25 pence per ordinary share:

	£'000
Ordinary dividends – interim	1,803
– proposed final	515

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 or 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 19 October 2009 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholder of the Company:

	Number of voting rights	%
Silchester International Investors Limited and its subsidiaries	18,591,470	17.95
Aviva PLC and its subsidiaries	13,367,780	12.91
Prudential plc and its subsidiaries	6,628,182	6.40
Majedie Asset Management Limited	6,116,675	5.91
State Teachers' Retirement System of Ohio	5,213,741	5.03
Legal & General Group plc	4,718,341	4.55
Sanderson Asset Management Ltd	4,058,243	3.92

Directors' Report *continued*

Directors

The present membership of the board is set out on page 36. David Wilbraham retired at the conclusion of the 2008 Annual General Meeting on 1 December 2008 and Wayne Angstrom resigned as a director on 22 January 2009. Lloyd Wigglesworth was appointed to the board with effect from 1 December 2008, initially as a non-executive director. He became an executive director on 2 March 2009. Simon Ward served as a director until 31 March 2009. Subsequent to the year end 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 44.

Annual General Meeting

The Notice of Annual General Meeting 2009 includes the following business in addition to routine business, full explanations of which are set out in the Chairman's letter to shareholders dated 29 October 2009:

Resolution 10 – Allotment of share capital

The board currently has authority to allot relevant securities which expires on 30 November 2009. Resolution 10 seeks shareholders' approval for the directors to be authorised to allot relevant securities within the limits in the December 2008 guidelines issued by the Association of British Insurers.

Resolution 11 – Disapplication of statutory pre-emption rights

Resolution 11 will give the directors authority to allot shares in the capital of the Company pursuant to the authority granted under Resolution 10 above for cash without complying with the pre-emption rights in the Companies Act 2006 in certain circumstances.

Resolution 12 – Length of notice of meeting

Resolution 12 is a resolution to allow the Company to hold general meetings (other than annual general meetings) on 14 days' notice, subject to certain conditions.

Resolution 13 – Authority for the Company to purchase its own ordinary shares

The shareholders' approval for the directors to effect market purchases of the Company's ordinary shares on behalf of the Company expires on 30 November 2009. It will be proposed to renew this authority under the Companies Act 2006 and subject to certain limits and restrictions.

Resolution 14 – Amendments to Articles of Association

The directors propose that the Company adopts new Articles to incorporate amendments to reflect the changes in company law brought about by the Companies Act 2006 and the Companies (Shareholders' Rights) Regulations 2009. The opportunity will also be taken to propose a number of other changes to modernise and clarify the Articles and, where appropriate, bring them in line with the Companies (Model Articles) Regulations 2008 and articles of association seen in other listed companies.

Corporate and social responsibility

Relations with customers and suppliers

The Company deals with all of its customers and suppliers on an arm's length, commercial, basis and applies ethical trading values that 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 Company's 'whistle blowing policy' provides an avenue for detecting any breaches of its ethical trading policy.

Payment terms granted to customers are negotiated according to the amount at risk and the financial strength of the customer concerned. Work is either part billed as the work progresses or is invoiced when the work or service is completed.

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

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

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

It is the Group's normal practice to agree terms of trading, including payment terms, with all suppliers. Provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment should be made accordingly. The average creditor days outstanding at 31 July 2009 for the Group and the Company were 67 and 59 days, respectively (2008 – 58 and 61 days).

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

Directors' Report *continued*

Corporate and social responsibility *continued*
The investments of the Group's defined benefits scheme, which was closed to future accrual with effect from 1 September 2008, are managed separately, partly passively and partly actively under the direction of a trustee company ("the Trustee"). The fund managers of the actively managed portfolios are proscribed from holding any investment in the Group. No fund manager is permitted by the Trustee to lend to the Group. The number of directors of the Trustee is split equally between member-nominated and Company-nominated trustee directors, subject to casual vacancies which may arise from time to time. 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 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 2009 the total number of accidents at the Group's UK sites which resulted in at least three days' absence each was 19 (2008 – 20) and the number of days' work lost from all accidents at work was 291 days (2008 – 418).

With regret, the directors report that, on 6 October 2008, a maintenance engineer employed at our Peterborough factory was fatally injured. The Health and Safety Executive immediately commenced an investigation into the circumstances of the accident and their findings are awaited.

St Ives and the environment
The board has established an environmental policy which is implemented through the Group's existing management structure. The policy concentrates on achieving a deliverable improvement in performance in consultation with suppliers, customers and employees. Specific areas targeted for continuous attention include the adoption, where practicable, of processes which reduce the Group's emissions of volatile organic compounds, noise and dust, minimising and recycling of waste products, recycling of water and securing reductions in energy consumption. The Group continues to make progress towards improving its performance in the areas identified for attention and, during the year, completed Group-wide ISO14001 accreditation.

The targets set for the year to contain the net financial impact on the Group of the Climate Change Levy have been met and new targets set for next year in order to recoup as much of the Levy as possible.

The key performance indicators used to measure environmental performance are:
a) waste sent to landfill;
b) water consumption; and
c) gas and electricity usage ('energy efficiency')
per square metre of substrate (usually, but not always, paper or board).

Excluding the businesses in The Netherlands and USA that were sold during the year, waste sent to landfill per metre squared of substrate consumed was reduced by 45 per cent (2008 – 12.2 per cent); but water consumption per square metre increased by 10 per cent (2008 – 5.8 per cent reduction); and energy efficiency (energy used per square metre) increased by 6 per cent (2008 – 3.7 per cent decrease) compared to the previous year's figures. In absolute terms, however, the Group recorded an improvement in all three key performance indicators: total gas consumption at all sites fell, year on year, by 10.4 per cent (2008 – 3.3 per cent fall compared with 2007), total electricity consumption fell by 8.0 per cent (2008 – 0.4 per cent fall compared with 2007) and total water consumption fell by 4.6 per cent (2008 – 1.9 per cent increase compared with 2007). Total waste sent to landfill was reduced by 53.1 per cent (2008 – 13.3 per cent reduction compared with 2007).

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

Charitable and political donations
The Group made charitable donations of £1,625 during the year (2008 – £15,557) principally to local charities serving communities in which the Group operates. No political donations were made in either year.

Shareholder relations
The board attaches considerable importance to the maintenance of good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations, sometimes at production sites, involving the Chief Executive and the Group 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 Remuneration Committees is available at the Annual General Meeting to answer shareholders' questions. The Notice of this year's Annual General Meeting has been circulated more than twenty working days prior to the meeting, in accordance with the Combined Code.

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 www.frc.org.uk/corporate/combinedcode.cfu

With the exception of Provision A.4.1of the Code (which refers to the formation of a Nomination Committee), in the opinion of the board throughout the year ended 31 July 2009 the Company has been in compliance with the Code Provisions contained in Section 1 of the Code. During the year the board considered model terms of reference for a Nomination Committee and concluded that formation of such a 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.

The following section, together with the Directors' Remuneration Report on pages 37 to 46, 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 reviewed the Company's policy on the provision by the Group's external auditors of non-audit services.

During the year the Committee, assisted by the Group Finance Director, Head of Internal Audit and the Group Company Secretary invited competitive tenders from the incumbent auditor, Deloitte, and four others who provide external auditing services. The Committee received presentations from Deloitte and three others (one having withdrawn owing to a conflict of interest). The presentations covered, inter alia, the audit approach; the technical knowledge, structure, experience of the proposed audit team; and the proposed fee structure for the audit. Each team was given a score based on twelve criteria with appropriate weighting to each.

As a result of these reviews, the Committee recommended to the board that Deloitte be re-appointed. The recommendation was accepted and therefore a resolution to re-appoint them as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Directors' Report *continued*

Corporate governance *continued*

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 and the Business Review on pages 6 to 16. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 17 to 24. In addition, note 26 to the financial statements includes the Group's objectives, policies and processes for managing its interest rate risk and its management, foreign exchange risk, credit risk, liquidity risk and capital risk management.

As highlighted in note 22 to the financial statements, the Group meets its day to day working capital requirements through an overdraft facility of £15.0 million that is part of an overall funding facility of £70.0 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 and the Company have 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 19 October 2009 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 Code 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 two additional board meetings 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 judgment. In reaching this opinion the board has carefully considered the balance between applying good practice and what it believes is in the shareholders' best interests. The non-executive directors each have a clear understanding of their roles and responsibilities, which are appropriately documented. The non-executive directors met during the year, without the Chairman being present, and appraised the Chairman's performance. David Wilbraham fulfilled the role of Senior Independent Director until his retirement at the 2008 Annual General Meeting and he has been succeeded by Simon Marquis.

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

The board also reviewed the role of the Group's executive committee and concluded in April 2009 that the authority of the executive committee should be devolved to the management within each business segment.

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

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

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

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

Board committees

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

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

Directors' Report *continued*

Corporate governance *continued*

Audit Committee

The Audit Committee carries out the functions required by DTR 7.1.3R. The members of the Committee, all of whom are independent non-executive directors, are: David Best (Chairman), Simon Marquis and Richard Stillwell. Lloyd Wigglesworth was appointed to the Committee on joining the board as a non-executive director on 1 December 2008 and stepped down from the Committee on his appointment as an executive director on 2 March 2009. Simon Marquis succeeded Lloyd Wigglesworth as a member of the Committee. David Wilbraham served on the Committee from the beginning of the year until his retirement on 1 December 2008. 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.

The Committee members' attendance at pre-arranged meetings of the Committee is set out in the table on page 33.

In addition to the pre-arranged meetings the Committee held two ad-hoc meetings during the year including a meeting to review presentations from Deloitte and other audit firms. 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:

- receiving a report at the half year end from Deloitte on the procedures they had undertaken to comment on certain subsidiaries' balance sheets and income statements and controls;
- considering reports from the Group's Head of Internal Audit on work carried out during 2008/2009 and agreeing an internal audit plan for 2009/2010;
- reviewing annual internal controls questionnaires completed by the Group's operating sites and the controls over key business risks;
- agreeing the nature and scope of the external annual audit;
- reviewing and safeguarding the independence of Deloitte and reviewing their performance
- recommending Deloitte's reappointment as auditors after conducting an appropriate selection process;
- approving Deloitte's fees for their audit and non-audit services;
- reviewing the findings of the external annual audit for 2007/2008;
- reviewing the Group's 'whistle-blowing' policy; and
- conducting a formal evaluation of the Committee's effectiveness in delivering its terms of reference.

The Group Finance Director, the Group Chief Executive and the Group's 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 Group's Head of Internal Audit.

Remuneration Committee

The members of the Remuneration Committee, all of whom are independent non-executive directors, are Richard Stillwell (Chairman), David Best and Simon Marquis. Lloyd Wigglesworth was appointed to the Committee on joining the board as a non-executive director on 1 December 2008 and stepped down from the Committee on his appointment as an executive director on 2 March 2009. The Committee held three scheduled meetings during the year and met on four further occasions to consider matters ad hoc in nature.

The Committee members' attendance at pre-arranged meetings held during the year is set out in the table below. 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 2007/2008;
- approved the Directors' Remuneration Report for 2007/2008;
- 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;
- agreed the executive directors' personal objectives for 2008/2009;
- agreed terms with Brian Edwards regarding pension arrangements following the cessation of future accrual of benefits under the Group's defined benefits pension scheme on 1 September 2008 and Brian Edwards' transfer out of the scheme during the year;
- approved an outline structure for directors' bonuses for 2009/2010;
- completed a formal evaluation of its effectiveness in delivering its terms of reference; and
- agreed termination arrangements with Simon Ward and Brian Edwards on their leaving the board.

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*
Wayne Angstrom	3/3	–	–
Matthew Armitage	12/12	–	–
David Best	12/12	3/3	3/3
Brian Edwards	9/10	–	–
Miles Emley	12/12	–	–
Simon Marquis	12/12	2/2	3/3
Patrick Martell	11/12	–	–
Richard Stillwell	12/12	3/3	3/3
Simon Ward	6/6	–	–
Lloyd Wigglesworth	10/10	–	–
David Wilbraham	3/3	1/1	1/1

* 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.

Directors' Report *continued*

Corporate governance *continued*

Internal control and risk management

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

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

The 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; reinforcing the control environment and the testing of those controls. Control testing took place throughout the Group with a particular focus on credit control, procurement, stock, payroll and fixed assets.

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 Group Finance Director and the Group's commercial 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 reviews are performed 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.

During the year the board undertook a review of a register of the areas of significant risk to the Group's business.

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

Philip Harris
Company Secretary

19 October 2009

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 judgments 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

19 October 2009

Directors

Executive directors

Matthew Armitage, ACMA – aged 41. 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 45, 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 50, was appointed a non-executive director on 1 December 2008 and became an executive director on 2 March 2009 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 60, 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. Became non-executive from the Autumn of 2007. Mr Emley has held a non-executive directorship with Marston's plc since 1998.

David Best, FCA – aged 59. 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.

Simon Marquis – aged 56, 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 The Media Circle. He also serves as a non-executive director of Packet Vision Limited. Mr Marquis serves on the Audit and Remuneration Committees.

Richard Stillwell – aged 60, is a qualified barrister and holds non-executive directorships with Fiberweb plc, Penna Consulting plc, Scott Bader Company Ltd (chairman) and TBI Limited. 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.

Directors' Remuneration Report

2008/2009 has been an active year for the Remuneration Committee, due to changes to board membership and the pay-related issues faced by many other similar committees that have arisen as a result of the economic downturn.

This, together with the fact that the Company's existing senior executive share-based incentive arrangements (namely the Executive Share Option Scheme and Equity Partnership Plan) are due to expire in 2011, has led the Committee to believe that now is an opportune time to undertake a full review of the Company's short- and long-term incentive arrangements. The key objectives of this review will be to ensure that St Ives' senior executive team are remunerated in a manner that generates returns to shareholders and reflects and supports the delivery of the Company's strategic priorities while taking due account of market and best practice. Where necessary, any major policy changes (such as the establishment of new long-term incentive arrangements) will be put to a formal shareholder vote at the 2010 Annual General Meeting, with a full explanation of the new policy contained in the 2009/2010 Directors' Remuneration Report.

Therefore, while the Committee has been kept up-to-date with recent developments in market or best practice as it applies to executive remuneration, it has decided not to make any fundamental changes to pay policies at St Ives at this time and, instead, wait for the completion of its wider review. That said, having considered the economic climate, the Company's performance for 2008/2009 and the need to ensure that the executive team are retained and incentivised, the Committee has decided to adopt the following approach for the forthcoming year:

- basic salaries have been frozen at the levels payable at the end of 2008/2009;
- any bonus awarded shall be capped at 100 per cent of basic salary;
- a final grant may be made under the Executive Share Option Scheme, with options vesting three years after grant subject to continued employment and performance against challenging profit improvement targets; and
- no further invitations will be made to participate in the Equity Partnership Plan.

All other elements of the remuneration package remain unchanged.

The Company seeks to comply with the relevant conditions of the 2006 Combined Code on corporate governance relating to directors' remuneration as published by the Financial Reporting Council 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 30 November 2009. Details of the resolution may be found in the Notice of Annual General Meeting. 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.

Directors' Remuneration Report *continued*

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 and the Chairman of the board. It also considers the broad policy to be applied to remuneration of those employees in senior positions.

When undertaking its duties, the Committee ensures that due account is taken of pay and employment conditions throughout the Group.

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 Associates Limited, trading as Hewitt New Bridge Street ('HNBS'). Other than in relation to advice on remuneration, HNBS provided no 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 the HNBS. Although the Committee fully accepts the independence of the existing advisers it has decided to appoint 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 these services to the Company does not affect PwC's ability to comment on the management's 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 Group Finance Director in connection with carrying out its business. None of these persons took part in decisions relating directly 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 UK public companies of a broadly similar size and others 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 pay and short term/long term variable pay.

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 recent performance, the Committee decided that no basic salary increase would be awarded in respect of 2009/2010. Therefore, the basic salary of each executive director for the forthcoming year is:

Matthew Armitage	£240,000
Patrick Martell	£350,000
Lloyd Wigglesworth	£248,000

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

Pension arrangements
Brian Edwards and Patrick Martell each participated in the Group's defined benefits scheme until it was discontinued from 1 September 2008. Brian Edwards participated in the Group's Personal Pension Plan, to which the Company also contributes, from its inception on 1 September 2008 until the end of the year. Both schemes have a normal retirement age of 65.

The Company, after taking advice, approved a request from Brian Edwards to effect a transfer payment of his accrued benefits in the Group's defined benefits scheme to a self-invested personal pension plan.

Matthew Armitage and (up to his date of resignation) Simon Ward participated in defined contribution schemes to which the Company contributes. Until his date of resignation, Wayne Angstrom participated in a Section 401(k) Plan set up in the USA for the benefit of employees of St Ives Inc.

Annual bonus
Bonuses for 2008/2009

The key features of the annual bonus plan for the executive directors as operated in the year under review were as follows:

- the maximum total annual bonus potential for executive directors was set at 75 per cent of basic salary, of which up to two thirds of the potential bonus was based on profit performance and up to one third could be earned on achieving challenging personal targets;
- the profit performance target was based on achieving minimum profit before tax of £25 million (adjusted for inflation, goodwill amortisation or impairment and extraordinary and other non-recurring items not in the ordinary course of trade) with the maximum bonus of 50 per cent of basic salary being earned on achievement of a profit performance of £30 million or more;
- if the total bonus earned exceeded 50 per cent of basic salary, 70 per cent of the whole of the bonus, net of statutory deductions, would have been paid in October 2009 with the balance being satisfied in the form of shares in the Company, which would vest in October 2010.

No profit related bonus was earned in respect of 2008/2009.

The executive directors were, however, awarded bonuses (which were paid immediately in cash) as set out in the table on page 43, having achieved certain personal targets set for 2008/2009. These included a reduction in working capital; the implementation of further management changes within the Group's businesses; the rationalisation of productive capacity; a reduction in the number of accidents at work resulting in three days' or more absence; securing a major sales opportunity; and identifying a suitable IT platform for the Group. During the course of the year there were board changes which involved a managed handover from Brian Edwards to Patrick Martell as Chief Executive and the induction by Simon Ward of Lloyd Wigglesworth to his executive duties. The effectiveness of these handovers became the overriding personal objective for these individuals. In the judgment of the Committee the handovers were successfully completed.

Directors' Remuneration Report *continued*

Annual bonus *continued*

Bonuses for 2009/2010

For the forthcoming year the maximum bonus potential will be structured as follows:

- up to 75 per cent of basic salary will be payable by reference to a significant improvement in the Group's profit before tax compared with 2008/2009;
- up to 25 per cent of basic salary will be payable on achieving an improvement in free cash flow. This reflects the board and the Committee's recognition of the importance of strong cash performance both during the recession and in the recovery phase;
- in the event that the total bonus earned exceeds 50 per cent of basic salary it is intended that the excess shall be satisfied in the form of shares in the Company, which shall vest immediately, but be held in trust for release to the director in October 2011, provided that he remains employed by the Group at that time; and
- in circumstances it considers to be appropriate, the Committee may award a discretionary performance-related bonus to a director, although none was so awarded last year.

As mentioned above, during the forthcoming year the Committee intends to conduct a full review of the annual bonus plan, as part of its wider review of the Company's senior executive remuneration policies. Any changes to the annual bonus plan will be disclosed in the 2009/2010 Directors' Remuneration Report.

Share incentive arrangements

Option plans

Executive directors and certain members of senior management have, from time to time, been granted share options under discretionary share option schemes operated by the Company. The current discretionary share option scheme is the Executive Share Option Scheme 2001 ('2001 Scheme'), which is due to expire in 2011 and which has both HMRC approved and unapproved parts.

Under the 2001 Scheme, 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 under the 2001 Scheme are capable of exercise three years after grant subject to continued employment and the satisfaction of performance conditions. For subsisting option grants, the following adjusted Earnings Per Share-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%

No options granted under the 2001 Scheme have vested to date.

The Committee intends to consider the making of a final grant of options to the executive directors under the 2001 Scheme in the forthcoming year. These options will be over shares worth no more than 150 per cent of salary and will also be subject to performance conditions significantly more demanding than those used hitherto, the achievement of which will be independently verified and which the Committee believes will (if achieved) drive the creation of substantial returns to shareholders.

Equity Partnership Plan ("EPP")
Executive directors and certain members of senior management have in the past been invited to participate in the EPP, which was also established in 2001 and which will expire in 2011.

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

Review of long-term incentive arrangements
As described above, during the course of the forthcoming year the Committee will be conducting a full review of long-term incentive arrangements at the Company. Where necessary, any policy changes (such as the establishment of new plan(s)) will be put to shareholders at the 2010 Annual General Meeting.

Save As You Earn Scheme
Eligible employees, including executive directors, may from time to time be invited to participate in the Company's savings-related share option scheme which is operated in the standard way. No award has been made under this scheme since 2002.

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

As at 1 August 2009, the headroom under the Company's 5 per cent and 10 per cent limits was 4,173,100 and 9,350,600 shares respectively, out of an issued share capital of 103,551,005 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 time commitment skills. These fees 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.

Non-executive directors may not participate in the Group's share option schemes, or in any annual or long-term incentive plan.

Directors' Remuneration Report *continued*

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 the Executive should mitigate his loss. This policy was confirmed during the year.

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 director's contracts are disclosed below and brief biographical details are set out on page 36. Directors' contracts and letters of appointment are available for inspection in accordance with Provisions A.4.4 of the Combined Code.

	Date of contract	Unexpired term/ Notice period
Executive		
Matthew Armitage	1 June 2007	12 months
Patrick Martell	1 August 2003	12 months
Lloyd Wigglesworth	11 February 2009	12 months
Wayne Angstrom*	1 October 1997	3 months
Brian Edwards	3 October 1985	6 months
Simon Ward*	4 December 2006	12 months

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

* ceased employment during the year

In accordance with the Company's Articles of Association Matthew Armitage and Patrick Martell each retire by rotation at the forthcoming Annual General Meeting. Lloyd Wigglesworth was appointed to the board on 1 December 2008 and will also stand for re-election at the Annual General Meeting. The board having supported their re-elections and, being eligible, they offer themselves for re-election.

Lloyd Wigglesworth was initially appointed a non-executive director and, from 2 March 2009, assumed executive responsibilities in succession to Simon Ward.

Details of remuneration of executive directors ceasing to serve in the year

On the completion of the disposal of St Ives (USA) Inc. Wayne Angstrom resigned as an executive director on 22 January 2009. No payment has been made to Wayne Angstrom in connection with his resignation.

Simon Ward ceased to be an executive director on 31 March 2009, although he continues to provide consultancy services to the Group for 12 months from 1 April 2009. Remuneration paid on cessation of his employment is disclosed in the directors' remuneration table on page 43.

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:

	2009 £'000	2008 £'000
Emoluments	**1,986.9**	1,886.3
Termination payments	**273.1**	–
Gains on exercise of share options	**–**	–
Money purchase pension contributions	**463.7**	33.1
	2,723.7	1,919.4

Brian Edwards is the highest paid director of the Company.

Individual directors' emoluments from the Group were as follows:

	Basic salary/fee £'000	Bonus £'000	Termination payments £'000	Benefits in kind £'000	Total emoluments **2009 £'000**	Total emoluments 2008 £'000
Executive						
Wayne Angstrom (until 22 January 2009)	111.8	–	–	17.5	**129.3**	228.2
Matthew Armitage	255.4	60.0	–	–	**315.4**	204.0
Brian Edwards	409.8	102.2	262.5	22.8	**797.3**	496.0
Patrick Martell	285.3	56.4	–	4.4	**346.1**	302.7
Simon Ward (until 31 March 2009)	180.0	50.0	10.6	17.3	**257.9**	312.4
Lloyd Wigglesworth (from 1 December 2008*)	116.2	51.7	–	–	**167.9**	–
Non-executive						
David Best	34.0	–	–	–	**34.0**	34.0
Miles Emley	130.0	–	–	–	**130.0**	196.9
Simon Marquis	35.3	–	–	–	**35.3**	30.0
Richard Stillwell	34.0	–	–	–	**34.0**	34.0
David Wilbraham (until 1 December 2008)	12.8	–	–	–	**12.8**	38.0
	1,604.6	320.3	273.1	62.0	**2,260.0**	1,876.2

* non-executive from 1 December 2008 until 2 March 2009

The basic salaries of Matthew Armitage, Patrick Martell and Lloyd Wigglesworth include additional payments of £15,425, £7,625 and £5,340 respectively (2008 – £8,596, £14,662 and £nil, respectively) in lieu of the provision of a company car and fuel benefit. From 1 February to 31 July 2009 Patrick Martell was provided with the use of a company car and fuel benefit.

The termination payment to Brian Edwards is made up of £261,476 compensation and £1,000, paid for certain confidentiality undertakings obtained from Brian Edwards for the benefit of the Company.

The termination payment to Simon Ward is made up of £10,500 (being the current market value of a company car at the date of its transfer to him free of charge) and £100, paid for certain confidentiality undertakings obtained from Simon Ward for the benefit of the Company.

Directors' Remuneration Report *continued*

Directors' interests in the share capital of the Company

Directors' share interests (as defined by the Companies Act 2006) on 31 July 2009 and on 1 August 2008 (or date of appointment if later) in 10 pence ordinary shares of the Company were as follows:

	31 July 2009	1 August 2008
Executive		
Matthew Armitage	**–**	–
Brian Edwards (resigned on 3 August 2009)	**528,725**	528,725
Patrick Martell	**14,789**	14,789
Lloyd Wigglesworth (appointed 1 December 2008)	**10,000**	–
Non-executive		
David Best	**3,000**	3,000
Miles Emley	**105,884**	105,884
Simon Marquis	**3,000**	3,000
Richard Stillwell	**13,000**	3,000

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 19 October 2009, or date of resignation.

Directors' share options

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

		Number of options							
	Date of grant	1 August 2008	Exercised during year	Lapsed during year	Granted during year	**31 July 2009**	Excercise price pence	Date from which exercisable	Expiry date
Matthew Armitage	28 Apr 2008	110,800	–	–	–	**110,800**	236.75	28 Apr 2011	27 Apr 2018
Brian Edwards	30 Oct 2003	42,500	–	(42,500)	–	**–**	426.84	30 Oct 2006	29 Oct 2013
	30 Apr 2007	150,000	–	–	–	**150,000**	316.75	30 Apr 2010	29 Apr 2017
	28 Apr 2008	250,200	–	–	–	**250,200**	236.75	28 Apr 2011	27 Apr 2018
		442,700	–	(42,500)	–	**400,200**			
Patrick Martell	30 Oct 2003	35,000	–	(35,000)	–	**–**	426.84	30 Oct 2006	29 Oct 2013
	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
		281,700	–	(35,000)		**246,700**			

No options were exercised by directors during the year. The options granted on 30 October 2003 lapsed on 30 October 2008, having failed two retests in 2007 and 2008. The market price of St Ives plc ordinary shares of 10 pence each at 31 July 2009 was 46.75 pence and the range during the financial year was 45 pence to 170.75 pence.

Pension

The executive 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 31 July 2009 £'000	At 1 August 2008 £'000	£'000	£'000 p.a.	£'000	**At 31 July 2009 £'000 p.a.**	At 1 August 2008 £'000 p.a.
Patrick Martell	**861.6**	735.7	124.7	0.5	–	**77.4**	76.9

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

	2009 £'000	2008 £'000
Wayne Angstrom (resigned 22 January 2009)	**–**	2.9
Matthew Armitage	**9.4**	6.2
Brian Edwards (note 6)	**437.7**	–
Simon Ward (resigned 31 March 2009)	**16.6**	24.0
Lloyd Wigglesworth (appointed 1 December 2008)		–
	463.7	33.1

Notes

1. The transfer values have been calculated on the basis agreed by theTrustee 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. The inclusion of a year's statutory revaluation in deferment to the pension at 1 August 2008 would increase the pension to £80,800 per annum. This would be greater than the accrued pension at 31 July 2009, which has been calculated using the accrued service and the Final Pensionable Salary at 31 August 2008.

3. The accumulated total accrued pension entitlements shown are annual amounts at retirement calculated on service completed to the relevant year end. For the accumulated total pension at 31 July 2009, the pension has been calculated on service to 31 August 2008, the date the scheme ceased the future accrual of benefits. This was 23 years 5 months, including 5 years 2 months' service purchased from transfers-in to the Company's defined benefits pension scheme, for Patrick Martell.

4. The transfer value of the increase in accrued pension has not been calculated as there has been no increase in the accrued pension after allowing for the pension at 1 August 2008 to increase with statutory revaluation (note 2).

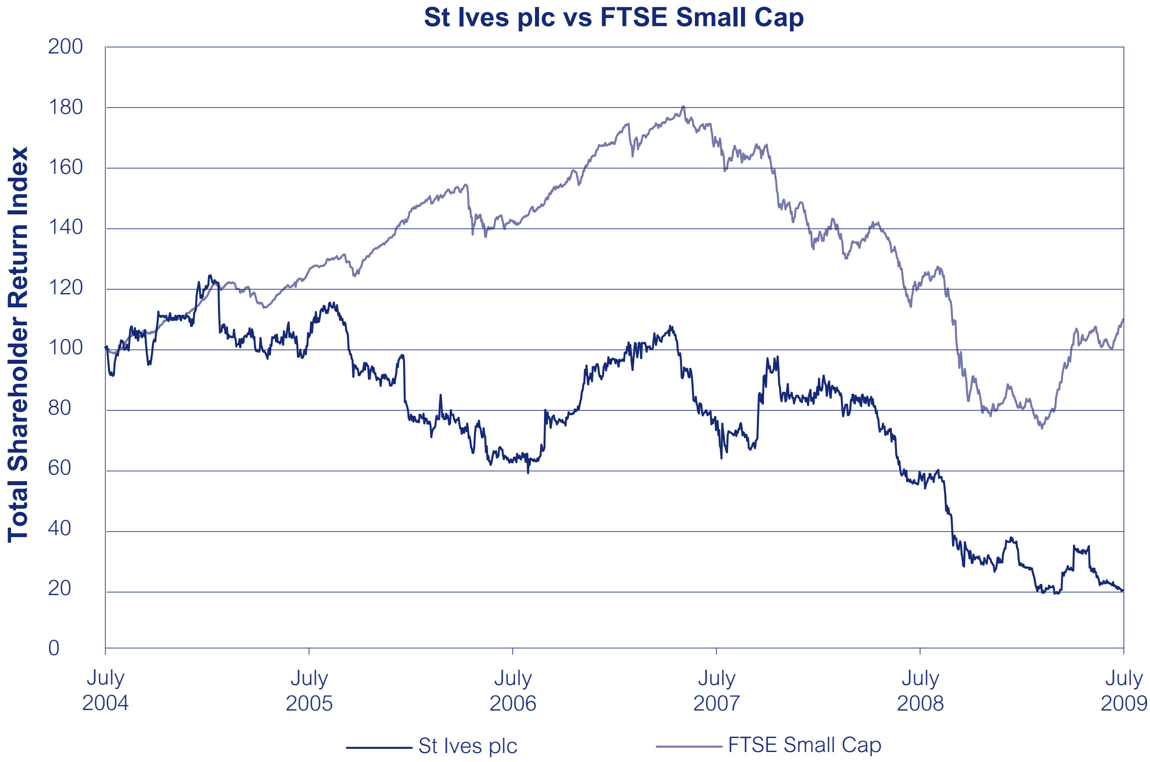
5. Member contributions were paid for August 2008 by Patrick Martell under the defined benefits pension scheme. Additional voluntary contributions paid and any benefit arising are not included in the above tables.

6. Contributions made above by the Company in respect of Brian Edwards includes (a) a payment of £51,353 to the Group's Personal Pension Plan, in addition to the Company's regular contributions for the period 1 September 2008 to 31 July 2009 of £86,298 and (b) a payment of £300,000 to Brian Edwards' self invested personal pension plan. The payment of £51,353 arose from a contractual obligation to Brian Edwards in connection with benefits funded by the company under the Group's defined benefits pension scheme ('the Scheme'), which ceased on 1 September 2008. The payment of £300,000 was agreed as part of the arrangement to effect a transfer out of the Scheme which, including the payment and according to actuarial advice, was of benefit to the Scheme and the Company.

Directors' Remuneration Report *continued*

Performance graph

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



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

Philip Harris
Company Secretary

19 October 2009

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 31 July 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 37. 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 sections 495 and 496 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 31 July 2009, and of its loss 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.

Independent Auditors' Report to the Members of St Ives plc *continued*

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 year ended 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

19 October 2009

Note

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

St Ives plc

More than meets the eye

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

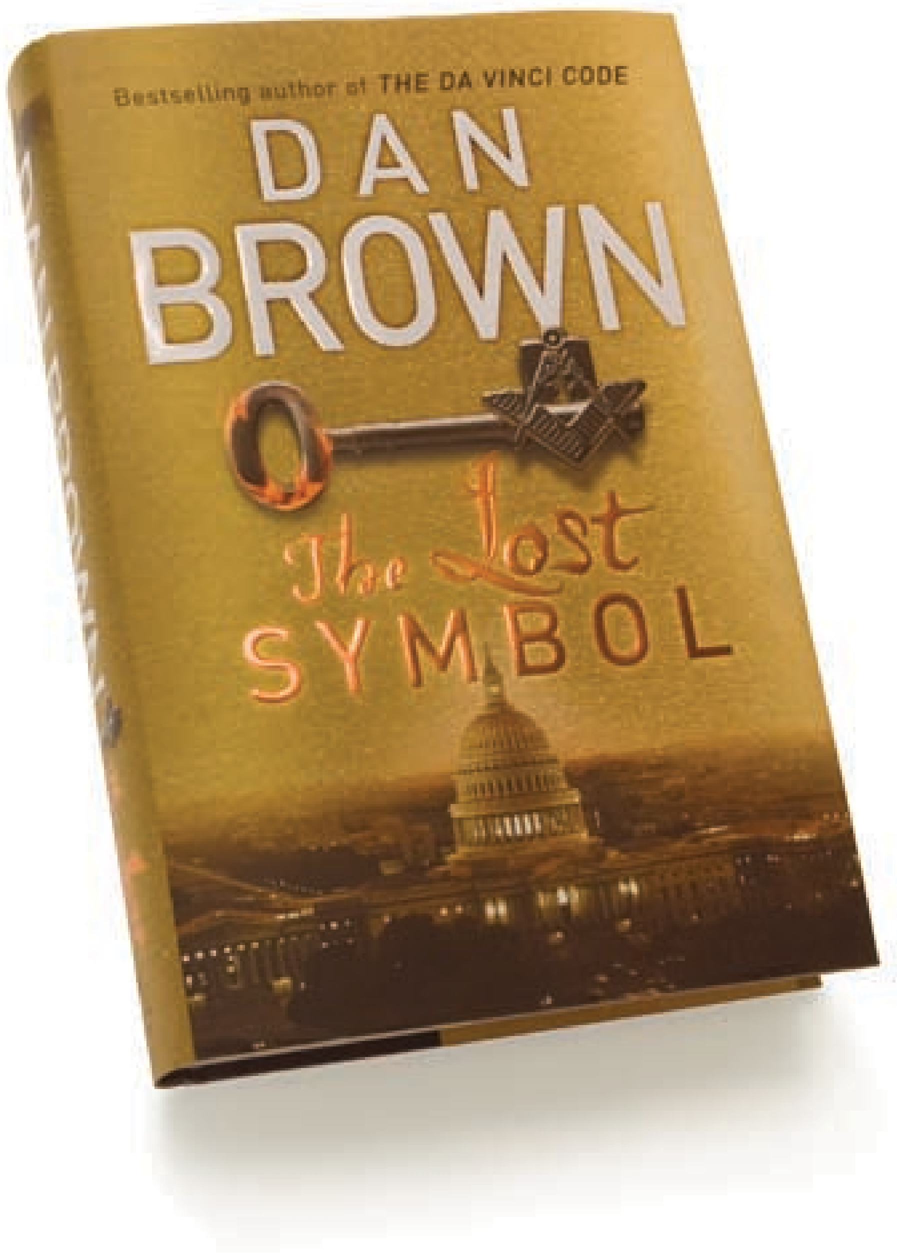
Our products touch many aspects of everyday life in more ways than might be imagined. You may be driving and spot a giant advertising hoarding; or buying a magazine at your local newsagent; or browsing the window displays in the high street; or noticing some pitch-side branding at a football match; or maybe you'll be on holiday reading the latest best-seller. Perhaps you're picking up a brochure in a car showroom or have visited an exhibition or event and seen a display or stand produced by one of our divisions.

Every day you may well see or touch a product produced by St Ives: in our case, there is definitely more to us than meets the eye.

Books

A symbol of service

'The Lost Symbol' by Dan Brown, one of this year's largest UK print runs, demonstrates our capacity to manage sensitive projects where service, security, reliability and efficiency are just as important as the quality of the print production.



Magazines

Revealing the unexpected

Continued innovative solutions for magazines include this 'peel off' cover for Wallpaper, 'Strip tease! Karl says peel please.'

Books

Another page in the story

Clays' new distribution centre adds another dimension to our book services. We can now add value to our print offering, improve efficiency in the supply chain and help towards reducing our environmental impact.

Fine Art and Reports and Accounts

Delivering solid results

Every year the UK's leading businesses rely on us to ensure that their reports and accounts are mailed on time without fail and printed to the highest standards expected in this market.

Commercial

No substitute for quality

The promotional pack we produced for the latest Brooklands Bentley car demonstrates that we can deliver to the highest standards of quality with the minimum of fuss.


BENTLEY BROOKLANDS
MEDIA INFORMATION
BENTLEY
BENTLEY

Retail

Be inspired

We continue to supply fresh and creative production solutions for retail and point of sale applications and are renowned for turning the most creative and challenging design concepts into reality, as demonstrated in this special showroom for fashion brand H&M.


PURPLE
66-005CHAT

Retail

Bags of impact

When our clients want to grab attention we can make it happen – this piece of promotional theatre for Sainsbury's Finance has, undeniably, plenty of impact.

Direct Mail

A road map to success

Personalisation in print, as used in this business-to-business campaign to promote Google Maps, has a myriad of applications. With our help and expertise our clients are able to deliver a range of innovative direct mail solutions.

Exhibitions and Events

There’s more to see

St Ives is known for print of all types, flavours and sizes, but did you know we can also design, build and install marketing suites and interior projects, events and exhibitions, as shown here in this trade stand for GlaxoSmithKline?


SENSODYNE
PRONAMEL
for Children
CORSODYL
DAILY

Events and Stadium Branding

Making a giant splash

Dressing Wembley Stadium for events such as this NFL match between the Miami Dolphins and the New York Giants is a tough game for some but we make it happen on a regular basis.

Financials

Our figures

Our balance sheet remains strong and underlying cash flow is robust. We reduced net debt to £19.0 million at the year end despite the cash costs of our cost reduction actions and the special contribution of £14.4 million made at the beginning of the year as part of the closure of the defined benefits pension scheme.

Overall sales for the year have been maintained at levels close to last year, but the mix of sales has changed significantly. We have seen a reduction in sales within the Media Products segment offset by an increase in sales to the Commercial Products segment. This increase in sales, however, has come at the expense of margin; as price pressure and changed work mix, requiring more outsourcing, contributed to an overall loss in the Commercial Products segment.

Consolidated Income Statement

	Note	52 weeks to 31 July 2009 Before restructuring costs, provision releases and other one-off items £'000	52 weeks to 31 July 2009 Restructuring costs, provision releases and other one-off items (note 7) £'000	52 weeks to 31 July 2009 Total £'000	52 weeks to 1 August 2008 Before restructuring costs, provision releases and other one-off items (restated – note 2a) £'000	52 weeks to 1 August 2008 Restructuring costs, provision releases and other one-off items (note 7) (restated – note 2a) £'000	52 weeks to 1 August 2008 Total (restated – note 2a) £'000
Revenue	3, 4	**386,782**	**–**	**386,782**	391,200	–	391,200
Cost of sales		**(302,551)**	**(8,872)**	**(311,423)**	(287,483)	(433)	(287,916)
Gross profit		**84,231**	**(8,872)**	**75,359**	103,717	(433)	103,284
Selling costs		**(27,315)**	**(1,295)**	**(28,610)**	(27,447)	147	(27,300)
Administrative expenses		**(46,897)**	**(3,903)**	**(50,800)**	(44,072)	951	(43,121)
Other operating income/(expense)		**131**	**(462)**	**(331)**	755	461	1,216
Profit/(loss) from operations	4, 5	**10,150**	**(14,532)**	**(4,382)**	32,953	1,126	34,079
Investment income	8	**12,857**	**–**	**12,857**	11,051	–	11,051
Finance costs	9	**(15,716)**	**–**	**(15,716)**	(14,508)	–	(14,508)
Profit/(loss) before tax		**7,291**	**(14,532)**	**(7,241)**	29,496	1,126	30,622
Income tax (charge)/credit	10	**(2,198)**	**3,114**	**916**	(9,331)	(6,765)	(16,096)
Profit/(loss) for the period from continuing operations		**5,093**	**(11,418)**	**(6,325)**	20,165	(5,639)	14,526
Profit/(loss) from discontinued operations	11	**476**	**(8,709)**	**(8,233)**	1,581	133	1,714
Net profit/(loss) for the period		**5,569**	**(20,127)**	**(14,558)**	21,746	(5,506)	16,240
Basic and diluted earnings per share (p)							
From continuing operations:	13	**4.94**	**(11.08)**	**(6.14)**	19.57	(5.47)	14.10
From continuing and discontinued operations:	13	**5.40**	**(19.53)**	**(14.13)**	21.10	(5.34)	15.76

Consolidated Statement of Recognised Income and Expense

	52 weeks to 31 July 2009 £'000	52 weeks to 1 August 2008 £'000
Exchange differences on translating foreign operations	**275**	973
Actuarial losses on defined benefits pension schemes	**(5,511)**	(12,806)
Gains on cash flow hedges taken directly to equity	**209**	–
Current tax credit on items taken directly to equity	**4,083**	–
Deferred tax (charge)/credit on items taken directly to equity	**(2,598)**	3,522
Net expense recognised directly in equity	**(3,542)**	(8,311)
Transfer to profit and loss from equity of exchange differences on disposal of foreign operation and on repayment of foreign hedging loan	**(235)**	–
(Loss)/profit for the period	**(14,558)**	16,240
Total recognised (expense)/income for the period	**(18,335)**	7,929

Consolidated Balance Sheet

	Note	31 July 2009 £'000	1 August 2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	**122,178**	141,581
Goodwill	15	**46,274**	54,679
Other intangible assets	15	**1,215**	1,753
Financial assets	16	**3,109**	–
Deferred tax asset	17	**3,484**	39
Other non-current assets	19	**1,415**	2,478
		177,675	200,530
Current assets			
Inventories	18	**10,642**	14,211
Trade and other receivables	19	**71,685**	96,965
Current tax receivable		**1,666**	–
Derivative financial instruments	19	**209**	–
Cash and cash equivalents	19	**14,016**	5,635
Assets held for sale	20	**1,282**	6,650
		99,500	123,461
Total assets		**277,175**	323,991
Liabilities			
Current liabilities			
Trade and other payables	21	**74,429**	72,694
Loans and bank overdrafts	22	**33,016**	–
Finance lease payables	27	**–**	230
Current tax payable		**–**	3,209
Deferred income	23	**851**	981
Provisions	24	**5,421**	1,901
Liabilities directly associated with assets held for sale	20	**–**	1,142
		113,717	80,157
Non-current liabilities			
Loans	22	**–**	38,491
Retirement benefit obligations	25	**38,283**	48,344
Deferred income	23	**983**	1,204
Provisions	24	**582**	925
Deferred tax liability	17	**1,542**	–
		41,390	88,964
Total liabilities		**155,107**	169,121
Net assets		**122,068**	154,870
Equity			
Capital and reserves			
Share capital	28	**10,355**	10,355
Other reserves	29	**46,171**	46,123
Retained earnings	30	**65,542**	98,392
Total equity		**122,068**	154,870

These financial statements were approved by the board of directors on 19 October 2009 and signed on its behalf by

Patrick Martell
Chief Executive

Matt Armitage
Finance Director

Consolidated Cash Flow Statement

	Note	**52 weeks to 31 July 2009**	52 weeks to 1 August 2008
Operating activities			
Cash generated from operations	31	**33,807**	40,138
Interest received		**–**	17
Interest paid		**(1,779)**	(1,992)
Income taxes paid		**(2,680)**	(8,938)
Net cash generated from operating activities		**29,348**	29,225
Investing activities			
Purchase of property, plant and equipment		**(19,197)**	(21,443)
Purchase of other intangibles		**(613)**	(1,347)
Proceeds on disposal of property, plant and equipment		**4,965**	1,838
Disposal proceeds of subsidiary, net of cash disposed		**20,608**	–
Net cash generated from/(used in) investing activities		**5,763**	(20,952)
Financing activities			
Loan notes redeemed		**–**	(358)
Capital element of finance lease rentals		**(230)**	(398)
Dividends paid	12	**(14,324)**	(17,673)
(Decrease)/increase in bank loans		**(12,961)**	10,000
Decrease in bank overdrafts		**–**	(1,969)
Net cash used in financing activities		**(27,515)**	(10,398)
Net increase/(decrease) in cash and cash equivalents		**7,596**	(2,125)
Cash and cash equivalents at beginning of period		**5,635**	7,547
Effect of foreign exchange rate changes		**785**	213
Cash and cash equivalents at end of period	31	**14,016**	5,635

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 Chairman's Statement and the Business Review on pages 6 to 16.

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.

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

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

Amendment to IAS23 – Borrowing Costs. The amendment removes the option to immediately recognise as an expense borrowing costs relating to assets requiring a substantial period of time to get ready for use or sale and requires such costs to be capitalised. Adoption of this standard will change our accounting policy on borrowing costs but is not expected to significantly impact the measurement, presentation or disclosure of borrowing costs in the Group financial statements. The Standard is mandatory for accounting periods commencing on or after 1 January 2009.

Amendment to IAS1 – Presentation of Financial Statements. The amendment introduces changes to the way in which movements in equity must be disclosed and requires an entity to disclose separately each component of other comprehensive income not recognised in profit or loss. The amendment also requires disclosure of the amount of income tax relating to each component of other comprehensive income as well as several other minor disclosure amendments. Other than as described above, this amendment is not expected to significantly change the presentation of the Group financial statements. The Standard is mandatory for accounting periods commencing on or after 1 January 2009.

IFRIC 15 Agreements for the Construction of Real Estate; the Standard is mandatory for accounting periods commencing on or after 1 January 2009.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation; the Standard is mandatory for accounting periods commencing on or after 1 July 2009.

IFRIC 17 Distribution of Non-cash Assets to Owners; the Standard is mandatory for accounting periods commencing on or after 1 July 2009.

IFRIC 18 Transfers of Assets from Customers; the Standard is mandatory for accounting periods commencing on or after 1 July 2009.

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

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

IFRIC 12 Service Concession Arrangements.

IFRIC 13 Customer Loyalty Programs.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

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

2. Significant accounting policies

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

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

As set out on page 30, the Group financial statements have been prepared on a going concern basis.

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.

(a) Basis of consolidation

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

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

The consolidated income statement does not consolidate line-by-line the trading of operations classified as discontinued operations. These are shown on a single line under "loss from discontinued operations" in the consolidated income statement. The 2008 comparatives have been restated to similarly exclude trading from discontinued operations (see note 11).

Certain balance sheet comparatives have been restated to reflect changes in presentation.
Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies in line with those of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(b) Columnar classification in the income statement

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

(c) Revenue recognition

Revenue

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

Income from advance billings is deferred and 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.

(d) Intangible assets

Goodwill

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

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies *continued*

Other intangible assets – Computer software

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

(e) Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33$^1/_3$%
Fixtures, 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 equipment and intangible assets excluding goodwill

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or 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 (or 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.

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.

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies *continued*

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

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

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

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

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

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

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

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Sterling at the rates prevailing at the balance sheet date. Income and expense items and the cash flows of foreign operations are translated at the average exchange rates for the period, except for individually material items which may be translated at the exchange rate on the date of the transaction. Exchange differences arising 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 on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

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

Cash and cash equivalents

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

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded 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 measurement of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the net profit or loss.

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

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

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

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies *continued*

(o) Financial instruments *continued*

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

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

(p) Retirement benefits

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

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

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 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. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(r) Leases

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

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

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

(s) Critical accounting judgments

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

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value in use an estimation of the future cash flows of cash-generating units and selecting appropriate discount rates is required to calculate present values. This process involves estimation. The carrying value of goodwill at the balance sheet date was £46.3 million (2008 – £54.7 million).

Impairment of plant and machinery
The difficult trading conditions experienced by the Group during the year caused management to reconsider the recoverability of certain plant and machinery, which is included within the balance sheet at £75.3 million. The key areas of judgement are in relation to the forecast growth rates and discount rates to be applied to forecast cash flows. The recoverability analysis indicates that the carrying amount of assets will be recovered in full, however this situation will be monitored closely should future developments indicate that 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 £38.3 million (2008 – £48.3 million).

3. Revenue

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

	2009 £'000	2008 £'000
Continuing operations		
Revenue from the sale of goods and rendering of services	**386,782**	391,200
Investment income (note 8)	**12,857**	11,051
	399,639	402,251
Discontinued operations		
Revenue (note 11)	**23,592**	47,949
Total revenue	**423,231**	450,200

4. Segment reporting

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

Inter-segment sales are charged at arm's length prices. Corporate costs before restructuring costs, provision releases and other one-off items are allocated to revenue generating segments.

As detailed in note 11, the US segment was sold on 22 January 2009 and is classified as a discontinued operation in the annual report. Segmental results in the prior year segmental analysis comparatives have been adjusted to reflect these changes in presentation.

Notes to the Consolidated Financial Statements *continued*

4. Segment reporting *continued*

Business segments

	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 restructuring costs, provision releases and other one-off items	**5,084**	**9,448**	**–**	**14,532**
Segmental result before restructuring costs, provision releases and other one-off items	**12,341**	**(2,191)**	**–**	**10,150**
Total restructuring costs, provision releases and other one-off 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)**

	52 weeks to 1 August 2008 (restated)			
	Media Products £'000	Commercial Products £'000	Elimination £'000	Total £'000
Revenue				
External sales	173,153	218,047	–	391,200
Inter-segment sales	2,280	3,737	(6,017)	–
Total revenue	175,433	221,784	(6,017)	391,200
Result				
Segmental result	24,454	9,625	–	34,079
Add back/(deduct) restructuring costs, provision releases and other one-off items	1,264	(2,390)	–	(1,126)
Segmental result before restructuring costs, provision releases and other one-off items	25,718	7,235	–	32,953
Total restructuring costs, provision releases and other one-off items				1,126
Profit from operations				34,079
Investment income				11,051
Finance costs				(14,508)
Profit before tax				30,622
Income tax charge				(16,096)
Profit for the period from continuing operations				14,526

Discontinued operations

Discontinued operations have the following effect on the segment results of the Group, analysed into continuing and discontinued operations:

	52 weeks to 31 July 2009		
	Continuing operations £'000	**Discontinued operations £'000**	**Total £'000**
Revenue			
External sales	**386,782**	**23,592**	**410,374**
Inter-segment sales	**–**	**–**	**–**
Total revenue	**386,782**	**23,592**	**410,374**
Segment result	**(4,382)**	**(9,547)**	**(13,929)**
Add back restructuring costs, provision releases and other one-off items	**14,532**	**10,249**	**24,781**
Segmental result before restructuring costs, provision releases and other one-off items	**10,150**	**702**	**10,852**

	52 weeks to 1 August 2008 (restated)		
	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue			
External sales	391,200	47,949	439,149
Inter-segment sales	–	–	–
Total revenue	391,200	47,949	439,149
Segment result	34,079	2,246	36,325
Deduct restructuring costs, provision releases and other one-off items	(1,126)	(133)	(1,259)
Segmental result before restructuring costs, provision releases and other one-off items	32,953	2,113	35,066

The discontinued operations above relate solely to the US segment which was sold on 22 January 2009, as detailed in note 11.

Other information

	52 weeks to 31 July 2009			
	Media Products £'000	**Commercial Products £'000**	**USA £'000**	**Total £'000**
Capital additions	**16,324**	**3,440**	**957**	**20,721**
Depreciation and amortisation	**10,921**	**9,203**	**1,559**	**21,683**

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

Notes to the Consolidated Financial Statements *continued*

4. Segment reporting *continued*

Balance sheet

Assets — **52 weeks to 31 July 2009**

	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
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**

Assets — 52 weeks to 1 August 2008

	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
Segment assets	108,487	172,045	37,785	318,317
Unallocated corporate assets				5,674
Consolidated total assets				323,991
Liabilities				
Segment liabilities	27,029	44,206	7,841	79,076
Unallocated corporate liabilities				90,045
Consolidated total liabilities				169,121

Geographical segments

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

Reconciliation of segment assets and liabilities

	31 July 2009 £'000	1 August 2008 £'000
Unallocated corporate assets comprise:		
Deferred tax assets	**3,484**	39
Current tax receivable	**1,666**	–
Financial assets	**3,109**	–
Cash and cash equivalents	**14,016**	5,635
Unallocated assets as per balance sheet	**22,275**	5,674
Unallocated corporate liabilities comprise:		
Loans and bank overdrafts (current)	**33,016**	–
Current tax liabilities	**–**	3,209
Deferred tax liabilities	**1,542**	–
Loans and bank overdrafts (non-current)	**–**	38,491
Retirement benefits obligations	**38,283**	48,345
Unallocated liabilities as per balance sheet	**72,841**	90,045

5. (Loss)/profit from operations

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

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Auditors' remuneration						
Audit fees:						
– Audit of the Company accounts	**62**	65	**–**	–	**62**	65
– Audit of the accounts of the Company's subsidiaries	**210**	265	**–**	92	**210**	357
Interim review	**28**	32	**–**	–	**28**	32
Non-audit fees:						
Corporate finance services	**85**	–	**–**	–	**85**	–
Tax services	**34**	47	**–**	64	**34**	111
Other services	**22**	–	**–**	–	**22**	–
	441	409	**–**	156	**441**	565
Staff costs (note 6)	**124,822**	132,243	**8,347**	17,506	**133,169**	149,749
Net foreign exchange gains	**204**	–	**–**	–	**204**	–
Depreciation of property, plant and equipment (note 14)	**19,276**	21,161	**1,484**	3,089	**20,760**	24,250
Impairment of property, plant and equipment (note 14, 20)	**2,219**	2,933	**–**	–	**2,219**	2,933
Amortisation of intangible assets (note 15)	**848**	876	**75**	83	**923**	959
Operating lease rentals						
– land and buildings	**1,212**	1,286	**59**	92	**1,271**	1,378
– plant and machinery	**1,550**	1,444	**–**	–	**1,550**	1,444
– other	**529**	395	**86**	164	**615**	559
Loss/(profit) on disposal of property, plant and equipment	**331**	(1,355)	**37**	–	**368**	(1,355)
Regional grant amortisation (note 23)	**(198)**	(485)	**–**	–	**(198)**	(485)

6. Staff costs

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

	Continuing operations		Discontinued operations		Total	
	2009 Number	2008 Number	**2009 Number**	2008 Number	**2009 Number**	2008 Number
Production	**2,700**	2,888	**218**	577	**2,918**	3,465
Sales	**502**	493	**22**	63	**524**	556
Administration	**464**	494	**21**	52	**485**	546
	3,666	3,875	**261**	692	**3,927**	4,567

Their aggregate remuneration comprised:

	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Wages and salaries	**110,486**	114,855	**7,095**	14,880	**117,581**	129,735
Social security costs	**11,259**	11,487	**1,169**	2,451	**12,428**	13,938
Other pension costs	**3,226**	5,814	**83**	175	**3,309**	5,989
	124,971	132,156	**8,347**	17,506	**133,318**	149,662
Share-based payment (note 34)	**(149)**	87	–	–	**(149)**	87
	124,822	132,243	**8,347**	17,506	**133,169**	149,749

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.

Notes to the Consolidated Financial Statements *continued*

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

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

	2009 £'000	2008 £'000
Expense/(income)		
Restructuring items		
Redundancies, impairments and other charges	**13,801**	5,195
Provision releases	**–**	(1,373)
Loss/(profit) on disposal of fixed assets	**807**	(461)
Profit on disposal of Dutch music and multimedia business	**(345)**	–
	14,263	3,361
Other		
Pension curtailment	**19**	(4,737)
Dryer fire	**250**	–
Press fire	**–**	250
	14,532	(1,126)
Income tax (credit)/charge	**(3,114)**	6,765
	11,418	5,639

Restructuring items

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 Commercial Products and those of the Andover site within Media Products. 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

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.

8. Investment income

	Continuing operations	
	2009 £'000	2008 £'000
Interest on bank deposits	**106**	17
Expected return on defined benefits pension scheme assets (note 25)	**12,594**	10,526
Interest receivable on loans to discontinued operations	**157**	508
	12,857	11,051

9. Finance costs

	Continuing operations	
	2009 £'000	2008 £'000
Interest on bank overdrafts and loans	**1,882**	1,944
Interest on obligations under finance leases	**8**	27
	1,890	1,971
Interest on unsecured loan notes	**–**	16
Finance charge on retirement benefits obligations (note 25)	**13,826**	12,521
	15,716	14,508

10. Income tax (credit)/charge

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

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
United Kingdom corporation tax charge/(credit) at 28% (2008 – 29.33%):						
Current year	**4,152**	7,671	**(1,540)**	–	**2,612**	7,671
Adjustments in respect of prior years	**(469)**	153	**–**	–	**(469)**	153
	3,683	7,824	**(1,540)**	–	**2,143**	7,824
Overseas current tax charge/(credit):						
Current year	**–**	–	**69**	92	**69**	92
Adjustments in respect of prior years	**(98)**	–	**–**	(68)	**(98)**	(68)
Total current tax charge/(credit)	**3,585**	7,824	**(1,471)**	24	**2,114**	7,848
Deferred tax on origination and reversal of temporary differences:						
United Kingdom deferred tax	**(4,854)**	8,292	**–**	–	**(4,854)**	8,292
Adjustments in respect of prior years	**353**	(20)	**–**	–	**353**	(20)
Total deferred tax (credit)/charge (note 17)	**(4,501)**	8,272	**–**	–	**(4,501)**	8,272
Total income tax (credit)/charge	**(916)**	16,096	**(1,471)**	24	**(2,387)**	16,120

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

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Tax charge on profit before restructuring costs, provision releases and other one-off items	**2,198**	9,331	**69**	24	**2,267**	9,355
Tax (credit)/charge on restructuring costs, provision releases and other one-off items	**(3,114)**	6,765	**(1,540)**	–	**(4,654)**	6,765
	(916)	16,096	**(1,471)**	24	**(2,387)**	16,120

Notes to the Consolidated Financial Statements *continued*

10. Income tax (credit)/charge *continued*

The (credit)/charge can be reconciled to the (loss)/profit before tax per the income statement as follows:

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
(Loss)/profit before tax	**(7,241)**	30,622	**(9,704)**	1,738	**(16,945)**	32,360
Tax calculated at a rate of 28% (2008 – 29.33%)	**(2,027)**	8,981	**(2,717)**	510	**(4,744)**	9,491
Revaluation of deferred tax liabilities following removal of UK industrial buildings allowances	**–**	5,357	**–**	–	**–**	5,357
Non-deductible losses on disposal of subsidiaries	**–**	–	**2,870**	–	**2,870**	–
Expenses not deductible for tax purposes	**1,523**	722	**69**	75	**1,592**	797
Non-taxable income	**(293)**	(311)	**(1,540)**	–	**(1,833)**	(311)
Overseas losses not recognised	**96**	1,131	**–**	–	**96**	1,131
Utilisation of losses previously unrecognised	**–**	–	**(153)**	(493)	**(153)**	(493)
Different statutory tax rates on foreign subsidiaries	**–**	104	**–**	–	**–**	104
Adjustments in respect of prior years	**(215)**	112	**–**	(68)	**(215)**	44
Total income tax (credit)/charge	**(916)**	16,096	**(1,471)**	24	**(2,387)**	16,120

The main statutory rate of UK corporation tax reduced from 30% to 28% effective from 1 April 2008, with the result that the blended statutory tax rate applicable to the Group's UK taxable profits in the prior financial year was 29.33%. A statutory tax rate of 28% was applicable to UK taxable profits throughout the year.

11. 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 prior period figures have been restated accordingly.

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

	2 August to 22 January 2009 £'000	52 weeks to 1 August 2008 £'000
Profit from the US segment		
Revenue	**23,592**	47,949
Operating costs	**(22,890)**	(45,836)
Operating profit before restructuring costs, provision releases and other one-off items	**702**	2,113
Interest expense	**(157)**	(508)
Profit before tax before restructuring costs, provision releases and other one-off items	**545**	1,605
Income tax charge	**(69)**	(24)
Profit after tax before restructuring costs, provision releases and other one-off items	**476**	1,581

	2 August to 22 January 2009	52 weeks to 1 August 2008
Restructuring costs, provision releases and other one-off items		
Loss on disposal of the US segment before tax	**(10,554)**	–
Other restructuring costs, provision releases and other one-off items	**305**	133
Total restructuring costs, provision releases and other one-off items before tax	**(10,249)**	133
Tax credit on disposal	**1,540**	–
Total restructuring costs, provision releases and other one-off items after tax	**(8,709)**	133
(Loss)/profit from discontinued operations		
Profit after tax before restructuring costs, provision releases and other one-off items	**476**	1,581
Restructuring costs, provision releases and other one-off items	**(8,709)**	133
Total (loss)/profit from discontinued operations	**(8,233)**	1,714

Net assets

The net assets of the US segment at the date of disposal 22 January 2009 and 1 August 2008 were as follows:

	22 January 2009 £'000	1 August 2008 £'000
Attributable goodwill	**8,405**	8,405
Other intangible assets	**210**	217
Property, plant and equipment	**21,515**	16,250
Inventories	**4,389**	2,589
Trade and other receivables	**11,345**	9,898
Bank balances and cash	**3,186**	4,372
Trade and other payables	**(11,984)**	(6,601)
Other liabilities	**(128)**	(946)
Net assets	**36,938**	34,184
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 16.

Notes to the Consolidated Financial Statements *continued*

12. Dividends

	per share	**2009 £'000**	2008 £'000
Final dividend paid for the 53 weeks ended 3 August 2007	12.15p	**–**	12,521
Interim dividend paid for the 26 weeks to 1 February 2008	5.00p	**–**	5,152
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**	–
Dividends paid during the period		**14,324**	17,673
Proposed final dividend at the period end of 0.5p per share (2008 – 12.15p per share)		**515**	12,521

The proposed final dividend is subject to the approval by shareholders at the 2009 Annual General Meeting and has not been included as a liability in these financial statements.

13. Earnings per share

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

Number of shares

	2009 '000	2008 '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**103,051**	103,051

Basic and diluted earnings per share

	2009		2008 (restated)	
	Earnings £'000	**Earnings per share pence**	Earnings £'000	Earnings per share pence
Earnings and earnings per share from continuing activities				
(Losses)/earnings and basic (losses)/earnings per share	**(6,325)**	**(6.14)**	14,526	14.10
Restructuring costs, provision releases and other one-off items	**11,418**	**11.08**	5,639	5.47
Underlying earnings and underlying earnings per share	**5,093**	**4.94**	20,165	19.57

	2009		2008 (restated)	
	Earnings £'000	**Earnings per share pence**	Earnings £'000	Earnings per share pence
Earnings and earnings per share from discontinued activities				
(Losses)/earnings and basic (losses)/earnings per share	**(8,233)**	**(7.99)**	1,714	1.66
Restructuring costs, provision releases and other one-off items	**8,709**	**8.45**	(133)	(0.13)
Underlying earnings and underlying earnings per share	**476**	**0.46**	1,581	1.53
Basic (losses)/earnings per share from continuing and discontinued activities		**(14.13)**		15.76

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

14. Property, plant and equipment

	Land and buildings Freehold £'000	Land and buildings Long leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost or valuation:					
At 3 August 2007	59,621	5,399	318,139	19,117	402,276
Exchange differences	509	1	3,251	355	4,116
Additions	3,072	82	17,462	2,676	23,292
Disposals	(6)	–	(16,582)	(1,732)	(18,320)
Reclassifications – assets held for sale	(2,550)	–	(9,227)	(2,031)	(13,808)
At 1 August 2008	60,646	5,482	313,043	18,385	397,556
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)
Transfer	(10)	–	(1)	11	–
At 31 July 2009	**51,610**	**5,482**	**247,006**	**16,525**	**320,623**
Accumulated depreciation and impairment:					
At 3 August 2007	13,870	1,433	226,859	13,108	255,270
Exchange differences	165	–	2,569	303	3,037
Charge for the period	1,220	436	20,318	2,276	24,250
Impairment losses	552	–	2,207	174	2,933
Disposals	(1)	–	(16,398)	(1,551)	(17,950)
Reclassifications – assets held for sale	(1,029)	–	(8,712)	(1,824)	(11,565)
At 1 August 2008	14,777	1,869	226,843	12,486	255,975
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**
Net book value:					
At 31 July 2009	**38,642**	**3,238**	**75,267**	**5,031**	**122,178**
At 1 August 2008	45,869	3,613	86,200	5,899	141,581

The impairment losses arose in the Commercial Products segment following the decision to close the Crayford site and relate to the freehold building at the Crayford site (£2,000,000) as well as items of plant and equipment (£219,000). The impairment losses have been measured by reference to fair value less costs to sell and have been recorded as middle column items.

The Group has freehold land, included within property, plant and equipment and assets held for sale, with a book value of £6,072,000 (2008 – £8,234,000) which has not been depreciated. The amount of fully depreciated property, plant and equipment and assets held for sale is £107,207,000 (2008 – £141,379,000).

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £7,235,000 (2008 – £6,480,000).

Notes to the Consolidated Financial Statements *continued*

15. Goodwill

	£'000
Cost and carrying amount	
At 3 August 2007 and 1 August 2008	54,679
Disposals – discontinued operations	(8,405)
At 31 July 2009	**46,274**

Goodwill is allocated amongst the following cash generating units:

	£'000
SP Group	31,322
Service Graphics	14,952
	46,274

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

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

The recoverable amounts of the cash-generating units 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 period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. 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	11.4%	11.4%
Terminal growth rate used in terminal value calculation	3.0%	3.0%
Average annual revenue growth used in five year forecast calculation	1.5%	4.8%
Excess of value-in-use over carrying value (£'000)	15,800	2,800
Sensitivity of value-in-use to changes in key growth assumption:		
Average annual revenue growth in five year forecast calculation resulting in a potential impairment	0.7%	4.5%

Other intangible assets

	£'000
Computer software	
Cost:	
At 3 August 2007	4,430
Exchange differences	49
Additions	1,347
Disposals	(56)
Reclassifications – assets held for sale	(339)
At 1 August 2008	5,431
Exchange differences	366
Additions	613
Disposals – discontinued operations	(1,320)
Disposals – other	(625)
At 31 July 2009	**4,465**
Accumulated amortisation:	
At 3 August 2007	3,036
Exchange differences	37
Charge for the period	959
Disposals – discontinued operations	39
Disposals – other	(56)
Reclassifications – assets held for sale	(337)
At 1 August 2008	3,678
Exchange differences	296
Charge for the period	923
Disposals – discontinued operations	(1,111)
Disposals – other	(536)
At 31 July 2009	**3,250**
Net book value:	
At 31 July 2009	**1,215**
At 1 August 2008	1,753

16. Financial assets

	2009 £'000	2008 £'000
Loan receivable carried at amortised cost	**3,109**	–

Loan receivable carried at amortised cost comprises a US Dollar-denominated promissory loan note of US$5.0 million received as part of the consideration on the sale of the US segment in January 2009 plus interest receivable of US$0.15 million which has been rolled up into the loan. 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 up until 1 February 2012. The note is secured on the plant and equipment, inventory and receivables of the US segment.

Notes to the Consolidated Financial Statements *continued*

17. Deferred tax

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2008 – 28%)

The movement on the net deferred tax asset is as follows:

	2009 £'000	2008 £'000
At the beginning of the period	**39**	4,785
Income statement credit/(charge) (note 10)	**4,501**	(8,272)
Items taken directly to equity	**(2,598)**	3,522
Exchange differences	**–**	4
At the end of the period	**1,942**	39

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

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Rolled over capital gains £'000	Revenue tax losses £'000	Short-term timing differences £'000	Derivative financial instruments £'000	Total £'000
Balance at 3 August 2007	(8,733)	12,656	(1,071)	803	1,130	–	4,785
(Charge)/credit to income statement	(5,685)	(2,705)	–	(144)	262	–	(8,272)
Items taken directly to equity	–	3,586	–	–	(64)	–	3,522
Exchange differences	4	–	–	–	–	–	4
Balance at 1 August 2008	(14,414)	13,537	(1,071)	659	1,328	–	39
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**

The individual deferred tax assets and liabilities are classified in the balance sheet as follows:

	2009 £'000	2008 £'000
Deferred tax assets	**3,484**	39
Deferred tax liabilities	**(1,542)**	–
	1,942	39

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 31 July 2009 deferred tax assets in respect of losses, at current tax rates, all of which have an unlimited life, are as follows:

	2009 £'000	2008 £'000
Recognised deferred tax in respect of losses	**660**	659
Unrecognised deferred tax in respect of capital losses	**–**	5,196
Unrecognised deferred tax in respect of revenue losses	**–**	3,439
	660	9,294

18. Inventories

	2009 £'000	2008 £'000
Raw materials	**5,652**	9,232
Work-in-progress	**4,990**	5,369
	10,642	14,601
Less: payments on account and provisions	**–**	(390)
	10,642	14,211

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

19. Other financial assets

Trade and other receivables

	2009 £'000	2008 £'000
Current		
Amounts receivable for the sale of goods and services	**63,595**	86,029
Allowance for doubtful debts	**(3,308)**	(2,592)
Trade debtors	**60,287**	83,437
Other debtors	**4,637**	9,771
Prepayments and accrued income	**6,761**	3,757
	71,685	96,965

	2009 £'000	2008 £'000
Non-current		
Other non-current assets	**1,415**	2,478

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

Derivative financial instruments

	2009 £'000	2008 £'000
Forward foreign currency contracts	**209**	–

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

Cash and cash equivalents

	2009 £'000	2008 £'000
Cash and cash equivalents	**14,016**	5,635

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 approximates their fair value.

Notes to the Consolidated Financial Statements *continued*

20. Assets and liabilities held for sale

	2009 £'000	2008 £'000
Assets held for sale		
Freehold land and buildings	**1,282**	5,055
Plant and equipment	**–**	526
Inventory	**–**	436
Trade and other receivables	**–**	633
	1,282	6,650
Liabilities directly associated with assets held for sale		
Trade and other payables	**–**	1,142

Freehold land and buildings classifed under assets held for sale at 31 July 2009 comprises a property at the Romford, UK site which was surplus to requirements. The property was recorded in the Commercial Products segment, and was sold on 8 October 2009 for a net cash consideration of £2,900,000.

The assets and liabilities of the Uden business (the Uden disposal group) were sold on 24 September 2008 and gave rise to a profit of £345,000 which has been recorded in the period in the Media Products segment.

21. Trade and other payables

	2009 £'000	2008 £'000
Trade creditors	**48,322**	41,263
Other creditors	**8,922**	9,906
Other taxes and social security	**9,749**	10,540
Accruals	**7,436**	10,985
	74,429	72,694

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

22. Loans and bank overdrafts

	2009 £'000	2008 £'000
Bank loans	**33,016**	38,491
The borrowings are repayable as follows:		
On demand or within one year	**33,016**	–
Between one and two years	**–**	38,491
	33,016	38,491

Loans and bank overdrafts

During the year the Group continued to draw on its three-year £80.0 million revolving multicurrency loan agreement of which £25.0 million was an overdraft facility. Overdraft interest was payable at 1.00% over UK base rate. Interest on loan drawdowns was charged at 0.65% over LIBOR. As at 31 July 2009 the Group outstanding loans, within this agreement, were £30.0 million and US$5.0 million (2008 – £20.0 million and US$36.5 million). The undrawn portion of this facility at 31 July 2009 was £46.9 million (2008 – £41.5 million). The loan balances drawn at 31 July 2009 under this facility were repaid after the balance sheet date with the proceeds of drawdowns under a new facility and the existing facility was cancelled.

The new facility commenced on 10 September 2009 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 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 31 July 2009 there was no loan or overdraft secured against the assets of the Group (2008 – £nil).

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

23. Deferred income

	2009 £'000	2008 £'000
UK regional capital grants	**1,143**	1,341
Advance billings and other deferred income	**691**	844
	1,834	2,185
Current deferred income	**851**	981
Non-current deferred income	**983**	1,204
	1,834	2,185

	2009 £'000	2008 £'000
Movement in UK regional capital grants:		
Balance at the beginning of the period	**1,341**	1,826
Transfer to income statement	**(198)**	(485)
Balance at the end of the period	**1,143**	1,341

Notes to the Consolidated Financial Statements *continued*

24. Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Other £'000	Total £'000
Balance at 3 August 2007	1,357	5,134	684	7,175
Exchange differences	–	27	–	27
Charged to the income statement	250	1,298	–	1,548
Credited to the income statement	(290)	(1,304)	(180)	(1,774)
Utilised during the period	(94)	(3,702)	(354)	(4,150)
Balance at 1 August 2008	1,223	1,453	150	2,826
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**
Current	836	4,585	–	5,421
Non-current	582	–	–	582
	1,418	**4,585**	**–**	**6,003**

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 the period of the lease. It is anticipated that these liabilities will crystallise between 2009 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 2010 financial year. The charge in the period relates principally to the closure of the Crayford and Andover sites which are included in the Commercial Products segment and Media Products segment respectively.

Other
In January 2009, it was determined that the amount payable to former shareholders of Service Graphics Limited in respect of the 2008 calendar year, the final relevant period under the earnout agreement, was nil. Accordingly, the provision for additional consideration of £150,000 was released to income in the period.

25. Retirement benefits

Defined contribution schemes

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under control of the trustees. Payments to the schemes are expensed to the income statement as they fall due. The total expense recognised in the income statement for continuing operations of £3,547,000 (2008 – £588,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 31 July 2009, contributions of £298,000 (2008 – £85,000) due in respect of the 2009 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 (2008 – £457,000).

Defined benefits scheme – St Ives Group

The Group operates the St Ives defined benefits pension scheme, with assets held in separate trustee administered funds. This scheme was closed to new entrants from 6 April 2002, and closed to future 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 obligation were carried out at 6 April 2007 by Jonathan Punter, Fellow of the Institute of Actuaries, Punter Southall & Co Ltd, ('the actuary') who is independent of the Group. This valuation was updated at 31 July 2009. 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:

	2009 per annum	2008 per annum
Discount rate	**6.00%**	6.25%
Expected rate of inflation	**3.50%**	3.65%
Expected rate of salary increases	**4.50%**	4.65%
Future pension increases	**3.30%**	3.65%

For the 2009 calclulations, salary growth of 4.50% per annum has been allowed for up until 31 August 2008. After this date if a member remains employed by the Group, their accrued benefit will increase in line with the Retail Price Index plus 0.5% per annum subject to a maximum of 5.5% per annum. A rate of 4.0% per annum has been assumed for increases on active members' pensions after 31 August 2008.

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 miminum level of improvements of 1% per annum. The base table has been adjusted to assume 6% greater mortality for males and 4% greater mortality for females.
The amount recognised in the balance sheet in respect of the Group's defined benefits scheme is as follows:

	2009 £'000	2008 £'000
Present value of funded obligations	**232,482**	226,605
Fair value of scheme assets	**(194,199)**	(178,261)
	38,283	48,344

Notes to the Consolidated Financial Statements *continued*

25. Retirement benefits *continued*

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

	2009 £'000	2008 £'000
Current service cost	**451**	3,358
Curtailments	**(124)**	(5,243)
Interest on obligation (note 9)	**13,826**	12,521
Expected return on scheme assets (note 8)	**(12,594)**	(10,526)
	1,559	110

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 £8,545,000 (2008 – loss of £2,401,000).

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

	52 weeks to 31 July 2009 £'000	52 weeks to 1 August 2008 £'000
Opening defined benefits obligation	**226,605**	220,872
Service cost	**451**	3,358
Interest cost	**13,826**	12,521
Curtailments and settlements	**(124)**	(5,243)
Contributions by scheme participants	**286**	1,719
Age-related rebates	**375**	2,010
Actuarial losses/(gains)	**1,462**	(1,109)
Benefits paid	**(10,399)**	(7,523)
Closing defined benefits obligation	**232,482**	226,605

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

	52 weeks to 31 July 2009 £'000	52 weeks to 1 August 2008 £'000
Opening fair value of scheme assets	**178,261**	175,669
Expected returns	**12,594**	10,526
Actuarial losses	**(4,049)**	(13,915)
Contributions by employer	**17,131**	9,775
Contributions by scheme members	**286**	1,719
Age-related rebates	**375**	2,010
Benefits paid	**(10,399)**	(7,523)
Closing fair value of scheme assets	**194,199**	178,261

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

	Long-term rate of return expected at 31 July 2009 per annum	**Value at 31 July 2009 £'000**	Long-term rate of return expected at 1 August 2008 per annum	Value at 1 August 2008 £'000
Equity instruments	**8.0%**	**115,749**	8.0%	77,291
Bonds	**5.4%**	**77,720**	5.7%	94,876
Other	**0.5%**	**730**	5.0%	6,094
		194,199		178,261

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:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of defined benefits obligations	**232,482**	226,605	220,872	225,887	219,965
Fair value of scheme assets	**(194,199)**	(178,261)	(175,669)	(166,416)	(153,381)
Deficit	**38,283**	48,344	45,203	59,471	66,584
Experience adjustments on scheme liabilities	**(1,462)**	(1,462)	(1,700)	(4,798)	36,388
Percentage of scheme deficit	**(0.6%)**	(0.6%)	(0.8%)	(2.1%)	16.2%
Experience adjustments on scheme assets	**(4,049)**	(13,915)	(911)	4,176	15,270
Percentage of scheme assets	**(2.1%)**	(7.8%)	(0.5%)	2.5%	9.4%

The Group's contributions to the defined benefits scheme in the period included a special payment of £14,400,000 which was made on 4 August 2008. There are no contributions to fund future defined benefit accrual after 31 August 2008. The Group expects to contribute £2,200,000 to the scheme in 2010.

Notes to the Consolidated Financial Statements *continued*

26. Financial risk management

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

Interest rate risk

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

Interest rate management

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

Financial assets subject to interest rate risk

	2009 £'000	2008 £'000
Sterling	**13,505**	688
US Dollar	**63**	4,414
Other	**448**	533
	14,016	5,635

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

	2009 £'000	2008 £'000
Sterling bank loans	**30,000**	20,000
US Dollar bank loans	**3,016**	18,491
	33,016	38,491

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.

	2009 £'000	2008 £'000
10% movement in US Dollar LIBOR	**6**	95
10% movement in Sterling LIBOR	**105**	135

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 a Dollar-denominated loan receivable of US$5.2 million. 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 million denominated in US Dollars. As a result, the Group's balance sheet is not significantly exposed to movements in the US Dollar/ Sterling exchange rate. Following the sale of The Netherlands music and multi media business on 24 September 2008, and the sale of the US segment on 22 January 2009, the Group no longer has subsidiaries whose trading revenues and expenses are denominated in Euros or US Dollars.

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 year end (comparative figures for 2008 are zero in all cases):

2009	Average forward exchange rate Sterling/Euro	Foreign currency EUR'000	Contract value £'000	Fair value £'000
Buy Euros (up to 9 months)	1.24	4,812	3,881	188
Sell Euros (up to 12 months)	1.05	700	668	21
				209

The Group has entered into a contract to purchase capital equipment from a supplier in Germany. Forward foreign exchange contacts have been used to hedge the exchange rate risk arising from this commitment which are designated as cash flow hedges. As at 31 July 2009 the aggregate amount of unrealised profits under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on trade payables and purchase commitments amounted to £188,000. It is anticipated that the payables will be settled and committed purchases will be made in the nine months following the balance sheet date.

The Group has entered into contracts to supply goods to customers trading in continental Europe at prices denominated in Euros. Forward foreign exchange contacts have been used to hedge the exchange rate risk arising from these commitments which are designated as cash flow hedges. As at 31 July 2009 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 £21,000. It is anticipated that the sales will be made in the nine 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 includes an amount with a single large customer which represents more than 10% of the total balance. This customer has the highest credit score attributable under the credit scoring method used by the Group.

Included in the Group's trade receivables balance are debtors with a carrying amount of £7.8 million (2008 – £11.9 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. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements *continued*

26. Financial risk management *continued*

Ageing of impaired receivables

	2009 £'000	2008 £'000
Between 0 and 59 days	**871**	258
Between 60 and 89 days	**1,233**	162
Between 90 and 119 days	**599**	1,695
120 days and above	**605**	477
	3,308	2,592

Movement in the allowance for doubtful debts

	2009 £'000	2008 £'000
Balance at the beginning of the period	**2,592**	3,910
Impairment losses recognised	**2,106**	337
Amounts written off as uncollectible	**–**	(904)
Amounts recovered during the year	**(451)**	8
Impairment losses reversed	**(650)**	(818)
Disposals	**(289)**	–
Currency	**–**	59
Balance at the end of the period	**3,308**	2,592

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

Ageing of past due but not impaired receivables:

	2009 £'000	2008 £'000
Between 0 and 59 days	**7,768**	8,092
Between 60 and 89 days	**–**	3,498
Between 90 and119 days	**–**	260
120 days and above	**–**	60
	7,768	11,910

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 new £70.0 million, three-year revolving multicurrency agreement entered into after the balance sheet date 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 22.

Capital risk management

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

27. Finance lease payables

	2009 £'000	2008 £'000
Current		
Finance lease obligations	**–**	230

Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Amounts payable under finance leases:				
Within one year	**–**	238	**–**	230
	–	238	**–**	230
Less future finance charges	**–**	(8)	**–**	–
Present value of lease obligations	**–**	230	**–**	230

28. Share capital

	Number of shares	**2009 £'000**	2008 £'000
Authorised:			
10p ordinary shares	**160,000,000**	**16,000**	16,000

	Number of shares	**2009 Ordinary shares of 10p each £'000**	2008 Ordinary shares of 10p each £'000
Issued and fully paid:			
At the beginning and end of the period	**103,551,005**	**10,355**	10,355

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

29. Other reserves

	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Hedging and translation reserve £'000	Total £'000
Balance at 3 August 2007	46,689	(1,913)	1,238	62	(949)	45,127
Exchange differences and related tax	–	–	–	–	909	909
Recognition of share-based payments	–	–	–	87	–	87
Balance at 1 August 2008	46,689	(1,913)	1,238	149	(40)	46,123
Exchange differences and related tax						
Arising in the period	–	–	–	–	275	275
Transferred to income statement	–	–	–	–	(235)	(235)
Cash flow hedges:						
Gains on hedges taken to equity	–	–	–	–	209	209
Tax taken directly to equity	–	–	–	–	(52)	(52)
Release of share-based payments	–	–	–	(149)	–	(149)
Balance at 31 July 2009	**46,689**	**(1,913)**	**1,238**	**–**	**157**	**46,171**

Notes to the Consolidated Financial Statements *continued*

30. Retained earnings

	£'000
Balance at 3 August 2007	109,045
Dividends paid (note 12)	(17,673)
Profit for the period attributable to equity holders of the parent	16,240
Actuarial losses on defined benefits pension scheme, net of associated tax	(9,220)
Balance at 1 August 2008	98,392
Dividends paid (note 12)	(14,324)
Loss for the period attributable to equity holders of the parent	(14,558)
Actuarial losses on defined benefits pension scheme, net of associated tax	(3,968)
Balance at 31 July 2009	**65,542**

31. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	2009 £'000	2008 £'000
(Loss)/profit from continuing operations	**(4,382)**	34,079
(Loss)/profit from discontinued operations	**(9,547)**	2,246
Adjustments for:		
Depreciation of property, plant and equipment	**20,760**	24,250
Loss on disposal of subsidiary	**10,554**	–
Impairment losses	**2,219**	2,937
Amortisation of intangible assets	**923**	998
Loss/(profit) on disposal of property, plant and equipment	**368**	(1,355)
Deferred income (credit)/charge	**(351)**	359
Foreign exchange gains	**(204)**	–
Share-based payment (credit)/charge	**(149)**	87
Decrease in retirement benefit obligations	**(16,805)**	(11,689)
Increase/(decrease) in provisions	**2,768**	(4,375)
Operating cash inflows before movements in working capital	**6,154**	47,537
Decrease/(increase) in inventories	**260**	(667)
Decrease/(increase) in receivables	**17,594**	(20,489)
Increase in payables	**9,799**	13,757
Cash generated from operations	**33,807**	40,138

Analysis of net debt

	1 August 2008 £'000	Cash flow £'000	Exchange Movements £'000	**31 July 2009 £'000**
Cash and cash equivalents	5,635	7,596	785	**14,016**
Bank loans	(38,491)	12,961	(7,486)	**(33,016)**
Finance leases	(230)	230	–	**–**
	(33,086)	20,787	(6,701)	**(19,000)**

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

Cash flows from discontinued operations

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

	2009 £'000	2008 £'000
Net cash generated from operating activities	**1,691**	2,671
Net cash generated from/(utilised) in investing activities	**2,232**	(2,870)
Net increase/(decrease) in cash from discontinued activities	**3,923**	(199)

32. Capital and other commitments

	2009 £'000	2008 £'000
Capital expenditure contracted but not provided	**6,222**	7,391

At 31 July 2009, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2009		2008	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**2,226**	**800**	1,954	1,050
Between two and five years	**4,329**	**959**	5,224	2,565
After five years	**4,588**	**–**	5,264	–
	11,143	**1,759**	12,442	3,615

33. Share-based payments

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

Executive Share Option Scheme ("2001 Scheme")

Executive directors and certain members of senior management have been granted share options under the Company's discretionary share option schemes. Details of the 2001 Scheme are included on page 40 of the Directors' Remuneration Report. A reconciliation of the movement in the number of share options is shown below:

	2009		2008	
	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	**1,309,900**	**3.00**	1,171,900	3.63
Granted during the period	**–**	**–**	665,000	2.38
Lapsed during the period	**(305,500)**	**4.27**	(527,000)	3.62
Outstanding at the end of the period	**1,004,400**	**2.63**	1,309,900	3.00
Exercisable at the end of the period	**–**	**–**	–	–

Notes to the Consolidated Financial Statements *continued*

33. Share-based payments *continued*

Equity Partnership Plan ("EPP")

Executive directors and certain members of senior management may be invited to participate in the EPP. Details of the EPP are included on page 41 of the Directors' Remuneration Report. The performance condition for the grants made in November 2004 was not met, and so on 24 May 2008 the options lapsed.

	2009 Number of share options	2008 Number of share options
Outstanding at the beginning of the period	**–**	56,964
Expired during the period	**–**	(56,964)
Outstanding at the end of the period	**–**	–

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

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

The Group recognised a total credit of £149,000 (2008 – charge of £87,000) relating to equity-settled share-based payment transactions.

34. Related party transactions

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

	2009 £'000	2008 £'000
Short-term employee benefits	**2,185**	2,112
Post-employment benefits	**472**	204
Other long term benefits	**–**	–
Termination benefits	**273**	–
Share-based payment	**(149)**	87
	2,781	2,403

35. Reconciliation of EBITDA

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

	Media Products £'000	Commercial Products £'000	Total £'000
	52 weeks to 31 July 2009		
Segmental result before restructuring costs, provision releases and other one-off 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**

	Media Products £'000	Commercial Products £'000	Total £'000
	52 weeks to 1 August 2008 (restated)		
Segmental result before restructuring costs, provision releases and other one-off items	25,718	7,235	32,953
Depreciation and amortisation	11,311	10,725	22,036
EBITDA continuing operations	37,029	17,960	54,989

36. Events after the balance sheet date

On 10 September 2009, the Group entered into a refinancing of its multicurrency revolving credit facility. Details of the new facility which expires on 31 October 2012 are outlined in note 22.

On 8 October 2009, the Group's Romford property, classified as an asset held for sale at the balance sheet date, was sold for a net cash consideration of £2,900,000.

37. List of principal undertakings

The principal trading subsidiaries of the Company as at 31 July 2009 are shown below. All are wholly owned subsidiaries. With the exception of any marked (†) which are owned directly, all are owned via wholly owned intermediate holding companies.

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

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

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

Independent Auditors' Report to the Members of St Ives plc

We have audited the parent company financial statements of St Ives plc for the 52 weeks ended 31 July 2009 which comprise the 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 sections 495, 496 and 497 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 31 July 2009;
- 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 other matters prescribed by 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 year ended 31 July 2009.

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

19 October 2009

Note

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

Company Balance Sheet

	Note	31 July 2009 £'000	1 August 2008 £'000
Fixed assets			
Intangible assets	5	**37**	75
Tangible assets	6	**39,427**	43,163
Investments	7	**94,069**	176,260
		133,533	219,498
Current assets			
Debtors – amounts falling due within one year	8	**4,945**	4,408
Debtors – amounts falling due after more than one year	8	**3,890**	322
Cash at bank and in hand		**16,394**	20,214
		25,229	24,944
Creditors: amounts falling due within one year	9	**(46,476)**	(8,454)
Net current (liabilities)/assets		**(21,247)**	16,490
Total assets less current liabilities		**112,286**	235,988
Creditors: amounts falling due after more than one year	9	**–**	(38,491)
Provision for liabilities	11	**(209)**	(449)
Net assets		**112,077**	197,048
Capital and reserves			
Share capital	12	**10,355**	10,355
Share premium account	12	**46,689**	46,689
Other reserves	13	**(466)**	(526)
Profit and loss account	14	**55,499**	140,530
Total equity		**112,077**	197,048

These financial statements were approved by the board of directors on 19 October 2009 and signed on its behalf by

Patrick Martell
Chief Executive

Matt Armitage
Finance Director

Notes to the Company Financial Statements

1. Accounting policies

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

(a) Accounting convention

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

As set out on page 30, the financial statements of the Company are prepared on a going concern basis.

(b) Accounting period

The financial statements are prepared for the fifty two weeks ended 31 July 2009 (‘the financial year’). Comparative figures are for the fifty two weeks ended 1 August 2008.

(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.

Notes to the Company Financial Statements *continued*

1. Accounting policies *continued*

(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.

(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 benefit 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. (Loss)/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 loss for the financial period for the Company was £70.7 million (2008 – profit £37.9 million).

3. Auditor's remuneration

Fees paid to the auditors in respect of their audit of the company were £62,000 (2008 – £65,000).

4. Employee information

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

	2009 Number	2008 Number
Sales	**27**	29
Administration	**46**	37
	73	66

Their aggregate remuneration comprised:

	2009 £'000	2008 £'000
Wages and salaries	**5,116**	5,150
Social security costs	**496**	460
Other pension costs	**137**	370
Share-based payment	**(149)**	87
	5,600	6,067

5. Intangible fixed assets

	Cost £'000	Accumulated amortisation £'000	Net book value £'000
Goodwill:			
At 1 August 2008	189	(114)	75
Amortisation charge for the period	–	(38)	(38)
At 31 July 2009	**189**	**(152)**	**37**

Notes to the Company Financial Statements *continued*

6. Tangible fixed assets

	Land and buildings		Plant and machinery	Fixtures, fittings equipment and motor vehicles	Total
	Freehold £'000	Long leases £'000	£'000	£'000	£'000
Cost or valuation:					
At 3 August 2007	47,379	5,765	2,799	1,298	57,241
Additions	–	–	–	1,240	1,240
Transfers from subsidiaries	–	–	–	124	124
Transfers to subsidiaries	–	–	–	(14)	(14)
Disposals	–	–	–	(47)	(47)
At 1 August 2008	47,379	5,765	2,799	2,601	58,544
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**
Accumulated depreciation and impairment:					
At 3 August 2007	9,590	1,806	1,405	776	13,577
Charge for the period	830	306	190	480	1,806
Transfers from subsidiaries	–	–	40	–	40
Transfers to subsidiaries	–	–	(3)	–	(3)
Disposals	–	–	–	(39)	(39)
At 1 August 2008	10,420	2,112	1,632	1,217	15,381
Charge for the period	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**
Net book value:					
At 31 July 2009	**34,146**	**3,347**	**939**	**995**	**39,427**
At 1 August 2008	36,959	3,653	1,167	1,384	43,163

The company has freehold land with a book value of £6,040,000 (2008 – £6,040,000) which has not been depreciated.

The net book value of the Company's land and buildings includes £210,000 (2008 – £216,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £88,000 (2008 – £92,000).

The impairment losses arose following the decision to close the Crayford site and relate to the freehold building at the Crayford site and have been measured by reference to fair value less costs to sell.

7. Investments held as fixed assets

	Shares at cost £'000	Loans £'000	Total £'000
Investment in subsidiaries:			
Balance at 1 August 2008	129,013	47,247	176,260
Additions	78,284	9,206	87,490
Loan capitalisations	9,806	(9,806)	–
Disposals	(82,794)	–	(82,794)
Impairments	(53,372)	(17,332)	(70,704)
Repayment of loans by group companies	–	(18,407)	(18,407)
Exchange differences	–	2,224	2,224
Balance at 31 July 2009	**80,937**	**13,132**	**94,069**

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

Additions to shares at cost comprise the acquisition of 100% of the shares of SP Group Limited for a consideration of £43,000,000 plus a capital contribution of £20,284,000 made to SP Group Holdings Limited and a capital contribution of £15,000,000 made to St Ives Crayford Limited. Both the investment in SP Group Holdings Limited and St Ives Crayford Limited were written down to nil in the period resulting in impairment charges of £33,372,000 and £20,000,000 respectively.

Disposals relate to the sale of the Company's investment in St Ives (USA) Inc on 22 January 2009. Details of the disposal are set out in note 11 of the consolidated financial statements.

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

	2009 £'000	2008 £'000
Within one year		
Amounts owed by group undertakings	**3,240**	633
Other debtors	**330**	232
Current tax receivable	**826**	2,793
Prepayments and accrued income	**340**	750
Derivative assets	**209**	–
	4,945	4,408
After more than one year		
Deferred tax asset	**782**	322
Loans receivable	**3,108**	–
	3,890	322

Loans receivable comprises a US Dollar-denominated promissory loan note of US$5.0 million received as part of the consideration on the sale of the US operation in January 2009 plus interest receivable of US$0.15 million which has been rolled up into the loan. 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 up until 1 February 2012. The note is secured on the plant and equipment, inventory and receivables of the US business.

Deferred tax asset:

	£'000
Balance at 1 August 2008	322
Credited to profit and loss account	460
Balance at 31 July 2009	**782**

Notes to the Company Financial Statements *continued*

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

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

	2009 £'000	2008 £'000
Capital allowances in deficit of depreciation	**(56)**	(65)
Timing differences on provisions	**838**	387
	782	322

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

	2009 £'000	2008 £'000
Within one year		
Amounts owing to group undertakings	**4,525**	2,693
Loans and bank overdrafts (note 10)	**33,016**	–
Trade creditors	**3,625**	634
Other creditors including tax and social security	**2,511**	2,413
Accruals and deferred income	**2,799**	2,714
	46,476	8,454

	2009 £'000	2008 £'000
After more than one year		
Loans and bank overdrafts (note 10)	**–**	38,491

10. Borrowings and finance lease obligations

	2009 £'000	2008 £'000
Within one year		
Bank loans	**33,016**	–

	2009 £'000	2008 £'000
After more than one year		
Bank loans between two and five years	**–**	38,491

As at 31 July 2009 there were no bank loans secured on land, buildings, plant or machinery (2008 – £nil).

Unsecured loan notes

	2009 £'000	2008 £'000
Redeemed during the period		
2008 Notes	**–**	358

Loans and bank overdrafts

During the year the Company continued to draw on its three-year £80.0 million revolving multicurrency loan agreement of which £25.0 million was an overdraft facility. Overdraft interest was payable at 1.00% over UK base rate. Interest on loan drawdowns was charged at 0.65% over LIBOR. As at 31 July 2009 the Company outstanding loans, within this agreement, were £30.0 million and US$5.0 million (2008 – £20.0 million and US$36.5 million). The undrawn portion of this facility at 31 July 2009 was £46.9 million (2008 – £41.5 million) . The loan balances drawn at 31 July 2009 under this facility were repaid after the balance sheet with the proceeds of drawdowns under a new facility and the existing facility was cancelled.

The new facility commenced on 10 September 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 31 July 2009 the aggregate liability for the Company under this guarantee amounted to £86,674,000 (2008 – £51,722,000). The aggregate value of the Company's loans and overdraft liabilities guaranteed by certain United Kingdom subsidiaries amounted to £33,016,000 (2008 – £38,491,000).

As at 31 July 2009 there was no loan or overdraft secured against the assets of the Company (2008 – £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	Provision for additional consideration £'000	Total £'000
Balance at 1 August 2008	116	183	150	449
Charged/(credited) to the profit and loss account	–	240	(150)	90
Utilised in year	–	(330)	–	(330)
Balance at 31 July 2009	**116**	**93**	**–**	**209**

In January 2009, it was determined that the amount payable to former shareholders of Service Graphics Limited in respect of the 2008 calendar year, the final relevant period under the earnout agreement, was nil. Accordingly, the provision for additional consideration of £150,000 was released to the profit and loss account in the period.

12. Called up share capital and share premium account

	2009 Number of shares	**2009** £'000	2008 £'000
Authorised share capital:			
10p ordinary shares	**160,000,000**	**16,000**	16,000

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 1 August 2008 and 31 July 2009	103,551,005	10,355	46,689

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

Notes to the Company Financial Statements *continued*

13. Other reserves

	Capital redemption reserve £'000	Share option reserve £'000	ESOP reserve £'000	Hedging reserve £'000	Total £'000
Balance at 1 August 2008	1,238	149	(1,913)	–	(526)
Release of share-based payments	–	(149)	–	–	(149)
Gain recognised on cash flow hedge:					
Foreign currency forward contracts	–	–	–	209	209
Balance at 31 July 2009	**1,238**	**–**	**(1,913)**	**209**	**(466)**

14. Profit and loss account

	£'000
Balance at 1 August 2008	140,530
Retained loss for the financial period	(70,707)
Dividends paid on equity shares	(14,324)
Balance at 31 July 2009	**55,499**

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

15. Retirement benefits

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

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

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

Contributions were paid by the Company at the rate of 5.3% of pensionable pay, plus £2.7 million per annum from 1 February 2006, paid monthly which is equivalent to approximately 15.8% of pensionable pay (2008 – 15.8%) until 31 August 2008. 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. The Company expects to contribute £2,200,000 to the scheme in 2010.

The Group is required to account for the defined benefits scheme under International Accounting Standard 19: "Employee Benefits" ('IAS 19'). The IAS 19 disclosures, included in note 25 of the notes to the consolidated financial statements, have been based on the results of the actuarial valuation of the defined benefits scheme as at 6 April 2007 adjusted to allow for the assumptions and actuarial methodology required by IAS19 and updated to 31 July 2009 by the scheme's actuary. These disclosures show that the scheme's assets represented 83.5% of the scheme's liabilities (2008 – 78.7%).

16. Capital commitments

	2009 £'000	2008 £'000
Capital expenditure contracted but not provided	**242**	339

Five year record and corporate information

Useful information

The following section provides some additional facts and figures that may be of use.

If you have any queries on St Ives generally or on the Annual Report and Accounts 2009, please contact us.

Five Year Record

	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	52 weeks to 29 July 2005 £'000
Revenue					
Media Products	**154,492**	173,153	191,498	186,253	204,598
Commercial Products	**232,290**	218,047	174,266	131,202	147,870
USA	**–**	–	59,266	65,055	67,009
	386,782	391,200	425,030	382,510	419,477
Profit/(loss) from operations before restructuring costs, provision releases and other one-off items					
Media Products	**12,341**	25,718	26,334	23,904	28,670
Commercial Products	**(2,191)**	7,235	6,500	2,844	6,679
USA	**–**	–	1,495	(241)	3,484
Head Office	**–**	–	–	(33)	1,844
	10,150	32,953	34,329	26,474	40,677
Restructuring costs and provision releases	**(14,532)**	1,126	(2,765)	1,245	(9,845)
(Loss)/profit from operations	**(4,382)**	34,079	31,564	27,719	30,832
Loss on disposal of fixed assets	**–**	–	–	–	(8,135)
Investment income	**12,857**	11,051	10,171	9,221	8,336
Finance costs	**(15,716)**	(14,508)	(14,179)	(12,758)	(10,794)
(Loss)/profit before taxation	**(7,241)**	30,622	27,556	24,182	20,239
Income tax credit/(charge)	**916**	(16,096)	(7,157)	(8,104)	(8,775)
(Loss)/profit on ordinary activities after taxation	**(6,325)**	14,526	20,399	16,078	11,464
(Loss)/profit on discontinued operations	**(8,233)**	1,714	(14,084)	(1,264)	–
(Loss)/profit for the period	**(14,558)**	16,240	6,315	14,814	11,464
(Losses)/earnings per share					
Basic continuing operations	**(6.14p)**	14.10p	6.13p	14.38p	11.14p
Continuing before restructuring costs, provision releases and other one-off items	**4.94p**	19.57p	20.25p	15.09p	24.73p
Balance sheet					
Property, plant and equipment	**122,178**	141,581	147,006	160,909	158,908
Goodwill	**46,274**	54,679	54,679	54,135	53,946
Other intangible assets	**1,215**	1,753	1,394	1,089	649
Other non-current assets	**8,008**	2,517	5,123	12,197	16,313
Assets held for sale	**1,282**	6,650	3,345	–	–
Other current assets	**98,218**	116,811	100,121	90,813	96,700
Liabilities held for sale	**–**	(1,142)	–	–	–
Other current liabilities	**(113,717)**	(79,015)	(67,719)	(89,212)	(92,878)
Non-current liabilities	**(41,390)**	(88,964)	(79,422)	(62,030)	(69,301)
Net assets	**122,068**	154,870	164,527	167,901	164,337

Revenue and profit/(loss) from operations before restructuring costs, provision releases and other one-off items is shown by business segment. For the years ended 29 July 2005, 28 July 2006 and 3 August 2007 the US segment is included within continuing operations. For the year ended 29 July 2005 the Financial division is included within continuing operations. The Five Year Record is not audited.

Financial Calendar

Financial year ended 1 August 2008	
Record date for final dividend	7 November 2008
Annual General Meeting	1 December 2008
Payment date for final dividend of 12.15p per ordinary share	5 December 2008

Financial year ended 31 July 2009	
Half year end	30 January 2009
Announcement of Half Year results	31 March 2009
Record date for interim dividend	17 April 2009
Payment date for interim dividend of 1.75p per ordinary share	15 May 2009
Financial year end	31 July 2009
Record date for proposed final dividend	6 November 2009
Annual General Meeting	30 November 2009
Payment date for proposed 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	March 2010
Financial year end	30 July 2010

*If approved by shareholders at the 2009 Annual General Meeting the proposed final dividend will be paid on 4 December 2009.

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, Interim 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.

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.

You can obtain share price information and our latest regulatory announcements from the Stock Exchange website: www.londonstockexchange.com

Shareholding enquiries

St Ives plc's register is maintained by Capita Registrars, who will be able to deal with any queries you may have in respect of the administration of your shareholding, 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; or
- 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.

The 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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Financial advisers:
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Printed on Revive 100 Uncoated paper and Revive Pure White Gloss paper. Both papers are made from 100% de-inked post consumer waste, independently certified in accordance with the FSC (Forest Stewardship Council). The paper is manufactured at a mill that is certified to the ISO14001 environmental management standards. All of the pulp is bleached using an elemental chlorine free (ECF) process and the inks used are all vegetable oil based.

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

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Typesetting by Bowne
Design by Em-Project
Print by St Ives Westerham Press

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