

ANNUAL REPORT AND ACCOUNTS 2007

St Ives

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FINANCIAL HIGHLIGHTS

- Turnover £425.0m (2006 restated** : £382.5m)
- Underlying* profit before tax £30.3m (2006 restated** : £22.9m)
- Profit before tax £27.6m (2006 restated** : £24.2m)
- Underlying* earnings per share 20.25p (2006 restated** : 15.09p)
- Earnings per share 19.80p (2006 restated** : 15.60p)
- Total dividend maintained at 17.15p per share

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

**restated to exclude discontinued operations

All figures shown relate to continuing operations.

CHAIRMAN'S STATEMENT

Last year was a year of significant progress for St Ives. We achieved an overall increase in sales, at no sacrifice in margin; costs at all levels were well controlled; and underlying profit improved sharply from the levels of the previous year. Profit before tax reflects the profits and costs of rationalisations and disposals made during the year.

Sales growth came from strong performances from our businesses serving the books and point-of-sale markets, as well as from the increasing success of our Group Sales team in selling the services of the Group's facilities throughout the UK. Service Graphics (acquired in November 2006) also made an initial contribution in line with expectations. The increase in underlying profit derived from improved utilisation as a result of higher and more suitable sales, the careful control of costs and elimination of loss making activities. Underlying profitability in our US business improved, although movements in the sterling/US dollar exchange rate had an adverse impact on the translation of the results.

We propose a maintained final dividend of 12.15p per share which together with the interim dividend of 5p per share already paid makes a total of 17.15p for the year, is covered 1.18 times by underlying earnings per share.

The year was also marked by significant rationalisation and consolidation: we sold our loss making corporate finance and mutual funds printing business in January; towards the end of the year we consolidated the operations of our businesses at Romford and Crayford on to the Crayford site; and at the same time we combined our southern Florida operations on the Hollywood site.


The Group's balance sheet and cashflow remain strong. Capital expenditure directed at enhancing service and improving efficiency has continued. During the year we successfully disposed of surplus assets, including part of the Group's head office site. Sales of other assets which have become surplus following rationalisation will follow.

At the end of the year we announced changes in senior management responsibilities with the appointment of Simon Ward and Pat Martell as Managing Director UK Sales and Managing Director UK Operations respectively, reporting to Brian Edwards as Chief Executive. These changes reflect increased emphasis on selling the full range of the Group's service through a single point of contact and will facilitate the efficient production of the resulting work.

Ray Morley retired as Finance Director at the end of March and Dame Sue Tinson, one of our non-executive Directors, has decided not to stand for re-election at the forthcoming Annual General Meeting. I would like to thank them both for their contributions. We welcome Matthew Armitage who joined the board as Finance Director at the beginning of September. I should also thank all the Group's employees for the contribution they have made towards the achievement of last year's much improved result.

CHAIRMAN'S STATEMENT *continued*

Market conditions remain challenging and economic uncertainties exist. However in the year ahead we expect to build on the foundations laid in the last two years, by delivering growth in sales and further improvements in utilisation, in particular through increased sales of the Group's complete print management services. The range of our digital print facilities in the UK is second to none. The new financial year has made an encouraging start and we face the future with confidence.



Miles Emley

Chairman

16 October 2007

BUSINESS REVIEW

St Ives is a leading UK supplier of printed products and related services to media and commercial markets. It also has operations in the USA and continental Europe. Its markets fall into three segments:

Media Products, which are supplied to book, magazine and music publishers as well as film and computer games software companies, mainly in the UK. Products supplied include:

- Books – monochrome hardback and paperback books for the trade and general, reference and religious markets;
- Magazines – the production of high quality saddle-stitched and perfect bound magazines and associated mailing services for consumer and business-to-business publishers; and
- Multimedia – in the UK and continental Europe, the production of inserts, inlays and booklets and special packaging for CDs and DVDs for the audio, video, computer games and software markets.

Commercial Products, which are mainly supplied not for resale to commercial and governmental organisations and which include the following products and services:

- Direct Response and Commercial print – personalised direct mail, other mail order pieces, catalogues, brochures and leaflets;
- Financial – company annual and interim reports;
- Point-of-Sale – the provision of a full range of printed products and services for retailers (mainly multiple store chains) and international brand companies; and
- Exhibitions and Events – the provision of products and installation and consultancy services to retail leisure and event sectors.

USA, where the Group supplies magazine, commercial and point-of-sale markets.

Businesses which principally supply one of the above segments may also supply customers in other market segments in respect of part of their sales.

St Ives' strategy is to focus in all its markets on segments where there is a demand for time-sensitive service and where, in addition to print, it is able to supply services including complex logistical, fulfilment or distribution requirements. By adding value in this way, the Group seeks to

PRINCIPAL
ACTIVITIES

STRATEGY

BUSINESS REVIEW *continued*STRATEGY *continued*

provide lower cost solutions for its customers while generating an improved return. St Ives has avoided commodity markets, except where necessary to achieve economic utilisation.

St Ives keeps all areas of its business under continual review and remains committed to the development and growth of its core activities for the benefit of shareholders.

REVIEW OF
OPERATIONS

The results for the 53 weeks ended 3 August 2007 show turnover of £425.0 million (restated 52 weeks to 28 July 2006 – £382.5 million) and profit before restructuring costs, provision releases, other one-off items, loss on sale of discontinued operations and taxation was £30.3 million (2006 – £22.9 million). Profit before taxation from continuing operations was £27.6 million (2006 – £24.2 million). Earnings per share before restructuring costs and loss on sale of subsidiary were 20.25p (2006 – 15.09p). Basic earnings per share from continuing operations were 19.80p (2006 – 15.60p). Basic earnings per share from continuing and discontinued operations were 6.13p (2006 – 14.38p).

We are pleased to have made overall progress in underlying performance despite trading conditions that remained extremely challenging through the year. Our Group Sales offering, now in its second year, delivered incremental sales from customers including De Vere, Ethel Austin, Manor Bakeries and Scholastic. These contributed to better utilisation of equipment and people in many parts of our business, as did actions taken on sales mix, cost and productivity.

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

Media Products

Comprises the production of books and magazines and printing for the multimedia and music industries.

	2007 £'000	2006 £'000
Media Products total revenue	194,586	187,965
Media Products profit before restructuring costs, provision releases, other one-off items and interest	26,314	23,904

Media Products represented 45% of Group external sales.

Books accounted for around 42% of Media Products' external sales. Our Book business continues to perform well and benefits from its unrivalled ability to deliver a fast and reliable service throughout the year. As a consequence, we produced a high proportion of best-selling titles, our market share increased and sales grew almost 20% over the prior year. We also made further progress in developing our added value services as demand for direct deliveries and post-bind operations continues to grow. Together these increased revenues enabled us to improve the return from these activities.

We continue to work for almost all of the major UK trade publishers. Best-selling titles produced during the year included 'Harry Potter and the Deathly Hallows' (JK Rowling) and 'Thousand Splendid Suns' (Khaled Hosseini) for Bloomsbury; 'Humble Pie' (Gordon Ramsay) for Harper Collins; 'Cross' (James Patterson) for Headline; 'The Mission Song' (John Le Carré) for Hodder; 'Mustn't Grumble' (Terry Wogan) and 'An Absolute Scandal' (Penny Vincenzi) for Orion; 'The Inheritance of Loss' (Kiran Desai – Booker Prize winner 2006) and 'Anyone Out There' (Marian Keyes) for Penguin; and 'The Blair Years' (Alastair Campbell) and 'Hannibal Rising' (Thomas Harris) for Random House.

Investments during the year included additional printing and finishing capacity to further strengthen our ability to respond to the need for an increasing number of orders for fast reprints. In so doing, we enable our customers to take less stock risk on the initial printings knowing that top up orders can be produced reliably and quickly. Our investment in IT continues as we further enhance our online solutions, minimise the need for manual intervention throughout the entire administrative process and improve response times for order replenishment.

The sterling to US dollar exchange rate continued to limit opportunities to supply US Bible customers with products, at competitive prices, from the UK and these publishers have moved some production of non-time sensitive products to other countries. The strategy for our Book business is to continue to focus on time-sensitive products and deliver fast and reliable service together with added value services which enable our customers to take cost out of the supply chain and minimise their stock risk.

A wide range of consumer and business magazines supplemented by brochures and catalogues are supplied from our four sites within the UK. These accounted for 43% of Media Products' external sales. The

Books

Magazines

BUSINESS REVIEW *continued*Magazines *continued*

strategy is to target those customers with a need for products requiring high quality and demanding service, as opposed to commodity volumes sourced purely on price. We produce work for most of the leading UK magazine publishers including Condé Nast, EMAP, IPC Media, The Economist and Time Out Group.

Pricing pressure continues within the web offset market and a number of our competitors, New Jarrold and Graphoprint for example, have ceased trading. Our focus on expanding our customer base and increasing the number of shorter-run titles and specialist publications is proving to be beneficial. The mailing business we established in the previous year is now fully operational and enables us to offer added value services and a fulfilment operation for subscribed publications.

We have continued to replace the longer-run work, declined on grounds of price in the previous year, with shorter-run titles. In addition, a number of commercial brochures and catalogues, some brought in by Group Sales, have made useful contributions to utilisation. Overall mix has also been improved, so although revenue has modestly reduced contribution has increased. New work won includes the recent launch by IPC Media of the weekly magazine 'Look', 'NME' (also for IPC), 'FT Business Magazine' for the Financial Times and 'What Hi Fi?' for Haymarket.

Our investment in new equipment continued. The product range in Peterborough has been extended with the installation of a perfect binding line which will enable us to improve the mix and retain work in house which was previously outsourced. Additional investment was made in pre-press software and hardware at a number of sites which enables customers to deliver and manage their data online and to benefit from lower transaction costs and gives more flexibility. The Goss M600 press installed in Plymouth became fully operational in Autumn 2006 and the second of the presses it replaced was also sold.

Towards the end of the financial year further action was taken to further reduce costs of both production and overheads.

Multimedia

The Group's multimedia business provides CD and DVD booklets and inlays and a variety of specialist packaging to music, movie and computer games publishers and producers of electronic media, both in the UK and Europe. This business accounted for approximately 15% of the Media Products' segment.

Customers include Electronic Arts, Microsoft, Sony Pictures, Universal Music, Universal Pictures, Warner Music and Warner Home Entertainment; and large European disc duplicators Cinram, EDC, MediaMotion, ODS, Sonopress, Sony/DADC and Technicolor.

Whilst the business continued to make progress in securing new customers, price pressure remained and overall demand fell by over 10% due to increased downloading of music from the Internet and the less specialist non-time sensitive print requirement being moved closer to where the discs are produced, mostly in Eastern Europe. In addition, there was also lower demand for specialist packaging than in the prior year. Some of the capacity created by lower volumes in core markets was taken up by increased commercial printing from other parts of the Group. However, lower sales overall, further price pressure and less effective utilisation created a loss from these activities.

There is little sign that pressure on prices will ease or that volumes will increase in the future and at the year end we transferred the Group's Romford business to its site in Crayford. Both businesses will benefit from a reduced combined overhead and the introduction of sales with different seasonal patterns. In addition to this cost cutting action, we have ordered a new state-of-the-art 12-unit perfecting sheet-fed press which will be commissioned in the second half of the new financial year to replace less cost productive presses.

Commercial Products

Includes direct response and general commercial printing; corporate and financial printing; point-of-sale materials for major retailers; and brands and advertising materials for exhibitions and events.

	2007 £'000	2006 (restated) £'000
Commercial Products total revenue	175,495	132,678
Commercial Products profit before restructuring costs, provision releases, other one-off items and interest	7,839	2,844

Commercial Products accounted for 41% of Group external sales.

Principally operating from four sites within the UK, the Group offers a range of products and services to organisations in the banking, retail, commercial and advertising sectors. Sales in the financial year accounted for 36% of Commercial Products and grew modestly over the prior year.

Direct Response

BUSINESS REVIEW *continued*Direct Response *continued*

Conditions within the market remain extremely challenging and we have taken further action to reduce costs which has resulted in a number of redundancies and the sale of surplus equipment. Over-capacity has led to further pressure on margins, which is greatest in the supply of longer-run commodity products. Group Sales has helped to win more suitable work from customers served elsewhere within the Group and we have targeted local sales efforts towards customers with more complex requirements and where opportunities exist to add value. Despite these actions contribution from these activities was short of breakeven.

Further investments have been made in our digital, ink jetting and poly-wrapping facilities and we continue to develop our variable data business with some success. We continue to move away from volume direct mail to more personalised targeted campaigns which will, we believe, enable us to generate improved margins going forwards.

Customers include Bowne, Co-op, Churchills, HM Government, HSBC, RBS, Makro, McCanns, Somerfield, Shop Direct and Vodafone. As mentioned under Media Products, our business in Romford was transferred to the Crayford site at the year end to benefit from a modern facility and shared overheads.

Point-of-Sale

We produce point-of-sale material for the UK retail market and for UK and international brands and these account for approximately 38% of Commercial Products' revenue. In addition to supplying the printed material and physical products, we are also able to offer complex fulfilment and distribution facilities, digital asset management, stock control and other ancillary added value services.

The recent investment in a large format litho press has extended our competitive advantage as the market leader in the point-of-sale arena. Furthermore, our ongoing development of online solutions and asset management systems is being delivered through our unique DNA™ applications.

Sales have grown by around 17% in the financial year and we have been successful in retaining existing business and attracting new accounts. Customers include Arcadia, Boots, Cadbury, Ethel Austin, George, Halfords, Levi's, Marks & Spencer, Manor Bakeries, Spar, Thorntons and Wilkinsons.

Improved production controls and more effective utilisation have returned the margins to previous levels and overall contribution increased.

The business is well placed to continue the progress made in the last twelve months following investment in equipment, people and systems and further develop its market leading position and reputation for excellent customer service.

In November 2006 we announced the acquisition of Service Graphics, a market leading large format digital printer. Established in 1961, it provides manufacturing, installation and consultancy services to the exhibition, retail, creative, leisure and live event sectors. The business operates from eleven sites spread throughout the UK and is able to provide products and services from simple point-of-sale and presentation aids to the building of complicated customised exhibition stands. Customers include Berkeley Homes, Boots, Ford Motor Company, Harrods, Imagination, John Lewis, Marks & Spencer and The Football Association. Sales represented some 17% of Commercial Products' revenues, but are only included for a nine month period from the date of acquisition. Its contribution for this period was in line with expectations.

Market conditions during the year were buoyant in terms of volumes although increased competition and further automation of production continues to exert downward pressure on prices. We believe there are significant opportunities to sell the unique one-stop solutions that Service Graphics offers within the Group's existing customer base and, in particular, to our point-of-sale customers. Work has already started on selling Service Graphics' facilities to our wider customer base.

Exhibitions and Events

We continue to be market leader in Annual Report printing, which is concentrated in the second half of our financial year. These activities represent around 8% of the Commercial Products' segment. Improved returns were made in this part of the business as compared with the prior year.

Financial

Our transactional corporate finance business continued to face fiercely competitive markets and volumes remained flat. As a result, in January 2007, we sold this and our mutual funds printing business to Bowne. Sales from this discontinued business is excluded from our revenues. As part of the agreement, we retained the right exclusively to supply print requirements in the UK relating to their work.

BUSINESS REVIEW *continued***USA**

Comprises magazine printing, general commercial printing and the supply of point-of-sale materials to retailers and franchisees.

	2007 £'000	2006 £'000
USA total revenue	59,294	65,143
USA profit/(loss) before restructuring costs, provision releases, other one-off items and interest	1,694	(241)

USA revenue represented nearly 14% of Group external sales. In local currency sales were flat but the weakness of the US dollar against sterling has reduced sales and profits on translation for reporting purposes by £5,812,000 and £144,000 respectively.

In the USA, the Group produces controlled circulation magazines and specialist mail order catalogues and brochures (predominately print runs of less than 110,000 copies) and magazines for the Spanish speaking market.

We also produce point-of-sale material for a number of franchise operators and for brand advertising which is distributed through national store chains. In addition we manufacture marketing coupons, which are supplied to over 30,000 outlets over recurring two week cycles, together with in-store advertising material.

In the first half of the previous financial year the results were severely affected by hurricanes in Florida. This year the business returned to profit but continued to suffer from extreme price competition in an over supplied market. Towards the end of the year, paginations in magazines were more volatile and commercial volumes reduced and as a result of these factors overall margins were put under further pressure. Some progress was made in securing more long-term contracts with customers but this was insufficient to effectively utilise all the facilities. As a consequence, at the year end our plants in Florida were merged into one, the surplus equipment was sold and the surplus freehold property is for sale. Reductions in sales, production and administration costs were also made to reflect the lower volume requirement and some lower margin work was eliminated.

The Group has maintained its robust balance sheet, and cash flow remains strong. At the year end net assets were £164.5 million and net debt was £23.3 million. Included in the balance sheet are freehold and long leasehold properties at historic costs or valuation. These have recently been valued on the basis of market value subject to vacant possession at £83.0 million as compared with a net book value of £53.0 million. The surplus of £30.0 million has not been included in the balance sheet.

The Group's net debt of £23.3 million reflects the £18.4 million cost of acquisition of Service Graphics, the £4.3 million received on the sale of the corporate finance and mutual fund printing business of St Ives Financial, £4.7 million from the sale of surplus space at the Group's head office and £3.1 million from the sale of other surplus assets.

Capital expenditure during the year was £21.2 million. This was slightly lower than anticipated due to the extension of our book factory not commencing until the coming financial year.

The markets we serve are becoming more sophisticated. Targeted, short-run, personalised, cost effective, just-in-time and requirements for an extensive range of facilities are becoming the norm. The recent acquisition of Service Graphics together with our existing facilities has given us a leading position in digital print. Electronic communication with customers continues to increase, with more use being made of DNA™ our proprietary online solution and asset management system.

In the UK our Group Sales team helps to underpin the efforts of the local sales focus. There is now a more co-ordinated approach to selling the whole of the Group's facilities to both existing and prospective customers. We expect additional benefits to accrue, in particular, in those units whose capacity has previously been directed mainly at multimedia markets and also improve activity levels in the direct response and commercial businesses.

In the USA we continue to experience lower levels of demand in an oversupplied market. However, as referenced above there were a number of cost reductions and efficiency initiatives that were undertaken throughout the Group towards the year end and the benefits of these are beginning to materialise both in the USA and the UK.

BALANCE SHEET AND CAPITAL EXPENDITURE

OUTLOOK

BUSINESS REVIEW *continued*OUTLOOK *continued*

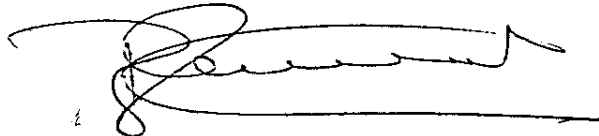
In Books we have begun the construction of a new warehouse facility at the Bungay factory to enable us to increase our volumes of faster direct delivery of books and extend the range of post-bind operations. Demand is currently at similar levels to the prior year and publishers are increasingly requiring added value services.

Magazines show a similar picture and we continue to win new work and concentrate on improving the mix. We have ordered a new press for our Peterborough factory which will be installed early next summer. It will replace less efficient equipment.

Demand from the music and multimedia publishing market remains subdued but in the UK these sites are producing more commercial work for Group Sales and work for other parts of the Group.

Sales in our point-of-sale activities are very buoyant and new customers continue to be won. Several of these customers also require products and services that can be supplied from our Direct Response facilities which is useful incremental revenue. Our exhibition and events company, Service Graphics, acquired last November, is performing in line with expectations and we are seeing some benefits from working with other parts of the Group.

Although many of our businesses have term contracts volume is not guaranteed and demand is often volatile. The majority of markets we serve remain influenced by the economic climate and consumer confidence. However, against this background, we continue to concentrate on providing cost effective solutions, with a strong emphasis on customer service. We have made an encouraging start to the year and expect to build on the momentum we have established. We are confident that our market leading service and our customers' increasing demand for a range of products and services sourced from throughout the Group will allow us to grow our sales. This, together with improvements in utilisation, should allow us to make further progress for our shareholders.



Brian Edwards

Chief Executive

16 October 2007

FINANCIAL REVIEW

Overview of revenue

Group sales revenue from continuing operations grew by £42.5 million (11.1%) to £425.0 million including £30.3 million from Service Graphics, acquired November 2006.

Media Products' revenue increased by £6.6 million (3.5%). Revenue increased by 18.8% in Books whilst Magazines and Print & Display, which includes multimedia activities, were lower by 2.8% and 15.7% respectively.

Commercial Products' revenue from continuing operations increased by £42.8 million of which, as mentioned above, Service Graphics contributed £30.3 million. The existing Point-of-Sale business grew by 16.6% and Direct Response by 7.3%. The continuing revenues of our Financial business showed a decline of 7.6%.

In the USA revenues were flat in US dollars but, because of the weakness of the dollar, decreased by £5.8 million (9.0%). The average exchange rate used to translate dollars to sterling was 1.9737 (2006 – 1.7975).

The geographical breakdown of revenue is broadly in line with the segmental breakdown: 97% of the Commercial and Media Products' revenue is generated within the UK (the remaining 3% derives from the Rest of the World) and 100% of the revenue generated by the USA segment derives from North America.

Key financial performance indicators

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

The financial KPIs are explained under each section (all 2006 KPI comparatives have been restated, where appropriate, to remove or re-analyse discontinued operations).

Operating profit by segment

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

	2007 £'000	2006 (restated) £'000	change %
Media Products	26,314	23,904	10.1
Commercial Products	7,839	2,844	175.6
USA	1,694	(241)	–
Corporate	(1,518)	(33)	–
Continuing operations	34,329	26,474	29.7
Discontinued operations	(991)	(1,233)	19.6
Group	33,338	25,241	32.1

Operating profit as a percentage of added value by segment

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

FINANCIAL REVIEW *continued*

	2007	2006	change
	%	(restated) %	%
Media Products	20.7	19.3	7.5
Commercial Products	8.5	4.2	102.4
USA	5.1	(0.6)	–
Continuing operations	13.6	11.6	17.2

Gross margin per £1 of manufacturing labour by segment

This KPI compares the margin left after deducting manufacturing labour costs from added value with the manufacturing labour cost. The result represents the margin return, before manufacturing costs, sales and distribution costs and administrative expenses, for every £1 of manufacturing labour spent in the segment. It reflects the impacts of sales value, machines and labour productivity against labour costs. Operationally this KPI is used extensively in the Group to measure operational performance and returns from both individual jobs and customers.

	2007	2006	change
	£	(restated) £	%
Media Products	1.34	1.38	(3.6)
Commercial Products	1.83	1.83	–
USA	1.03	1.03	–
Continuing operations	1.45	1.42	2.1

The three profit-related KPIs shown above reflect the comments made within the Chairman's Statement and the Business Review regarding business performance during the year. The overall improvement in the Group KPI for continuing operations arises from an increase in the weighting of the Commercial Products segment in the Group KPI calculation, which was a result of the acquisition of Service Graphics during the year.

EBITDA by segment

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

	2007	2006	change
	£'000	(restated) £'000	%
Media Products	39,210	37,013	5.9
Commercial Products	16,198	10,045	61.3
USA	4,782	3,918	22.1
Corporate	254	1,722	(85.2)
Continuing operations	60,444	52,698	14.7
Discontinued operations	(759)	(648)	17.1
Group	59,685	52,050	14.7

Free cash flow by segment

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

	2007		
	EBITDA	Capital payments	Free cash flow
	£'000	£'000	£'000
Media Products	39,210	(11,208)	28,002
Commercial Products	16,198	(7,758)	8,440
USA	4,782	(1,778)	3,004
Corporate	254	(357)	(103)
Continuing operations	60,444	(21,101)	39,343
Discontinued operations	(759)	(108)	(867)
Group	59,685	(21,209)	38,476

	2006		
	EBITDA	Capital payments	Free cash flow
	(restated) £'000	(restated) £'000	(restated) £'000
Media Products	37,013	(15,644)	21,369
Commercial Products	10,045	(10,338)	(293)
USA	3,918	(2,148)	1,770
Corporate	1,722	(3,738)	(2,016)
Continuing operations	52,698	(31,868)	20,830
Discontinued operations	(648)	(27)	(675)
Group	52,050	(31,895)	20,155

Restructuring costs, provision releases and other one-off items

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

The net income in 2006 of £1.2 million, before tax, is a combination of profits on the disposal of assets sold following the closure of St Ives Caerphilly of £2.8 million, rationalisation costs in both the UK and USA of £2.1 million, and £0.5 million of provision releases relating to closures and the previous acquisition of Avanti.

Balance Sheet

Net assets decreased to £164.5 million (2006 – £167.9 million). The movement reflects profit after taxation of £6.3 million, dividends of £17.7 million, the reduction in deficit of the defined benefit pension scheme (net of deferred tax) of £9.2 million and foreign exchange differences.

Land and buildings were valued, at open market value subject to vacant possession, in November 2006 at £83.0 million; the net book value of these properties is £53.0 million, reported within property, plant and equipment and assets held for sale in balance sheet. The valuation surplus of £30.0 million has not been recorded in the financial statements. Overall, the balance sheet looks robust.

FINANCIAL REVIEW *continued***Net debt**

Net debt increased during the year from £8.9 million to £23.3 million. The movement primarily reflects the cash generated from operations of £37.5 million (2006 – £67.6 million), the proceeds of sale from property, plant and equipment of £7.8 million (2006 – £7.0 million), the proceeds of sale of the financial printing activities of £4.3 million, the dividend paid of £17.7 million (2006 – £17.7 million), the initial consideration for Service Graphics of £18.4 million and the purchase of fixed assets of £21.2 million (2006 – £31.9 million). Within net debt are bank loans of £27.9 million due in more than one year, unsecured loan notes of £0.4 million, and bank overdrafts of £2.0 million.

On 20 July 2007 the Group concluded an £80.0 million multicurrency agreement of which £55.0 million is a three-year revolving credit and £25.0 million overdraft facility. None of the debt is secured.

Capital expenditure and depreciation

Capital expenditure in cash flow terms on property, plant and equipment, together with additions to intangible assets, other than goodwill, was £21.2 million (2006 – £31.9 million) and cash receipts from asset disposals were £7.8 million (2006 – £7.0 million). In addition, cash receipts from regional grants were £1.1 million (2006 – £0.3 million). Net capital-related outflow in the year was £12.6 million (2006 – £24.1 million). Depreciation, amortisation and impairment charged in the year was £27.5 million (2006 – £26.8 million).

Acquisitions

On 6 November 2006, the Group acquired the whole of the issued share capital of Service Graphics Limited at an initial cash cost of £18.4 million. Additional consideration will be paid to certain shareholders if profit before interest and taxation exceeds £2.97 million for each of the years ending 31 December 2007 and 2008. We estimate this additional consideration to be in the order of £0.6 million.

Discontinued operations

In January 2007, the Group disposed of all of the corporate financial printing activities carried on by St Ives Financial Limited together with the entire share capital of St Ives Financial Inc and St Ives Financial Japan KK. This resulted in a total loss on disposal of £13.2 million after tax (which includes a £14.4 million write off of goodwill).

Tax

The Group's tax rate on profit before restructuring costs and provision releases was 31.2% (2006 – 32.2%).

Dividends

The board is recommending a final dividend of 12.15p bringing the total dividend for the year to 17.15p. The same total dividend has been paid in respect of each financial year from 2001. Although dividend cover based on underlying earnings from continuing operations is 1.18, the basic earnings per share are 6.13p so the dividend is uncovered by the net profit for the period. However, net profit for the year includes the write off (non cash) of goodwill relating to the sale of the corporate financial printing activities of £14.4 million.

Excluding the acquisition of Service Graphics, the Group was cash generative in 2006/2007. Net debt in relation to net tangible assets continues to be relatively low. Retained earnings in the Group balance sheet at 3 August 2007 were £109.0 million (2006 – £111.2 million).

Pensions

The deficit in the defined benefits pension scheme at the end of the year, excluding the related deferred tax asset, was £45.2 million (2006 – £59.5 million). The decrease of the deficit is due to an increase in the fair value of the scheme assets and an increase in corporate bond yields (and therefore the discount rate) from 5.1% to 5.7%, partially offset by an increase in the inflation assumption from 2.9% to 3.1% and slightly more prudent mortality assumptions.

The charge to operating profit for this scheme was £3.7 million (2006 – £3.8 million), less a £0.4 million curtailment credit; the charge represents the costs of the benefits accrued to members of the scheme during the period. In addition, the Income Statement includes a net financing cost of £1.8 million (2006 – £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.

The defined benefits pension scheme was closed to new entrants from 6 April 2002; benefits continue to accrue for active members at that date.

Contributions were paid by the Group at the rate of 10.6% of pensionable pay from May 2004 and the accrual rate for future pensionable service was changed from 60ths to 80ths at the same time. Following the actuarial valuation in 2005 the contribution rate was changed on 1 February 2006 to 5.3% of pensionable pay plus £2.7 million per annum paid monthly (equivalent to approximately 14.8% of pensionable pay). The board continues to keep the defined benefits scheme under review.

Financial risk management and treasury policies

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

During the year the Group introduced an internal audit function, the planning and implementation of which was aided by PricewaterhouseCoopers. The Group's policy is to test all the divisions' trade cycles over a three-year period.

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

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

Interest rate risk

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

Liquidity risk

As mentioned above, the Group recently secured an £80.0 million multicurrency agreement of which £55.0 million is for a three-year term. At the year end the Group had unused facilities of £50.1 million.

Foreign exchange risk

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

FINANCIAL REVIEW *continued**Credit risk (trade receivables)*

The majority of sales of the Group to its customers is made on credit. During the year the Group commenced credit insurance covering the larger trade debtors of the Group. 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% (2006 – 7.8%) of gross trade debtors at the year end; this has reduced due to the commencement of the credit insurance mentioned above.



Matt Armitage

Finance Director

16 October 2007

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifty three weeks ended 3 August 2007.

Principal activities

The principal activities of the Group are set out on page 5 of the Business Review.

The subsidiaries principally affecting the profits or net assets of the Group in the year are listed in Note 38 to 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 3 and 4 and all form part of this report.

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

Results and dividends

The Group profit for the year before taxation amounted to £13,288,000 (2006 – £22,570,000). The directors propose a final dividend of 12.15p for each ordinary share payable on 7 December 2007 to holders on the register as at 9 November 2007. If approved, the final dividend will make total dividends for the year of 17.15p per ordinary share:

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

Share capital

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

Major interests in shares

On 20 January 2007, the Companies Act 1985 provisions in respect of substantial shareholdings were repealed and the Disclosure and Transparency Rules of the Financial Services Authority came into force. As at 16 October 2007, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights:

	Number of voting rights	%
Silchester International Investors Limited and its subsidiaries	18,591,470	17.95
Prudential plc and its subsidiaries	8,908,008	8.60
Barclays PLC and its subsidiaries	7,202,265	6.96
The Goldman Sachs Group, Inc	5,274,883	5.09
State Teachers' Retirement System of Ohio	5,213,741	5.03
Legal & General Group plc and its subsidiaries	4,264,563	4.11
Sanderson Asset Management Ltd	4,177,000	4.03

Directors

The present membership of the board is set out on page 32. Simon Ward and Matthew Armitage were both appointed to the board after the 2006 Annual General Meeting, respectively on 4 December 2006 and 3 September 2007. Ray Morley retired on 31 March 2007 and Sue Tinson will retire on 3 December 2007.

DIRECTORS' REPORT *continued***Directors** *continued*

The directors' interests in shares of the Company are set out on page 41 in the Directors' Remuneration Report.

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

Corporate and social responsibility*Relations with customers and suppliers*

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

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

Where it is considered to be appropriate, long-term supply agreements of between one and three years are secured 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 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 3 August 2007 for the Group and the Company were 35 and 33 days, respectively (2006 – 54 and 24 days). Current period Group creditor days are based on a fifty three week period, one week longer than the previous period and, on a comparable basis of creditor payment phasing, would have been 50 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 disabled people, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's ability.

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

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

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

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

In respect of employment matters the Group uses statistics of accidents resulting in three days' or more absence and total number of working days lost from all accidents as key performance indicators of the safety of its employees. In 2007 the total number of accidents which resulted in at least three days' absence each was 64 (2006 – 53) and the number of days' work lost from all accidents at work was 1,047 days (2006 – 605 days).

St Ives and the environment

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

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 2007/2008 to try to recoup as much as possible from the Levy.

The key performance indicators used to measure environmental performance are:

- (a) waste sent to landfill;
- (b) water consumption; and
- (c) gas and electricity usage ('energy efficiency')
per square metre of substrate (usually, but not always, paper or board).

In the year waste was reduced by 3.3 per cent (2006 – 9.6 per cent); water consumption was reduced by 8.8 per cent (2006 – 3.1 per cent); and energy efficiency improved by 0.3 per cent (2006 – 5.3 per cent) compared to the previous year's figures.

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

DIRECTORS' REPORT *continued***Corporate and social responsibility** *continued**Charitable and political donations*

The Group made charitable donations of £8,600 during the year (2006 – £22,000) 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 Chairman, Chief Executive and Finance Director. Major shareholders are given the opportunity to meet with the non-executive directors. The board receives an investor relations report at each of its meetings.

The Annual General Meeting is regarded as an opportunity to communicate directly with shareholders and the 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.

Special business

The Notice of Annual General Meeting 2007 includes the following special business:

(a) Authority for the directors to allot ordinary shares

At the Annual General Meeting of the Company held on 4 December 2006, the directors were authorised, for the purpose of Section 80 of the Companies Act 1985 (the '1985 Act') to allot relevant securities up to an aggregate of £3,780,000. This amount represents approximately one-third of the issued ordinary share capital of the Company, together with relevant securities which may be issued pursuant to outstanding options under the Group's discretionary share option schemes and savings-related share option schemes. A resolution will be proposed at the Annual General Meeting 2007 to renew this authority.

(b) Partial disapplication of pre-emption rights

The 1985 Act requires that pre-emption rights must be applied to any issue of shares for cash unless shareholders have given their consent to the waiver of such rights. A resolution will therefore be proposed at the Annual General Meeting 2007 to enable the directors to issue shares for cash (other than by way of a rights issue or pursuant to the Group's share option schemes) up to a maximum of 5,150,000 ordinary shares, representing approximately 5 per cent of the issued ordinary share capital, without applying pre-emption rights.

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

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

At the Annual General Meeting of the Company held on 4 December 2006, the directors were authorised on behalf of the Company to purchase the Company's ordinary shares which are traded on the London Stock Exchange's main market for listed securities. A resolution will be proposed at the Annual General Meeting 2007 to renew this authority to purchase up to 10,300,000 ordinary shares, being approximately 10 per cent of the issued ordinary share capital of the Company. The directors will continue only to exercise such power if it is anticipated that it would result in an increase in the earnings per share attributable to the ordinary share capital of the Company and would be in the best interests of the shareholders generally. Save to the extent that the directors may decide to treat any shares purchased under this resolution as

treasury shares (pursuant to the Companies (Acquisition of Own Shares) Regulations 2003 (as amended)), any shares so purchased will be cancelled.

(d) Amendments to Articles of Association

At the Annual General Meeting 2007 the Company proposes to adopt new Articles of Association (the 'New Articles') by way of special resolution. Amendments are proposed to be incorporated into the current Articles to reflect certain of the provisions of the Companies Act 2006 (the '2006 Act') which came into effect in January, April and October of 2007. As the Government intends to bring into force the provisions of the 2006 Act in various stages between January 2007 and October 2008, it is anticipated that shareholders may be asked to approve further changes to our Articles during the course of the next two Annual General Meetings (as may be necessary).

The principal changes to our New Articles relate to electronic communications with shareholders. The provisions of the 1985 Act which allowed companies to communicate with their shareholders electronically have been repealed and replaced by provisions in the 2006 Act which operate in a different way and use different definitions, which will be reflected in the amendments to our New Articles. Our New Articles will, if adopted, also permit the Company to use electronic communications for all notices, documents and information to be sent to shareholders. In addition, our New Articles will reflect the key change introduced by the 2006 Act, which is the ability for companies to use website communication with shareholders as the default position. It is the Company's current intention, however, only to make use of these amended provisions, if our New Articles are adopted, to the extent a discernable demand is identified and it becomes a cost-efficient method of communicating with its shareholders. Until such time, the Company intends to continue to communicate with its shareholders as it has traditionally done, by the distribution of documents and information by means of hard copy, rather than through electronic media.

The other main change to our New Articles reflects the amendments to company law to be implemented by the 2006 Act in connection with directors' interests. Under the 2006 Act, from 1 October 2008 (i.e. prior to the date of the next Annual General Meeting), a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director is or becomes a director of another company or a trustee of another organisation. The 2006 Act will allow directors of public companies to authorise conflicts and potential conflicts where their articles of association contain a provision to that effect. The 2006 Act also allows articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. Our New Articles, if adopted, will give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

For a more detailed explanation of the amendments to the Articles of Association, please refer to the Appendix to this Notice of Annual General Meeting 2007.

A copy of the proposed New Articles will be available for inspection at the Company's registered office, which is at St Ives House, Lavington Street, London SE1 0NX, during normal business hours from the date of posting of this document, up to, and including, the date of the Annual General Meeting and will also be available at the place of the Annual General Meeting from 15 minutes prior to and during the Annual General Meeting.

Auditors

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

DIRECTORS' REPORT *continued***Auditors** *continued*

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

Going concern

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

Statement of directors' responsibilities

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' disclosures to the auditors

Section 234ZA of the 1985 Act requires each director to make an individual statement regarding the disclosure of information to the auditors. The statement must confirm that as at the date of this report and as far as the director is aware there is no relevant audit information of which the Company's auditors are unaware; and that the director has taken all the steps he/she ought to have taken in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. A director is deemed to have taken all the steps necessary that he/she ought to have taken if he/she has made such enquiries of his/her fellow directors and of the Company's auditors for that purpose, and taken such other steps, if any, for that purpose as are required by his/her duty as a director of the Company to exercise due care, skill and diligence. All of the directors of the Company as at 16 October 2007 have provided such a statement to the Company. The Company's auditors have been advised that confirmation has been given and should be interpreted in accordance with the provisions of Section 234ZA of the 1985 Act.

Corporate governance

Compliance Statement

In the opinion of the board the Company has, with the exception of Provision A.4.1 (in relation to the formation of a Nomination Committee), throughout the year complied with the Provisions of the Combined Code on corporate governance published by the Financial Reporting Council in July 2003 ('the Code'). The board has not formed a Nomination Committee and applies an alternative process for the selection of new directors to the board. The full board initially agrees a candidate profile and then forms a panel of directors, comprising those directors whom the board decides are best suited to the circumstances. In the case of an external appointment, the panel selects a recruitment consultant and then agrees on a long listing of applicants, conducting initial interviews and agreeing a short list of prospective directors for further interview. All directors participate in interviewing prospective directors, whether for executive or non-executive positions, and whether the candidates are internal or external applicants, prior to selecting the preferred candidate.

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

Board of Directors

Except for the month of August 2006, prior to the appointment of Messrs Best and Stillwell as independent non-executive directors, the board has maintained throughout the year a balance between executive and non-executive directors, excluding the Chairman, of four or five executive directors to five non-executive directors. With the retirement of Sue Tinson at the forthcoming Annual General Meeting, excluding the Chairman, this balance will become five executive directors to four non-executive directors. It is the intention of the board to preserve the balance between executive and non-executive directors in the medium-term.

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

DIRECTORS' REPORT *continued***Corporate governance** *continued*

Excluding ad hoc meetings to deal with procedural and special matters, the board met ten times during the year in the normal course of business. With the exception of Sue Tinson, who was unable to attend a board meeting held in May 2007, each director attended every board meeting held during the year. All the directors attended an additional board meeting which was held during the year 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 or her judgment. In reaching this opinion the board has carefully considered the balance between applying 'good practice' and what it believes is in the shareholders' best interests. David Wilbraham has served on the board for more than nine years. The board's view is that David Wilbraham continues to display every quality of independence in carrying out his responsibilities as a non-executive director. He is prepared to challenge others' assumptions and viewpoints, questions intelligently, debates constructively and has developed a sound understanding of the Group's business which, allied to his independence of judgment, serves shareholders' interests well. The board has concluded that, notwithstanding his length of tenure, David Wilbraham continues to be independent and supports his re-election at the forthcoming Annual General Meeting. The non-executive directors each have a clear understanding of their roles and responsibilities, which are appropriately documented. The non-executive directors met during the year, without the Chairman being present, and appraised the Chairman's performance. The non-executive directors also met separately with the auditors. David Wilbraham fulfilled the role of Senior Independent Director throughout the year.

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

The board also reviewed the list of matters delegated to the Group's executive committee and its role. During the year the executive committee was focused on developing additional value added services, fostering intra-group trading, co-ordinating divisions' joint selling approaches to prospective customers and monitoring the performance of the Group Sales team. From August 2007 the board reconstituted the executive committee, giving it a broader remit, further details of which are given on page 31.

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

The principal regulations affecting the Group's day-to-day business and markets it serves have been identified by the board as Employment Law, Health & Safety Law, Environmental Law, Planning Law, Data Protection legislation, Taxation Law, the Law of defamation and Competition Law. The board each year reviews the impact that these might have on the business and how to manage the risks to the business. The board has established a process, led by the Chairman, for the evaluation of the board, its committees and individual directors. These evaluations were carried out during the year and resultant recommendations were considered by the board and implemented. After conducting a review of the membership of the board and its principal committees the board decided that it would be of benefit to appoint Simon Ward to the board to bring a sales perspective to the board's deliberations.

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

Miles Emley holds an external non-executive directorship with Marston's plc and the fee he received for this is disclosed in the Directors' Remuneration Report.

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. The proposed New Articles, which are the subject of resolution 15 to the Notice of Annual General Meeting 2007, shall maintain this requirement.

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; minutes are recorded and actions followed up.

Audit Committee

During the year the Audit Committee was made up solely of independent non-executive directors: David Wilbraham (chairman until 31 March 2007), Simon Marquis and Sue Tinson served throughout the year and David Best and Richard Stillwell served from 1 September 2006. David Best succeeded David Wilbraham as chairman of the Committee on 1 April 2007 and at the end of the year Simon Marquis and Sue Tinson stepped down from the Committee. The board is of the opinion that throughout the year the Audit Committee had sufficient relevant financial experience.

The Committee held four meetings during the year, all of which were attended by all members of the Committee for the time being, save for one meeting, held in May 2007, which was not attended by Sue Tinson. In the opinion of the board the Committee met sufficiently frequently to properly discharge its responsibilities. The Committee's role and responsibilities are set out in its terms of reference, referred to above.

During the year the Audit Committee discharged its responsibilities by:

- receiving a presentation from Deloitte & Touche LLP ('Deloitte') on the procedures they had undertaken to review certain controls in place at a number of the Group's businesses at the half year end. These businesses represented 73 per cent of the Group's sales turnover; 81 per cent of Group EBITDA; and 120 per cent of the Group's net tangible assets at 2 February 2007;

DIRECTORS' REPORT *continued***Corporate governance** *continued*

- receiving proposals from PricewaterhouseCoopers LLP ('PwC') for implementing an internal audit review. These were approved and, in August 2007 the Committee received their findings;
- reviewing the annual internal control reviews performed by the Group's operating sites and the controls over key business risks;
- agreeing the scope of the annual audit;
- reviewing and safeguarding the independence of Deloitte; their performance, recommended the auditor's reappointment and approved Deloitte's fees for their audit and non-audit services;
- reviewing the findings of the annual audit for 2005/2006;
- reviewing the Group's 'whistle-blowing' policy;
- considering the impact of the new Periodic Reporting requirements; and
- conducting a formal evaluation of the Committee's effectiveness in delivering its terms of reference.

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

Remuneration Committee

During the year the Remuneration Committee has been made up solely of independent non-executive directors: David Wilbraham (chairman until 31 March 2007), Simon Marquis and Sue Tinson; and, from 1 September 2006, David Best and Richard Stillwell. On 1 April 2007 Richard Stillwell was appointed chairman of the Committee in succession to David Wilbraham. The Committee met three times during the year. The meetings of the Committee were all fully attended. In the opinion of the board the Committee met sufficiently frequently to properly discharge its duties.

During the year the Committee:

- approved the Directors' Remuneration Report for 2005/2006;
- agreed revised remuneration and employment terms of Messrs Edwards, Martell and Ward following the board's decision to change their responsibilities;
- agreed the executive directors' and senior executives' basic salaries and bonus arrangements for 2007/2008;
- approved the grant of options under the Executive Share Option Scheme 2001; and
- conducted a formal evaluation of its effectiveness in delivering its terms of reference.

Internal control

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

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

Following the accounting errors reported on last year the Audit Committee requested Deloitte to perform certain additional work during their audit of the 2006 year end and to report on the background to the errors, in particular how they arose; their quantum and the period during which the result had been affected by the errors; and the appropriateness of management's action which had then been taken. In addition the board asked Deloitte to recommend any further actions which they considered it would be advisable to implement. These recommendations, including the establishment of an internal audit function and Deloitte

undertaking more work at the half year end were accepted by the Audit Committee and the board and then implemented.

The internal audit team, resourced by PwC, focused on the documentation of the Group's accounting policies and controls; reinforcing the control environment and the testing of controls. Control testing took place throughout the Group with a particular focus on the financial controls in the Point-of-Sale business. The board exercises control via monthly meetings with senior management within each of the Group's business segments. The meetings are chaired by the Chief Executive or the Managing Director UK Operations, and are also attended by the Group's Finance Director. Regular items for discussion encompass any areas of significant risk to the businesses, which are then raised at the next meeting of the board if appropriate.

Annual internal control reviews are performed by all operating sites and any inconsistencies with the Group's established corporate governance and authority limits regimes are identified and disclosed to the Audit Committee. Throughout the year the executive directors met at regular intervals with senior divisional management, the Group's sales director, the Company Secretary and the Group's technical director, as an executive committee to discuss sales and technical issues. After the end of the year, the board decided to broaden the scope of this forum to encompass operational, as well as sales-related matters and conduct other business under delegated authority. This executive committee is made up of the Group's Chief Executive; the Managing Directors, UK Operations and UK Sales; the Group's Finance Director; Company Secretary; technical director; commercial director; with a small number of senior operations and sales directors. The executive committee will meet regularly to review the Group's businesses as an integral part of the Group's internal control process.

Monthly management meetings are held in the divisions, which are each chaired by a parent board executive director.

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

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

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



Philip Harris
Company Secretary

16 October 2007

DIRECTORS

Executive Directors

Brian Edwards, FCA – aged 57, Chief Executive from August 2007, joined the Company in 1978 from Deloitte & Touche, became Finance Director in 1988 and Group Managing Director in 1991.

Patrick Martell – aged 43, was appointed to the board in 2003. Joined the Group in 1980, was appointed a director of Clays in 1994 and became its Managing Director in 2000. Appointed Managing Director Media Products in October 2005 and changed role to that of Managing Director – UK Operations in August 2007.

Wayne Angstrom – aged 68. Joined the Group in 1991 after holding senior positions with Maxwell Communication Corp and R R Donnelley. Appointed to the board in 1997 and is responsible for the Group's commercial and magazine printing interests in the USA.

Simon Ward – aged 39. Photographer by training, from 1997 Mr Ward developed SP Group's digital offering before leading an MBO in 1999. St Ives subsequently acquired SP Group in October 2004. Mr Ward launched the Group Sales initiative in April 2006 and became responsible for the Group's Commercial and Point-of-Sale activities from August 2006. Joined the board on 4 December 2006 and was appointed Managing Director – UK Sales in August 2007.

Matthew Armitage, ACMA – aged 39. Appointed to the board as Finance Director on 3 September 2007, Mr Armitage had previously worked for Tequila London Ltd – a below-the-line marketing services business owned by Omnicom Inc – for five years as their Finance Director. Previously he had held various financial management positions with companies operating in the telecommunications, technology and fast-moving consumer goods industries, including ten years with Unilever plc.

Non-Executive Directors

Miles Emley – aged 58, Chairman. Previously with UBS Philips & Drew Ltd and N.M. Rothschild & Sons Ltd. Joined in 1992 as Deputy Chairman and was appointed Chairman the following year. Became part-time from October 2005 and non-executive from August 2007. Mr Emley has held a non-executive directorship with Marston's plc since 1998.

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

Dame Sue Tinson – aged 64, was appointed to the board in 2004. She has 40 years' experience in the media industry, much of it with the ITN as Associate Editor and Editor of 'News at Ten' and has served on several Boards including Asda plc, Freeserve plc, Chime Communications plc and the Yorkshire Building Society. She now holds consultancy contracts with several companies including ITN. She is a Fellow of the Royal Television Society. Serves on the Remuneration Committee.

David Best, FCA – aged 57, formerly group finance director of Xansa plc. Appointed to the board on 1 September 2006. Mr Best was previously finance director of Lucas Management Systems Ltd after holding various senior positions in Lockheed Martin Corporation in the USA where he qualified as a Certified Public Accountant. Mr Best holds non-executive directorships in Senior plc, the engineering company and Plasmon plc a technology company specialising in archival solutions. Chairman of the Audit Committee and a member of the Remuneration Committee.

Richard Stillwell – aged 58, is a practising barrister and holds non-executive directorships with Fiberweb plc and Penna Consulting plc. Until 2000 Mr Stillwell was executive vice president of ICI plc, where he had held various posts since 1974. Mr Stillwell, who has also served as a non-executive director of BBA Aviation plc for eight years until 2007 was appointed to the board on 1 September 2006. Chairman of the Remuneration Committee and a member of the Audit Committee.

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

DIRECTORS' REMUNERATION REPORT

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

Information relating to remuneration of the directors on page 38, directors' pension entitlements on page 39 and directors' share options on page 40 has been audited.

Policy on directors' remuneration

The board is responsible for setting the Company's policy on directors' remuneration in respect of the 2006/2007 financial year and future years and the role of the Committee, inter alia, is to apply the Company's policy and decide on the remuneration of each executive director. No director is involved in determining his or her own remuneration.

The primary objectives of the Company's policy on executive directors' remuneration are firstly, that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully and, secondly, to reward them in a way which encourages the creation of value for the shareholders. The setting of appropriate targets for executive directors, which have to be achieved for them to earn a performance-related bonus, and the determination of their overall remuneration package, is undertaken annually by the Committee. Financial targets may be adjusted, where appropriate, to take account of any change in the issued share capital of the Company. It is the Company's policy that a bonus shall not exceed a maximum percentage of the executive's basic pay for the year in question and shall not qualify for pension benefits. The Committee periodically considers available remuneration and benefits data relevant to UK public companies and others in the same business sector as the Company. As a result, it has decided to cap bonuses, including any bonus earned from the achievement of a personal target, at 100 per cent of basic pay for 2007/2008. In circumstances it considers to be appropriate, the Committee may award a discretionary performance-related bonus to a director. The Company's policy on setting non-executive directors' remuneration is to offer a director's fee sufficient to attract and retain individuals of appropriate calibre such that they are able to apply an independent view based on their experience and skills. Non-executive directors may not participate in the Group's share option schemes, or in any long-term incentive plan.

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

Details of the executive directors' service contracts and non-executive directors' letters of appointment are shown on page 37.

During the year the Committee, having satisfied itself that New Bridge Street Consultants LLP ('NBSC') had no other connections with the Company which would prejudice their independence, from time to time drew on advice and assistance from NBSC. The Committee also sought and obtained, when appropriate, advice and assistance from the Chairman of the Company and the Company Secretary in connection with carrying out its business, and commissioned PricewaterhouseCoopers LLP ('PwC') to carry out a review of senior executives' remuneration. The Committee satisfied itself that additional services provided by PwC would not prejudice their independence.

DIRECTORS' REMUNERATION REPORT *continued***Policy on directors' remuneration** *continued*

After taking advice from Punter Southall & Co Limited, consulting actuaries, on the effects of changes to the legislation on pensions taxation made in April 2006, the Remuneration Committee agreed to adopt a policy that any employee or director electing to register for 'enhanced protection' under the new legislation should be offered additional salary to replace future pension accrual, but with no overall increase in the Company's costs.

Components of directors' remuneration

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

Basic salary

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

Performance-related bonus

The Committee sets objectives annually relative to the performance of the Group, operating unit or individual as appropriate, as an incentive to the executive directors to achieve relevant and demanding targets for the forthcoming financial year. For 2007/2008 the Committee has set an incentive for the executive directors to achieve a real growth in earnings per share over 2006/2007 as adjusted for inflation; goodwill amortisation or impairment; and extraordinary and other non-recurring items not in the ordinary course of trade. In the event that the bonus earned exceeds 20 per cent of basic salary, half of the whole of the bonus net of statutory deductions shall be satisfied in the form of shares, which will vest in October 2011, provided that the executive is employed by the Group at that time. The bonus which may be earned by Wayne Angstrom is also partly dependent on the USA segment meeting or exceeding its profit before interest target for 2007/2008.

Each executive director has also been set personal objectives for 2007/2008.

Brian Edwards, Miles Emley, Patrick Martell and Simon Ward were awarded discretionary bonuses in respect of 2006/2007 of £175,000, £95,000, £125,000 and £125,000 respectively. Wayne Angstrom was awarded a discretionary bonus of \$75,000 (£36,800) in respect of 2006/2007. In deciding on these discretionary bonuses, the Committee took into account that the Group's underlying profit before tax for 2006/2007 had been improved over the prior year by approximately 32 per cent in extremely challenging market conditions and after taking into account the acquisition, disposal and restructuring activities initiated and successfully completed by the directors during the year which were not envisaged at the time that the Committee set the basis for the directors' performance-related bonus scheme for 2006/2007. In addition, Simon Ward was not a director of the Company at the time that the bonus scheme for 2006/2007 was set. In the case of Wayne Angstrom, the Committee also recognised the significant turnaround which had been achieved in the Group's USA business and its rationalisation which was implemented towards the end of the year with minimal disruption.

Benefits in kind and pension arrangements

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

Brian Edwards and Patrick Martell each participate in the Group's defined benefits pension scheme, which has a normal retirement age of 65. Ray Morley also participated in this scheme until he retired early in March 2007. Wayne Angstrom participates in a Section 401(k) Plan set up in the USA for the benefit of employees of St Ives Inc and Simon Ward and Matthew Armitage contribute to defined contributions schemes to which the Company contributes. Miles Emley joined the Company after the imposition of the Inland Revenue earnings cap introduced by the Finance Act 1989. In his case, the Company contributed until

6 April 2006 to a Funded Unapproved Retirement Benefits Scheme, a Self Invested Personal Pension and life assurance cover. These arrangements were made for the purpose of providing pension and death in service benefits for Miles Emley and his dependants, as nearly as is practicable, comparable to those of his colleagues who are contributory members of the Group's defined benefits pension scheme. Following the introduction by the Government of significant changes to the tax treatment of pensions from 6 April 2006 Miles Emley applied for 'enhanced protection' in respect of his accrued benefits at that date and accepted an offer of additional salary in lieu of the Company's regular contributions to his pension arrangement with the Company continuing to maintain life assurance cover.

Share options

Executive directors and certain members of senior management have, from time to time, been granted share options under the Group's discretionary share option schemes. These share options are not granted at a discount and, therefore, over time are intended to reward management in the event that shareholders are rewarded, but not otherwise. As a result of the current adoption of the Executive Share Option Scheme in 2001 ('2001 Scheme') no options have been granted under any of its predecessor schemes since 28 October 1999. The Company's policy is to grant options to executive directors at the discretion of the Committee up to an annual maximum of 150 per cent of basic salary (400 per cent in exceptional circumstances). It is also the Company's policy normally to phase the granting of share options, rather than to award them in a single large block to any individual. The Committee decides on an appropriate performance condition which has to be satisfied before options can normally be exercised. The Company decided in 2004 that no further options subject to re-testing would be granted. Details of options granted to directors under the Group's discretionary share option schemes are given in the table of directors' share options on page 40. The Committee's view on what it decided to be appropriate bases for setting performance conditions at the dates of grant is set out below.

Options granted under the 2001 Scheme can only be exercised if, after a period of between three and five years commencing from a base year (which is the financial year ending immediately prior to the date of grant), some or all of the following are satisfied: 25 per cent of any option may be exercised in the event that the Company's Earnings Per Share before exceptional items and goodwill amortisation ('EPS') growth has exceeded the UK's Retail Prices Index ('RPI'), plus at least 3 per cent per annum compound since the base year; RPI plus at least 4 per cent over the same period must be achieved to exercise the next 25 per cent of the grant; RPI plus at least 5 per cent for the third 25 per cent and RPI plus 6 per cent for the final 25 per cent of the grant to be exercisable. To the extent that the foregoing performance conditions are not satisfied by the fifth anniversary of grants made in 2002 and 2003, and by the third anniversary in the case of grants made in 2004 and 2007 (which are not subject to re-testing), the options lapse. No options granted under the 2001 Scheme have vested to date.

Options granted under the 2001 Scheme on 30 October 2002 and on 21 October 2004 will lapse during October 2007 as the respective performance conditions in relation to these grants have not been met. Those granted on 28 October 1999 under the 1995 Scheme lapsed on 27 October 2006.

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

Long-term incentive plan

Executive directors and certain members of senior management may be invited to participate in the EPP. Participants potentially qualify for an award of free matching shares, in the ratio of between 0.5:1 (if three years' EPS growth from the base year is RPI plus 1 per cent per annum, compound) and 3:1 (if EPS growth from the base year is RPI plus 8 per cent per annum, compound). No participant may invest at each invitation in excess of the equivalent of 50 per cent of his basic salary in shares deposited with the Employee Benefits Trust. The level of match will be determined on a straight-line basis if the Company's EPS growth over the three-year period falls between the two points. There will be no re-testing of performance following the end of the three-year period.

DIRECTORS' REMUNERATION REPORT *continued***Components of directors' remuneration** *continued*

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

The performance conditions

On page 42 of this Report, a graph is included illustrating the Company's Total Shareholder Return ('TSR') over the past five years, compared with that of the FTSE 350. Shareholders will, however, note that this performance measurement has not been adopted by the Committee for determining the extent to which options may be exercised or matching share awards taken up under the Company's share option schemes and the EPP. The Committee considers that, so far as the shareholders are concerned, the directors' primary objective should be the delivery of sustained, long-term real growth in EPS and that it is appropriate therefore that this is the measure which should be applied to the exercise of options and award of matching shares.

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

- (a) TSR is an unreliable measure because it is highly dependent on the Company's share price performance and is outside the control of the participants;
- (b) the interests of shareholders, who look for sustained financial performance and strong cash flow, may not be best served if the directors actively seek ways of affecting the short-term share price; and
- (c) the Committee does not favour a criterion (whether EPS- or TSR-based) that is dependent on performance relative to a group of comparators because (i) there are no listed companies of comparable size trading in the Company's markets; (ii) while it would in theory be possible to treat the FTSE 350 as a single comparator group, the Committee believes that to do so would dilute the incentive inherent in the Company's real EPS increase if it were referenced to the performance of a remote group of non-competing companies with no direct relevance to the Company's business. The board seeks to deliver long-term sustainable growth in earnings, employing consistently applied and appropriately prudent accounting policies.

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

Directors' contracts

Details of the directors' contracts are disclosed below and brief biographical details are set out on page 32. In accordance with the board's policy on directors' remuneration, none of the contracts includes specific provisions for compensation on early termination by the Company.

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

<i>Executive</i>	Date of contract	Unexpired term/ notice period
Wayne Angstrom	1 October 1997	3 months
Matthew Armitage	1 June 2007	12 months
Brian Edwards	3 October 1985	6 months
Miles Emley	18 January 2006	6 months
Patrick Martell	1 August 2003	12 months
Simon Ward	4 December 2006	12 months

<i>Non-executive</i>	Date of letter of appointment	Unexpired term/ notice period
David Best	11 August 2006	1 month
Simon Marquis	5 December 2003	1 month
Sue Tinson	5 December 2003	1 month
Richard Stillwell	11 August 2006	1 month
David Wilbraham	1 August 1994	1 month

In accordance with the Company's Articles of Association Miles Emley, Brian Edwards, Simon Marquis and Sue Tinson each retire by rotation at the forthcoming Annual General Meeting. The board having supported their re-elections, being eligible, Miles Emley, Brian Edwards and Simon Marquis offer themselves for re-election. Sue Tinson has decided not to seek re-election. Simon Ward and Matthew Armitage were appointed to the board, respectively, on 4 December 2006 and 3 September 2007 and hold office until the Annual General Meeting and, being eligible, they offer themselves for re-election. David Wilbraham, independent non-executive director who served on the Audit and Remuneration Committees throughout the year, has held office for more than nine years and also submits himself for re-election. The directors have set out, on page 28, their reasons for recommending his re-election.

Simon Ward's appointment was the result of an internal promotion and he was interviewed by all board members. Matthew Armitage was recruited in accordance with the process set out in the board's compliance statement on page 27 after selecting Heidrick & Struggles International, Inc, to assist in his recruitment. Simon Ward, besides adding a broader sales perspective to the board's deliberations, has a particular knowledge of the retail and digital printing market and an appreciation of the opportunities which this market represents. Matthew Armitage is well qualified to undertake the duties of Finance Director and has a client service background which will be of great benefit. The board unanimously supports their re-election at the forthcoming Annual General Meeting.

DIRECTORS' REMUNERATION REPORT *continued***Directors' remuneration**

The total amounts for directors' remuneration were as follows:

	2007 £'000	2006 £'000
Emoluments	2,046.2	1,362.3
Termination payments	66.2	-
Gains on exercise of share options	-	-
Money purchase pension contributions	17.5	141.8
Total remuneration	2,129.9	1,504.1

Brian Edwards is the highest paid director in 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	
					2007 £'000	2006 £'000
<i>Executive</i>						
Wayne Angstrom	176.3	36.8	-	13.4	226.5	198.3
Brian Edwards	333.1	175.0	-	22.0	530.1	336.0
Miles Emley	263.8	95.0	-	-	358.8	246.3
Patrick Martell	218.8	125.0	-	-	343.8	275.3
Ray Morley (until 31 March 2007)	138.0	-	66.2	1.2	205.4	201.6
Simon Ward (from 4 December 2006)	159.5	125.0	-	7.7	292.2	-
<i>Non-executive</i>						
Lorraine Baldry	-	-	-	-	-	15.0
David Best (from 1 September 2006)	28.8	-	-	-	28.8	-
Simon Marquis	30.0	-	-	-	30.0	27.5
Richard Stillwell (from 1 September 2006)	28.8	-	-	-	28.8	-
Sue Tinson	30.0	-	-	-	30.0	27.5
David Wilbraham	38.0	-	-	-	38.0	34.8
	<u>1,445.1</u>	<u>556.8</u>	<u>66.2</u>	<u>44.3</u>	<u>2,112.4</u>	<u>1,362.3</u>

The basic salaries of Miles Emley, Patrick Martell and Ray Morley include additional payments of £14,620, £13,839 and £9,946, respectively (2006 – £12,183, £13,839 and £13,056 respectively) in lieu of the provision of a car and fuel benefits. Miles Emley's basic salary for 2007 included £69,777 additional salary in lieu of the Company's contributions to his pension arrangements, which ceased from 6 April 2006 ('A Day'). None of these payments is included when calculating their pensionable salary and bonus entitlements. The termination payment made to Ray Morley included a contribution of £14,240 to the Group's defined benefits pension scheme.

During the year Miles Emley received fee of £38,833 from Marston's plc for his services as non-executive director.

Directors' pensions

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

	Transfer value of accrued pension (Note 1)		Increase in transfer value during the year less directors' contributions (Note 1) £'000	Increase in accrued pension during the year (Note 2) £'000 p.a.	Transfer value of increase in accrued pension less directors' contributions (Note 1) £'000	Accumulated total accrued pension (Note 3)	
	at 3 August 2007	at 28 July 2006				at 3 August 2007	at 28 July 2006
	£'000	£'000				£'000 p.a.	£'000 p.a.
Brian Edwards	2,481.3	1,990.9	469.0	15.8	193.9	183.6	162.0
Patrick Martell	558.7	465.8	79.9	1.8	1.1	72.0	67.7
Ray Morley	1,255.2	1,070.7	176.6	3.3	33.4	99.4	92.8

Notes

- The transfer values have been calculated on the basis of actuarial advice in accordance with Professional Guidance Note GN11. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the defined benefits pension scheme.
- The increase in the accrued pension during the year shown above excludes any increase arising from the statutory revaluation in deferment up to normal retirement age. The inclusion of the statutory revaluation in deferment up to normal retirement age would have the effect of increasing the accrued pension during the year to £21,585 per annum for Brian Edwards, £4,214 per annum for Patrick Martell and £6,616 per annum for Ray Morley.
- The accumulated total accrued pension entitlements shown are annual amounts at retirement calculated on service completed to the relevant year end. This was 22 years 9 months, including 4 years 6 months' service purchased from transfers-in to the Company's defined benefits pension scheme, in the case of Brian Edwards; 22 years 4 months, including 5 years 2 months' service purchased from transfers-in to the Company's defined benefits pension scheme, for Patrick Martell; and 22 years and 8 months, including 2 years 1 month's service purchased from a transfer-in to the Company's defined benefits pension scheme, for Ray Morley.
- Member contributions were payable in the year by the directors under the defined benefits pension scheme. Additional voluntary contributions paid and any benefit arising are not included in the above tables.

Pension contributions made by the Company to defined contribution schemes in respect of executive directors are shown below. The contributions paid in respect of Miles Emley in 2006 included a salary payment of £33,140 made in addition to basic salary which, after tax, offset the income tax and national insurance contributions payable by the director on the Company's final contribution to a Funded Unapproved Retirement Benefits Scheme.

	2007 £'000	2006 £'000
Wayne Angstrom	2.5	1.8
Miles Emley	–	140.0
Simon Ward	15.0	–
	17.5	141.8

DIRECTORS' REMUNERATION REPORT *continued***Directors' share options**

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

	Date of grant	Number of options				3 August 2007	Exercise price pence	Date from which exercisable	Expiry date
		28 July 2006	Exercised during year	Lapsed during year	Granted during year				
Wayne Angstrom									
<i>Executive share options</i>									
1992 Scheme	17 Oct 1996	10,000	-	(10,000)	-	-	468.33	17 Oct 1999	16 Oct 2006
1995 Scheme	28 Oct 1999	25,000	-	(25,000)	-	-	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	37,500	-	-	-	37,500	315.00	30 Oct 2005	29 Oct 2012
2001 Scheme	30 Oct 2003	35,000	-	-	-	35,000	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	40,000	-	-	-	40,000	345.25	21 Oct 2007	20 Oct 2014
		<u>147,500</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>112,500</u>			
Brian Edwards									
<i>Executive share options</i>									
1995 Scheme	28 Oct 1999	35,000	-	(35,000)	-	-	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	50,000	-	-	-	50,000	315.00	30 Oct 2005	29 Oct 2012
2001 Scheme	30 Oct 2003	42,500	-	-	-	42,500	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	50,000	-	-	-	50,000	345.25	21 Oct 2007	20 Oct 2014
2001 Scheme	30 Apr 2007	-	-	-	150,000	150,000	316.75	30 Apr 2010	19 Apr 2017
<i>Sharesave options</i>									
	19 June 2002	1,904	-	-	-	1,904	431.00	1 Aug 2007	31 Jan 2008
		<u>179,404</u>	<u>-</u>	<u>(35,000)</u>	<u>150,000</u>	<u>294,404</u>			
Miles Emley									
<i>Executive share options</i>									
1995 Scheme	28 Oct 1999	40,000	-	(40,000)	-	-	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	55,000	-	-	-	55,000	315.00	30 Oct 2005	29 Oct 2012
2001 Scheme	30 Oct 2003	45,000	-	-	-	45,000	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	55,000	-	-	-	55,000	345.25	21 Oct 2007	20 Oct 2014
<i>Sharesave options</i>									
	11 June 2001	2,052	-	(2,052)	-	-	411.00	1 Aug 2006	31 Jan 2007
	19 June 2002	1,320	-	-	-	1,320	431.00	1 Aug 2007	31 Jan 2008
		<u>198,372</u>	<u>-</u>	<u>(42,052)</u>	<u>-</u>	<u>156,320</u>			
Patrick Martell									
<i>Executive share options</i>									
1995 Scheme	28 Oct 1999	10,000	-	(10,000)	-	-	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	30,000	-	-	-	30,000	315.00	30 Oct 2005	29 Oct 2012
2001 Scheme	30 Oct 2003	35,000	-	-	-	35,000	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	40,000	-	-	-	40,000	345.25	21 Oct 2007	20 Oct 2014
2001 Scheme	30 Apr 2007	-	-	-	94,700	94,700	316.75	30 Apr 2010	29 Apr 2017
		<u>115,000</u>	<u>-</u>	<u>(10,000)</u>	<u>94,700</u>	<u>199,700</u>			
Simon Ward									
<i>Executive share options</i>									
2001 Scheme	30 Apr 2007	-	-	-	94,700	94,700	316.75	30 Apr 2010	29 Apr 2017
		<u>-</u>	<u>-</u>	<u>-</u>	<u>94,700</u>	<u>94,700</u>			

No options were exercised by the directors during the year.

Directors' share interests

Directors' share interests (as defined by the Act) on 3 August 2007 and 28 July 2006 (or date of appointment) in 10p ordinary shares of the Company were as follows:

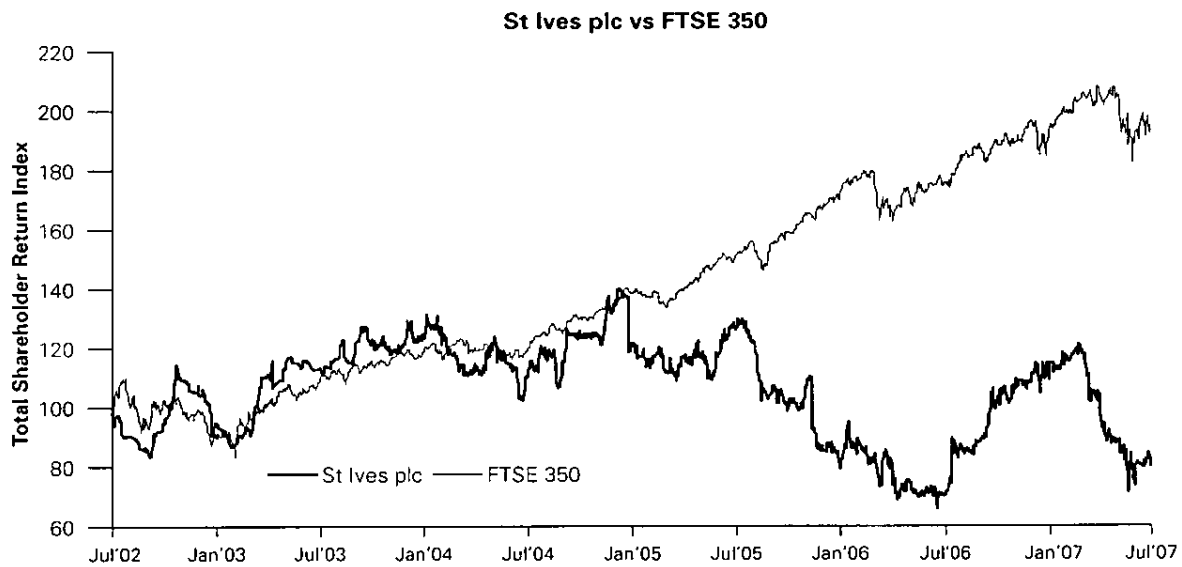
	3 August 2007	28 July 2006
<i>Executive</i>		
Wayne Angstrom	–	126,755
Matthew Armitage (appointed 3 September 2007)	–	–
Brian Edwards	515,117	515,117
Miles Emley	105,884	105,884
Patrick Martell	6,653	6,653
Simon Ward (appointed 4 December 2006)	–	–
<i>Non-executive</i>		
David Best (appointed 1 September 2006)	3,000	–
Simon Marquis	–	–
Richard Stillwell (appointed 1 September 2006)	3,000	–
Sue Tinson	2,000	2,000
David Wilbraham	15,000	15,000

All the above share interests were held beneficially and there has been no change to these, nor to the directors' share options, between the year end and 16 October 2007.

The market price of St Ives plc ordinary shares of 10p each at 3 August 2007 was 232.25 pence and the range during the financial year was 191 pence to 329.75 pence.

DIRECTORS' REMUNERATION REPORT *continued***Performance graph**

A comparison of the Total Shareholder Return of the Company compared with the Total Shareholder Return for the FTSE 350 over the past five years is shown below, and is included in this report pursuant to the requirements of the Directors' Remuneration Report Regulations, 2002.



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

Philip Harris
Company Secretary
16 October 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST IVES PLC

We have audited the Group financial statements of St Ives plc for the 53 weeks ended 3 August 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidation Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 38. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of St Ives plc for the 53 weeks ended 3 August 2007.

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

Respective responsibilities of directors and auditors

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

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the unaudited part of the Directors' Remuneration Report, the Business Review, the Financial Review and the Corporate Governance Statement. We consider the implications for our report if

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

we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 3 August 2007 and of its profit for the 53 weeks then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the group financial statements.

Deloitte Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

16 October 2007

CONSOLIDATED INCOME STATEMENT

		53 weeks to 3 August 2007			52 weeks to 28 July 2006		
Note	Before restructuring costs, provision releases and other one-off items	Restructuring costs, provision releases and other one-off items (note 7)	Total	Before restructuring costs, provision releases and other one-off items (restated – note 2a)	Restructuring costs, provision releases and other one-off items (note 7) (restated – note 2a)	Total (restated – note 2a)	
	£'000	£'000	£'000	£'000	£'000	£'000	
Revenue							
	Existing activities	394,688	–	394,688	382,510	–	382,510
	Acquired activities	30,342	–	30,342	–	–	–
3,4		425,030	–	425,030	382,510	–	382,510
	Cost of sales	(314,951)	(5,530)	(320,481)	(292,682)	(798)	(293,480)
	Gross profit	110,079	(5,530)	104,549	89,828	(798)	89,030
	Sales and distribution costs	(28,681)	(409)	(29,090)	(22,807)	(387)	(23,194)
	Administrative expenses	(47,665)	(1,635)	(49,300)	(41,251)	(371)	(41,622)
	Other operating income						
	Profit on disposal of fixed assets	596	4,809	5,405	–	2,084	2,084
	Other income	–	–	–	704	717	1,421
		596	4,809	5,405	704	2,801	3,505
Profit from operations							
	Existing activities	32,630	(2,765)	29,865	26,474	1,245	27,719
	Acquired activities	1,699	–	1,699	–	–	–
4,5		34,329	(2,765)	31,564	26,474	1,245	27,719
	Investment income	10,171	–	10,171	9,221	–	9,221
	Finance costs	(14,179)	–	(14,179)	(12,758)	–	(12,758)
	Profit/(loss) before tax	30,321	(2,765)	27,556	22,937	1,245	24,182
	Income tax (expense)/credit	(9,460)	2,303	(7,157)	(7,386)	(718)	(8,104)
	Profit/(loss) for the period from continuing operations	20,861	(462)	20,399	15,551	527	16,078
	Loss from discontinued operations	(865)	(13,219)	(14,084)	(964)	(300)	(1,264)
	Net profit/(loss) for the period	19,996	(13,681)	6,315	14,587	227	14,814
Basic and diluted earnings per share							
	From continuing operations			19.80p			15.60p
	From continuing and discontinued operations			6.13p			14.38p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	53 weeks to 3 August 2007	52 weeks to 28 July 2006
	£'000	£'000
Exchange losses on translating foreign operations	(1,189)	(899)
Losses on cash flow hedges taken to equity	–	(85)
Actuarial gains on defined benefit pension schemes	14,936	8,974
Tax on items taken directly to equity	(5,713)	(1,651)
Net income recognised directly in equity	8,034	6,339
Transfer to profit and loss from equity of exchange differences on disposal of foreign operation	38	–
Transfer to the initial carrying amount on non-financial hedged items of cash flow hedges	85	(24)
Tax on items transferred from equity	(26)	7
Profit for the period	6,315	14,814
Total recognised income	14,446	21,136
Transition adjustment on adoption of IAS 32 and IAS 39	–	24
Total recognised income for the period	14,446	21,160

CONSOLIDATED BALANCE SHEET

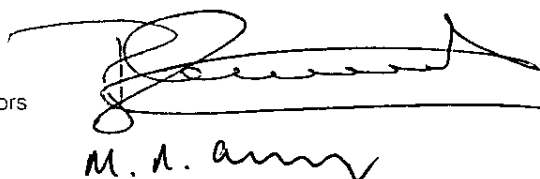
	Note	3 August 2007 £'000	28 July 2006 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	147,006	160,909
Goodwill	15	54,679	54,135
Other intangible assets	16	1,394	1,089
Deferred tax assets	17	4,785	12,065
Other non-current assets	19	338	132
		208,202	228,330
Current assets			
Inventories	18	13,824	12,593
Trade and other receivables	19	78,750	65,600
Cash and cash equivalents	26	7,547	12,620
Assets held for sale	20	3,345	-
		103,466	90,813
Total assets		311,668	319,143
LIABILITIES			
Current liabilities			
Trade and other payables	21	57,485	62,080
Loans and bank overdrafts	22	2,327	21,490
Other financial liabilities	27	419	85
Current tax liabilities		4,293	3,350
Deferred income	23	222	81
Provisions	24	2,973	2,126
		67,719	89,212
Non-current liabilities			
Loans and bank overdrafts	22	27,892	-
Retirement benefit obligations	25	45,203	59,471
Deferred income	23	1,604	411
Other financial liabilities	27	521	714
Provisions	24	4,202	1,434
		79,422	62,030
Total liabilities		147,141	151,242
Net assets		164,527	167,901
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	10,355	10,355
Other reserves	29	45,127	46,334
Retained earnings	30	109,045	111,212
Total Equity		164,527	167,901

These financial statements were approved by the board of directors on 16 October 2007 and signed on its behalf by

Brian Edwards

Matt Armitage

} Directors



M. A. Armitage

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

St Ives plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is St Ives House, Lavington Street, London, SE1 0NX. The nature of the Group's operations and its principal activities are set out in the Business Review, pages 5 to 14.

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

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

- IFRS 7 Financial Instruments: Disclosures; and the related amendment to IAS 1 'Presentation of financial statements' on capital disclosures. The Group will adopt these pronouncements for the period ending 2 August 2008.
- IFRS 8 Operating Segments; the standard is mandatory for accounting periods commencing on or after 1 September 2009
- IFRIC 10 Interim reporting and impairments; the standard is mandatory for accounting periods commencing on or after 1 November 2006.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions; the standard is mandatory for accounting periods commencing on or after 1 September 2009.
- IFRIC 12 Service Concession Arrangements; the standard is mandatory for accounting periods commencing on or after 1 January 2008.
- IFRIC 13 Customer Loyalty Programmes; the standard is mandatory for accounting periods commencing on or after 1 July 2008.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; the standard is mandatory for accounting periods commencing on or after 1 January 2008.

The directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the Group's results or financial position, but IFRS 7 and IFRS 8 are likely to affect the disclosure of information in the Group's financial statements.

2. Significant accounting policies

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

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

In the process of applying the Group's accounting policies, management has made judgements as to the policies that have the most significant effect on the amounts recognised in the financial statements. The accounting estimates and assumptions that management considers to be its critical accounting estimations are detailed and explained in the Financial Review.

CONSOLIDATED CASH FLOW STATEMENT

	Note	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000
Operating activities			
Cash generated from operations	32	37,491	67,648
Interest received		465	255
Interest paid		(2,530)	(1,674)
Income taxes paid		(5,946)	(7,551)
Net cash from operating activities		<u>29,480</u>	<u>58,678</u>
Investing activities			
Acquisitions, net of cash acquired	31	(18,358)	(2,901)
Purchase of property, plant and equipment		(20,396)	(31,085)
Purchase of other intangibles		(813)	(810)
Proceeds on disposal of property, plant and equipment		7,784	6,970
Disposal proceeds of subsidiary, net of cash disposed	11	4,288	-
Regional grants received		1,092	285
Net cash used in investing activities		<u>(26,403)</u>	<u>(27,541)</u>
Financing activities			
Proceeds from issue of share capital		-	198
Loan notes redeemed		(1,287)	(2,317)
Capital element of finance lease rentals		(335)	-
Dividends paid	12	(17,673)	(17,672)
Increase in bank loans		10,000	-
Increase/(decrease) in bank overdrafts		1,641	(4,059)
Net cash used in financing activities		<u>(7,654)</u>	<u>(23,850)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(4,577)</u>	7,287
Cash and cash equivalents at beginning of period		<u>12,620</u>	5,594
Effect of foreign exchange rate changes		(496)	(261)
Cash and cash equivalents at end of period	32	<u>7,547</u>	<u>12,620</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***2. Significant accounting policies** *continued***(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 2006 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 into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) 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, 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.

Interest income

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

(c) 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.

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.

(d) 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 Lease	Period of lease
Plant and machinery	10% – 33½%
Fixtures, fittings and equipment	10% – 33½%
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.

(e) 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 ('CGU') to which the assets belongs.

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

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

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

(f) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***2. Significant accounting policies** *continued***(f) Impairment of goodwill** *continued*

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.

(g) 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.

(h) 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.

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.

(i) 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.

(j) 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.

(k) Foreign currencies

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

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

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

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

(l) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***2. Significant accounting policies** *continued***(m) 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 normal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

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

Bank borrowings

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

Unsecured loan notes

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

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

(n) Retirement benefits

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

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

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

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

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

(o) 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.

(p) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***2. Significant accounting policies** *continued***(q) 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.

(r) 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 (CGUs) for which goodwill has been identified. In arriving at the value in use an estimation of the future cash flows of CGUs and selecting appropriate discount rates is required to calculate present values. This process involves estimation. The carrying value of goodwill at the balance sheet date was £54.7 million (2006 – £54.1 million).

Retirement benefit obligations

The calculation of retirement benefit obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net liability in the balance sheet for retirement benefit obligations is £45.2 million (2006 – £59.5 million).

3. Revenue

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

	2007 £'000	2006 £'000
Continuing operations		
Revenue from the sale of goods and rendering of services	425,030	382,510
Investment income (note 8)	10,171	9,221
	435,201	391,731
Discontinued operations		
Revenue (note 11)	5,947	18,753
Total revenue	441,148	410,484

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 arms length prices.

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

Business segments

	53 weeks to 3 August 2007				Total £'000
	Media Products £'000	Commercial Products £'000	USA £'000	Elimination £'000	
Revenue					
External sales	191,498	174,266	59,266	-	425,030
Inter-segment sales	3,088	1,229	28	(4,345)	-
Total revenue	<u>194,586</u>	<u>175,495</u>	<u>59,294</u>	<u>(4,345)</u>	<u>425,030</u>
Result					
Segmental result	24,332	6,213	(946)	-	29,599
Add back restructuring costs, provision releases and other one-off items	1,982	1,626	2,640	-	6,248
Segmental result before restructuring costs, provision releases and other one-off items	<u>26,314</u>	<u>7,839</u>	<u>1,694</u>	-	<u>35,847</u>
Unallocated corporate expenses (net)					(1,518)
Operating profit before restructuring costs, provision releases and other one-off items					34,329
Total restructuring costs, provision releases and other one-off items					(2,765)
Profit from operations					31,564
Investment income					10,171
Finance costs					(14,179)
Profit before tax					27,556
Income tax expense					(7,157)
Profit for the period from continuing operations					<u>20,399</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*4. **Segment reporting** *continued***Business segments** *continued*

	52 weeks to 28 July 2006 (restated – note 11)				
	Media Products £'000	Commercial Products £'000	USA £'000	Elimination £'000	Total £'000
Revenue					
External sales	186,253	131,202	65,055	–	382,510
Inter-segment sales	1,712	1,476	88	(3,276)	–
Total revenue	<u>187,965</u>	<u>132,678</u>	<u>65,143</u>	<u>(3,276)</u>	<u>382,510</u>
Result					
Segmental result	23,211	2,710	(509)	–	25,412
Add back restructuring costs, provision releases and other one-off items	693	134	268	–	1,095
Segmental result before restructuring costs, provision releases and other one-off items	<u>23,904</u>	<u>2,844</u>	<u>(241)</u>	<u>–</u>	<u>26,507</u>
Unallocated corporate expenses (net)					(33)
Operating profit before restructuring costs, provision releases and other one-off items					26,474
Total restructuring costs, provision releases and other one-off items					1,245
Profit from operations					27,719
Investment income					9,221
Finance costs					(12,758)
Profit before tax					24,182
Income tax expense					(8,104)
Profit for the period from continuing operations					<u>16,078</u>

Other information

	53 weeks to 3 August 2007				
	Media Products £'000	Commercial Products £'000	USA £'000	Corporate £'000	Total £'000
Capital additions	10,654	10,050	1,738	357	22,799
Depreciation and amortisation	12,896	8,359	3,087	1,772	26,114

	52 weeks to 28 July 2006 (restated – note 11)				
	Media Products £'000	Commercial Products £'000	USA £'000	Corporate £'000	Total £'000
Capital additions	12,472	13,586	2,546	5,638	34,242
Depreciation and amortisation	13,109	7,201	4,159	1,755	26,224

Balance sheet

	3 August 2007			
	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
Assets				
Segment assets	104,187	114,649	35,182	254,018
Unallocated corporate assets				57,650
Consolidated total assets				311,668
Liabilities				
Segment liabilities	19,330	25,962	6,057	51,349
Unallocated corporate liabilities				95,792
Consolidated total liabilities				147,141

	28 July 2006 (restated – note 11)			
	Media Products £'000	Commercial Products £'000	USA £'000	Total £'000
Assets				
Segment assets	98,156	105,885	42,716	246,757
Unallocated corporate assets				72,386
Consolidated total assets				319,143
Liabilities				
Segment liabilities	25,587	25,837	7,805	59,229
Unallocated corporate liabilities				92,013
Consolidated total liabilities				151,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***4. Segment reporting** *continued***Discontinued operations**

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

	53 weeks to 3 August 2007		
	Discontinued £'000	Continuing £'000	Commercial Products £'000
Segment revenue			
External sales	5,947	174,266	180,213
Inter-segment sales	-	1,229	1,229
Total revenue	5,947	175,495	181,442
Segment result	(991)	6,213	5,222

	52 weeks to 28 July 2006		
	Discontinued £'000	Continuing £'000	Commercial Products £'000
Segment revenue			
External sales	18,753	131,202	149,955
Inter-segment sales	-	1,476	1,476
Total revenue	18,753	132,678	151,431
Segment result	(1,615)	2,710	1,095

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

Geographical segments

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

Reconciliation of segment assets and liabilities

	3 August 2007	28 July 2006 (restated)
	£'000	£'000
Unallocated corporate assets comprise:		
Corporate property, plant and equipment	44,237	47,435
Other intangible assets	418	-
Corporate trade and other receivables	663	266
Deferred tax asset	4,785	12,065
Cash and cash equivalents	7,547	12,620
	57,650	72,386
Unallocated assets shown in the balance sheet		
Unallocated corporate liabilities comprise:		
Corporate trade and other payables	7,076	3,564
Loans and bank overdrafts (current)	2,327	21,491
Current tax liabilities	4,293	3,350
Deferred income (current)	222	81
Provisions (current)	2,973	2,126
Other financial liabilities	-	85
Loans and bank overdrafts (non-current)	27,892	-
Retirement benefit obligations	45,203	59,471
Deferred income (non-current)	1,604	411
Provisions (non-current)	4,202	1,434
	95,792	92,013
Unallocated liabilities shown in the balance sheet		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***5. Profit from operations**

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

	Continuing operations		Discontinued operations		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Auditors' remuneration						
Statutory services						
– Audit of the Company accounts	71	60	–	–	71	60
– Audit of the accounts of the Company's subsidiaries	406	351	–	35	406	386
Tax services						
– Compliance services	149	155	15	–	164	155
– Advisory services	95	37	22	–	117	37
Other services	30	174	–	–	30	174
	751	777	37	35	788	812
Staff costs (note 6)	147,341	132,115	4,245	10,521	151,586	142,636
Net foreign exchange losses	38	538	–	–	38	538
Depreciation of property, plant and equipment (note 14)	25,304	25,866	410	584	25,714	26,450
Impairment of property, plant and equipment (note 14, 20)	956	–	–	–	956	–
Amortisation of intangible fixed assets (note 16)	810	358	–	–	810	358
Operating lease rentals						
– land and buildings	1,997	1,621	286	729	2,283	2,350
– plant and machinery	944	912	–	–	944	912
– other	342	130	–	–	342	130
Profit on disposal of fixed assets	(5,405)	(3,505)	–	–	(5,405)	(3,505)
Regional grant amortisation (note 23)	(218)	(101)	–	–	(218)	(101)

6. Staff costs

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

	Continuing operations		Discontinued operations		Total	
	2007 Number	2006 Number	2007 Number	2006 Number	2007 Number	2006 Number
Production	3,697	3,440	15	39	3,712	3,479
Sales and distribution	581	461	25	58	606	519
Administration	576	527	10	26	586	553
	4,854	4,428	50	123	4,904	4,551

Their aggregate remuneration comprised:

	2007	2006	2007	2006	2007	2006
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	129,409	114,736	3,677	9,157	133,086	123,893
Social security costs	13,731	12,764	469	1,219	14,200	13,983
Other pension costs	4,348	4,737	99	145	4,447	4,882
	147,488	132,237	4,245	10,521	151,733	142,758
Share based payment (note 34)	(147)	(122)	–	–	(147)	(122)
	147,341	132,115	4,245	10,521	151,586	142,636

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

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

Restructuring costs, provision releases and other one-off items disclosed on the face of the consolidated income statement are as follows:

	2007 £'000	2006 £'000
(Expense)/income		
Restructuring costs	(7,008)	(2,089)
Bid approach costs	(608)	–
Provision releases	42	533
Profit on disposal of fixed assets	4,809	2,084
Other income	–	717
	(2,765)	1,245
Related income tax	2,303	(718)
	(462)	527

Restructuring costs include redundancy and other costs relating to the restructuring of part of all three business segments. The bid approach costs includes professional costs incurred in dealing with the bid approach. Provision releases are disclosed in the middle column on the Income Statement when the provision was originally disclosed there, on the basis that it related to restructuring or other one-off items. Profit on disposal of fixed assets of £4,809,000 includes a profit of £3,900,000 on the sale of a property at Head Office that was surplus to requirements, £274,000 for the sale of the Bristol factory as well as £635,000 on surplus plant and equipment at the Florida manufacturing facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***8. Investment income**

	Continuing operations	
	2007 £'000	2006 £'000
Interest on bank deposits	465	252
Expected return on defined benefit pension scheme assets (note 25)	9,706	8,969
	10,171	9,221

9. Finance costs

	Continuing operations	
	2007 £'000	2006 £'000
Interest on bank overdrafts and loans	2,604	1,686
Interest on obligations under finance leases	31	–
	2,635	1,686
Interest on unsecured loan notes	58	99
Interest charge on settlement of tax issues	–	23
Net interest payable on retirement benefit obligations (note 25)	11,486	10,950
	14,179	12,758

10. Income tax expense

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

	Continuing operations		Discontinued operations		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
United Kingdom corporation tax expense/ (income) at 30% (2006 – 30%):						
Current year	7,014	6,489	(184)	(348)	6,830	6,141
Adjustments in respect of prior years	(504)	(497)	–	–	(504)	(497)
	6,510	5,992	(184)	(348)	6,326	5,644
Overseas current tax expense/(income):						
Current year	(89)	129	–	–	(89)	129
Adjustments in respect of prior years	129	(62)	–	–	129	(62)
Total current tax expense/(credit)	6,550	6,059	(184)	(348)	6,366	5,711
Deferred tax on origination and reversal of temporary differences:						
United Kingdom deferred tax	909	1,482	–	–	909	1,482
Overseas deferred tax	(704)	196	–	–	(704)	196
Adjustments in respect of prior years	402	367	–	–	402	367
Total deferred tax expense (note 17)	607	2,045	–	–	607	2,045
Total income tax expense/(credit)	7,157	8,104	(184)	(348)	6,973	7,756

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

	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Tax on profit before restructuring costs, provision releases and other one-off items	9,460	7,386	(125)	(266)	9,335	7,120
Tax on restructuring costs, provision releases and other one-off items	(2,303)	718	(59)	(82)	(2,362)	636
	7,157	8,104	(184)	(348)	6,973	7,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***10. Income tax expense** *continued*

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

	Continuing operations		Discontinued operations		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Profit/(loss) before tax	27,556	24,182	(14,268)	(1,612)	13,288	22,570
Tax calculated at a rate of 30% (2006 – 30%)	8,627	7,255	(4,280)	(484)	3,987	6,771
Non-deductible losses on disposal of subsidiaries	-	-	4,096	-	4,096	-
Expenses not deductible for tax purposes	882	646	-	-	882	646
Non-taxable income	(1,518)	(450)	-	-	(1,518)	(450)
Revaluation of deferred tax assets and liabilities following enactment of UK tax rate reduction	(618)	-	-	-	(618)	-
Unrelieved tax losses and different statutory tax rates on foreign subsidiaries	117	845	-	136	117	981
Adjustments in respect of prior years	27	(192)	-	-	27	(192)
Total income tax expense/(credit)	7,157	8,104	(184)	(348)	6,973	7,756

11. Discontinued Operations

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

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

	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000
Loss from the Corporate Finance activities		
Revenue	5,947	18,753
Cost of sales	<u>(3,362)</u>	<u>(10,060)</u>
Gross profit	2,585	8,693
Operating costs	<u>(3,576)</u>	<u>(9,926)</u>
Loss from operations	(991)	(1,233)
Financial income	<u>1</u>	<u>3</u>
Loss before tax	(990)	(1,230)
Income tax credit	<u>125</u>	<u>266</u>
Loss after tax before restructuring costs, provision releases and other one-off items	<u>(865)</u>	<u>(964)</u>
	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000
Restructuring costs, provision releases and other one-off items		
Loss on disposal of the Corporate Finance activities	(13,278)	-
Other restructuring costs, provision releases and one-off items	<u>-</u>	<u>(382)</u>
	(13,278)	(382)
Income tax credit	<u>59</u>	<u>82</u>
Restructuring costs, provision releases and other one-off items	<u>(13,219)</u>	<u>(300)</u>
Loss before restructuring costs, provision releases and other one-off items	(865)	(964)
Restructuring costs, provision releases and other one-off items	<u>(13,219)</u>	<u>(300)</u>
Loss from discontinued operations	<u>(14,084)</u>	<u>(1,264)</u>

The effect on segment results is disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***11. Discontinued operations** *continued*

The net assets of the Corporate Finance activities at the date of disposal and at 28 July 2006 were as follows:

	16 January 2007 £'000	28 July 2006 £'000
Property, plant and equipment	925	1,096
Deferred tax assets	1,099	1,099
Inventories	201	171
Trade receivables	1,570	2,215
Bank balances and cash	173	490
Trade payables	(375)	(1,163)
Other liabilities	(300)	(162)
Attributable goodwill	14,408	14,408
	<u>17,701</u>	<u>18,154</u>
Recycling of cumulative foreign exchange translation losses	38	
Loss on disposal before tax	<u>(13,278)</u>	
Total consideration net of legal fees, received in cash	<u>4,461</u>	
Net cash inflow arising from the disposal:	£'000	
Consideration received, net of associated selling costs	4,461	
Cash included in net assets disposed of	<u>(173)</u>	
Proceeds on disposal, net of cash disposed	<u>4,288</u>	

12. Dividends

	per share	2007 £'000	2006 £'000
Final dividend paid for the 52 weeks ended 29 July 2005	12.15p	–	12,521
Interim dividend paid for the 26 weeks to 27 January 2006	5.00p	–	5,151
Final dividend paid for the 52 weeks ended 28 July 2006	12.15p	12,521	–
Interim dividend paid for the 27 weeks to 2 February 2007	5.00p	5,152	–
Dividends paid during the period		<u>17,673</u>	<u>17,672</u>
Proposed final dividend at the period end of 12.15p per share (2006 – 12.15p per share)		<u>12,521</u>	<u>12,521</u>

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

13. Earnings per share

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

Number of shares

	2007 '000	2006 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	103,051	103,047
Dilutive potential ordinary shares from share options	-	-
Diluted weighted average number of shares	103,051	103,047

Basic and diluted earnings per share

	2007		2006 (restated)	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and earnings per share from continuing activities				
Earnings and basic earnings per share	20,399	19.80	16,078	15.60
Restructuring costs, provision releases and other one-off items	462	0.45	(527)	(0.51)
Adjusted earnings and adjusted earnings per share	20,861	20.25	15,551	15.09
Loss and loss per share from discontinued activities				
Loss and basic loss per share	(14,084)	(13.67)	(1,264)	(1.22)
Restructuring costs, provision releases and other one-off items	13,219	12.83	300	0.29
Adjusted loss and adjusted loss per share	(865)	(0.84)	(964)	(0.93)
Basic earnings per share from continuing and discontinued activities		6.13		14.38

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***14. Property, plant and equipment**

	Land and buildings		Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
	Freehold £'000	Long leases £'000			
Cost or valuation:					
At 30 July 2005	69,070	8,358	341,265	22,904	441,597
Exchange differences	(1,005)	(3)	(4,405)	(257)	(5,670)
Acquisitions	1,900	–	961	39	2,900
Additions	2,132	29	25,038	3,333	30,532
Disposals	(5,212)	–	(32,313)	(3,801)	(41,326)
Reclassifications	1,159	(2,692)	464	1,069	–
At 28 July 2006	68,044	5,692	331,010	23,287	428,033
Exchange differences	(1,365)	(4)	(5,938)	(294)	(7,601)
Acquisitions	–	290	2,091	126	2,507
Additions	704	–	16,544	1,893	19,141
Disposals – discontinued operations	–	–	(2,951)	(3,669)	(6,620)
Disposals – other	(2,710)	–	(9,973)	(2,344)	(15,027)
Reclassifications – assets held for sale	(5,165)	–	(12,359)	(633)	(18,157)
Reclassifications – other	113	(579)	(285)	751	–
At 3 August 2007	59,621	5,399	318,139	19,117	402,276
Accumulated depreciation:					
At 30 July 2005	17,412	1,329	246,509	17,439	282,689
Exchange differences	(372)	(2)	(3,558)	(220)	(4,152)
Charge for the period	1,416	435	22,205	2,394	26,450
Disposals	(2,220)	–	(32,205)	(3,438)	(37,863)
Reclassifications	98	(344)	81	165	–
At 28 July 2006	16,334	1,418	233,032	16,340	267,124
Exchange differences	(523)	(3)	(4,908)	(238)	(5,672)
Charge for the period	1,359	387	21,555	2,413	25,714
Impairment losses	–	–	155	110	265
Disposals – discontinued operations	–	–	(2,734)	(2,961)	(5,695)
Disposals – other	(1,350)	–	(9,487)	(2,156)	(12,993)
Reclassifications – assets held for sale	(1,959)	–	(10,881)	(633)	(13,473)
Reclassifications – other	9	(369)	127	233	–
At 3 August 2007	13,870	1,433	226,859	13,108	255,270
Net book value:					
At 3 August 2007	45,751	3,966	91,280	6,009	147,006
At 28 July 2006	51,710	4,274	97,978	6,947	160,909

The land and buildings recorded within property, plant and equipment, together with those classified under assets held for sale, were valued by CB Richard Ellis on 16 November 2006 at £82,982,000. The valuation was carried out on the basis of market value subject to vacant possession. These properties, including the property classified under assets held for sale, are recorded in the financial statements at their net book value of £52,923,000. The valuation shows a surplus over net book value of £30,059,000 which has not been included in the financial statements.

The Group has freehold land, included within property, plant and equipment and assets held for sale, with a book value of £8,097,000 (2006 – £8,476,000) which has not been depreciated. The amount of fully depreciated property, plant and equipment and assets held for sale is £135,618,000 (2006 – £141,741,000).

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £618,000 (2006 – £6,529,000).

The carrying amount of the Group's fixtures and fittings includes an amount of £628,000 (2006 - nil) in respect of assets held under finance lease.

15. Goodwill

	£'000
Cost and carrying amount	
At 30 July 2005	53,946
Additions	189
At 28 July 2006	54,135
Additions (note 31)	14,951
Disposals (note 11)	(14,408)
At 3 August 2007	54,679

Goodwill is allocated amongst the following cash generating units:

	£'000
USA	8,406
SP Group	31,322
Service Graphics	14,951
Total goodwill	54,679

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***15. Goodwill** *continued*

During the period, the Group acquired Service Graphics Limited (note 31). The transaction was accounted for using the purchase method of accounting and consideration in excess of the fair value of acquired net assets was recorded as goodwill. The goodwill was tested in line with Group policy outlined above.

16. Other intangible assets**Computer software**

	£'000
Cost:	
At 29 July 2005	3,961
Exchange differences	(63)
Additions	810
Disposals	(201)
At 28 July 2006	<u>4,507</u>
Exchange differences	(79)
Acquisitions	37
Additions	1,113
Disposals – discontinued operations	(1,133)
Disposals – other	(2)
Reclassifications – assets held for sale	(13)
At 3 August 2007	<u>4,430</u>
Amortisation:	
At 29 July 2005	3,312
Exchange differences	(51)
Charge for the period	358
Disposals	(201)
At 28 July 2006	<u>3,418</u>
Exchange differences	(65)
Charge for the period	810
Disposals – discontinued operations	(1,113)
Disposals – other	(1)
Reclassifications – assets held for sale	(13)
At 3 August 2007	<u>3,036</u>
Net book value	
At 3 August 2007	<u>1,394</u>
At 28 July 2006	<u>1,089</u>

17. Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 28% (2006 – 30%)

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

	2007 £'000	2006 £'000
At the beginning of the period	12,065	16,127
Income statement charge (note 10)	(607)	(2,045)
Acquisitions (note 31)	162	81
Disposals (note 11)	(1,099)	–
Items taken directly to equity	(5,713)	(2,108)
Exchange differences	(23)	10
At the end of the period	4,785	12,065

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	Share-based employee benefits £'000	Derivative financial instruments £'000	Total £'000
Balance at 29 July 2005	(13,515)	23,725	(1,234)	757	6,284	110	–	16,127
(Charge)/credit to income statement	3,410	(1,875)	262	(268)	(3,464)	(110)	–	(2,045)
Items taken directly to equity	–	(2,134)	–	–	–	–	26	(2,108)
Acquisitions	–	–	–	–	81	–	–	81
Exchange differences	211	–	–	–	(201)	–	–	10
Balance at 28 July 2006	(9,894)	19,716	(972)	489	2,700	–	26	12,065
(Charge)/credit to income statement	788	(1,317)	(99)	1,446	(1,425)	–	–	(607)
Items taken directly to equity	–	(5,743)	–	–	56	–	(26)	(5,713)
Acquisitions	105	–	–	–	57	–	–	162
Disposal of subsidiary	–	–	–	(1,099)	–	–	–	(1,099)
Exchange differences	268	–	–	(33)	(258)	–	–	(23)
Balance at 3 August 2007	(8,733)	12,656	(1,071)	803	1,130	–	–	4,785

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

	2007 £'000	2006 £'000
Deferred tax liabilities	–	(2)
Deferred tax assets	4,785	12,067
	4,785	12,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***17. Deferred tax** *continued*

The deferred tax liabilities have been presented netted against deferred tax assets in the comparative period because they are insignificant.

At 3 August 2007 deferred tax assets in respect of losses, at current tax rates, all of which have an unlimited life, are as follows:

	2007 £'000	2006 £'000
Recognised deferred tax in respect of losses	803	1,826
Unrecognised deferred tax in respect of capital losses	7,145	–
Unrecognised deferred tax in respect of revenue losses	3,443	3,283
	<u>11,391</u>	<u>5,109</u>

18. Inventories

	2007 £'000	2006 £'000
Raw materials	7,325	7,330
Work-in-progress	6,626	5,349
	<u>13,951</u>	<u>12,679</u>
Less: payments on account	(127)	(86)
	<u>13,824</u>	<u>12,593</u>

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

19. Trade and other receivables

	2007 £'000	2006 £'000
<i>Current</i>		
Trade debtors	71,875	58,831
Other debtors	4,162	3,929
Prepayments and accrued income	2,713	2,840
	<u>78,750</u>	<u>65,600</u>
<i>Non-current</i>		
Other debtors	338	132

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

The Group's allowance for bad and doubtful receivables is £3,910,000 (2006 – £4,950,000). The decrease in the provision is discussed in the financial review.

20. Assets held for sale

	2007 £'000	2006 £'000
Freehold land and buildings	3,206	–
Plant and equipment	139	–
	<u>3,345</u>	<u>–</u>

Assets held for sale relate to property, plant and equipment at the Florida, USA facility which are surplus to requirements. The balance of plant and equipment is stated net of impairment losses of £406,000 (2006 – £nil). In addition, impairment losses of £285,000 were recorded on assets held for sale which were sold prior to the year end. Assets held for sale are included in the USA reporting segment.

21. Trade and other payables

	2007 £'000	2006 £'000
<i>Current</i>		
Trade creditors	21,751	31,395
Other creditors	9,283	10,853
Other taxes and social security	7,732	5,978
Accruals and deferred income	18,719	13,854
	<u>57,485</u>	<u>62,080</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***22. Loans and bank overdrafts**

	2007 £'000	2006 £'000
Unsecured loan notes	358	1,644
Bank overdrafts	1,969	327
Bank loans	27,892	19,519
	<u>30,219</u>	<u>21,490</u>

The borrowings are repayable as follows:

	2007 £'000	2006 £'000
On demand or within one year	2,327	21,490
Between two and three years	27,892	-
	<u>30,219</u>	<u>21,490</u>

Unsecured loan notes

	2007 £'000	2006 £'000
Balance outstanding		
2006 Notes	-	339
2008 Notes	358	1,305
	<u>358</u>	<u>1,644</u>
Redeemed during the period		
2006 Notes	339	2,263
2008 Notes	948	54
	<u>1,287</u>	<u>2,317</u>

2008 Notes not previously purchased by the Company will be repaid in full at par value, with accrued interest, on 30 June 2008.

The 2006 and 2008 Notes carry interest payable semi-annually, respectively, at 1.15 per cent and 0.5 per cent below the base rate published by The Royal Bank of Scotland plc.

Bank overdrafts and loans

On 20 July 2007 the Group entered into an £80 million 3 year revolving multicurrency loan agreement of which £25 million is an overdraft facility which is renewable annually. Interest is payable at 0.65% over LIBOR. Loans are repayable on the third anniversary of the agreement. As at 3 August 2007 the Group outstanding loans, within this agreement, were US\$36.5 million and £10 million. At 29 July 2006, US\$36.5 million was a short-term loan and was classified within current liabilities.

As at 3 August 2007 there was no loan or overdraft secured against the assets of the Group (2006 - £nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

23. Deferred income

	2007 £'000	2006 £'000
Regional grants:		
Balance at the beginning of the period	492	308
Receivable during the period	1,552	285
Transfer to income statement (note 5)	(218)	(101)
Balance at the end of the period	1,826	492
Current liability	222	81
Non-current liability	1,604	411
	1,826	492

Included in amounts receivable during the period is £460,000 that was still outstanding at 3 August 2007 (28 July 2006 – nil).

24. Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Provision for additional consideration £'000	Total £'000
Balance at 29 July 2005	999	4,178	–	5,177
Exchange differences	(7)	(34)	–	(41)
Charged to the income statement	47	1,540	–	1,587
Credited to the income statement	(21)	(423)	–	(444)
Utilised during the period	(73)	(2,646)	–	(2,719)
Balance at 28 July 2006	945	2,615	–	3,560
Exchange differences	5	(4)	–	1
Acquisition of subsidiary undertaking	473	–	775	1,248
Disposal of subsidiary	(111)	(122)	–	(233)
Charged to the income statement	177	4,574	–	4,751
Credited to the income statement	–	(214)	–	(214)
Utilised during the period	(132)	(1,715)	(91)	(1,938)
Balance at 3 August 2007	1,357	5,134	684	7,175
Current liability	226	2,747	–	2,973
Non-current liability	1,131	2,387	684	4,202
	1,357	5,134	684	7,175

Provision for repairs

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, provision for repairs is made for these estimated costs over a period of the lease. It is anticipated that these liabilities will crystallise between 2007 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***24. Provisions** *continued**Provision for reorganisation*

The provision for reorganisation relates primarily to the remaining costs in respect of plant closures and relocation and comprises severance payments, plant relocation and other costs, unfunded pension liabilities and onerous property costs which are expected to be settled by 2008. Also included are UK leasehold liabilities which are expected to be settled over the period of a lease which expires in 2013.

Provision for additional consideration

£600,000 was provided on acquisition of Service Graphics Limited for additional consideration payable to the vendors (see note 31). In addition, at the time of acquisition, Service Graphics itself had a provision of £175,000 for deferred consideration payable to the former owners of its subsidiary PR Exhibitions Limited, of which £91,000 was paid 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 of £522,000 (2006 - £484,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 3 August 2007, contributions of £59,000 (2006 - £39,000) due in respect of the 2007 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 £461,000 (2006 - £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, but benefits continue to accrue for existing active members.

The most recent full actuarial valuations of the scheme assets and the present value of the defined benefit obligation were carried out at 6 April 2005 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 3 August 2007. 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:

	2007 per annum	2006 per annum
Discount rate	5.7%	5.1%
Expected rate of inflation	3.1%	2.9%
Expected rate of salary increases	4.1%	3.9%
Future pension increases	3.1%	2.9%

Post retirement mortality in the 2007 calculation is based on the PA92 tables with a year of birth projection and an allowance for the medium cohort effect. The mortality has been adjusted to allow for a 16% greater probability of death as suggested by SAPS data. The 2006 calculation used the PA92 tables with a year of birth projection.

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

	2007 £'000	2006 £'000
Present value of funded obligations	220,872	225,887
Fair value of scheme assets	(175,669)	(166,416)
	<u>45,203</u>	<u>59,471</u>

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

	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000
Current service cost	3,697	3,801
Settlements/curtailments	(390)	–
Interest on obligation (note 9)	11,486	10,950
Expected return on scheme assets (note 8)	(9,706)	(8,969)
	<u>5,087</u>	<u>5,782</u>

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 £8,795,000 (2006 – £13,145,000).

Changes in the present value of defined benefit obligation are as follows:

	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000
Opening defined benefit obligation	225,887	219,965
Service cost	3,697	3,801
Interest cost	11,486	10,950
Curtailments and settlements	(390)	–
Contributions by scheme participants	1,910	2,087
Age-related rebates	1,099	1,714
Actuarial gains and losses	(15,847)	(4,798)
Benefits paid	(6,970)	(7,832)
Closing defined benefit obligation	<u>220,872</u>	<u>225,887</u>

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

	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 £'000
Opening fair value of scheme assets	166,416	153,381
Expected returns	9,706	8,969
Actuarial gains and losses	(911)	4,176
Contributions by employer	4,419	3,921
Contributions by scheme members	1,910	2,087
Age-related rebates	1,099	1,714
Benefits paid	(6,970)	(7,832)
Closing fair value of scheme assets	<u>175,669</u>	<u>166,416</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***25. Retirement benefits** *continued*

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

	Long-term rate of return expected at 3 August 2007 per annum	Value at 3 August 2007 £'000	Long-term rate of return expected at 28 July 2006 per annum	Value at 28 July 2006 £'000
Equity instruments	7.0%	80,794	7.0%	81,341
Bonds	5.2%	93,089	4.7%	83,503
Other	5.7%	1,786	4.7%	1,572
		175,669		166,416

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 advice from the actuary. 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 periods is as follows:

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

The Group expects to contribute approximately £4,200,000 to its defined benefits scheme in 2008.

26. Financial risk management

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

Interest rate risk

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

Liquidity risk

The Group's policy is to maintain flexibility with respect to its liquidity position, by utilising short-term cash deposits and where necessary short-term bank borrowings for working capital and longer term borrowings for capital expenditure requirements. The £80 million 3 year revolving multicurrency agreement includes an overdraft facility of £25 million to fund short term working capital requirements. Loans in foreign currencies are used as a hedge against net investments in overseas subsidiaries.

Foreign exchange risk

The Group has overseas subsidiaries which operate in the USA and in The Netherlands and whose revenues and expenses are denominated exclusively in the relevant foreign currencies. In order to provide some protection to the Group's Sterling balance sheet from the movements in these foreign exchange rates, the Group does, when appropriate, finance part of its net investment in these subsidiaries by means of borrowings in matching currencies subject to the interest costs of those borrowings.

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 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.

(a) 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

	2007 £'000	2006 £'000
Sterling	18	2,291
Dollar	6,552	4,787
Other	977	5,542
	<u>7,547</u>	<u>12,620</u>

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

	2007 £'000	2006 £'000
Sterling	12,327	1,971
Dollar	17,892	19,519
	<u>30,219</u>	<u>21,490</u>

The Group's financial liabilities comprise borrowings which bear interest at floating rates based upon LIBOR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***26. Financial risk management** *continued***(b) Hedge of net investment in foreign entity**

The Group has a US Dollar denominated loan, which it has designed as a hedge for part of its net investment in its subsidiaries in the USA. The fair value of the designated borrowings was £17,892,000 (2006 - £19,519,000). The foreign exchange gain of £1,626,000 (2006 - loss of £1,220,000) on the translation of the borrowings into Sterling has been recognised in the Group's hedging and translation reserve.

27. Other financial liabilities

	2007 £'000	2006 £'000
<i>Current</i>		
Finance lease obligations	419	–
Derivative liabilities	–	85
	<u>419</u>	<u>85</u>
<i>Non-current</i>		
Finance lease obligations	208	–
Other financial liabilities	313	714
	<u>521</u>	<u>714</u>

At 3 August 2007 the Group held no forward foreign exchange contracts designated as cash flow hedges (2006 notional value of cash flow hedges – £5,429,000).

The derivative liabilities in 2006 related to foreign exchange contracts.

Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts payable under finance leases:				
Within one year	448	–	419	–
Between two and five years	214	–	208	–
In more than five years	–	–	–	–
	<u>662</u>	<u>–</u>	<u>627</u>	<u>–</u>
Less: future finance charges	(35)	–	–	–
Present value of lease obligations	<u>627</u>	<u>–</u>	<u>627</u>	<u>–</u>
Less current portion (shown within current liabilities)			(419)	–
Amount due for settlement after one year			<u>208</u>	<u>–</u>

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

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

28. Share capital

	Number of shares	2007 £'000	2006 £'000
Authorised:			
10p ordinary shares	160,000,000	16,000	16,000
		Ordinary shares of 10p each £'000	Ordinary shares of 10p each £'000
Issued and fully paid:			
At the beginning of the year	103,551,005	10,355	10,349
Exercise of share options	-	-	6
At the end of the period	103,551,005	10,355	10,355

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

During the prior period 59,934 10p ordinary shares were issued as a result of share options exercised for cash consideration of £198,000.

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 30 July 2005	46,497	(1,913)	1,238	331	629	46,782
Shares issued at premium	192	-	-	-	-	192
Exchange differences and related tax	-	-	-	-	(433)	(433)
Cash flow hedges:						
Losses taken to equity	-	-	-	-	(85)	(85)
Transferred to fixed assets	-	-	-	-	(24)	(24)
Tax on items taken directly to or transferred from equity	-	-	-	-	24	24
Recognition of share-based payments	-	-	-	(122)	-	(122)
Balance at 28 July 2006	46,689	(1,913)	1,238	209	111	46,334
Exchange differences and related tax	-	-	-	-	(1,157)	(1,157)
Transferred to income statement	-	-	-	-	38	38
Cash flow hedges:						
Transferred to fixed assets	-	-	-	-	85	85
Tax on items taken directly to or transferred from equity	-	-	-	-	(26)	(26)
Recognition of share-based payments	-	-	-	(147)	-	(147)
Balance at 3 August 2007	46,689	(1,913)	1,238	62	(949)	45,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***30. Retained earnings**

	£'000
Balance at 30 July 2005	107,230
Dividends paid (note 12)	(17,672)
Profit for the year attributable to equity holders of the parent	14,814
Actuarial gains on defined benefit pension schemes, net of associated tax	<u>6,840</u>
Balance at 28 July 2006	111,212
Dividends paid (note 12)	(17,673)
Profit for the year attributable to equity holders of the parent	6,315
Actuarial gains on defined benefit pension schemes, net of associated tax	<u>9,191</u>
Balance at 3 August 2007	<u>109,045</u>

31. Acquisition of subsidiary

On 6 November 2006, the Group acquired the whole of the issued share capital of Services Graphics Limited for an initial cash consideration of £18.2 million. Additional consideration may be paid to certain shareholders at 50% of profit before interest and taxation in excess of £2.97 million for each of the years ending 31 December 2007 and 2008 up to a maximum additional consideration of £7.0 million. The additional consideration of £600,000 noted below is the directors' estimate of the total additional consideration payable.

Service Graphics Limited and its subsidiary are involved in large format graphics principally for exhibition and events in the UK ('the Service Graphics Group').

The transaction has been accounted for by the purchase method of accounting.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Non-current assets			
Property, plant and equipment	2,488	–	2,488
Deferred tax	147	15	162
	<u>2,635</u>	<u>15</u>	<u>2,650</u>
Current assets			
Inventories	984	–	984
Trade and other receivables	8,809	(250)	8,559
Bank and cash balances	173	–	173
	<u>9,966</u>	<u>(250)</u>	<u>9,716</u>
Current liabilities			
Trade and other payables	(6,032)	–	(6,032)
Other current liabilities	(1,646)	488	(1,158)
	<u>(7,678)</u>	<u>488</u>	<u>(7,190)</u>
Net current assets	2,288	238	2,526
Non-current liabilities	(698)	(298)	(996)
Net assets	<u>4,225</u>	<u>(45)</u>	<u>4,180</u>
Goodwill (note 15)			14,951
Consideration			
Initial, paid in cash		18,244	
Professional fees and stamp duty		287	
Additional consideration		600	
Total consideration			<u>19,131</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(18,531)
Cash and cash equivalents acquired			173
			<u>(18,358)</u>

The goodwill arising on the acquisition of Service Graphics Limited is attributable to the anticipated future profitability and the future operating synergies within the combined businesses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***31. Acquisition of subsidiary *continued***

The Service Graphics Group contributed £30.3m revenue and £1.7m to the Group's profit before tax for the period from the date of acquisition to the balance sheet date. Revenue and operating profit would not have been materially different if Service Graphics Group had been owned and consolidated from the start of the period.

The acquisition-related cash outflow in 2006 was the purchase of the Burnley point-of-sale business from Marks & Spencer plc.

32. Notes to the consolidated cash flow statement

	2007 £'000	2006 £'000
<i>Reconciliation of cash generated from operations</i>		
Profit from continuing operations	31,564	27,719
Loss from discontinued operations	(991)	(1,615)
Adjustments for:		
Depreciation of property, plant and equipment	25,714	26,450
Impairment losses	956	-
Amortisation of intangible assets	810	358
Gain on disposal of property, plant and equipment	(5,405)	(3,505)
Deferred income	(218)	(101)
Share-based payment credit	(147)	(122)
Decrease in retirement benefit obligations	(1,112)	(120)
Increase/(decrease) in provisions	2,098	(1,575)
Operating cash inflows before movements in working capital	53,269	47,489
(Increase)/decrease in inventories	(726)	495
(Increase)/decrease in receivables	(6,157)	10,088
(Decrease)/increase in payables	(8,895)	9,576
Cash generated from operations	37,491	67,648

Analysis of net debt

	29 July 2006 £'000	Acquisition £'000	Cash flow movements £'000	Exchange movements £'000	3 August 2007 £'000
Cash and cash equivalents	12,620	-	(4,577)	(496)	7,547
Bank overdrafts	(327)	-	(1,642)	-	(1,969)
Bank loans	(19,518)	-	(10,000)	1,626	(27,892)
Loan notes	(1,645)	-	1,287	-	(358)
Finance leases	-	(962)	335	-	(627)
	(8,870)	(962)	(14,597)	1,130	(23,299)

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

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

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

Cash flows from discontinued operations

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

	2007 £'000	2006 £'000
Net cash used in operating activities	(210)	(506)
Net cash (used in)/from investing activities	(107)	608
Net (decrease)/increase in cash from discontinued activities	<u>(317)</u>	<u>102</u>

33. Capital and other commitments

	2007 £'000	2006 £'000
Capital expenditure contracted but not provided	<u>11,540</u>	<u>13,770</u>

At 3 August 2007, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2007		2006	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	2,226	1,389	2,024	1,053
Between two and five years	6,018	1,495	7,065	1,668
After five years	6,036	–	7,228	–
	<u>14,280</u>	<u>2,884</u>	<u>16,317</u>	<u>2,721</u>

34. 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 35 of the Directors' Remuneration Report. A reconciliation of the movement in the number of share options is shown below:

	2007		2006	
	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	1,070,000	3.83	1,120,000	3.83
Granted during the period	339,400	3.17	–	–
Forfeited during the period	(237,500)	3.84	(50,000)	3.82
Outstanding at the end of the period	<u>1,171,900</u>	<u>3.63</u>	<u>1,070,000</u>	<u>3.83</u>
Exercisable at the end of the period	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***34. 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 35 of the Directors' Remuneration Report. The performance condition for the grant made in November 2003 was not met and so on 24 May 2007 the options lapsed.

In respect of grant made in 2004, participants have the right, dependent on the extent to which the relevant performance condition is met, to subscribe for up to a maximum of 56,964 ordinary shares in the Company for nil consideration, exercisable prior to 24 May 2008 (using the year ended 30 July 2004 as the base year).

	2007 Number of share options	2006 Number of share options
Outstanding at the beginning of the period	106,500	691,404
Granted during the period	–	–
Forfeited during the period	–	–
Expired during the period	(49,536)	(584,904)
Outstanding at the end of the period	<u>56,964</u>	<u>106,500</u>
Exercisable at the end of the period	–	–

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

	2007	2006
Weighted average mid-market share price	£3.19	£3.86
Weighted average share price	£3.17	£3.83
Expected life	5.7 years	5.7 years
Expected volatility	25.00%	25.00%
Risk free rate	5.28%	4.66% to 5.02%
Dividend yield	5.00%	4.50%

The Group recognised a total credit of £147,000 (2006 – £122,000) relating to equity-settled share-based payment transactions.

35. Related party transactions

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

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

Remuneration of key management personnel

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

	2007 £'000	2006 £'000
Short-term employee benefits	3,513	3,253
Post-employment benefits	384	435
Other long term benefits	-	-
Termination benefits	260	210
Share-based payment	(147)	(61)
	<u>4,010</u>	<u>3,837</u>

36. Reconciliation of EBITDA

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

	53 weeks to 3 August 2007				
	Media Products £'000	Commercial Products £'000	USA £'000	Unallocated corporate income (expense) £'000	Total £'000
Segmental result before restructuring costs, provision releases and other one-off items	26,314	7,839	1,695	(1,518)	34,330
Depreciation and amortisation	12,896	8,359	3,087	1,772	26,114
EBITDA continuing operations	<u>39,210</u>	<u>16,198</u>	<u>4,782</u>	<u>254</u>	<u>60,444</u>

	52 weeks to 28 July 2006 (restated – note 11)				
	Media Products £'000	Commercial Products £'000	USA £'000	Unallocated corporate income (expense) £'000	Total £'000
Segmental result before restructuring costs, provision releases and other one-off items	23,904	2,844	(241)	(33)	26,474
Depreciation and amortisation	13,109	7,201	4,159	1,755	26,224
EBITDA continuing operations	<u>37,013</u>	<u>10,045</u>	<u>3,918</u>	<u>1,722</u>	<u>52,698</u>

37. Events after the balance sheet date

There have been no events after balance sheet date requiring adjustment or disclosure in the financial statements for the period ended 3 August 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***38. List of principal undertakings**

The principal trading subsidiaries of the Company as at 3 August 2007 are shown below. All are wholly owned subsidiaries. With the exception of any marked (†) which are owned directly, all are owned via wholly owned intermediate holding companies.

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

	Location
Clays Limited	Bungay
St Ives Andover Limited	Andover
St Ives Blackburn Limited	Blackburn
St Ives Burnley Limited	Burnley
St Ives Crayford Limited	Crayford
St Ives Direct Bradford Limited	Bradford/Leeds
St Ives Direct Edenbridge Limited	Edenbridge
St Ives Direct Leeds Limited	Leeds
St Ives Direct Romford Limited	Romford
St Ives Financial Limited	London
St Ives Graphic Media Limited	Leeds
St Ives Peterborough Limited	Peterborough
St Ives Plymouth Limited	Plymouth
St Ives Roche Limited	Roche
St Ives Westerham Press Limited	Edenbridge
Service Graphics Limited†	London & other UK sites
SP Group Limited	Birmingham/Redditch
SouthWest Mailing Limited	Roche
The following companies are incorporated overseas:	
St Ives Inc Florida	USA
St Ives Inc Cleveland	USA
St Ives Uden BV	The Netherlands

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 53 weeks ended 3 August 2007 which comprises the Balance Sheet and the related notes 1 to 17. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of St Ives plc for the 53 weeks ended 3 August 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST IVES PLC *continued***Basis of audit opinion**

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

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

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 3 August 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

16 October 2007

COMPANY BALANCE SHEET

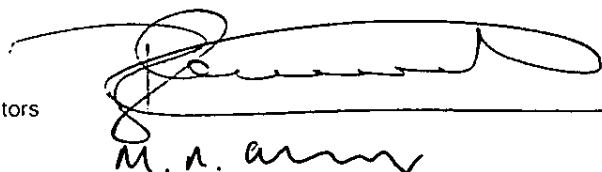
	Note	3 August 2007 £'000	28 July 2006 (restated - note 2) £'000
Fixed assets			
Intangible assets	6	113	151
Tangible assets	7	43,664	46,536
Investments	8	173,484	155,576
		<u>217,261</u>	<u>202,263</u>
Current assets			
Debtors – amounts falling due within one year	9	8,318	7,677
Debtors – amounts falling due after more than one year	9	156	33
Cash at bank and in hand		7,008	8,076
		<u>15,482</u>	<u>15,786</u>
Creditors: amounts falling due within one year	10	<u>(25,951)</u>	<u>(40,557)</u>
Net current liabilities		<u>(10,469)</u>	<u>(24,771)</u>
Total assets less current liabilities		206,792	177,492
Creditors: amounts falling due after more than one year	10	<u>(27,892)</u>	<u>(9,597)</u>
Provision for liabilities	12	<u>(2,192)</u>	<u>(44)</u>
Net assets		<u>176,708</u>	<u>167,851</u>
Capital and reserves			
Share capital	13	10,355	10,355
Share premium account	13	46,689	46,689
Other reserves	14	(613)	(466)
Profit and loss account	15	120,277	111,273
Total equity		<u>176,708</u>	<u>167,851</u>

These financial statements were approved by the board of directors on 16 October 2007 and signed on its behalf by

Brian Edwards

Matt Armitage

Directors



M. A. Armitage

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.

Financial Reporting Standard 20: "Share options" ('FRS 20') was adopted during the accounting period. The adoption of the standard represents a change in accounting policy, and the prior period has been restated to reflect this change, as detailed in note 2.

The company has also changed its accounting policy in relation to investments in subsidiaries (see note 2). All other accounting policies have been applied consistently throughout the accounting period and the preceding period. The particular accounting policies adopted are described below.

(a) Accounting convention

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

(b) Accounting period

The financial statements are prepared for the fifty three weeks ended 3 August 2007 ('the financial year'). Comparative figures are for the fifty two weeks ended 28 July 2006.

(c) Tangible fixed assets

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

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

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

(d) Investments

In previous years, the company revalued its investments in subsidiaries to the directors' valuation and stated them at net asset value. In the current year, the Directors have revised this policy and investments are stated at historical cost, less any provision for impairment. The accounts have been restated to reflect this change.

(e) Tax

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

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

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

(f) Provision for repairs

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

(g) Foreign currencies

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

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

(h) Share-based payments

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

(i) Derivative financial instruments

The Company adopted FRS 25 and FRS 26 with effect from 30 July 2005.

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.

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 profit and loss account. Gains or losses accumulated in equity are included in the profit and loss account 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

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued***1. Accounting policies** *continued**(i) Derivative financial instruments continued*

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 benefit 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 16.

(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. Prior period adjustments: changes in accounting policies

The company changed its accounting policy in respect of investments in subsidiaries and share-based payments during the period. Investments in subsidiaries are carried at historical cost less impairment losses. In previous reporting periods they were revalued to net book value in accordance with the consolidated financial statements on page 47. Share-based payments were not previously recognised in the profit and loss account or other reserves. The adoption of FRS 20 during the year has resulted in the expense and related share option reserve being recognised.

Investments, share option reserve and retained earnings in the prior period have been restated to reflect these changes in accounting policy. The effect of these restatements are detailed in notes 3, 8, 14 and 15.

3. Profit from operations

As permitted by Section 230 of the Companies Act 1985, no profit and loss account of the Company is included in these financial statements. The profit for the financial period for the Company was £27.1 million (2006 restated – £21.9 million).

	£'000
Profit for the prior financial period – as reported	22,178
Prior period adjustment in respect of investments in subsidiaries (note 2)	(50)
Prior period adjustment in respect of the adoption of FRS 20 (note 2)	(209)
Profit for the prior financial period – restated	<u>21,919</u>

The prior period adjustments reflect the impact on profit from stating investments at historical cost net of impairment losses rather than at net asset value, and the inclusion of share based payments as a result of the adoption of FRS 20.

4. Auditor's remuneration

Fees paid to the auditors in respect of their audit of the Company were £71,600 (2006 – £59,600).

5. Employee information

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

	2007 Number	2006 Number
Sales and distribution	14	11
Administration	35	34
	<u>49</u>	<u>45</u>

Their aggregate remuneration comprised:

	2007 £'000	2006 £'000
Wages and salaries	3,742	2,506
Social security costs	348	341
Other pension costs	389	786
Share-based payment	63	(18)
	<u>4,542</u>	<u>3,615</u>

6. Intangible fixed assets

	Cost £'000	Accumulated amortisation £'000	Net book value £'000
Goodwill:			
At 29 July 2006	189	(38)	151
Amortisation charge for the period	–	(38)	(38)
At 3 August 2007	<u>189</u>	<u>(76)</u>	<u>113</u>

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued***7. Tangible fixed assets**

	Land and buildings		Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
	Freehold £'000	Long leases £'000			
Cost or valuation:					
At 30 July 2005	49,680	6,656	3,138	2,040	61,514
Additions	3,881	10	1,350	397	5,638
Transfers from subsidiaries	844	–	1,220	18	2,082
Transfers to subsidiaries	–	–	(1,336)	(13)	(1,349)
Disposals	(5,212)	–	–	(80)	(5,292)
Reclassifications	901	(901)	–	–	–
At 28 July 2006	50,094	5,765	4,372	2,362	62,593
Additions	–	–	–	362	362
Transfers to subsidiaries	–	–	–	(78)	(78)
Disposals	(2,715)	–	(1,573)	(1,348)	(5,636)
Reclassifications	–	–	–	–	–
At 3 August 2007	47,379	5,765	2,799	1,298	57,241
Accumulated depreciation:					
At 30 July 2005	11,076	1,272	2,419	1,659	16,426
Charge	905	326	286	229	1,746
Transfers from subsidiaries	167	–	–	12	179
Transfers to subsidiaries	–	–	–	(11)	(11)
Disposals	(2,219)	–	–	(64)	(2,283)
Reclassifications	98	(98)	–	–	–
At 28 July 2006	10,027	1,500	2,705	1,825	16,057
Charge	912	306	247	297	1,762
Transfers to subsidiaries	–	–	–	(42)	(42)
Disposals	(1,349)	–	(1,547)	(1,304)	(4,200)
At 3 August 2007	9,590	1,806	1,405	776	13,577
Net book value:					
At 3 August 2007	37,789	3,959	1,394	522	43,664
At 28 July 2006	40,067	4,265	1,667	537	46,536

The company has freehold land with a book value of £6,040,000 (2006 – £6,205,000) which has not been depreciated.

The net book value of the Company's land and buildings includes £222,000 (2006 – £230,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £96,000 (2006 – £100,000).

The land and buildings recorded within property, plant and equipment were valued by CB Richard Ellis on 16 November 2006 at £66,920,000. The valuation was carried out on the basis of market value subject to vacant possession. These properties are recorded in the financial statements at their net book value of £41,748,000. The revaluation shows a surplus over net book value of £25,172,000 which has not been included in the financial statements.

8. Investments held as fixed assets

	Shares at cost £'000	Loans £'000	Revaluation to net asset value £'000	Total £'000
Investment in subsidiaries:				
Balance at 29 July 2006	106,011	49,565	50	155,626
Prior year adjustment (note 2)	-	-	(50)	(50)
Balance at 29 July 2006 (as restated)	106,011	49,565	-	155,576
Additions	13,198	11,780	-	24,978
Repayment of loans by group companies	-	(4,927)	-	(4,927)
Foreign exchange revaluation	-	(2,143)	-	(2,143)
Balance at 3 August 2007	119,209	54,275	-	173,484

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 38 to the consolidated financial statements.

Additions relate to the acquisition of Service Graphics detailed in note 31 to the consolidated financial statements.

The prior year adjustment reflects the restatement of investments at historical cost net of impairment losses.

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

	2007 £'000	2006 £'000
<i>Within one year</i>		
Amounts owed by group undertakings	2,789	2,850
Other debtors	305	138
Tax recoverable	4,614	4,571
Prepayments and accrued income	202	118
Defined contribution pension scheme prepayments	409	-
	8,318	7,677
<i>After more than one year</i>		
Deferred tax asset	-	33
Prepayments and accrued income	156	-
	156	33

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued***10. Creditors: amounts falling due within and after more than one year**

	2007 £'000	2006 £'000
<i>Within one year</i>		
Amounts owing to group undertakings	3,109	3,977
Unsecured loan notes (note 11)	358	1,644
Bank loans and overdrafts (note 11)	15,364	29,930
Trade creditors	395	520
Other creditors including tax and social security	6,712	4,368
Accruals and deferred income	13	33
Derivative financial instruments	-	85
	25,951	40,557
<i>After more than one year</i>		
Amounts owing to group undertakings	-	9,597
Bank loans and overdrafts (note 11)	27,892	-
	27,892	9,597

11. Borrowings and finance lease obligations

	2007 £'000	2006 £'000
<i>Within one year</i>		
Unsecured loan notes	358	1,644
Bank overdrafts	15,364	10,411
Bank loans	-	19,519
	15,722	31,574
<i>After more than one year</i>		
Bank loans		
Between two and five years	27,892	-

As at 3 August 2007 there were no bank loans secured on land, buildings, plant or machinery (2006 – £nil).

	2007 £'000	2006 £'000
Unsecured loan notes		
<i>Balance outstanding</i>		
2006 Notes	-	339
2008 Notes	358	1,305
	358	1,644
<i>Redeemed during the period</i>		
2006 Notes	339	2,263
2008 Notes	948	54
	1,287	2,317

2008 Notes not previously purchased by the Company will be repaid in full at par value, with accrued interest, on 30 June 2008.

The 2006 and 2008 Notes carry interest payable semi-annually, respectively, at 1.15 per cent and 0.5 per cent below the base rate published by The Royal Bank of Scotland plc.

Bank overdrafts and loans

On 20 July 2007 the Company entered into an £80 million 3 year revolving multicurrency loan agreement of which £25 million is an overdraft facility which is renewable annually. Interest is payable at 0.65% over LIBOR. Loans are repayable on the third anniversary of the agreement. As at 3 August 2007 the Company's outstanding loans, within this agreement, were US\$36.5 million and £10 million. At 29 July 2006, US\$36.5m was a short-term loan and was classified within current liabilities.

As at 3 August 2007 there was no loan or overdraft secured against the assets of the Company (2006 – £nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company's overdraft is guaranteed by certain United Kingdom subsidiary undertakings and the Company guarantees the loans and overdrafts of those United Kingdom subsidiary undertakings. At 3 August 2007 the aggregate liability for the Company under this guarantee amounted to £37,764,000 (2006 – £nil). The aggregate value of the Company's loans and overdraft liabilities guaranteed by certain United Kingdom subsidiaries amounted to £43,256,000 (2006 – £nil).

12. Provisions for liabilities and charges

	Provision for deferred tax £'000	Provision for reorganisation £'000	Provision for additional consideration £'000	Total £'000
Balance at 29 July 2006	–	44	–	44
Acquisitions	–	–	600	600
Transfers from deferred tax assets	(33)	–	–	(33)
Charged/(credited) to the profit and loss account	1,625	(42)	–	1,583
Utilised in year	–	(2)	–	(2)
Balance at 3 August 2007	1,592	–	600	2,192
Analysis of provision for deferred tax liability at 3 August 2007:				
Accelerated capital allowances	2,305			
Short term timing differences	(713)			
Balance at 3 August 2007	1,592			

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued***13. Called up share capital and share premium account**

	Number of shares	2007 £'000	2006 £'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 29 July 2006 and 3 August 2007	103,551,005	10,355	46,689

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

During the prior period 59,934 10p ordinary shares were issued as a result of share options being exercised for cash consideration of £198,000.

14. Other reserves

	Capital redemption reserve £'000	Share option reserve £'000	ESOP reserve £'000	Total £'000
Balance at 29 July 2006	1,238	–	(1,913)	(675)
Transition adjustment on adoption of FRS 20	–	209	–	209
Balance at 29 July 2006 (as restated)	1,238	209	(1,913)	(466)
Recognition of share based payments	–	(147)	–	(147)
Balance at 3 August 2007	1,238	62	(1,913)	(613)

The change in accounting policy had no impact on the previously reported asset revaluation reserve, as the balance of the reserve at 29 July 2006 as previously reported under the prior accounting policy was £nil. The change in accounting policy for share-based payments resulted in the share option reserve being recognised as noted above.

15. Profit and loss account

	£'000
Balance at 29 July 2006	111,532
Prior period adjustment in respect of investments in subsidiaries (note 2)	(50)
Prior period adjustment in respect of the adoption of FRS 20 (note 2)	(209)
Balance at 29 July 2006 (as restated)	111,273
Exchange differences and related taxation	(406)
Retained profit for the financial period	27,083
Dividends paid on equity shares	(17,673)
Balance at 3 August 2007	120,277

Details of the Company's share schemes are set out in note 34 to the consolidated financial statements.

16. 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 5.

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 per cent of pensionable pay, plus £2.7 million per annum across the Group from 1 February 2006, paid monthly which is equivalent to approximately 14.8 per cent of pensionable pay (2006 – 13.5%). The defined benefits scheme was closed to new entrants with effect from 6 April 2002. As a result, the current service cost calculated using the projected unit method will increase over time (expressed as a percentage of pensionable pay) but will be applied to a shrinking pensionable payroll.

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 2005 adjusted to allow for the assumptions and actuarial methodology required by IAS19 and updated to 3 August 2007 by the scheme's actuary. These disclosures show that the scheme's assets represented 79.5 per cent of the scheme's liabilities.

17. Capital commitments

	2007 £'000	2006 £'000
Capital expenditure contracted but not provided	439	462

FIVE YEAR RECORD

	IFRS			UK GAAP	
	53 weeks to 3 August 2007 £'000	52 weeks to 28 July 2006 (restated) £'000	52 weeks to 29 July 2005 £'000	52 weeks to 30 July 2004 £'000	52 weeks to 1 August 2003 £'000
Revenue					
Media Products	191,498	186,253	204,598	198,523	199,979
Commercial Products	174,266	131,202	147,870	133,688	133,058
USA	59,266	65,055	67,009	78,093	104,174
	425,030	382,510	419,477	410,304	437,211
Profit/(loss) from operations before restructuring costs, provision releases and other one-off items*					
Media Products	26,314	23,904	28,670	26,017	30,706
Commercial Products	7,839	2,844	6,679	9,752	3,176
USA	1,694	(241)	3,484	2,686	2,192
Head Office	(1,518)	(33)	1,844	4	307
	34,329	26,474	40,677	38,459	36,381
Restructuring costs, provision releases and other one-off items	(2,765)	1,245	(9,845)	(9,945)	(119)
Goodwill amortisation (UK GAAP only)	-	-	-	(1,810)	(2,195)
Goodwill impairment	-	-	-	(13,000)	-
Profit/(loss) from operations before restructuring costs, provision releases and other one-off items*	31,564	27,719	30,832	13,704	34,067
Profit/(loss) on disposal of fixed assets*	-	-	(8,135)	-	-
Investment income	10,171	9,221	8,336	1,645	1,142
Finance costs	(14,179)	(12,758)	(10,794)	(450)	(620)
Profit before taxation	27,556	24,182	20,239	14,899	34,589
Income tax expense	(7,157)	(8,104)	(8,775)	(11,899)	(12,106)
Profit on ordinary activities after taxation	20,399	16,078	11,464	3,000	22,483
Loss from discontinued operations	(14,084)	(1,264)	-	-	-
Profit for the period	6,315	14,814	11,464	3,000	22,483
Earnings per share					
Basic	6.13p	14.38p	11.14p	2.92p	21.82p
Continuing operations before restructuring costs, provision releases and other one-off items*	20.25p	15.09p	24.73p	25.08p	23.45p

	3 August 2007 £'000	28 July 2006 £'000	29 July 2005 £'000	30 July 2004 £'000	1 August 2003 £'000
Balance sheet					
Property, plant and equipment	147,006	160,909	158,908	163,165	185,293
Goodwill	54,679	54,135	53,946	22,814	38,644
Other intangible assets	1,394	1,089	649	–	–
Other non-current assets	5,123	12,197	16,313	–	–
Assets held for sale	3,345	–	–	–	–
Other current assets	100,121	90,813	96,700	149,829	134,076
Current liabilities	(67,719)	(89,212)	(92,878)	(92,833)	(104,834)
Other non-current liabilities	(79,422)	(62,030)	(69,301)	(20,217)	(13,742)
Net assets	164,527	167,901	164,337	222,758	239,437

Revenue and profit/(loss) from operations before restructuring costs, provision releases and other one-off items is shown by business segment. The information given in the Five Year Record for the years ended 29 July 2005, 30 July 2004 and 1 August 2003 includes discontinued operations. The Five Year Record is not audited.

* For financial information reported under UK GAAP, 'Profit/(loss) before restructuring costs and provision releases' is also before goodwill amortisation and impairment.

* In prior years, profit/loss on fixed asset disposal was allocated to divisions within profit from operation.

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FINANCIAL CALENDAR 2007/2008

9 November 2007	Record date for final ordinary dividend
Between mid October and mid December 2007	Interim Management Statement
7 December 2007	Payment of final ordinary dividend
March 2008	Half-yearly Report
Between mid April and mid June 2008	Interim Management Statement
April/May 2008	Record date for interim ordinary dividend
May/June 2008	Payment date for interim dividend

The Annual General Meeting of St Ives plc will be held at the offices of Smithfield Consultants Limited, 10 Aldersgate Street, London EC1A 4HJ on Monday 3 December 2007 at 11.00 a.m.

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