

St Ives plc

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Annual Report and Accounts 2011

Reshaping our business



Our Group today

St Ives is a unique group of market-leading companies that come together to create the most comprehensive and diverse range of marketing services and print solutions available in the UK

Equipped with a wealth of experience in the retail, publishing and commercial markets, our experts employ the most innovative thinking and technology to deliver a wide range of high quality products and services. We provide tailored end-to-end communications solutions in consultancy, data management, campaign management, media production, fulfilment and field marketing

By following our focused strategy over the next three years we aim to grow, diversify and reshape the business to enable us to enhance our customer value propositions. Our goal is to provide publishing and marketing solutions which are second to none whilst adding value for our stakeholders

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How we performed

Financial highlights

£296.8m

Underlying* revenue
2010 £291.4m

£20.9m

Underlying* profit before tax
2010 £17.8m

£16.9m

Profit before tax
2010 loss £13.2m

14.45p

Underlying* earnings per share
2010 11.83p

13.22p

Basic earnings per share
2010 10.87p

5.25p

Total dividends per share
2010 3.50p per share

£16.3m

Net cash
2010 net debt £2.7m

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

All figures for revenue, profit and earnings per share are based on continuing operations

Operational highlights

- Significant further progress in reshaping the Group
- Disposal of the Magazine printing business in April reduced exposure to commodity print
- Acquisition of Tactical Solutions in February, and Response One and Pragma since the year end, enhance our marketing services offering
- Continued investment in organically grown marketing services
- Further successful cost reduction initiatives across Print segment, and investment in digital production
- Winning additional market share: new contracts include HSBC, RAC and Hachette

St Ives Group at a glance

Our business operates in two distinct markets. Print and Marketing Services. St Ives' growth strategy aims to develop its publishing and marketing services propositions by cultivating a range of services and a toolbox of delivery capabilities.

Our Marketing Services offer has strengthened following the recent acquisition of Response One, a data marketing company and retail and consumer strategy company, Pragma. Both companies complement the existing added value offerings available from the Group.

Print

Books

We produce 160 million books each year – from classics to best sellers such as *One Day* and the *Twilight* series. We provide a complete publishing proposition from digital book solutions and digital print on demand, to warehousing, inventory risk management and distribution.

Exhibitions and Events

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

Point of Sale

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

Our operations across the UK

Monochromatic books
Distribution
Logistics
Print on Demand
Inventory risk management

Locations

Bungay
London

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

Locations

Glasgow
London
Nottingham
Skelmersdale

Retail and brand POS
Research
Store audits
Logistics
Digital screen media

Locations

Birmingham
Burnley
Redditch

Contribution to Group sales

Print

A Books	26%
B Direct Response and Commercial	28%
C Point of Sale	29%
D Exhibitions and Events	12%

Marketing Services

E Data Marketing	2%*
F Field Marketing	3%**

* Acquired June 2010

** Acquired February 2011

Print

All figures are from continuing operations before non-underlying items

Marketing Services

Direct Response and Commercial

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

Data Marketing

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

Field Marketing

Tactical Solutions is a field sales and marketing company which consistently delivers a measurable return on investment for leading retailers and brands across the UK and Ireland

Consultancy Services

The recent acquisition of Pragma, a leading consultancy specialising in retail and consumer markets has enhanced our consulting capabilities. Our strategic and analytical approach provides a complete marketing services solution focused on improving return on investment

Direct Mail
Digital print
Personalisation
Commercial print
Business Process Outsourcing
Vendor Management
Print Management
Specialist print
Financial Report & Accounts
Fine art printing

Locations

Blackburn
Bradford
Edenbridge
Leeds
London

Database management
Data analysis
Data insight
Campaign management
Data intelligence
List and media planning
Media sales
Campaign delivery

Locations

Bath
Chilcompton

Field sales services
Trade marketing
Sales training
Interim management

Location

Flintshire

Business audits
Retail strategy and insight
Market research
Commercial Due Diligence
Investor services
Site surveys and compliance
Online Campaign management
Digital media solutions

Locations

London
Leeds
Redditch
Twickenham

Marketing Services

Chairman's Statement

Investing in our business

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

Richard Stillwell
Chairman

This is the first statement since I took over the Chairmanship from Miles Emley who stood down at the end of April

Miles Emley

Miles had been on the board of St Ives since 1992. For most of his 19 years on the board he was either Executive or Non-Executive Chairman. The board and the Company owe him an enormous debt of gratitude for his exemplary service and contribution to the Company.

Strategic Development and Performance

The last 12 months have seen important strides forward for St Ives. The board continues to re-affirm the strategy for the Company of strengthening our position in more attractive and higher growth marketing services activities where our strong customer relations can be reinforced by offering a focused portfolio of high added-value print and marketing services, and of moving away from commoditised print markets.

Our acquisition of Tactical Solutions in February and our divestment of the Magazine printing business in April were important milestones in changing the shape of the business. Since the financial year end two further acquisitions – Response One and Pragma – have further advanced the creation of a significant and differentiated marketing services offering. We anticipate further strong evidence of the implementation of the strategy over the next few years.

The Executive team has made excellent progress in delivering important strategic changes whilst at the same time improving the performance of the Group's remaining print activities, and this will remain their key area of focus in the foreseeable future

The Board and Staff

Tony Stuart joined the board as a non-executive director in January. For many years Tony worked with Rothschild and for part of that time acted as advisor to St Ives. He has retired from Rothschild and is therefore an independent director. We welcome him to the board and look forward to his contribution. In April he was appointed as Chairman of the Remuneration Committee.

Mike Butterworth remains as Chairman of the Audit Committee and Simon Marquis is Senior Independent Director.

During the year the board established a Nomination Committee, which I shall chair, and approved terms of reference for it. The board also re-affirmed the strong ethical standards expected throughout the Company in the context of a code for compliance with the recently enacted Bribery Act.

The board takes a particular interest in the health and safety of all the Group's employees. There is an unequivocal message from the board that health and safety is the number one priority. The executive directors are constantly ensuring that this message is understood and acted upon throughout the organisation.

On behalf of the board I would like to thank all members of staff for their ongoing support and commitment. Periods of economic uncertainty and structural change bring particular challenges and the loyalty of the workforce is much valued.

Current Trading and Outlook

The UK economy remains in the doldrums. Print demand as a whole remains sluggish. However, as some of our customers take initiatives to generate demand there are some bright spots. Solutions provided by our newly acquired marketing services businesses are in demand. A new multi-million pound print and services contract with HSBC, won against strong competition, is coming on stream in the next few months. The Olympics are likely to provide a backdrop for significant marketing initiatives in a number of sectors which will lead to enhanced demand for products and services provided by St Ives.

Our intention is to use our strong balance sheet to continue to acquire and invest in quality businesses to reinforce our enhanced marketing services offering and to ensure robust and resilient performance in the long term. At the same time, management are continuing to focus on cost and manufacturing efficiencies in our print operations.

The board remains confident that the reshaping of the business around a differentiated marketing services business will generate stronger returns, with the drive for increased efficiencies in the retained print businesses further underpinning performance.



Richard Stillwell
Chairman

4 October 2011

Chief Executive's Performance Review

Expanding our capabilities

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

Patrick Martell
Chief Executive

We are pleased to report further significant financial progress, the continued development of our marketing services capabilities and the ongoing success in repositioning the business away from commoditised print markets

We have again taken action to reduce our costs and improve efficiencies in our print operations whilst investing for growth in our marketing services businesses. Further to the recent acquisition of Tactical Solutions we are delighted to have announced the acquisition of Response One and Pragma Consulting. As with our previous acquisitions they are strong businesses with excellent management teams, have potential to grow and are a great fit with our strategic reshaping.

We finished the year with a cash balance of £16.3 million despite the cash cost of the ongoing restructuring and the acquisition of Tactical Solutions. In addition, we are pleased to have once again further strengthened the balance sheet with net assets increasing by £6.7 million to £136.6 million.

The board recommends a final dividend of 3.50p making a full year dividend of 5.25p (3.50p in 2010). If approved, the final dividend will be paid on 23 December 2011 to shareholders on the register at 2 December 2011, with an ex-dividend date of 30 November 2011.

Trading conditions during the year continued to be very tough as the economic climate remained subdued. Underlying Group revenue of £296.8 million was 1.8% higher compared to the previous year as our marketing services segment offset the decline in print revenues. We have made further significant progress in improving the underlying operating profits of the business to £21.3 million (2010 – £18.8 million) and we are pleased that progress has been made in both reporting segments due to the actions taken to reduce costs and improve manufacturing efficiencies in the print operations and the investment made to grow our marketing services segment.

Print

Our Print operations represented 95.3% of Group external sales for the year. This comprises the Books, Exhibition and Events, Point of Sale and Direct Response and Commercial print businesses.

	2011 £'000	2010 £'000
Print total revenue before non-underlying items	282,736	290,541
Print operating profit before non-underlying items	20,870	18,966

Books

The Group's book business accounted for 27.3% of the Print segment revenues. Sales were down by 3.3% compared to the previous year at £77.1 million (2010 – £79.7 million) but once again we benefited from increased market share and growth in our added value and distribution services. Actions taken to improve manufacturing efficiencies and reduce costs mitigated the impact of lower revenues and the business continues to perform very well.

The investments into digital print and print-on-demand continue to be very successful and we are delighted to have made a further strategic and unique investment in digital production. Working with our technology partners, we have invested in an integrated digital system which significantly extends the run length at which digital production is a better solution than conventional manufacture.

Our strategy is to provide services that enable our customers to profitably produce physical books in smaller quantities, ensure their availability, deliver them directly and in so doing minimise the risk associated with holding stock. We continue to assess the impact upon volumes from eBook sales which remain at levels lower than those reported in the US. We are very confident that our ongoing investment in this business will ensure we remain the market leader, are able to respond to the dynamic changes in this market place and continue to increase our market share. We have renewed a number of our contracts during the year including that with Hachette.

Being able to provide extensive conventional and digital production, an integrated warehouse facility and post production services from a single point enables us to provide a unique service whilst reducing the cost and time of fulfilment. As a result of our superior levels of service and reliability, we have again produced the majority of the bestselling books which included the following titles:

For Penguin 'How hard can it be?' by Jeremy Clarkson and 'Life and Laughing' by Michael Macintyre, for Hodder 'One Day' by David Nicholls, for Headline 'The Family' by Martina Cole, for Little, Brown 'Post Mortuary' by Patricia Cornwell, for Transworld 'Madeleine' by Kate McCann, for HarperCollins 'The Corrections' by Jonathan Franzen, for Bloomsbury 'The Finkler Question' (Booker prize winner) by Howard Jacobson, for Random House 'A Journey' by Tony Blair, and for Orion 'The Tiger's Wife' (Orange prize winner) by Tea Obreht.

Exhibitions and Events

Sales for the exhibitions, events and outdoor media business represented 12.3% of Print segment sales.

Sales of £34.8 million (2010 – £31.3 million) were 11.4% ahead of last year but the margins were impacted by the short-term cost and disruption caused by the move of our principal site from Wandsworth to Chessington. The move has been completed successfully and the business is well placed to benefit from this new facility and ahead of the increased activity associated with the 2012 London Olympics. In addition to the new facility, we have invested in additional digital output and implemented a new IT system for the business.

Chief Executive's Performance Review *continued*

Point of Sale

Point of sale material for the UK retailers and international brands represented 30.3% of Print segment sales at £85.7 million (2010 – £81.8 million). Demand continued to be resilient albeit the pressure on margins remained intense. We have invested in additional digital output capacity during the year and remain the market leader.

Direct Response and Commercial

Direct response and commercial printing accounted for 30.1% of sales in the Print segment. Market conditions continued to be extremely challenging and excess capacity and a trend to marketers spending on alternative media again exerted downward pressure on prices. As a result we have taken action to reduce our costs, improve efficiencies and reduce capacity.

Sales in the direct response and commercial businesses fell significantly compared to the previous year at £85.1 million (2010 – £97.8 million). The impact upon operating profit was mitigated by the actions taken to reduce costs. We continue to keep this business under close review given its exposure to commoditised print markets.

Marketing Services

Marketing Services, which accounted for approximately 4.7% of external sales, includes our data management business, Occam, our recently acquired field marketing business, Tactical Solutions, and our organically grown consultancy offerings.

	2011 £'000	2010 £'000
Marketing Services total revenue	14,054	888
Marketing Services operating profit before non-underlying items	450	(216)

Data Management

Occam is a leading supplier of marketing management software and innovative data-driven solutions for direct marketing. Occam represented 48.5% of Marketing Services sales at £6.8 million (2010 – £0.9 million) of revenue. We have invested significantly in this business during the financial year to ensure that we have a stronger base both in terms of people and infrastructure that will support our growth plans. We have recently secured new contract wins with the RAC, Albemarle & Bond and a partnership agreement with IBM as a reseller.

Our strategic objectives

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

Stabilise

- Reduce cost
- Strengthen balance sheet

- Site closures
- Headcount reduction
- Capex reduced
- Significant working capital improvement
- 100% completed

Consolidate

- Improve financial performance
- Disposal of non-core operations
- Targeted investment

- Margin improved
- Magazine business sold
- Investment in digital output
- Senior management replaced
- 80% completed

Grow

- Large client wins
- Cross sell
- Extend range of services

- HSBC win
- Cross selling gaining momentum
- Organic consultancy offerings launched
- Four acquisitions completed
- Ongoing

We continue to invest to build this business and our overall capabilities within the market for data-driven insight and business intelligence. We are delighted with the acquisition of Response One, completed on 14 September 2011, which will add further scale and capability in this growing market. Established in 1998, Response One is one of the UK's leading and fastest growing data marketing businesses. The business helps its clients to design and deliver effective customer and prospect communications through more intelligent use of data. Principal services include specialist media buying and sales, improving data quality and insight, strategic campaign planning, and print management. By integrating these services into one solution, Response One has created a unique offering that has transformed multi-channel marketing activities for organisations across the UK.

Field Marketing

Tactical Solutions was acquired in February 2011 and represented 51.5% of Marketing Services revenue at £7.2 million. The business is one of the UK's leading and fastest growing field marketing companies working with major brands and retailers to drive sales in store. Its ability to deploy a nationwide team of highly skilled

sales professionals enables the business to deliver measurable return on investment for its clients within the retail and FMCG sector.

Consultancy Services

Our acquisition of Pragma on 20 September 2011, a leading high growth consultancy specialising in retail and consumer markets, is a further step to extend our services within these markets. We believe there are opportunities for the Group to provide products and services that help drive sales by understanding, predicting and influencing consumer behaviour. Pragma are unique in combining rigorous analytical work with innovative ideas and commercial implementation skills. Their key strength is in understanding how customers behave and what motivates them to buy.

Pragma will add significant strength to our organically grown consultancy offerings where we have invested during this financial year.

Publishing Solutions

Marketing Solutions

St Ives will grow its marketing services, print and book production businesses through a strategy to develop a range of services and a toolbox of delivery capabilities that will cover all aspects of the supply chain for below-the-line marketing activity and all aspects of production and distribution of digital and physical books.

Utilising our unique breadth of capability in marketing solutions and publishing solutions we will deliver improved return on investment for our customers.

Chief Executive's Performance Review *continued*

Balance sheet

The balance sheet has been further strengthened during the year and the Group continues to be very well invested, as a result, capital expenditure was again lower than depreciation at £8.9 million. Underlying cash flow remains robust and the year ended with a positive cash balance of £16.3 million (2010 – net debt £2.7 million), an excellent performance given the impact on cash of funding the cost reduction actions and the acquisition of Tactical Solutions, partially offset by the proceeds on the sale of the Magazine printing business.

We disposed of sites in Edenbridge and our London head office during the year and continue to hold a surplus property for sale in Crayford.

The Group's strong financial position, even after the recent acquisitions of Response One and Pragma, ensures we have the necessary flexibility to invest to improve our business and take advantage of further suitable acquisition opportunities to deliver our strategy.

Strategy

Our results this year show that we have made further progress in restructuring our current business, developing our marketing services segment, and improving efficiencies in our existing print businesses. We have

invested in those businesses where we will continue to generate acceptable margins and exited markets where we do not believe it will be possible to generate a satisfactory return on investment, thereby reducing our exposure to commoditised markets. Most importantly we are making significant progress in building a different business model and revenue stream in marketing services following the acquisition of Occam, Tactical Solutions, Response One and Pragma in addition to our ongoing investment to build our organically grown non-print offerings. Our businesses are well invested and given the changed business model, capital expenditure going forward will remain at these lower levels.

The Group benefits from strong relationships with blue chip organisations across a number of markets. Within the Print segment we continue to invest to extend the offering to our book publishers beyond just manufacture, to enable us to produce only in quantities that need to be printed and made available for sale, when and where required. In addition, we have invested in print to support our marketing services offering but not where print is differentiated by price alone.

We will continue to build upon our offering of non-print services both through acquisition and organic development. We are very pleased with the quality and

Key performance indicators

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

* Continuing operations before non-underlying items

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

range of our services that provide efficient and effective execution of marketing campaigns across a number of markets and for blue chip organisations. Our ability to provide products, services and insight that influence consumer behaviour and drive sales is essential to being able to demonstrate a return on investment to marketeers, retailers and brand owners.

The recently won contract with HSBC supports our decision to invest in building a Group sales team able to provide a range of services from a single point

Outlook

The Group has made good progress in improving the performance of those print businesses that support our marketing services offering whilst reducing its exposure to commoditised markets. Through acquisition we have, and will continue to build, a significant and broad offering that drives the effectiveness of multi channel marketing across a range of markets. Trading conditions within our traditional print markets, as a result of both cyclical and structural changes, remain extremely difficult and we do not expect these pressures to ease in the foreseeable future. We will keep the cost base and performance of these businesses under review and will not hesitate to take further action if required.

We are very pleased with our progress and performance in the current economic climate as we continue to invest to reposition the business for the future. We start the new financial year having again improved our financial performance and have made good progress in executing our strategy. We are confident that the actions we have taken to date and the strategy we are pursuing will ensure the Group continues to prosper. Our financial strength will enable us to continue to invest and reposition the business despite the current economic conditions and in the face of ongoing structural changes to our traditional businesses.

We believe that within the next three years 30 to 40% of the Group's profit will derive from our Marketing Services segment and that, despite the challenging climate, we will be able to continue to invest for the long term benefit of our shareholders.



Patrick Martell
Chief Executive

4 October 2011

Reshaping our business

We are refocusing and reorganising our business. Today we are a unique group of market-leading companies that combine to provide the UK's most diverse range of marketing, print and display services.

Our businesses complement each other perfectly – specialists in their own right but there to support the Group and create a portfolio of marketing services unequalled in the UK.

The following pages illustrate how we are reshaping our business through our growth strategy initiatives and developing the Group's publishing and marketing services in line with our customer value proposition.

Reshaping our business: through digital point of sale...

Growth from group opportunity for St Ives Digital Media

“Up to a 79% increase in sales of Eristoff was achieved, whilst Bacardi Breezer has increased category share over the first two months.”

Increase in sales up to

79%

Bacardi (Brown Forman Brands) sought to develop a flexible Point of Sale (POS) solution for two product lines, Eristoff Vodka and Bacardi Breezer. The brand wished to increase message engagement at the point of purchase and promote a higher awareness of the products. Bacardi employed St Ives Digital Media to provide a more efficient alternative to static POS which would be more effective at capturing audiences' attention.

Response

Digital Media's response was to provide an innovative way of engaging shoppers in a retail environment by deploying its latest e-paper technology which provides animated imagery and messaging at POS. The displays can hold a range of changeable data and are ideal for communicating price promotions, the ability to change price data quickly and simply, was believed to be very beneficial to both Bacardi and the retailer. The lightweight e-paper displays have very low power consumption and are powered by rechargeable lithium batteries, providing five months' of power at a time.

Outcome

The campaigns were carried out with Wineflair stores in Northern Ireland and were regarded as very successful by the chain's Marketing Manager, Andrea Carson, "The e-paper campaigns have demonstrated clear sales and operational benefits. The technology requires little management whilst the price-change capability has allowed us to react more quickly to market demand than traditional POS."

Up to a 79% increase in sales of Eristoff was achieved, whilst Bacardi Breezer has increased category share over the first two months. St Ives Digital Media are now working with Bacardi on new e-paper opportunities across the portfolio.

Shelf edge
e-paper POS
attracts attention

Reshaping our business: through business consultation...

Providing a competitive edge for gaming giant

**“The result has enabled GAME Group
to access over 221,000 pieces of store
information and 16,000 store images.”**

Europe's leading computer and video games retailer, the GAME Group (which includes GAME Stores and Gamestation) were struggling to capture accurate store data, gain a clearer understanding of their stores, and enable them to send the right printed materials to each store and develop a more tailored approach to in-store marketing

GAME Group required a centralised online database and print allocations tool which would deliver the benefits of accurate store survey data. The database would hold detailed store data and images from GAME and Gamestation stores simultaneously

Response

Forward Thinking (marketing and business consultancy) and Connected Thinking (on-line solutions) provided a comprehensive range of unique services – the most important component was Datastore, a purpose-built online, multi-functional marketing database, which houses data and images captured through store surveys. The datastore tool also includes a print allocations tool to ensure exactly the right printed materials are sent to each store

Outcome

The project, surveying over 650 stores, was completed on schedule over a period of 29 weeks. The result has enabled GAME Group to access over 221,000 pieces of store information and 16,000 store images. POS allocations and print quantities for GAME and Gamestation in-store campaigns are now created using the data housed within Datastore

Forward Thinking's solution saw GAME experience a weekly cost saving of 1-2.5% on their standard weekly campaigns. Other benefits include reduced wastage, improved campaign/creative planning and improved compliance and quality of POS campaign implementation

Reshaping our business: through field marketing...

The in-store eyes and ears for a family favourite

**“Heinz product availability in store for
grocery increased from 92% to 96.5%.”**

Grocery increased

92% to 96.5%

Heinz has one of the biggest brand presences across the UK's top four multiple retailers, as such, the crucial determinant of its success is in-store availability. Products must be restocked quickly because when availability falls, sales quickly decline.

Having acquired our existing client HP in 2005, Heinz were immediately impressed with HP's excellent in-store visibility of its products. As a result of this they procured the help of Tactical Solutions in order to improve the availability of each Heinz SKU (Stock Keeping Unit) in stores. Our aim was to ensure each SKU was fully stocked in the right place at the right time.

Response

Our dedicated solus teams developed relationships with the store managers, together they monitored displays, ensuring distribution and capacity were maximised at all times. The data we received on a weekly or fortnightly basis enabled us to prove that sales increase when availability is high. This helped Heinz by building the case to allocate extra shelf space to stronger performing products.

Outcome

We were able to demonstrate to Heinz how effective interventions can have an immediate impact on sales. Our proven success has grown the size of the solus team, with spend increasingly diverted away from conventional advertising. We are now known as the Heinz Retail Sales Team, a testament to the strength of our relationship and our proposition.

Reshaping our business: through field marketing...

Healthy results for major snack brand

“The Tactical Solutions team made 10,116 store visits in nine weeks and had 6,124 meetings. From these 4,565 deals were closed, giving an impressive strike rate of 74%.”

Strike rate of

74%

Kellogg's is one of the nation's favourite brands, with a portfolio of household name products from Cornflakes to Elevenses Oat Bakes. With rivals attempting to gain a foothold in the independent's snack sector, Kellogg's realised the importance of stock availability to success. Any responses to the task would need to meet Kellogg's broader objectives, of doubling the size of its snack business and blocking the competitor's route to market.

Response

Tactical Solutions assembled a team of 22 members to act as an extension of the Kellogg's team. Visiting over 10,000 independent grocery outlets, the team worked directly with independents and cash-and-carries to achieve optimum availability and maximise sales potential. Their objective was to promote Nutrigrain to those who didn't already stock it and expand the range of those who did. In each store, an executive would pitch Nutrigrain to the buyer, explaining its benefits and its value to the retailer. With an order agreed, they would buy the required amount of stock from cash-and-carry chain Bestway, deliver it back to the store and assist with merchandising and point of sale where necessary.

Outcome

The Tactical Solutions team made 10,116 store visits in nine weeks, having 6,124 conversations with key decision makers and closing 4,465 deals, giving an impressive strike rate of 74%. As a result, Bestway's stock was completely emptied, with 16,065 cases of Nutrigrain sold at a value of £157,000. In total, 7,751 new Nutrigrain distribution points were added across four product variants.

Repeat purchasing from these new distribution points alone achieved total payback for the activity in a matter of weeks.

7,751 new product
distribution points
added across
independent
retailers

Reshaping our business: through retail display...

Check shirt superhero drives increase in sales

“Displaying the checked shirts as the clear hero product provided Levi’s with a 46% uplift in sales during the four week promotional period.”

Uplift in sales of

46%

One of the world's most iconic brands, Levi Strauss Europe, engaged SP's services to help promote their spring collection. For Levi Strauss Europe the most important trend for spring was checked shirts which they wanted to link to their renowned classic jean collections, as a new take on a classic look. The customer recognised that in the retail fashion industry a strong visual impact is essential. As such, a promotional strategy was required that would attract attention and lead to increased sales.

Response

Levi Strauss Europe enlisted the help of SP to create an overall package with a unique look and feel for the collection which would also allow for variability between standard, flagship and premium stores.

Levi store window displays were re-evaluated and enhanced with strong visuals in order to heavily promote the new season checked shirts. SP created a dramatic look for the standard window displays with a 'curtain' of checked fabric and steel bars to hang products from 'S' hooks. The team also designed a simple graphic sticker to effectively differentiate the key products. For the premium stores cable reels were stenciled with "check me out" to increase the sense of immediacy.

Outcome

All materials were produced and sourced by SP and delivered to 300 standard stores, and 55 flagship and premium stores, over a four week period. Displaying the checked shirts as the clear hero product provided Levi's with a 46% uplift in sales during the four week promotional period.

355 individual
store windows
dedicated to
check shirt
promotions

Reshaping our business: through giant media...

Off the wall posters create a buzz

**“44 giant display installations
across Liverpool city centre
increase visitor numbers.”**

Giant display installations

44

'Through the Wall' is a project designed by National Museums Liverpool (NML) to showcase Liverpool's cultural riches in public areas around the city. NML were keen to create as much impact as possible and therefore employed Service Graphics to create a series of large murals which would draw attention to the city's cultural venues.

Service Graphics were asked to produce and install large scale graphics onto the walls within the Liverpool Arena and Convention Centre in order to create the illusion that the viewer was looking through the wall into another space. The team had to combat great technical issues with regards to the size of the graphics and surfaces. The giant images required fell outside the standard rigid sheet size and it was imperative that joins remained invisible to maintain the illusion.

Response

Phase 1 of the project involved installing the graphics. The images display a 3D quality and followed a technique known as 'trompe l'oeil' (trick of the eye). The graphics created the impression that the objects were coming through the wall towards the viewer.

Service Graphics overcame the challenges presented by the huge surface area. Plain boards were mounted and a single piece of printed fabric was attached. The length of fabric was large enough to cover the boards and ensure a seamless image was created. It was then trimmed to follow the profile of the boards to produce a spectacular effect.

Outcome

National Museums Liverpool was extremely pleased with the end result. The graphics created a huge impact in the city. Following on from the success of Phase 1, a second phase was commissioned extending the project to other locations around Liverpool City Centre.

Giant media can
now be applied
almost anywhere

Reshaping our business: through print on demand...

Print on demand – bringing titles back into print

“Clays are now despatching POD books direct to Penguin’s customers - completing the implementation of a high quality business to business fulfilment operation directly from Clays’ manufacturing site.”

Penguin Books recognised that it would be beneficial to create an effective Print On Demand (POD) solution for Penguin's high street customers such as Waterstone's and WH Smith. As the primary UK supplier to Penguin for monochrome book production, Clays were in the perfect position to work with Penguin on this project. We advised Penguin on the key service requirements for publishers increasingly using print on demand to keep books in print, without the need for costly inventory. Penguin confirmed that what they needed in a supplier was excellence in fulfilment speed, accuracy and reliability.

Response

Clays provided Penguin with a tailored and branded operation to ensure a high quality and reliable experience for their customers. Clays manage all pre-press requirements and individual orders are automatically fed from Penguin into Clays' scheduling system. From there, orders are continually reported and tracked through to on-time production and fulfilment via either the Royal Mail or the parcel carrier service.

Outcome

Clays and Penguin worked closely to achieve a successful implementation, supported by fully interfaced IT for efficient order administration and customer service. Clays provided Penguin with excellence in fulfilment speed, accuracy and reliability.

Some of Penguin
Classics range
now printed
on demand

Reshaping our business: through book distribution...

Streamlining book distribution

**“Clays logistics now distributing 100 million
books a year direct to market.”**

Distributing

100 million

One of the world's foremost and diverse English-language publishers, Harper Collins, worked collaboratively with Clays in order to deliver a more effective supply chain which would deliver clear benefits to both HarperCollins and their clients. By gaining insight into the existing supply chain and improving the process, HarperCollins wished to reduce its spending and environmental impact.

Response

Clays has developed a fully integrated IT environment to provide HarperCollins' management with visibility of accurate, real time data of the titles held by Clays at their new logistics centre.

Books printed by UK and overseas printers are received and stored along with titles produced by Clays, orders are then fulfilled and distributed as consolidated deliveries direct to the likes of Tesco, Amazon and Sainsbury's. This has led to considerably reduced book miles and increased speed to market.

Outcome

HarperCollins' savings have been substantial, estimated to be around 50% of total annual transport costs, with the added benefit of significantly reduced environmental impact.

Due to the success of this project, HarperCollins and Clays are now reviewing other areas in the supply chain to offer further cost savings and improved availability of stock through increased consolidation opportunities.

A vast array of titles managed and distributed

Reshaping our business: through database insight...

Occam delivers efficient data management tools for Tesco

**“Time to produce DM campaigns reduced
from 9 days to 3 days.”**

A campaign velocity increase of

300%

Tesco Bank is the UK's most successful supermarket bank, with over 6.5 million customer accounts. Until recently Tesco Bank was owned by RBS and utilised RBS's infrastructure and database systems. Once Tesco acquired ownership from RBS a huge project was implemented to overhaul all IT systems. A solution was needed to improve systems, drive efficiency and increase campaign results.

Occam offered a solution that met Tesco Bank's objectives by delivering insight, analysis and a single customer view.

Response

Occam's data management solution provided Tesco Bank with the immediate benefit of being able to analyse and interrogate its data instantly. This capability enables the data team to run marketing campaigns with greater efficiency and powerful insight to ensure that customer communication is relevant and timely.

Although securely hosted by Occam, it was deemed essential that the Tesco team had full access to its customers' contact history and marketing preferences, for regular and ad-hoc communication. As well as enabling delivery of relevant communication via direct marketing, post campaign analysis tools provide in-depth evaluation.

Outcome

The system has enabled Tesco Bank to implement a comprehensive customer contact strategy which ensures that customers are only contacted by their preferred means and at a specified frequency to improve customer services standards.

There has been a significant improvement in the efficiency of the marketing campaigns produced. This has allowed a 73% increase in the number of DM campaigns produced between October 2010 (before the database was launched) and May 2011.

Additionally, the delivery rates of DM campaigns have increased due to the improved data cleansing processes. Trigger-based activity is now taking place, which was impossible before. The team can be much more pro-active and timely, with the ability to communicate with more immediacy.

The time it takes to produce a DM campaign has reduced from an average of 9 days to 3 days, a 300% increase in campaign velocity.

With the responsibility for the running of campaigns and the visibility of wider marketing activity, Occam has become an extension of the Tesco Bank marketing team.

Reshaping our business: Through database management...

Driving a road to improved visibility

“As a result, Kia has greatly improved customer insight and benefited from the flexibility of managing campaigns on its own terms.”

Expanding rapidly in the UK market, Korean car manufacturer Kia has more than 140 dealerships with plans to grow their network even further. Kia wanted to keep track of its ever-growing customer base and co-ordinate its marketing activity, with the aim of communicating with customers and leads more effectively.

Occam was tasked with the migration and development of an existing database along with the provision of an in-house facility, to access customer and prospect information. The aim was to increase sales whilst lowering costs. Achieving this demanded the ability to track marketing activity across several channels, including online, direct marketing and footfall into the dealerships.

Response

Occam created a single repository of clean de-duplicated customer information and high quality data. The team established a 'Count and Campaign' analysis tool with which they were able to segment the data and plan effective campaigns. To complement this, modules were developed into which Kia could load campaign and response information. Other components of the solution included system interfaces between Kia and its suppliers and the provision of a high performance, user-friendly data access tool, enabling easy system navigation and campaign management.

Outcome

Occam's solution provided Kia with complete visibility and equipped Kia's Customer Database and Digital Marketing Manager to perform all campaign selections using a high performance, user-friendly, data access tool. As a result, Kia has greatly improved customer insight and benefited from the flexibility of managing campaigns on its own terms. These core data processing components increase campaign effectiveness by ensuring that a high level of data quality is maintained. Kia's campaigns are not only better targeted and therefore likely to yield improved response rates, but the costs incurred through campaign wastage have decreased.

Driving customer
traffic to the
dealerships

Financial Review

Overview of revenue

Underlying revenue for the Group from continuing operations increased by £5.4 million (1.8%) to £296.8 million. Revenue of £7.2 million is included for Tactical Solutions, acquired 9 February 2011.

Revenue from the Print segment decreased by £7.8 million (2.7%). Revenue decreased by 3.3% in the Books business but market share increased. Exhibitions and Events revenue increased by 11.4% although this growth slowed towards the end of the financial year as general economic sentiment deteriorated. Revenue for the Point of sale business increased by £3.9 million (4.8%) but Direct Response and Commercial revenue declined by 13.0%, partly due to planned reductions in capacity and the removal of less profitable work from the overall mix.

Revenue for the Marketing Services segment increased significantly due to the acquisition of Occam at the end of the previous financial year and the acquisition of Tactical Solutions during the year.

From a geographical point of view, 95.8% of our Print and Marketing Services' revenue is generated within the UK.

Gross profit margin and underlying profitability

Underlying gross profit margin has increased from 25.5% to 26.8%. Despite the revenue decline within the Print segment gross margins in the segment have been maintained due to improved work mix, lower levels of outsourced work, improved production efficiencies, successful procurement initiatives and the labour cost reductions resulting from restructuring activities. Gross margins within the Marketing Services segment are significantly higher than those within the Print segment and therefore the growth of this segment has led to the overall improvement in margin at the Group level.

Underlying sales and administrative overheads increased by £2.4 million driven by acquisition related overheads of £4.5 million partially offset by headcount related overhead reductions within the Print segment of £2.1 million.

As a result of these management actions, underlying profit before taxation for the Group from continuing operations increased from £17.8 million to £20.9 million (6.1% to 7.0% of revenue).

Non-underlying items

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

The £4.0 million net charge (2010 – £4.6 million), before tax, primarily relates to the costs associated with the relocation of our principal exhibitions and events site to Chessington of £1.5 million, redundancy, asset impairment and other re-structuring related costs within our head office and the Books, Point of Sale and Direct Response and Commercial businesses of £5.0 million, transaction costs associated with the acquisition of Tactical Solutions of £0.6 million, and the amortisation of acquired intangibles for Occam and Tactical Solutions of £1.1 million, partially offset by gains of £4.2 million on the sale of our previous head office and properties at Edenbridge.

Balance sheet

The balance sheet has strengthened with net assets increasing to £136.6 million (2010 – £129.9 million). The movement reflects the loss after taxation of £4.8 million, dividends of £3.6 million, actuarial gains on the defined benefits pension scheme (net of deferred tax) of £12.0 million, and the impact of the issue of shares of £3.1 million.

Net debt

Net debt decreased during the year from £2.7 million to a cash balance of £16.3 million. The major contributing factors to the movement are an improvement in underlying profitability, a further reduction in capital expenditure, and the proceeds of disposal of excess property and non-core activities, partially offset by acquisition-related cash requirements.

The Group maintains a £55.0 million committed revolving multicurrency credit agreement which expires 31 October 2012.

Capital expenditure and depreciation

Capital expenditure in cash flow terms on property, plant and equipment, together with additions to intangible assets, other than in the context of acquisitions, was £8.9 million (2010 – £12.1 million) and cash receipts from asset disposals were £9.3 million (2010 – £4.6 million). Depreciation, amortisation and impairments charged in the year was £35.0 million (2010 – £20.2 million) including a £13.5 million impairment charge in respect of the Magazine printing business disposed of in the period.

Our businesses are very well invested and we are therefore able to operate at reduced levels of capital expenditure versus historic levels without any deterioration in our competitive advantage. We will, however, continue to invest in those businesses that present opportunities for growth.

Acquisitions

On 9 February 2011, the Group acquired Tactical Solutions (UK) Limited, one of the UK's leading field marketing companies. The total consideration payable for the business is £18.6 million.

Subsequent to the end of the financial year the Group acquired Response One Holdings Limited for a maximum consideration of £19 million and Pragma Holdings Limited for a maximum consideration of £6.3 million.

Disposal

On 6 April 2011, the Group disposed of its Magazine printing business for £18.8 million, net of selling costs. The impairment of property, plant and machinery associated with the disposal, before tax, was £13.5 million. The business has been treated as a discontinued operation.

Tax

The Group's tax rate on profit before non-underlying items was 27.6% (2010 – 31.5%).

Dividends

The board is recommending a final dividend of 3.50p, bringing the total dividends for the year to 5.25p, resulting in an underlying dividend cover of 2.8 times.

The Group remains cash generative and was debt free at the end of the financial year. Retained earnings in the Group balance sheet at 29 July 2011 were £76.4 million (2010 – £73.4 million).

Pensions

The deficit (on an IAS 19 basis) in the defined benefits pension scheme at the end of the year, excluding the related deferred tax asset, was £12.3 million (2010 – £32.9 million). The decrease of the deficit is due, primarily, to an increase in the value of the scheme assets.

The charge to underlying operating profit for this scheme was £0.2 million (2010 – £0.2 million) which represents the costs of administering the scheme. The income statement also includes a net financing credit of £0.6 million (2010 – £0.4 million charge) which reflects the expected return on assets of the scheme based on market rates available at the start of the financial year less the effect of the fact that the benefits are one year closer to being paid.

The Group contributes £2.2 million per annum in order to meet its obligations regarding the current level of deficit within the scheme. The next triennial valuation for the scheme is scheduled for April 2013.

Financial risk management and treasury policies

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

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

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

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

Interest rate risk

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

Liquidity risk

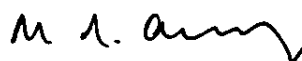
The Group maintains a £55.0 million committed revolving multicurrency credit agreement which expires 31 October 2012. At the year end the Group had unused facilities of £55.0 million.

Foreign exchange risk

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

Credit risk (trade receivables)

The majority of sales of the Group to its customers are made on credit. The Group maintains credit insurance covering its larger trade debtors. It is Group policy that all customers are granted credit subject to credit verification procedures. A rigorous system of credit control is applied and receivables are continually monitored. Bad debt provisions represented 3.6% (2010 – 4.6%) of gross trade debtors at the year end.



Matt Armitage
Finance Director

4 October 2011

Corporate and Social Responsibility

Relations with customers and suppliers

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

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

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

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

The Group's policy for retaining customers is to deliver consistency and reliability of service and quality. No customer is tied in to an agreement that cannot be terminated in the event of under-performance.

Employees

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

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

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

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

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

The investments of the defined benefits scheme are managed separately, partly passively and partly actively under the direction of a trustee company ('the Trustee'). The fund managers of the actively managed portfolios are proscribed from holding any investment in, or lending to, the Group. The number of directors of the Trustee is split equally between member-nominated and Company-nominated Trustee directors, subject to casual vacancies which may arise from time to time.

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

In respect of employment matters, the Group uses statistics of accidents resulting in three days' or more absence and total number of working days lost from all accidents as key performance indicators of the safety of its employees. In 2011 the total number of accidents at the Group's sites which resulted in at least three days' absence each was 17 (2010 – 14) and the number of days' work lost from all accidents at work was 230 days (2010 – 386.5). These data relate to the Company's subsidiaries at 29 July 2011.

Charitable and political donations

The Group's cash donations to charities were modest during the preceding two years but were increased during 2011 and, following the agreement of the Company to match the Chairman's contributions, made from foregoing a proportion of his fees, included payments to registered charities nominated by the Chairman. It is the board's policy otherwise to favour charities serving communities in which the Group operates or to which employees or customers have a particular affinity. The amount allocated to these will be kept under review. No political donations were made in the year and the board has no intention to seek shareholders' approval to permit the board to do so.

Shareholder relations

The board attaches considerable importance to maintaining good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations, sometimes at production sites, involving the Chief Executive and the Finance Director. Major shareholders are given the opportunity to meet with the senior non-executive director.

The board receives an investor relations report at each of its regular meetings.

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

St Ives and the environment

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

An ISO14001 2004 – certified Environmental Management System ('EMS') has been established at each of the Group's sites, with the exception of Occam and Tactical Solutions. A review of these businesses' existing management systems was undertaken during the year, which will result in an EMS being introduced at their sites during 2012.

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

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

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

Energy consumption and carbon emissions

For 2011 the Group targeted to achieve a 2 per cent reduction in the total amount of energy (electricity and gas) used per square metre of substrate at all St Ives sites compared with 2010. The actual reduction was 3 per cent (0.049 to 0.047 KWhr per square metre). Since 2006 this figure has fallen by 8.7 per cent (0.051 to 0.047 KWhr per square metre). This improvement in the overall energy efficiency of the Group has been achieved against a background of reduced throughput and a consequent reduction in utilisation of plant. Factors that have helped achieve these improvements are the disposal of the Group's Magazine printing businesses and the consolidation of plant at fewer sites in the direct response and commercial business resulting in the more efficient use of that plant.

In absolute terms, the total amount of energy (electricity and gas) used at all the Group's sites has fallen by 21 per cent compared with 2010 (145 million to 114.3 million KWhr) and by 38 per cent when compared with 2006 (178.1 million to 114.3 million KWhr).

The total carbon emissions arising from the combined usage of energy (electricity and gas) used at all sites fell by 20 per cent compared with 2010 (56,781 to 45,649 Tonnes CO₂). Since 2006 this figure has fallen by 33.5 per cent (67,500 to 45,649 Tonnes CO₂).

Corporate and Social Responsibility *continued*

The Group is obligated under the Carbon Reduction Commitment ('CRC') and has successfully prepared and submitted its first annual report and footprint report

The Group pursues a Carbon Management Programme to help reduce its carbon footprint through the use of low energy lighting, compressed air management systems and variable speed drives. There is no intention at present to offset carbon at a Group level. The Group has, however, developed the capability to calculate the carbon footprint of individual print jobs so that the carbon can be offset, if desired, by its customers.

St Ives Westerham Press has maintained its carbon neutral status.

Waste management

Recycling programmes are in place at all sites, as appropriate, for paper (office and process waste), cardboard, wood (pallets etc.), aluminium printing plates, plastic packaging, inks and solvents. The quantity of waste sent to landfill fell by 10 per cent compared with 2010 (2,264 to 2,006 Tonnes). Since 2006 the quantity of waste sent to landfill has fallen by 65 per cent (from 5,695 to 2,006 Tonnes). The quantity of waste generated per square metre of substrate rose by 9 per cent, compared with 2010 (from 0.763 to 0.832 grams per square metre). Since 2006, this figure has fallen by 48 per cent (from 1.6 to 0.832 grams per square metre). The increase, year on year, in the quantity of waste per unit of production is partly due to an increase in the proportion of point of sale work. This work utilises non-paper substrates, several of which e.g. PVC-based products, are difficult to recycle. The Group is currently working with suppliers, customers and waste management companies to resolve this issue. Furthermore, Occam and Tactical Solutions do not utilise paper substrate, but still generate waste. Over the course of 2011 several sites switched to waste management companies that operate Materials Recycling Facilities (MRFs) so that waste that cannot be recycled is sent to 'energy from waste' facilities.

Water usage

The total amount of water used at all sites fell by 5 per cent compared with 2010 (108,719 to 103,317 cubic metres). Compared with 2006, water consumption has fallen by 9 per cent (113,098 to 103,317). The quantity of water used per square metre of substrate rose by 17 per cent compared with 2010 (336.6 to 428 ml per square metre) and, since 2006, this figure has risen by 34.8 per cent due, in part, to a growth in the proportion of water used in office-based activity, rather than production-based activity.

Raw materials procurement and usage

So far as is reasonably practicable, the Group is committed to not utilising paper and board products that may incorporate wood from illegally harvested sources, wood which has originated from forests in regions of serious social conflict, genetically modified product, or which may originate from uncertified High Conservation Value forests. We endeavour to purchase paper and board from sources which utilise pulp derived from sustainable forests or recycled post-consumer waste. All sites that use paper and board as their principal substrate (nine in total) have achieved Forest Stewardship Council ('FSC') Chain of Custody certification. Three of these sites have also attained Programme for the Endorsement of Forest Certification ('PEFC'). During the year procedures and systems of work will be implemented at all nine sites so that they can achieve multi-site certification to both FSC and PEFC standards. An environmental performance steering group has been established to analyse the marketplace and seek sustainable alternatives to the non-paper substrates most commonly used by the Group, coordinate procurement and testing of new products, and advise the board on sustainability issues. Due to technology and quality limitations our lithographic printing sites normally use mineral oil-based inks, however, our sheet fed printing sites can print using vegetable oil-based inks at our customers' request. The front section of this Annual Report and Accounts is printed on paper made from virgin wood fibre sourced from well-managed forests independently certified according to the rules of the FSC. The rear section is printed on paper made from 100 per cent de-inked post-consumer waste and the inks used in printing the document as a whole are all vegetable-based.

Use of VOCs

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

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



Philip Harns
Company Secretary

4 October 2011

Board of Directors

From left to right Tony Stuart, Patrick Martell, Mike Butterworth, Richard Stillwell, Simon Marquis, Matt Armitage and Lloyd Wigglesworth

Executive directors

Matt Armitage, ACMA³ – aged 42. Appointed to the board as Finance Director in September 2007, Mr Armitage had previously worked for Tequila London Ltd – a below-the-line marketing services business owned by Omnicom Inc – for five years as their Finance Director. Previously he had held various financial management positions with companies operating in the telecommunications, technology and fast-moving consumer goods industries, including ten years with Unilever plc.

Patrick Martell² – aged 47, joined the Group in 1980, was appointed a director of Clays in 1994 and became its Managing Director in 2000. Appointed to the board in 2003, Mr Martell has since held the positions of Managing Director Media Products and Managing Director – UK Operations. In April 2009 Mr Martell was appointed the Group's Chief Executive.

Lloyd Wigglesworth³ – aged 52, was appointed a non-executive director on 1 December 2008, becoming an executive director on 2 March 2009 on his appointment as Group Managing Director – Commercial. Mr Wigglesworth has previously been Managing Director of Entertainment UK, Smiths News, EMAP's Apex and Choice publishing companies, Frontline and The Dutch Meat Marketing Board in the UK. He has served on the boards of retailing, marketing and property companies including WH Smith PLC, Woolworths plc, Crest Nicholson PLC and Donaldsons LLP. His early career was in sales and marketing with Mars Inc.

Non-executive directors

Mike Butterworth, ACA^{1,2,3} – aged 50, was appointed to the board on 1 August 2010. Mike Butterworth has, for the past six years, served as Group Finance Director of Cookson Group plc, a FTSE250 company supplying products, processes and services to the ceramics, electronics and precious metals industries. Previously, Mr Butterworth was Group Finance Director of Incepta Group plc, an international marketing and communications group, from 2001 until 2005, prior to which he spent five years as Group Financial Controller at BBA Group plc, the international aviation and materials technology group.

Simon Marquis^{1,2,3} – aged 58, senior non-executive director, was appointed to the board in 2004. Mr Marquis has over 30 years' experience in the media and marketing industries, being Chairman of ZenithOptimedia UK until 2006 and currently Chairman of C Squared Holdings Ltd, National Readership Surveys Ltd and a non-executive director of the COI. He also serves as a non-executive director of Packet Vision Ltd.

Richard Stillwell³ – aged 62, having served as an independent non-executive director from 2006, Mr Stillwell was appointed chairman of the company on 25 April 2011. Mr Stillwell is a qualified barrister and holds non-executive directorships with Fiberweb plc, Penna Consulting plc, Scott Bader Company Ltd (chairman) and TBI Ltd. Until 2000 Mr Stillwell was executive vice president of ICI plc, where he had held various posts for 26 years.

Tony Stuart, ACA^{1,2,3} – aged 59, is a chartered accountant and a former Managing Director at NM Rothschild, a leading UK investment bank, where he worked for more than 25 years. In the course of his career, Mr Stuart was a corporate finance adviser to many leading companies in the UK and overseas. Now a consultant at Rothschild, a director of Cornwall Development Company and an independent Governor at University College Falmouth, he was appointed to the board on 31 January 2011.

1 Member of the Audit Committee

2 Member of the Remuneration Committee

3 Member of the Nomination Committee

Corporate Governance

Compliance statement

The Company is required to comply with the 2010 UK Corporate Governance Code ('the Code'), to the extent that it applies to 'small-cap' companies, or explain the reasons for non-compliance. The Code is the corporate governance code to which the Company is subject and a copy can be found on the FRC's website (www.frc.org.uk/corporate/combinedcode.cfu)

With the exception of Provision B 2.1 of the Code (which refers to the formation of a Nomination Committee), in the opinion of the board throughout the year ended 29 July 2011 the Company has been in compliance with the Code Provisions contained in Section 1 of the Code. The board agreed during the year to form a Nomination Committee, which held its inaugural meeting after the year end.

The following section, together with the Directors' Remuneration Report on pages 46 to 55, describes how the board has applied the other Principles and Supporting Principles contained in the Code and, where appropriate, it has adopted elements of corporate governance good practice.

Board of directors

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

The board's membership throughout the year and the directors' attendance at pre-arranged meetings of the board is set out on page 42.

It is the opinion of the board that, throughout the year, each of the Company's non-executive directors was independent for corporate governance purposes and free from any business or other relationship which could materially interfere with the exercise of his judgement. In reaching this opinion, the board has carefully considered the balance between applying good practice and what it believes is in the shareholders' best interests. The non-executive directors each have a clear understanding of their roles and responsibilities, which are appropriately documented. The non-executive directors met during the year, with no Group executive being present. Simon Marquis fulfilled the role of senior independent director.

During the year, the board carried out a review of matters reserved to it for decision. These matters include the approval of annual budgets of individual trading subsidiaries, major individual items of capital expenditure, acquisitions and major procurement and supply contracts, the management of risks that could potentially disrupt the ability of the Group or any subsidiary to carry on business or which might damage the reputation of the

Group as a whole in the eyes of its shareholders or the general public, and the management of matters which might result in a substantial unplanned financial risk to the Company or any of its subsidiaries.

The executive directors bring together and meet regularly with the managing directors of the businesses within the Group's business segments to discuss major customers, sales growth (including cross selling opportunities), people issues and Group-wide procurement initiatives.

In view of the number of appointments and resignations which have occurred and changes made to the board's and committees' memberships during the year, the annual processes for evaluating the effectiveness of the board, its committees and individual directors, was postponed until 2012.

The roles of Chairman and Chief Executive are separate and distinct and an appropriate division of responsibilities between the two has been set out in writing and approved by the board.

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

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

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

Board committees

Audit and Remuneration Committees of the board existed throughout the year, each with written terms of reference which were reviewed and revised during the year. Towards the end of the year the board agreed terms of reference for a Nomination Committee. Copies of the terms of reference for these committees can be obtained from the Company Secretary and may be viewed on the Group's corporate website (www.st-ives.co.uk).

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

Audit Committee

The Audit Committee carries out the functions required by DTR 7 1 3R. The board is of the opinion that throughout the year the Audit Committee had sufficient relevant financial experience and that its membership was made up of independent non-executive directors.

The Committee's membership throughout the year and its members' attendance at three pre-arranged meetings of the Committee is set out on page 42.

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

In the opinion of the board, the Committee met sufficiently frequently to properly discharge its responsibilities. The Committee's role and responsibilities are set out in its terms of reference, referred to above.

During the year, the Audit Committee discharged its functions by

- reviewing the findings of the external annual audit for 2009/2010,
- receiving a report at the half year end from Deloitte on agreed procedures they had undertaken to review certain subsidiaries' balance sheets and income statements and controls,
- reviewing the Group's Interim Management Statements and Half Year Report prior to release,
- considering reports from the Group's Head of Internal Audit on work carried out during 2010/2011 and agreeing an internal audit plan for 2011/2012,
- reviewing annual internal controls questionnaires completed by the Group's operating sites and the controls over key business risks,
- agreeing the nature and scope of the external annual audit for 2010/2011,
- reviewing and safeguarding the independence of Deloitte and reviewing their performance,
- recommending Deloitte's reappointment as auditors,
- approving Deloitte's fees for their audit and non-audit services within the policy set by the Committee, and
- reviewing the Group's 'whistle-blowing' policy.

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

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

Remuneration Committee

The Committee's membership throughout the year and its members' attendance at four pre-arranged meetings of the Committee is set out on page 42.

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

During the year the Committee

- approved the payment of bonuses to certain directors for 2009/2010,
- approved the Directors' Remuneration Report for 2009/2010,
- approved the structure of the directors' bonus scheme for 2010/2011,
- approved the proposed Rules of the St Ives plc Long-Term Incentive Plan 2010 (the 'LTIP') to be put before the shareholders for approval,
- approved the grant of awards under the LTIP to certain executives and the performance conditions attached to their vesting,
- approved the executive directors' salaries for 2011/2012,
- considered the ramifications of the Government's legislation on disguised remuneration,
- reaffirmed the policy on the approval and reporting of directors' business expenses, and
- reaffirmed the Company's policy that directors' service contracts should make no specific provision for the payment of compensation in the event of termination payments.

Nomination Committee

During the year the board formed a Nomination Committee which held its inaugural meeting after the year end. The Committee is chaired by Richard Stillwell. The majority of members of the Committee are independent non-executive directors, including the senior non-executive director. The directors will report further next year on the membership of the Committee and its proceedings.

Other board issues

The Company has made qualifying third party provisions for the benefit of its directors (as defined by Section 234 of the Companies Act 2006) which continue in force at the date of this report. The Company has entered into deeds of indemnity in favour of each of its directors (on identical terms) who served during the year, under which the Company has granted directors an indemnity, to the extent permitted by law, in respect of liabilities incurred by virtue of their office.

Corporate Governance *continued*

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

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

	Board*	Audit Committee*	Remuneration Committee*
Matt Armitage	10/10	–	–
David Best (Chairman of the Audit Committee until 30 November 2010)	3/3	1/1	2/2
Mike Butterworth (Chairman of the Audit Committee from 30 November 2010)	10/10	3/3	4/4
Miles Emley	6/6	–	–
Simon Marquis (Senior non-executive director)	10/10	3/3	4/4
Patrick Martell	10/10	–	–
Richard Stillwell (Chairman of the Remuneration Committee until 25 April 2011)	10/10	2/2	2/2
Tony Stuart (Chairman of the Remuneration Committee from 25 April 2011)	6/6	2/2	2/2
Lloyd Wigglesworth	10/10	–	–

* This table only shows details of attendance at meetings in the pre-arranged annual meeting calendar. Other ad-hoc meetings, including a meeting of the full board to discuss strategic issues and board succession, were held during the year. The Nomination Committee did not meet during the year.

Throughout the year at least three independent non-executive directors served on each of the Audit and Remuneration Committees.

Internal control and risk management

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

The directors consider themselves collectively responsible for ensuring that risks arising from social, environmental and ethical factors and the health and safety of the Group's employees are suitably managed

and are referred to the board, as necessary. The board has identified and assessed those regulatory, financial, social, environmental and ethical issues which may present a significant risk to the business.

The principal regulations affecting the Group's day-to-day business and markets it serves have been identified by the board as those covering Employment, Health and Safety, the Environment, Planning, Data Protection, Taxation, Defamation, Bribery 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. During the year the board considered the level of risk arising from new offences introduced by the Bribery Act 2010 and agreed and implemented changes to the Group's policies and procedures proportionate to the bribery risks faced by the Group.

The internal audit team focused on the Group's internal controls, reviewing the control environment and the testing of those controls. Controls testing of procurement, estimating, payroll, fixed assets, stock, treasury and credit control cycles took place at selected sites. The process by which the board exercises control is by monthly meetings with senior management within each of the Group's business segments. These meetings are chaired by a parent board executive director, and are also attended by the Finance Director. Regular items for discussion encompass any areas of significant risk to the businesses, which are then raised at the next meeting of the parent board if appropriate.

Appropriate due diligence was carried out on Tactical Solutions, Response One and Pragma immediately prior to their acquisition. Annual internal control questionnaires are completed by the Group's other businesses and any inconsistencies with the Group's established corporate governance and authority limits regimes which are identified are disclosed to the Audit Committee.

Risk is reported on and monitored at the monthly meetings held with senior management referred to above in accordance with the board's agreed risk management process.

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



Philip Harris
Company Secretary

4 October 2011

Directors' Report

The directors present their Directors' Report and the audited financial statements for the fifty two weeks ended 29 July 2011

Principal activities

The principal activities of the Group are set out on pages 7 to 9 of the Chief Executive's Performance Review

The subsidiaries principally affecting the profits or net assets of the Group in the year are listed in note 33 of the consolidated financial statements

Business and operating review

A detailed review of the performance of the Group and its future prospects can be found in the Chief Executive's Performance Review and the Financial Review which should be read in conjunction with the Chairman's Statement on pages 4 and 5 and the report on Corporate and Social Responsibility on pages 34 to 37, all of which are incorporated by reference in to and forms part of this Directors' Report

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

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

Results and dividends

The Group loss for the year before taxation from continuing and discontinued operations amounted to £882,000 (2010 – profit £8,104,000). The directors propose a final dividend of 3.50 pence for each ordinary share payable on 23 December 2011 to holders on the register as at 2 December 2011. If approved, the final dividend will make total dividends for the year of 5.25 pence per ordinary share

		£,000
Ordinary dividends	– interim	1,811
	– proposed final	3,749

Share capital

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

Major interests in shares

As at 29 July 2011 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company

	Number of voting rights	%
Silchester International Investors Limited and its subsidiaries	16,250,906	15.35
Delta Lloyd NV and subsidiaries	13,661,073	12.91
Standard Life Investments Limited	7,899,990	7.46
Prudential plc and its subsidiaries	6,628,182	6.40
Schroder plc	6,028,004	5.82
Sanderson Asset Management Limited	4,058,234	3.92
State Teachers' Retirement System of Ohio	5,213,741	5.03
Legal & General Group plc and its subsidiaries	3,979,783	3.84
Majedie Asset Management Limited	3,804,459	3.59

On 19 September 2011 Sanderson Asset Management Limited notified the Company that it no longer holds a notifiable interest in the Company and, on the same date, Standard Life Investments Limited notified the Company that it had an interest in the voting rights of 8,975,354 shares (8.48% of the issued share capital in the Company as at that date). On 22 September 2011 Silchester International Investors Limited and its subsidiaries notified the Company that it had an interest in the voting rights of 16,158,999 shares (14.62% of the issued share capital in the Company as at that date). On 3 October 2011 Schroder plc notified the Company that it had an interest in the voting rights of 5,594,902 shares (4.99 per cent of the issued share capital in the Company as at that date)

Directors' Report *continued*

Directors

The present membership of the board is set out on page 39

David Best and Miles Emley also served during the year before retiring, respectively, as non-executive directors on 30 November 2010 and 25 April 2011. David Best served on both the Audit and Remuneration Committees, performing the role of chairman of the Audit Committee, and Miles Emley served as the Chairman of the board. He is succeeded as chairman by Richard Stillwell. Richard Stillwell holds a number of external non-executive directorships (set out on page 39) which, in the opinion of the board, does not prevent him from devoting sufficient time to his responsibilities as chairman of the board.

Mike Butterworth and Tony Stuart were appointed non-executive directors during the year, respectively on 1 August 2010 and 31 January 2011. The directors' interests in shares of the Company are set out in the Directors' Remuneration Report on page 52.

Annual General Meeting

The notice of Annual General Meeting 2011, included with the copy of the Annual Report and Accounts mailed to shareholders on 27 October 2011, sets out the following non-routine business in addition to routine business:

Allotment of share capital

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

Disapplication of statutory pre-emption rights

The directors also seek authority to allot shares in the capital of the Company pursuant to the foregoing authority granted, subject to certain stringent conditions.

Authority for the Company to purchase its own ordinary shares

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

Notice for calling a general meeting

It will be proposed that a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

New 'Sharesave' plan

Finally, it will be proposed to establish a new all-employee sharesave plan – the St Ives Sharesave Plan – to replace the SAYE scheme which expires on 29 November 2011.

Full explanations of the foregoing non-routine business are given in the Chairman's letter which accompanies the notice of Annual General Meeting.

Employment policies

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

Charitable and political donations

The Group made charitable donations of £16,031 during the year (2010 – £1,808). Further details are given in the report on Corporate and Social Responsibility. No political donations were made in either year.

Creditor payments

It is the Group's normal practice to agree terms of trading, including payment terms, with all suppliers. Provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment should be made accordingly. The average creditor days outstanding at 29 July 2011 for the Group and the Company were 83 and 56 days, respectively (2010 – 79 and 60 days).

Auditors

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

Based on a review of Deloitte's performance during 2010/2011 and after reviewing their independence, the Committee has recommended to the board that Deloitte be re-appointed. The recommendation was accepted and therefore a resolution to re-appoint them as the Group's auditors will be proposed at the forthcoming Annual General Meeting.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, the Chief Executive's Performance Review and report on Corporate and Social Responsibility. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 27 to the financial statements includes the Group's objectives, policies and processes for managing its interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk. The foregoing statement, review and report are to be found on pages 4 to 42 and note 27 to the financial statements on pages 93 to 95.

As highlighted in note 23 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft facility of £15 million that is part of an overall funding facility of £55 million which falls due for renewal on 31 October 2012.

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

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

Directors' disclosures to the auditors

Each of the directors of the Company as at 4 October 2011 has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- The director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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



Philip Harris
Company Secretary

4 October 2011

Directors' Remuneration Report

This report has been prepared in accordance with the relevant conditions of the 2010 UK Corporate Governance Code ('the Code') relating to directors' remuneration and the Companies Act 2006. The relevant legislation requires the auditors to report to the Company's members on certain disclosures contained in this Report and to state whether in their opinion that part of the Report has been properly prepared in accordance with the Companies Act 2006. The Report has therefore been divided into separate sections containing audited and unaudited information.

In accordance with the Companies Act 2006, a resolution to approve this Report will be proposed at the Company's Annual General Meeting on Tuesday, 29 November 2011. Details of the resolution may be found in the Notice accompanying this Annual Report. The vote will be advisory but will be considered carefully by the members of the Committee and the board in the formulation and approval of the Company's future remuneration policies.

UNAUDITED INFORMATION

Remuneration Committee

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

The membership, the number of meetings held, attendances and a description of the business transacted by the Committee during the year are detailed in the corporate governance section on pages 40 to 42.

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

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

Committee's advisers

Throughout the year, the Committee and the Company were advised by AonHewitt Limited (operating through the brand Hewitt New Bridge Street (HNBS)). Other than in relation to advice on remuneration, neither AonHewitt Limited, nor any other part of the Aon Corporation group provided other services to the Company.

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

PwC has provided pensions consulting services to the Company in relation to the Group's defined benefits scheme and due diligence work in respect of potential acquisitions. The Committee is satisfied that the provision of these services to the Company does not affect PwC's ability to comment on proposals for remunerating its executive directors and certain members of senior management.

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

Remuneration policy

The Committee's policy for the remuneration of the Company's executive directors is that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully. It aims to recommend strategies which support the creation of value for shareholders and reflect and support the delivery of the Company's strategic priorities while taking due account of market and best practice.

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

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

With regard to the core elements of executive directors' remuneration to feature in the forthcoming year, the Committee has taken the following approach:

- Base salaries remain frozen at the levels payable at the end of 2009/2010,
- Any bonus awarded shall be capped at 125 per cent of basic salary,
- Any bonus earned which is in excess of 50 per cent of basic salary shall normally be satisfied by the award of shares in the Company which shall be held in trust for two years. Such shares are subject, in specified circumstances, to a 'clawback' from any deferred bonus paid going forward,
- A second award will be made under the St Ives plc Long-Term Incentive Plan ('LTIP') for which shareholder approval was obtained at the 2010 Annual General Meeting, and
- The Committee's share ownership guideline for executive directors will be retained, requiring executive directors over a five year period to build up and retain a shareholding equal to 100 per cent of their basic salaries
- It is currently intended that 50 per cent of the net number of shares received under any bonus share deferral or LTIP award will normally be retained by the executive director until the share ownership guideline is met. The Committee may take account of progress towards achieving this target when determining LTIP awards and/or the proportion of annual bonus that is subject to share deferral.

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

Basic salary

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

The basic salary of each executive director for year under review, and for the forthcoming year is:

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

Save for a modest correctional adjustment in the base salary of Matt Armitage in the 2009/2010 financial year, this will be the third consecutive year of a base salary freeze at executive director level.

Benefits in kind

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

Pension arrangements

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

Patrick Martell is entitled to a deferred pension from the Group's defined benefits pension scheme and he has not participated in the Group's defined contribution scheme.

The defined contribution and defined benefits schemes have a normal retirement age of 65.

Directors' Remuneration Report *continued*

Annual bonus

Bonuses for 2010/2011

At the beginning of the year the Remuneration Committee considered it appropriate for the second year running to set a collective target for the executive directors to improve the Group's cash-adjusted normalised profit before tax ('CANPBT'). For 2010/2011 the executive directors were set a demanding CANPBT target of £19.4 million, on the achievement of which 50 per cent of the maximum possible bonus would be payable (i.e. 62.5 per cent of basic salary), with a maximum bonus (125 per cent of basic salary) being earned if CANPBT of £21.4 million or more was achieved. No bonus would be earned for achieving improved CANPBT, however, if the Group's underlying profit before tax from continuing operations for 2010/2011 failed to reach £15.4 million. All calculations of bonus were to be made after charging the cost of the relevant bonus against profit.

The Group's underlying profit before tax from continuing operations was £20.9 million and the Committee has determined from audited figures that CANPBT was £23.7 million for 2010/2011. Therefore, both conditions were met and accordingly each director earned the maximum bonus for the year of 125 per cent of basic salary.

Bonus earned by directors in excess of 50 per cent of basic salary would normally be satisfied in the form of shares in the Company, however, taking into account each director's progress towards achieving the share ownership guideline (referred to above), the Committee has decided to split the total bonus paid in the proportions 70 per cent in cash and 30 per cent in shares for Matt Armitage and Patrick Martell and 50 per cent in cash and 50 per cent in shares for Lloyd Wigglesworth. Dependent on the open market price at which the shares are purchased, this should take the directors' shareholdings to approximately 40 per cent of their basic salary.

The shares deferral element of the bonus shall be purchased from net pay by the directors in the market or from the Group's Employee Benefit Trust ('the EBT'), to be held under the rules of the Directors' and Senior Executives' Deferred Bonus Scheme ('the DBS'). In accordance with the rules of the DBS these shares shall, *inter alia*, vest immediately, but be held on trust during a holding period, for release to the director in November 2013, provided that he remains employed by the Group at that time. During the holding period, the executive will be entitled to vote the shares and receive dividends on them but will be unable to sell, transfer, assign or charge any interest in the shares during the holding period without the consent of the Committee. In addition, part or all of the deferred portion of the bonus can be forfeited if it becomes apparent during the holding period that the bonus was paid by reference to materially misstated results.

Details of the 2010/2011 bonuses paid to executive directors are disclosed on page 51.

Bonuses for 2011/2012

The Committee has taken the view that prioritising cash generation has been an important element of the Company's remuneration strategy, with the Group having made significant progress during the past two years, in returning the Group to a non-gearing position. Upon reviewing the directors' priorities for 2011/2012, however, the Committee concluded that growth in earnings per share, supported by personal objectives based on sales growth and the integration of the Group's acquisitions, would be more appropriate drivers for annual bonuses for the executive directors. Therefore, for the forthcoming year directors may again earn a bonus of up to 125 per cent of basic salary and their bonus opportunity will be split as follows:

Director	Portion of bonus relating to EPS targets	Portion of bonus relating to personal targets
Patrick Martell	125% of basic salary	0% of basic salary
Matt Armitage	112.5% of basic salary	12.5% of salary
Lloyd Wigglesworth	62.5% of salary	62.5% of salary

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

Share incentive arrangements

The Company now operates the St Ives plc Long-Term Incentive Plan (the 'LTIP') as the sole long-term incentive plan for senior executives. The LTIP was approved by shareholders at the 2010 Annual General Meeting.

In line with current practice the LTIP provides for the award of 'performance shares' up to a maximum potential award limit of 125 per cent of basic salary (200 per cent in exceptional circumstances). The Committee takes the view that this limit allows for market competitive grants to be made whilst applying challenging performance conditions. The performance conditions set for the initial awards made in the year under review were based on (i) Earnings Per Share, (ii) the increase in 'added value' attributable to non-print activities, and (iii) relative Total Shareholder Return as described more fully on pages 53 and 54.

The Committee is aware that the use of three different performance metrics is not common, but is firmly of the belief that the LTIP should be operated with the Group's specific circumstances and challenges in mind. The adoption of three metrics was finally determined after consultation with a number of major shareholders. Consequently, and having reviewed the operation of the LTIP, it is intended to make awards under the LTIP in the forthcoming year. It is currently intended to apply the same three performance metrics as last year and, whilst the exact targets have not yet been finalised, these will be no less challenging than last year's.

The Committee does not currently consider it necessary to apply any "clawback" provision to LTIP awards (noting that a clawback feature does form part of the annual bonus), but will keep this matter under review.

The Company has in the past operated two discretionary share-based incentive plans. These plans expire shortly after the forthcoming Annual General Meeting and were replaced last year by the LTIP (and, as a result, no awards were made under these plans last year).

A summary of the expiring plans are as follows:

Discretionary Executive Share Option Scheme 2001 ('ESOS 2001')

The ESOS 2001 (which has both HMRC 'approved' and 'unapproved' elements) provided for the grant of options to participants over shares having a market value of up to 150 per cent of salary in any year (400 per cent in exceptional circumstances). Options granted and outstanding under the ESOS 2001 are capable of exercise three years after grant, subject to continued employment and the satisfaction of performance conditions. The final award of options to executive directors under this plan was made on 3 November 2009, further details of which are set out on page 52.

Equity Partnership Plan 2001 ('EPP 2001')

Executive directors and certain members of senior management have also in the past been invited to participate in the EPP 2001, under which awards could have been made over shares subject to an initial investment in shares by participants.

No invitations have been made under the EPP 2001 since November 2004 and no participant has an outstanding entitlement to matching shares under the terms of the Plan.

Save As You Earn Scheme ('SAYE scheme')

The Company has also in the past operated a standard all-employee SAYE scheme, under which eligible employees, including executive directors, were from time to time invited to participate. No options remain outstanding under this scheme, which will also shortly expire.

Dilution

Under the LTIP, awards over no more than 10 per cent of the Company's issued share capital may be granted over new issue shares in any rolling ten year period (with awards made under any other share plan also being counted).

As at 29 July 2011, awards over 3,429,000 shares (3.24 per cent of the Company's issued share capital) count towards this limit that may be satisfied by new issue shares under the LTIP, the 2001 ESOS, the EPP and the SAYE scheme.

Directors' Remuneration Report *continued*

Non-executive directors' fees

The Company's policy on setting non-executive directors' remuneration, which is decided by the board (but with the non-executive directors not voting where it affects their personal position) is to offer fees sufficient to attract and retain individuals of appropriate calibre such that they are able to apply an independent view based on their experience and skills. These fees, which have been unchanged since 2007, comprise a base responsibility fee of £30,000 per annum plus additional fees of £8,000 per annum for the post of Senior Independent Director and £4,000 per annum for chairing the Audit and Remuneration Committees respectively. The board has acknowledged that the non-executives directors' fees are now out of line with market rates, but it has been decided, for the time being, not to increase the fees paid.

The fee paid to the Chairman is set separately by the Committee. Miles Emley's fee was £130,000 per annum. On the appointment of Richard Stillwell the Committee took advice and the annual fee payable to the Chairman has been set by the Committee at £120,000 per annum. On his appointment, Mr. Stillwell elected to forego £10,000 per annum from this fee. The Company shall donate the sums so withheld to registered charities nominated by Mr. Stillwell, with such contributions being matched by contributions by the Company.

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

Service contracts and letters of appointment

It is the Company's policy that executive directors should serve under rolling service contracts of twelve months' duration or less and that there should be no special provisions for compensation in the event of termination (neither in the normal course nor following a change in control of the Company) and that any compensation payments made should take account of the executive's duty to mitigate his loss. This policy was confirmed during the year and the service contracts and letters of appointment disclosed below comply with this policy.

The policy on non-executive directors' letters of appointment is that they shall be for an initial period of no more than three years, but subject to notice at any time. During the year the notice periods for non-executive directors were extended after consideration of market practice and the time involved to recruit suitable candidates to six months' notice in the case of the Chairman and to three months' notice in the case of the other non-executive directors (previously three months' and one month's notice, respectively).

Summaries of the directors' contracts are disclosed below and brief biographical details are set out on page 39. Directors' contracts and letters of appointment are available for inspection in accordance with Provision A 4.4 of the Code.

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

Non-executive	Date of letter of appointment	Notice period
Mike Butterworth	14 July 2010	3 months
Simon Marquis	5 December 2003	3 months
Richard Stillwell	11 August 2006	6 months
Tony Stuart	23 December 2010	3 months

In accordance with the Company's Articles of Association Richard Stillwell and Lloyd Wigglesworth each retire by rotation at the forthcoming Annual General Meeting. Tony Stuart was appointed to the board on 31 January 2011 and holds office until the next Annual General Meeting. The board supports their re-elections and, being eligible, they offer themselves for re-election.

External appointments

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

AUDITED INFORMATION**Directors' remuneration**

The total amounts for directors' remuneration were as follows

	2011 £'000	2010 £'000
Emoluments	2,205.4	2,018.8
Termination payments	32.5	—
Gains on exercise of share options	—	—
Money purchase pension contributions	19.4	18.1
	2,257.3	2,036.9

Patrick Martell is the highest paid director of the Company

Individual directors' emoluments from the Group were as follows

	Basic salary/fee (note 1) £'000	Cash bonus £'000	DBS shares £'000	Termination payments (note 3)	Benefits in kind (note 2) £'000	Total emoluments	
						2011 £'000	2010 £'000
Executive							
Matt Armitage	260.5	217.0	93.0	—	1.4	571.9	509.5
Patrick Martell	363.1	306.3	131.2	—	5.3	805.9	725.3
Lloyd Wigglesworth	260.8	155.0	155.0	—	1.9	572.7	545.0
Non-executive							
Mike Butterworth	32.7	—	—	—	—	32.7	—
Simon Marquis	38.0	—	—	—	—	38.0	38.0
Richard Stillwell	54.2	—	—	—	—	54.2	34.0
Tony Stuart	16.2	—	—	—	—	16.2	—
Past directors							
David Best (to 30 November 2010)	11.3	—	—	—	—	11.3	34.0
Brian Edwards (to 3 August 2010)	—	—	—	—	—	—	1.6
Miles Emley (to 25 April 2011)	97.5	—	—	32.5	5.0	135.0	131.4
	1,134.3	678.3	379.2	32.5	13.6	2,237.9	2,018.8

In respect of DBS shares, Matt Armitage, Patrick Martell and Lloyd Wigglesworth will acquire shares in the Company from their net pay, that is pay after deduction of income tax and employees' national insurance contributions, of £44,640, £63,000 and £74,400 (gross pay of £93,000, £131,250 and £155,000) respectively, which will be held under the terms of the DBS. A description of the DBS is given on page 48.

Notes

- 1 The basic salaries of Matt Armitage, Patrick Martell and Lloyd Wigglesworth include additional payments of £12,532, £13,119 and £12,815, respectively (2010 – £15,533, £nil and £12,815 respectively) in lieu of the provision of a company car and fuel benefit. Richard Stillwell's fees are shown after foregoing £2,500 of fees during 2010/2011.
- 2 Benefits in kind constitute medical expenses insurance cover for Matt Armitage, Patrick Martell, Lloyd Wigglesworth and Miles Emley and the provision of a company car and fuel benefit to Patrick Martell for the period 1 August to 22 September 2010.
- 3 It was agreed that Mr Emley would stand down as Chairman as a director of the Company if the sale of the Group's Magazine printing business was completed after the approval at a General Meeting of shareholders. Once this was achieved, Mr Emley stood down immediately to allow the next phase of the Company's strategy to be considered under a new chairmanship. The termination payment made to Mr Emley represents payment in lieu of his three months' contractual notice.

Directors' Remuneration Report *continued*

Directors' interests in the share capital of the Company

Interests of directors and their connected persons in 10 pence ordinary shares (fully paid) of the Company at 29 July 2011 were as follows

	29 July 2011	31 July 2010 or date of appointment if later
Executive		
Matt Armitage	74,752	–
Patrick Martell	120,286	14,789
Lloyd Wigglesworth	30,914	10,000
Non-executive		
Mike Butterworth (appointed 1 August 2010)	11,000	–
Simon Marquis	3,000	3,000
Richard Stillwell	13,000	13,000
Tony Stuart (appointed 31 January 2011)	10,000	–

All the above share interests were held beneficially and the information given is accurate as at 4 October 2011. The share interests of Matt Armitage, Patrick Martell and Lloyd Wigglesworth disclosed above include shares purchased from their 2009/2010 bonuses which are held in the Company's EBT under the rules of the Company's DBS.

Directors' share options and LTIP awards

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

	Date of grant	Number of options				29 July 2011	Exercise price pence	Date from which exercisable	Expiry date
		30 July 2010	Exercised during year	Lapsed during year	Granted during year				
Matt Armitage	28 Apr 2008	110,800	–	110,800	–	–	236.75	28 Apr 2011	27 Apr 2018
	3 Nov 2009	544,000	–	–	–	544,000	66.17	3 Nov 2012	2 Nov 2019
		654,800	–	110,800	–	544,000			
Patrick Martell	28 Apr 2008	152,000	–	152,000	–	–	236.75	28 Apr 2011	27 Apr 2018
	3 Nov 2009	544,000	–	–	–	544,000	66.17	3 Nov 2012	2 Nov 2019
		696,000	–	152,000	–	544,000			
Lloyd Wigglesworth	3 Nov 2009	544,000	–	–	–	544,000	66.17	3 Nov 2012	2 Nov 2019

The final grant of options awarded by the Committee on 3 November 2009 to the executive directors under the ESOS 2001 will vest on the achievement, in 2011/2012, of a profit before tax of at least £15 million as follows:

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

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

The options granted in April 2008 to Matt Armitage and Patrick Martell lapsed in the year under review as the annual EPS growth targets of RPI plus 3 to 6 per cent were not met

Details of awards made to directors under the LTIP are shown below

	Date of award	Market price per share at date of award	30 July 2010	Awarded during year	29 July 2011	End of performance period	Vesting date	Expiry date
Matt Armitage	5 Jan 2011	97.75p	–	232,600	232,600	July 2013	5 Jan 2014	4 Jan 2021
Patrick Martell	5 Jan 2011	97.75p	–	410,500	410,500	July 2013	5 Jan 2014	4 Jan 2021
Lloyd Wigglesworth	5 Jan 2011	97.75p	–	232,600	232,600	July 2013	5 Jan 2014	4 Jan 2021

The vesting of awards made on 5 January 2011 is subject to performance conditions set by the Committee over a three year period as follows

(a) The EPS target

One half of the total number of shares over which an award is granted is subject to an absolute adjusted earnings per share ('EPS') target. For these purposes the EPS target will be calculated by reference to the adjusted EPS as set out in the Company's Annual Report and Accounts for the 2012/2013 financial year, (subject to such further adjustments as the Committee considers fair and reasonable). No part of the award subject to the EPS target will vest unless EPS for the 2012/2013 financial year is equal to or greater than 14 pence, with full vesting for EPS of 16 pence or more, as follows

EPS for the 2012/2013 financial year	Percentage of the total number of shares subject to the EPS target that will vest
16 pence or more	100% (i.e. 50% of the total number of shares subject to the award)
From 14 pence to 16 pence	Between 25% and 100% on a straight-line basis (i.e. between 12.5% and 50% of the total number of shares subject to the award)
Less than 14 pence	0%

(b) Non-print added value target

One quarter of the total number of shares over which an award is granted is subject to a target based on the increase in 'added value' attributable to non-print activities for the 2012/2013 financial year and an absolute EPS underpin. For these purposes added value attributable to non-print activities for the 2012/2013 financial year will be defined as sales less the costs of materials and bought-in costs attributable to non-print activities such as database marketing, pre-retail services and retail consultancy. No part of the award subject to the non-print added value target will vest unless the added value attributable to non-print activities for the 2012/2013 financial year is equal to 16 per cent, with full vesting for added value attributable to non-print activities of 20 per cent or more, as follows

Added value attributable to non-print activities for the 2012/2013 financial year	Percentage of the total number of shares subject to the non-print added value target that will vest, subject to satisfaction of the EPS underpin
20% or more	100% (i.e. 25% of the total number of shares subject to the award)
From 16% to 20%	Between 25% and 100% on a straight-line basis (i.e. between 6.25% and 25% of the total number of shares subject to the award)
Less than 16%	0%

In addition, no part of the award subject to the non-print activities condition described above will vest if EPS for the 2012/2013 financial year is less than 12 pence (unless the Committee, in its discretion, determines otherwise)

Directors' Remuneration Report *continued*

(c) Relative TSR target

One quarter of the total number of shares over which an award is granted is subject to a target measuring the relative Total Shareholder Return ('TSR') of the Company against a comparator group comprising those companies listed in the FTSE All-Share Support Services sector (excluding FTSE100 companies) on the award date and the satisfaction of an absolute EPS underpin

The TSR condition will be measured over a fixed three-year period and TSR will normally be averaged over the three-month period immediately prior to the commencement of the performance period and the three month period immediately preceding the end of the performance period

No part of the award subject to the TSR target will vest unless the Company's TSR at the end of the performance period is at least the median as follows

Rank of the Company's TSR against the comparator group at the end of the performance period	Percentage of the total number of shares subject to the TSR target that will vest, subject to satisfaction of the EPS underpin
Upper quartile or above	100% (i.e. 25% of the total number of shares subject to the award)
Between median and upper quartile	Between 25% and 100% on a straight-line basis (i.e. between 6.25% and 25% of the total number of shares subject to the award)
Median	25% (i.e. 6.25% of the total number of shares subject to the award)
Below median	0%

In addition, no part of the award subject to the TSR condition described above will vest if EPS for the 2012/2013 financial year is less than 12 pence (unless the Committee, in its discretion, determines otherwise)

The market price of St Ives plc ordinary shares of 10 pence each at 29 July 2011 was 92.38 pence and the range during the financial year was 69.5 pence to 110 pence

Pension

Patrick Martell has an entitlement from the Group's defined benefits pension scheme, which is disclosed below

	Transfer value of accrued pension (note 1)		Increase in transfer value during the year less directors' contributions (note 1)	Increase in accrued pension during the year (note 2)	Transfer value of increase in accrued pension less directors' contributions (note 1)	Accumulated total accrued pension (note 3)	
	At 29 July 2011 £'000	At 30 July 2010 £'000	£'000	£'000 p.a.	£'000	At 29 July 2011 £'000 p.a.	At 30 July 2010 £'000 p.a.
Patrick Martell	1,045.0	913.3	131.7	0.4	5.1	80.8	77.9

Notes

- The transfer values have been calculated on the basis agreed by the Trustee of the St Ives Pension Scheme. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the defined benefits pension scheme.
- 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 accumulated total accrued pension entitlements shown are calculated on service completed to 31 August 2008, the date the scheme ceased the accrual of further benefits and then increased to 30 July 2010 and 29 July 2011 in line with increases granted by the scheme. Total service to 31 August 2008 was 23 years 5 months, including 5 years 2 months' service purchased from transfers-in to the Company's defined benefits pension scheme.

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

	2011 £'000	2010 £'000
Matt Armitage	9.7	9.7
Brian Edwards (resigned 3 August 2009)	—	0.3
Lloyd Wigglesworth	9.7	8.1
	19.4	18.1

Performance graph

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

Approved by the board and signed on its behalf by



Tony Stuart

Chairman of the Remuneration Committee

4 October 2011

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year

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

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

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

The directors confirm that to the best of their knowledge the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

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



Patrick Martell
Chief Executive

4 October 2011

Independent Auditors' Report to the Members of St Ives plc

We have audited the Group financial statements of St Ives plc for the 52 weeks ended 29 July 2011 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Comprehensive Income and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 29 July 2011, and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and

- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

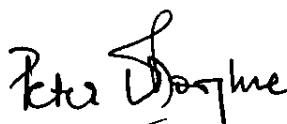
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

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

Other matter

We have reported separately on the parent company financial statements of St Ives plc for the 52 weeks ended 29 July 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.



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

4 October 2011

Consolidated Income Statement

	Note	52 weeks to 29 July 2011			52 weeks to 30 July 2010†		
		Underlying £'000	Non- underlying* (note 7) £'000	Total £'000	Underlying £'000	Non- underlying (note 7) £'000	Total £'000
Revenue	3 4	296,790	454	297,244	291,430	39	291,469
Cost of sales		(217,284)	(4,645)	(221,929)	(217,002)	(2,758)	(219,760)
Gross profit		79,506	(4,191)	75,315	74,428	(2,719)	71,709
Selling costs		(24,160)	(276)	(24,436)	(21,944)	(142)	(22,086)
Administrative expenses		(34,207)	(3,842)	(38,049)	(34,003)	(3,375)	(37,378)
Other operating income		181	4,300	4,481	271	1,614	1,885
Profit/(loss) from operations	4 5	21,320	(4,009)	17,311	18,752	(4,622)	14,130
Investment income	8	13,973	–	13,973	13,267	–	13,267
Finance costs	9	(14,388)	–	(14,388)	(14,222)	–	(14,222)
Profit/(loss) before tax		20,905	(4,009)	16,896	17,797	(4,622)	13,175
Income tax (charge)/credit	10	(5,764)	2,692	(3,072)	(5,607)	3,633	(1,974)
Profit/(loss) for the period from continuing operations		15,141	(1,317)	13,824	12,190	(989)	11,201
Loss from discontinued operations	12	(1,312)	(17,273)	(18,585)	(2,248)	(1,215)	(3,463)
Net profit/(loss) for the period		13,829	(18,590)	(4,761)	9,942	(2,204)	7,738
Attributable to							
Shareholders of the parent company		13,748	(18,551)	(4,803)	9,942	(2,204)	7,738
Non-controlling interests		81	(39)	42	–	–	–
		13,829	(18,590)	(4,761)	9,942	(2,204)	7,738
Basic earnings per share (p)							
From continuing operations	14	14 45	(1.23)	13 22	11 83	(0 96)	10 87
From continuing and discontinued operations	14	13 19	(17 80)	(4 61)	9 65	(2 14)	7 51
Diluted earnings per share (p)							
From continuing operations	14	14 36	(1.22)	13 14	11 83	(0 96)	10 87
From continuing and discontinued operations	14	13.11	(17.69)	(4.58)	9 65	(2 14)	7 51

† The results for the prior period have been reclassified to show the Magazine printing business as a discontinued operation

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

Consolidated Statement of Comprehensive Income

	52 weeks to 29 July 2011 £'000	52 weeks to 30 July 2010 £'000
(Loss)/profit for the period	(4,761)	7,738
Actuarial gains on defined benefits pension schemes	16,696	3,835
Transfers of gains on cash flow hedges to hedged items	(59)	(209)
Gains on cash flow hedges taken directly to comprehensive income	4	59
Tax charge on items taken directly to comprehensive income	(4,697)	(1,367)
Other comprehensive income for the period	11,944	2,318
Total comprehensive income for the period	7,183	10,056
Attributable to		
Shareholders of the parent company	7,141	10,056
Non-controlling interests	42	—
	7,183	10,056

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Hedging and translation reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
Balance at 31 July 2009	10,355	46,689	(1,913)	1,238	–	157	46,171	65,542	–	122,068
Profit for the period	–	–	–	–	–	–	–	7,738	–	7,738
Other comprehensive (loss)/income for the period	–	–	–	–	–	(114)	(114)	2,432	–	2,318
Comprehensive income/(loss) for the period	–	–	–	–	–	(114)	(114)	10,170	–	10,056
Dividends	–	–	–	–	–	–	–	(2,318)	–	(2,318)
Issue of share capital	3	17	–	–	–	–	17	–	–	20
Recognition of share-based payments	–	–	–	–	60	–	60	–	–	60
Balance at 30 July 2010	10,358	46,706	(1,913)	1,238	60	43	46,134	73,394	–	129,886
Loss for the period	–	–	–	–	–	–	–	(4,803)	42	(4,761)
Other comprehensive (loss)/income for the period	–	–	–	–	–	(39)	(39)	11,983	–	11,944
Comprehensive (loss)/income for the period	–	–	–	–	–	(39)	(39)	7,180	42	7,183
Arising on acquisition of subsidiary	–	–	–	–	–	–	–	–	620	620
Dividends	–	–	–	–	–	–	–	(3,616)	–	(3,616)
Issue of share capital	227	1,834	769	–	–	–	2,603	(606)	–	2,224
Recognition of share-based payments	–	–	–	–	284	–	284	–	–	284
Balance at 29 July 2011	10,585	48,540	(1,144)	1,238	344	4	48,982	76,352	662	136,581

Consolidated Balance Sheet

	Note	29 July 2011 £'000	30 July 2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	62,376	107,438
Goodwill	16	67,443	54,383
Other intangible assets	16	11,522	4,683
Financial assets	17	2,429	3,495
Deferred tax assets	18	—	1,355
Other non-current assets	20	—	202
		143,770	171,556
Current assets			
Inventories	19	7,182	10,112
Trade and other receivables	20	65,110	68,148
Current tax receivable		—	568
Derivative financial instruments	20	4	59
Cash and cash equivalents	20	16,262	10,515
Assets held for sale	21	—	2,140
		88,558	91,542
Total assets		232,328	263,098
Liabilities			
Current liabilities			
Trade and other payables	22	69,255	79,920
Income tax payable		3,283	—
Deferred consideration payable	11	1,677	—
Deferred income	24	376	934
Provisions	25	1,626	3,752
		76,217	84,606
Non-current liabilities			
Loans	23	—	13,193
Retirement benefits obligations	26	12,295	32,887
Deferred consideration payable	11	2,621	—
Deferred income	24	—	593
Provisions	25	687	666
Deferred tax liabilities	18	3,927	1,267
		19,530	48,606
Total liabilities		95,747	133,212
Net assets		136,581	129,886
Equity			
Capital and reserves			
Share capital	28	10,585	10,358
Other reserves		48,982	46,134
Retained earnings		76,352	73,394
Attributable to shareholders of the parent company		135,919	129,886
Non-controlling interests		662	—
Total equity		136,581	129,886

These financial statements were approved by the board of directors on 4 October 2011 and signed on its behalf by


Patnick Martell
 Chief Executive


Matt Armitage
 Finance Director

Consolidated Cash Flow Statement

	Note	52 weeks to 29 July 2011 £'000	52 weeks to 30 July 2010 £'000
Operating activities			
Cash generated from operations	29	22,282	37,222
Interest paid		(1,079)	(1,160)
Income taxes (paid)/received		(1,323)	744
Net cash generated from operating activities		19,880	36,806
Investing activities			
Purchase of property, plant and equipment		(6,814)	(11,245)
Purchase of other intangibles		(2,070)	(804)
Proceeds on disposal of property, plant and equipment		9,263	4,584
Disposal proceeds of subsidiary, net of cash disposed	12	14,772	–
Acquisition of subsidiary, net of cash acquired	11	(12,170)	(10,517)
Net cash generated from/(used in) investing activities		2,981	(17,982)
Financing activities			
Dividends paid	13	(3,616)	(2,318)
Decrease in bank loans		(13,494)	(20,000)
Net cash used in financing activities		(17,110)	(22,318)
Net increase/(decrease) in cash and cash equivalents		5,751	(3,494)
Cash and cash equivalents at beginning of period		10,515	14,016
Effect of foreign exchange rate changes		(4)	(7)
Cash and cash equivalents at end of period	29	16,262	10,515

Notes to the Consolidated Financial Statements

1. General information

St Ives plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is One Tudor Street, London, EC4Y 0AH. The nature of the Group's operations and its principal activities are set out in the Business Review, pages 6 to 31.

These consolidated financial statements ('the financial statements') are presented in Sterling because this is the currency of the primary economic environment in which the Group operates.

In the current year, the following revised Standards and Interpretations have been adopted:

Amendments to IFRS 2 (Jun. 2009) Group Cash-settled Share-based Payment Transactions

Amendments to IAS 32 (Oct. 2009) Classification of Rights Issues

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

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC 19 Extinguishing financial liabilities with equity

At the date of authorisation of these financial statements, the following Standards, Amendments and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group.

IFRS 9 Financial Instruments, this standard is mandatory for accounting periods effective after 1 January 2012

IAS 24 (revised) Related Party Disclosures, this standard is mandatory for accounting periods effective after 1 January 2011

IFRIC 14 Prepayments of a Minimum Funding Requirement, this standard is mandatory for accounting periods effective after 1 January 2011

IFRS 10 Consolidated Financial Statements, this standard is mandatory for accounting periods effective after 1 January 2013

IFRS 7 (amendments) Financial Instruments: Disclosure, this standard is mandatory for accounting periods effective after 1 July 2011

IFRS 1 (amendments) Severe hyperinflation and removal of fixed dates for first-time adopters, this standard is mandatory for accounting periods effective after 1 July 2011

IFRS 11 Joint Arrangements, this standard is mandatory for accounting periods effective after 1 January 2013

IAS 28 (revised) Investments in Associates and Joint Ventures, this standard is mandatory for accounting periods effective after 1 January 2013

IFRS 12 Disclosure of Interest in Other Entities, this standard is mandatory for accounting periods effective after 1 January 2013

IFRS 13 Fair Value Measurement, this standard is mandatory for accounting periods effective after 1 January 2013

IAS 1 (amendments) Presentation of Items of Other Comprehensive Income, this standard is mandatory for accounting periods effective after 1 July 2012

IAS 19 (revised) Employee Benefits, this standard is mandatory for accounting periods effective after 1 January 2013

IAS 12 (amendments) Deferred Tax: Recovery of Underlying Assets, this standard is mandatory for accounting periods effective after 1 January 2012

In addition, 'Improvements to IFRSs 2010' includes amendments to a number of Standards and Interpretations. The effective date of all the amendments is for annual periods beginning on or after 1 January 2011.

Notes to the Consolidated Financial Statements *continued*

2 Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB')

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.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Business Review on page 11.

(a) Basis of consolidation

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

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

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

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

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

(b) Columnar classification in the income statement

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

(c) Revenue recognition

Revenue

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

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

Interest income

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

(d) Intangible assets***Goodwill***

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition. Fair value is finalised within 12 months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out below.

Other intangible assets – computer software

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

Other intangible assets – customer relationships

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

(e) Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33 ¹ / ₃ %
Fixture, fittings and equipment	10% – 33 ¹ / ₃ %
Motor vehicles	20 – 25%

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

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

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

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

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

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies *continued*

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

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

A reversal of an impairment loss is recognised as income immediately in the income statement.

(g) Impairment of goodwill

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

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

(h) Assets held for sale

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

(i) Inventories

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

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

(j) Tax

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

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

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

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

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

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

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

(k) Government grants

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

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and its value can be reliably estimated. When a provision needs to be released, the provision is taken back to the income statement within the line where it was initially booked

Provisions for repairs

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

Provisions for restructuring costs

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

(m) Foreign currencies

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

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

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Sterling at the rates prevailing at the balance sheet date. Income and expense items and the cash flows of foreign operations are translated at the average exchange rates for the period, except for individually material items which may be translated at the exchange rate on the date of the transaction. Exchange differences arising on retranslation of non-monetary assets and liabilities are recognised directly in a separate component of equity

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

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

Notes to the Consolidated Financial Statements *continued*

2 Significant accounting policies *continued*

(n) Borrowing costs

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

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

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

(o) Financial instruments

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

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits

Bank borrowings

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

Unsecured loan notes

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

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

(p) Retirement benefits

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

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

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

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

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

(q) Share-based payments

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

(r) Leases

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

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

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

(s) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements *continued*

2 Significant accounting policies *continued*

(s) Business combinations *continued*

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively,
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment, and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

The value of non-controlling interests in subsidiaries is calculated initially as their share of identifiable net assets, and is subsequently adjusted by their share of comprehensive income.

(t) Critical accounting judgements

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value in use an estimation of the future cash flows of cash-generating units and selecting appropriate discount rates is required to calculate present values, a process which involves estimation. The recoverability analysis indicates that the carrying amount of goodwill will be recovered in full. The situation will be monitored closely should future developments indicate that adjustments are appropriate. The carrying value of goodwill at the balance sheet date was £67.4 million (2010 – £54.4 million).

Impairment of plant and machinery

The Group considers the recoverability of plant and machinery which is included within the balance sheet at £64.8 million. The key areas of judgement when assessing the recoverability of these assets are in relation to the forecast growth rates and discount rates to be applied to forecast cash flows. The recoverability analysis at the end of the period indicated that an impairment of £3.5 million was required in respect of assets located at the Blackburn, Bradford and Leeds sites, recorded within the Print segment, following a continued decline in the markets served by these sites.

Retirement benefits obligations

The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net liability in the balance sheet for retirement benefits obligations is £12.3 million (2010 – £32.9 million).

Allowances against amounts receivable

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

3 Revenue

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

	2011 £'000	2010 £'000
Continuing operations		
Revenue from the sale of goods and rendering of services	297,244	291,469
Investment income (note 8)	13,973	13,267
	311,217	304,736
Discontinued operations		
Revenue (note 12)	51,248	70,787
Total revenue	362,465	375,523

4 Segment reporting

The Group manages its business on a market segment basis. Following a change in the way resources are allocated by the board, the Group's chief operating decision maker, and in light of the increased proportion of investment in non-print businesses, the reporting segments were redefined in the period as Print and Marketing Services. The Print segment comprises the Group's Books business previously reported within the Media Products segment and all the business that were reported within the Commercial Products segment except Occam, the database marketing services business. Occam is now reported within the Marketing Services segment together with Tactical Solutions, the field marketing services business acquired in the period. The results of the Group's Magazine printing business previously reported under the Media Products segment are reported within discontinued operations. The nature of the market segments is described in the Business Review.

Notes to the Consolidated Financial Statements *continued*

4 Segment reporting *continued*

The changes noted above did not result in any misstatement of the prior period reported balance sheet. Inter-segment sales are charged at arm's length prices. Corporate costs before non-underlying items are allocated to revenue-generating segments as this better reflects their profitability.

	52 weeks to 29 July 2011		
	Print £'000	Marketing Services £'000	Total £'000
Revenue			
Underlying revenue	282,736	14,054	296,790
Non-underlying revenue	454	—	454
Total revenue	283,190	14,054	297,244
Result			
Result before non-underlying items	20,870	450	21,320
Non-underlying items	(2,483)	(1,526)	(4,009)
Profit from operations	18,387	(1,076)	17,311
Investment income			13,973
Finance costs			(14,388)
Profit before tax			16,896
Income tax charge			(3,072)
Profit for the period from continuing operations			13,824

Business segments

	52 weeks to 29 July 2011		
	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue			
Underlying revenue	296,790	51,248	348,038
Non-underlying revenue	454	—	454
Total revenue	297,244	51,248	348,492
Result			
Result before non-underlying items	21,320	(506)	20,814
Non-underlying items	(4,009)	(16,905)	(20,914)
Profit from operations	17,311	(17,411)	(100)

52 weeks to 30 July 2010 (restated)			
	Print £'000	Marketing Services £'000	Total £'000
Revenue			
Underlying revenue	290,542	888	291,430
Non-underlying revenue	39	—	39
Total revenue	290,581	888	291,469
Result			
Segmental result before non-underlying items	18,968	(216)	18,752
Non-underlying items	(4,097)	(525)	(4,622)
Profit from operations	14,871	(741)	14,130
Investment income			13,267
Finance costs			(14,222)
Profit before tax			13,175
Income tax charge			(1,974)
Profit for the period from continuing operations			11,201

	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue			
Underlying revenue	291,430	70,489	361,919
Non-underlying revenue	39	298	337
Total revenue	291,469	70,787	362,256
Result			
Result before non-underlying items	18,752	(2,739)	16,013
Non-underlying items	(4,622)	(1,687)	(6,309)
Profit from operations	14,130	(4,426)	9,704

Other information

	52 weeks to 29 July 2011			
	Print £'000	Marketing Services £'000	Discontinued Operations £'000	Total £'000
Capital additions	8,850	530	93	9,473
Depreciation and amortisation	9,914	1,478	3,111	14,503
Impairments	3,508	—	13,526	17,034

	52 weeks to 30 July 2010 (restated)			
	Print £ 000	Marketing Services £ 000	Discontinued Operations £ 000	Total £ 000
Capital additions	4,973	5	3,304	8,282
Depreciation and amortisation	11,431	137	7,491	19,059
Impairments	1,171	—	—	1,171

Notes to the Consolidated Financial Statements *continued*

4 Segment reporting *continued*

Balance sheet

	52 weeks to 29 July 2011			Total £'000
	Print £'000	Marketing Services £'000	Discontinued Operations £'000	
Assets				
Segment assets	176,214	37,423	–	213,637
Unallocated corporate assets				18,691
Consolidated total assets				232,328
Liabilities				
Segment liabilities	72,300	3,942	–	76,242
Unallocated corporate liabilities				19,505
Consolidated total liabilities				95,747

	52 weeks to 31 July 2010 (restated)			Total £'000
	Print £'000	Marketing Services £'000	Discontinued Operations £'000	
Assets				
Segment assets	183,385	13,157	50,623	247,165
Unallocated corporate assets				15,933
Consolidated total assets				263,098
Liabilities				
Segment liabilities	67,663	2,049	16,153	85,865
Unallocated corporate liabilities				47,347
Consolidated total liabilities				133,212

Geographical segments

The Print and Marketing Services segments operate primarily in the UK, deriving more than 90% of their revenues and profits from operations and customers located in the UK

The largest customer of the Group accounted for £33.2 million of revenue in the period (2010 – £37.5 million)

Reconciliation of segment assets and liabilities

	29 July 2011 £'000	30 July 2010 £'000
Unallocated corporate assets comprise		
Deferred tax assets	–	1,355
Current tax receivable	–	568
Financial assets	2,429	3,495
Cash and cash equivalents	16,262	10,515
Unallocated assets as per balance sheet	18,691	15,933
Unallocated corporate liabilities comprise		
Deferred tax liabilities	3,927	1,267
Current tax payable	3,283	–
Loans and bank overdrafts (non-current)	–	13,193
Retirement benefits obligations	12,295	32,887
Unallocated liabilities as per balance sheet	19,505	47,347

5 Profit/(loss) from operations

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

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Auditors' remuneration						
<i>Audit fees</i>						
– Audit of the Company accounts	69	62	–	–	69	62
– Audit of the accounts of the Company's subsidiaries	178	170	–	36	178	206
Other assurance	28	28	–	–	28	28
<i>Non-audit fees</i>						
Corporate finance services	55	–	–	–	55	–
Tax services	–	7	–	–	–	7
Other services	–	64	–	–	–	64
	330	367	–	367	330	367
Staff costs (note 6)	92,947	89,355	16,435	24,317	109,382	113,672
Depreciation of property, plant and equipment (note 15)	9,551	10,934	3,058	7,369	12,609	18,303
Impairment of property, plant and equipment (note 15)	3,392	1,171	13,526	–	16,918	1,171
Impairment of software (note 16)	116	–	–	–	116	–
Amortisation of intangible assets (note 16)	1,841	634	53	122	1,894	756
Operating lease rentals						
– land and buildings	1,093	1,187	175	263	1,268	1,450
– plant and equipment	1,371	2,409	101	151	1,472	2,560
– other	460	666	22	33	482	699
Profit on disposal of property, plant and equipment	(4,481)	(1,885)	(19)	(489)	(4,500)	(2,374)
Regional grant amortisation (note 24)	–	–	(465)	(435)	(465)	(435)

Notes to the Consolidated Financial Statements *continued*

6 Staff costs

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

	Continuing operations		Discontinued operations		Total	
	2011 Number	2010 Number	2011 Number	2010 Number	2011 Number	2010 Number
Production	2,004	1,839	598	649	2,602	2,488
Sales	437	424	21	23	458	447
Administration	374	345	101	112	475	457
	2,815	2,608	720	784	3,535	3,392

Their aggregate remuneration comprised

	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Wages and salaries	80,664	78,208	14,745	20,952	95,409	99,160
Social security costs	9,049	8,147	968	2,055	10,017	10,202
Other pension costs	2,950	2,940	722	1,310	3,672	4,250
	92,663	89,295	16,435	24,317	109,098	113,612
Share-based payment (note 31)	284	60	—	—	284	60
	92,947	89,355	16,435	24,317	109,382	113,672

The number of employees in discontinued operations for 2011 represents an average calculated over the period from 30 July 2010 to 6 April 2011, the date of disposal

7 Non-underlying items

Non-underlying items disclosed on the face of the consolidated income statement included in respect of continuing operations are as follows

	2011 £'000	2010 £'000
Expense/(income)		
<i>Restructuring items</i>		
Redundancies, impairments and other charges	6,788	5,518
Provision releases	(316)	(192)
Profit on disposal of property, plant and equipment	(4,299)	(1,614)
	2,173	3,712
<i>Other</i>		
Operating losses from non-continuing operations	16	182
Amortisation of acquired intangibles	1,149	105
Costs associated with the acquisition of subsidiaries	608	418
Remaining other non-underlying expenses	63	205
	4,009	4,622
Income tax credit	(2,692)	(3,633)
	1,317	989

Restructuring items

Current year

Included within redundancies, impairment and other charges are impairments of £3,508,000 in respect of plant, equipment and software located at the Bradford, Blackburn and Leeds sites. The activities of the sites are recorded within the Print segment. Also included are redundancy and other charges associated with restructuring activities principally in the Direct Response and Commercial and Service Graphics operating businesses. Provision releases include the release of £316,000 in respect of costs associated with the Edenbridge site closure. Profit on disposal of fixed assets includes a gain from the disposal of the Lavington Street building, as well as gains on the disposal of buildings at the Edenbridge site, offset by losses on disposal of plant and machinery following the relocation of certain operations of Service Graphics to a new site. All restructuring items are recorded within the Print segment.

Prior year

Included within redundancies, impairment and other charges are redundancies and other charges of £4,043,000 relating to the closure of the Edenbridge site. The activities of the Edenbridge site are recorded within the Print segment. Also included here are redundancy and other charges associated with restructuring activities within the Print segment, including termination costs associated with senior management. Provision releases include the release of £420,000 in respect of costs associated with the Andover site closure and a release of £161,000 associated with costs of maintain the Romford building, both recorded within the Print segment. Profit on disposal of fixed assets includes a gain of £1,614,000 from the disposal of the Romford building, as well as gains of £427,000 on disposal of plant and machinery, all within the Print segment.

Other

Current year

Operating losses from non-continuing operations classified as non-underlying items relate to operating results arising after the decision to close a site. In the period, these arose in respect of the Edenbridge site. Amortisation of acquired intangibles relates to customer relationships acquired with Tactical Solutions in the period as well as to customer relationships and in-house developed software acquired with Occam in the prior year. Costs associated with the acquisition of subsidiaries of £608,000 relate to the Tactical Solutions acquisition, principally professional advisers' fees.

Prior year

In the prior year, operating losses from non-continuing operations arose in the Andover site and the Hayes site both of which are recorded within the Print segment. Amortisation of acquired intangibles relates to customer relationships and in-house developed software acquired with Occam in the period. Costs associated with the acquisition of subsidiaries of £418,000 relate to the Occam acquisition, principally professional advisers' fees. Remaining other non-underlying costs relate primarily to the settlement of a health-related legal claim from a former employee.

Tax

In the current year, the tax credit relates to the items discussed above, and to the revaluation of deferred tax liabilities following the substantial enactment of the reduction of the UK statutory corporate income tax rate from 27% to 25%.

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

Notes to the Consolidated Financial Statements *continued*

8 Investment income

	Continuing operations	
	2011 £'000	2010 £'000
Interest on bank deposits	3	–
Expected return on defined benefit pension scheme assets (note 26)	13,898	13,267
Notional interest on loan notes receivable	72	–
	13,973	13,267

9 Finance costs

	Continuing operations	
	2011 £'000	2010 £'000
Interest on bank overdrafts and loans	995	516
Notional interest on deferred consideration payable	46	–
	1,041	516
Finance charge on retirement benefit obligations (note 26)	13,347	13,706
	14,388	14,222

10 Income tax charge/(credit)

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

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
United Kingdom corporation tax charge/(credit) at 27.33% (2010 – 28%)						
Current year	4,891	3,585	456	(1,748)	5,347	1,837
Adjustments in respect of prior years	(838)	(489)	148	(389)	(690)	(878)
	4,053	3,096	604	(2,137)	4,657	959
Overseas						
Adjustments in respect of prior years	–	(545)	–	–	–	(545)
Total current tax charge/(credit)	4,053	2,551	604	(2,137)	4,657	414
Deferred tax on origination and reversal of temporary differences						
United Kingdom deferred tax (credit)/charge	(1,123)	691	64	(23)	(1,059)	668
Adjustments in respect of prior years	142	(1,268)	139	552	281	(716)
Total deferred tax (credit)/charge (note 18)	(981)	(577)	203	529	(778)	(48)
Total income tax charge/(credit)	3,072	1,974	807	(1,608)	3,879	366

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

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Tax charge on profit before non-underlying items	5,764	5,607	439	(1,135)	6,203	4,472
Tax (credit)/charge on non-underlying items	(2,692)	(3,633)	368	(473)	(2,324)	(4,106)
	3,072	1,974	807	(1,608)	3,879	366

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

	Continuing operations		Discontinued operations		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Profit/(loss) before tax	16,896	13,173	(17,778)	(5,069)	(822)	8,104
Tax calculated at a rate of 27.33% (2010 – 28%)	4,617	3,688	(4,858)	(1,419)	(241)	2,269
Non-deductible charges on impairment of assets		–	4,641	–	4,641	–
Expenses not deductible for tax purposes	561	828	734	–	1,295	828
Non-taxable income	(583)	–	–	(280)	(583)	(280)
Effect of alternative use tax basis on sale of buildings	(595)	–	–	–	(595)	–
Effect of change in UK corporate tax rate	(232)	(240)	4	(72)	(228)	(312)
Adjustments in respect of prior years	(696)	(2,302)	286	163	(410)	(2,139)
Total income tax charge/(credit)	3,072	1,974	807	(1,608)	3,879	366

11. Acquisition

On 9 February 2011, the Group acquired 90% of the single class of ordinary shares in Tactical Solutions (UK) Limited ('Tactical Solutions'), a provider of field marketing services. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce. The fair values of the net assets acquired were as follows

Purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Customer relationships	–	6,840	6,840
Property, plant and equipment	219	–	219
Trade and other receivables	3,069	280	3,349
Bank balances and cash	169	–	169
Trade and other payables	(2,266)	(269)	(2,535)
Deferred tax liabilities	1	(1,847)	(1,846)
Net assets acquired	1,192	5,004	6,196
Goodwill arising on acquisition			13,060
Non-controlling interest			(619)
Total consideration			18,637

The fair value of the total consideration payable is as follows

	£'000
Paid in cash prior to 29 July 2011	12,339
St Ives plc ordinary shares issued on 3 March 2011	2,000
Consideration payable in loan notes after 29 July 2011	4,298
Total consideration	18,637

The loan notes payable at 29 July 2011 are analysed as follows

	£'000
Loan notes payable within one year	1,677
Loan notes payable in more than one year	2,621
Total consideration payable at 29 July 2011	4,298

Notes to the Consolidated Financial Statements *continued*

11 Acquisition *continued*

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

	£'000
Cash paid in the period	12,339
Cash acquired	(169)
Net cash outflow in the period	12,170

The deferred consideration is payable in two tranches which are dependent upon the level of EBITDA achieved by Tactical Solutions in calendar year 2011 and calendar year 2012, the amounts of which are capped at £4 million and £5 million respectively. The Group received an option to purchase the remaining 10% of the single class of ordinary shares from August 2013 at a price dependent on the level of EBITDA achieved by Tactical Solutions in the financial year preceding the date of the exercise of the option. A nominal value of £1 has been attributed to this option at the balance sheet date.

Had Tactical Solutions been acquired at the beginning of the financial year, it would have had the following incremental impact on the Group's operating results

	£'000
Revenue	5,785
Operating profit	747

12. Discontinued operations

On 6 April 2011, the Group completed the disposal of the four operating subsidiaries that made up the Group's Magazine printing business, namely St Ives Peterborough Limited, St Ives Plymouth Limited, St Ives Roche Limited and St Ives Web Limited ('the Magazine printing business'). Consideration receivable comprised £15,000,000 in cash and £5,000,000 in loan notes secured on certain items of plant and machinery within the Magazine printing business. At the date of disposal the loan notes were scheduled to be repaid in 24 equal monthly instalments. All but the initial payment were subsequently rescheduled, with repayments due to recommence in December 2011. The monthly repayments have been increased such that the full value of the loan notes are still due to be repaid within 24 months of the date of disposal. The loan notes do not bear interest and the nominal amounts receivable were discounted to their present value as at the date of disposal. The Magazine printing business is classified as a discontinued operation and prior period figures have been restated accordingly.

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

Loss from discontinued operations

	31 July 2010 to 6 April 2011 £'000	52 weeks to 30 July 2010 £'000
Loss from the Magazine printing business before non-underlying items		
Revenue	51,248	70,489
Operating costs	(51,754)	(73,228)
Operating loss before non-underlying items	(506)	(2,739)
Finance cost	(367)	(644)
Loss before tax before non-underlying items	(873)	(3,383)
Income tax (charge)/credit	(439)	1,135
Loss after tax before non-underlying items	(1,312)	(2,248)

	31 July 2010 to 6 April 2011 £'000	52 weeks to 30 July 2010 £'000
Non-underlying items		
Impairment of property, plant and equipment of the Magazine printing business	(13,526)	–
Impairment of US promissory loan note	(3,454)	–
Defined benefits pension scheme curtailment credit	1,345	–
Other non-underlying items	(1,270)	(1,687)
Total non-underlying items before tax	(16,905)	(1,687)
Tax (charge)/credit on non-underlying items	(368)	472
Total non-underlying items after tax	(17,273)	(1,215)

Loss from discontinued operations

	31 July 2010 to 6 April 2011 £'000	52 weeks to 30 July 2010 £'000
Loss after tax before non-underlying items	(1,312)	(2,248)
Non-underlying items	(17,273)	(1,215)
Total loss from discontinued operations	(18,585)	(3,463)

The impairment of property, plant and equipment in the Magazine printing business was recorded in light of the decision to dispose of this business and was established by reference to the fair value less costs to sell of the assets

The US promissory loan note, receivable as deferred consideration in respect of the sale of the Group's US segment in January 2009, was fully impaired in the period following a continued downturn in the US business, resulting in a charge of £3,454,000

The defined benefits pension scheme curtailment credit arose as a result of the change in membership status of employees of the Magazine printing business from in-service members to deferred members following the disposal of this business in the period

Other non-underlying items recorded in the period comprise redundancy and other restructuring charges arising in the group's Magazine printing business. The sale of the four operating subsidiaries that make up the Magazine printing business was free of tax

The net assets of the Magazine printing business at the date of disposal, 6 April 2011 were as follows

	31 July 2010 to 6 April 2011 £'000
Intangible assets	55
Property, plant and equipment	20,653
Inventories	4,308
Trade and other receivables	23,678
Bank overdraft	(386)
Trade and other payables	(26,627)
Tax liabilities	(1,898)
Other liabilities	(982)
Net assets	18,801
Profit on disposal before tax	–
Total consideration receivable, net of selling costs	18,801

Notes to the Consolidated Financial Statements *continued*

12 Discontinued operations *continued*

The fair value of the consideration receivable for the Magazine printing business, net of selling costs is comprised as follows

	£'000
Consideration net of selling costs, received in cash on completion	14,178
Loan note receivable and received in the period	208
Fair value of loan notes receivable after 29 July 2011	4,415
Fair value of consideration receivable, net of selling costs	18,801

The loan notes receivable at 29 July 2011 are analysed as follows

	£'000
Loan notes receivable within one year	1,986
Loan notes receivable in more than one year	2,429
Total consideration receivable at 29 July 2011	4,415

The disposal of the Magazine printing business had the following impact on investing cash inflows in the period

	£'000
Total consideration net of selling costs, received in cash in the period	14,386
Overdraft included in net assets disposed of in the period	386
Proceeds in the period from disposal, net of cash disposed	14,772

13. Dividends

	per share	2011 £'000	2010 £'000
Final dividend paid for the 52 weeks ended 31 July 2009	0.5p	–	515
Interim dividend paid for the 26 weeks to 30 January 2010	1.75p	–	1,803
Final dividend paid for the 52 weeks ended 30 July 2010	1.75p	1,806	–
Interim dividend paid for the 26 weeks to 29 January 2011	1.75p	1,811	–
Dividends paid during the period		3,616	2,318
Proposed final dividend at the period end of 3.50p per share (2010 – 1.75p per share)		3,749	1,803

The proposed final dividend is subject to the approval by shareholders at the 2011 Annual General Meeting and has not been included as a liability in these financial statements

14. Earnings per share

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

Number of shares

	2011 '000	2010 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	104,206	103,056
Weighted average number of ordinary shares for the purposes of diluted earnings per share	104,879	103,056

Basic and diluted earnings per share

	2011		2010	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and basic earnings per share from continuing activities				
Underlying earnings and underlying earnings per share	15,060	14 45	12,190	11 83
Non-underlying items	(1,278)	(1.23)	(989)	(0 96)
Earnings and basic earnings per share	13,782	13 23	11,201	10 87

Earnings and diluted earnings per share from continuing activities

Underlying earnings and underlying earnings per share	15,060	14 36	12,190	11 83
Non-underlying items	(1,278)	(1 22)	(989)	(0 96)
Earnings and diluted earnings per share	13,782	13 14	11,201	10 87

	2011		2010	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Loss and basic loss per share from discontinued activities	(18,585)	(17 83)	(3,463)	(3 36)
Loss and diluted loss per share from discontinued activities	(18,585)	(17 72)	(3,463)	(3 36)

	2011		2010	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Basic (loss)/earnings per share from continuing and discontinued activities	(4,803)	(4 61)	7,738	7 51
Diluted (loss)/ earnings per share from continuing and discontinued activities	(4,803)	(4 58)	7,738	7 51

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

Notes to the Consolidated Financial Statements *continued*

15. Property, plant and equipment

	Land and buildings		Plant and equipment £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
	Freehold £'000	Long leases £'000			
Cost or valuation					
At 1 August 2009	51,610	5,482	247,006	16,525	320,623
Acquisitions	–	–	304	9	313
Additions	674	35	6,048	722	7,479
Disposals	–	(168)	(31,905)	(3,638)	(35,711)
Reclassification – non-current assets	63	–	(45)	42	60
Reclassification – assets held for sale	(2,297)	–	(111)	(840)	(3,248)
At 30 July 2010	50,050	5,349	221,297	12,820	289,516
Acquisitions	–	–	185	34	219
Additions	(10)	2,771	3,905	737	7,403
Disposals	(2,958)	(315)	(4,118)	(480)	(7,871)
Disposals – discontinued operations	–	–	(100,261)	(1,481)	(101,742)
Reclassification – non-current assets	(27)	28	900	(1,478)	(577)
At 29 July 2011	47,055	7,833	121,908	10,152	186,948
Accumulated depreciation and impairment.					
At 1 August 2009	12,968	2,244	171,739	11,494	198,445
Charge for the period	853	437	15,469	1,544	18,303
Impairment losses	–	–	1,162	9	1,171
Disposals	–	(168)	(31,885)	(2,730)	(34,783)
Reclassification – non-current assets	–	–	50	–	50
Reclassification – assets held for sale	(669)	–	(68)	(371)	(1,108)
At 30 July 2010	13,152	2,513	156,467	9,946	182,078
Charge for the period	741	555	10,465	848	12,609
Impairment losses	–	–	16,791	127	16,918
Disposals	(771)	(263)	(3,896)	(437)	(5,367)
Disposals – discontinued operations	–	–	(79,660)	(1,429)	(81,089)
Reclassification – non-current assets	(28)	28	647	(1,224)	(577)
At 29 July 2011	13,094	2,833	100,814	7,831	124,572
Net book value					
At 29 July 2011	33,961	5,000	21,094	2,321	62,376
At 30 July 2010	36,898	2,836	64,830	2,874	107,438

At 29 January 2011, following the decision to dispose of the Magazine printing business, impairment charges of £14,232,000 were recorded against plant and equipment in the Peterborough, Plymouth and Roche sites. The recoverable amount of the plant and equipment was calculated by reference to the estimated portion of the anticipated consideration receivable attributable to these assets. Following the completion of the disposal transaction on 6 April 2011, and the deconsolidation of the Magazine printing business as of that date, the final allocation of the consideration receivable indicated that the portion attributable to this plant and equipment (and hence its recoverable amount), was higher than the original estimate, and so £738,000 of the impairment loss booked at 29 January 2011 was reversed, reducing the impairment recorded in the period to £13,526,000. The disposal calculation shown in note 12 above includes plant and machinery at its carrying value net of these impairment charges.

Impairment losses of £3,392,000 arose on plant and machinery at the Blackburn, Bradford and Leeds sites, following the continued decline in the markets served by these sites. The impairments have been recorded within the Print segment. Impairment losses have been measured by reference to value-in-use and have been recorded as non-underlying items.

The Group has freehold land, included within property, plant and equipment and, in the prior period, assets held for sale, with a book value of £5,325,000 (2010 – £6,175,000) which has not been depreciated. The amount of fully depreciated property, plant and equipment and, in the prior period, assets held for sale is £54,722,000 (2010 – £107,207,000).

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £nil (2010 – £517,000).

The carrying amount of the Group's property, plant and equipment in respect of assets held under finance lease are £nil (2010 – £nil).

16 Goodwill and other intangible assets

	£'000
Cost and carrying amount of goodwill	
At August 2009	46,274
Acquisitions	8,109
At 30 July 2010	54,383
Acquisitions	13,060
At 29 July 2011	67,443

Goodwill is allocated amongst the following cash-generating units

	£'000
SP Group	31,322
Service Graphics	14,952
Occam	8,109
Tactical Solutions	13,060
	67,443

SP Group and Service Graphics are reported within the Print segment. Occam and Tactical Solutions are reported within the Marketing Services segment.

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

Tactical Solutions' recoverable amount was tested by reference to market value at 29 July 2011. The recoverable amounts of the other cash generating units ('CGUs') are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs (and therefore profits and losses) during the forecast period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent medium-term business forecasts with a terminal value calculation. The key assumptions used in the value-in-use calculations as well as the sensitivities to the key revenue growth assumption are detailed below.

Notes to the Consolidated Financial Statements *continued*

16 Goodwill and other intangible assets *continued*

	SP Group	Service Graphics	Occam
Value-in-use assumptions			
Pre-tax discount rate	13.1%	13.1%	13.1%
Terminal growth used in terminal value calculation	3.0%	3.0%	3.0%
Average annual revenue growth used in five year forecast calculation	3.3%	5.7%	11.3%
Excess of value-in-use over carrying value (£'000)	30,505	13,294	3,064
Sensitivity of value-in-use to changes in key growth assumption			
Average annual revenue growth in five year forecast calculation resulting in potential impairment	1.9%	3.5%	8.6%
Other intangible assets			
	Computer software £'000	Customer relationships £'000	Total £'000
Cost			
At August 2009	4,465	–	4,465
Acquisitions	1,628	1,801	3,429
Additions	804	–	804
Reclassifications	(60)	–	(60)
Disposals	(176)	–	(176)
At 30 July 2010	6,661	1,801	8,462
Acquisitions	–	6,840	6,840
Additions	2,070	–	2,070
Reclassifications	125	–	125
Disposals	(9)	–	(9)
Disposals – discontinued operations	(759)	–	(759)
At 29 July 2011	8,088	8,641	16,729
Accumulated amortisation			
At 1 August 2009	3,250	–	3,250
Charge for the period	705	51	756
Reclassifications	(50)	–	(50)
Disposals	(177)	–	(177)
At 30 July 2010	3,728	51	3,779
Charge for the period	1,071	823	1,894
Impairment losses	116	–	116
Reclassifications	125	–	125
Disposals	(3)	–	(3)
Disposals – discontinued operations	(704)	–	(704)
At 29 July 2011	4,333	874	5,207
Net book value			
At 29 July 2011	3,755	7,767	11,522
At 30 July 2010	2,933	1,750	4,683

Impairment losses of £116,000 arose on software at the Blackburn, Bradford and Leeds sites, following the continued decline in the markets served by these sites. The impairments have been recorded within the Print segment. Impairment losses have been measured by reference to value-in-use and have been recorded as non-underlying items.

17 Financial assets

	2011 £'000	2010 £'000
Loans receivable carried at amortised cost	2,429	3,495

At 29 July 2011, loans receivable comprise loan notes in respect of the sale of the Magazine printing business receivable in more than one year

At 30 July 2010, loans receivable carried at amortised cost comprised a US Dollar-denominated promissory loan note plus rolled up interest receivable of US\$5.5 million. The receivable was fully impaired in the period following the continued decline in the market for the products of this business.

18 Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2010 – 27%).

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

	2011 £'000	2010 £'000
At the beginning of the period	88	1,942
Acquisitions	(1,846)	(535)
Disposals	1,751	–
Income statement credit (note 10)	777	48
Items taken directly to comprehensive income	(4,697)	(1,367)
At the end of the period	(3,927)	88

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

	Accelerated tax depreciation £'000	Retirement benefits obligations £'000	Rolled over capital gains £'000	Revenue tax losses £'000	Short-term timing differences £'000	Derivative financial instruments £'000	Acquired intangible assets £'000	Total £'000
Balance at August 2009	(9,266)	10,720	(1,542)	660	1,422	(52)	–	1,942
Acquisitions	86	–	–	336	3	–	(960)	(535)
Credit/(charge) to income statement	98	(437)	1,173	(672)	(177)	–	63	48
Items taken directly to comprehensive income	–	(1,403)	–	–	–	36	–	(1,367)
Balance at 30 July 2010	(9,082)	8,880	(369)	324	1,248	(16)	(897)	88
Acquisitions	1	–	–	–	–	–	(1,847)	(1,846)
Disposals	1,751	–	–	–	–	–	–	1,751
Credit/(charge) to income statement	2,461	(1,095)	(340)	(324)	(191)	–	266	777
Items taken directly to comprehensive income	–	(4,712)	–	–	–	15	–	(4,697)
Balance at 29 July 2011	(4,869)	3,073	(709)	–	1,057	(1)	(2,478)	(3,927)

Notes to the Consolidated Financial Statements *continued*

18 Deferred tax *continued*

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

	2011 £'000	2010 £'000
Deferred tax assets	–	1,355
Deferred tax liabilities	(3,927)	(1,267)
	(3,927)	88

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

At 29 July 2011, deferred tax assets in respect of losses, at current tax rates, all of which have an unlimited life, are as follows

	2011 £'000	2010 £'000
Recognised deferred tax in respect of losses	–	324
Unrecognised deferred tax in respect of losses	520	–
	520	324

19 Inventories

	2011 £'000	2010 £'000
Raw materials	3,069	5,257
Work-in-progress	4,080	4,581
Finished products	33	640
	7,182	10,478
Less payments on account and provisions	–	(366)
	7,182	10,112

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

20 Other financial assets

Trade and other receivables

	2011 £'000	2010 £'000
Current		
Amounts receivable for the sale of goods and services	56,074	61,945
Allowance for doubtful debts	(2,034)	(2,851)
Trade receivables	54,040	59,094
Other receivables	4,271	3,394
Prepayments and other assets	6,799	5,660
	65,110	68,148

	2011 £'000	2010 £'000
Non-current		
Other non-current assets	–	202

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

Derivative financial instruments

	2011 £'000	2010 £'000
Forward foreign currency contracts	4	59

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

Cash and cash equivalents

	2011 £'000	2010 £'000
Cash and cash equivalents	16,262	10,515

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

21 Assets held for sale

	2011 £'000	2010 £'000
Freehold land and buildings	—	2,140

The property at Lavington Street, London classified as an asset held for sale at 30 July 2010 was sold in the period for £6,163,000 after selling costs, resulting in a gain of £4,023,000.

22 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	45,662	51,768
Accruals for goods and services	8,616	9,897
Other taxes and social security	12,126	12,009
Other payables	2,851	6,246
	69,255	79,920

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

23 Loans and bank overdrafts

	2011 £'000	2010 £'000
Bank loans	—	13,193

The borrowings are repayable as follows

Between one and two years	—	13,193
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In October 2009, the Group entered into a three-year £70 million revolving multicurrency loan agreement, which was reduced to £55 million in the period following the sale of the Magazine printing business. Up to £15 million may be drawn on as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 2.25% and 2.75%, depending on the ratio of the Group's net debt to EBITDA excluding non-underlying items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate. As at 29 July 2011, the Group's outstanding loans, within this agreement, were £nil (2010 – £10 million and US\$5 million). The undrawn portion of this facility at 29 July 2011 was £55 million (2010 – £56.8 million).

As at 29 July 2011, there was no loan or overdraft secured against the assets of the Group (2010 – £nil).

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

Notes to the Consolidated Financial Statements *continued*

24 Deferred income

	2011 £'000	2010 £'000
UK regional capital grants	–	708
Advance billings and other deferred income	376	819
	376	1,527
Current deferred income	376	934
Non-current deferred income	–	593
	376	1,527

	2011 £'000	2010 £'000
Movement in UK regional capital grants:		
Balance at the beginning of the period	708	1,143
Transfer to income statement	(465)	(435)
Disposal of the Magazine printing business	(243)	–
Balance at the end of the period	–	708

25 Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 1 August 2009	1,418	4,585	6,003
Charged to the income statement	296	3,313	3,609
Credited to the income statement	(142)	(937)	(1,079)
Utilised during the period	(330)	(3,785)	(4,115)
Balance at 30 July 2010	1,242	3,176	4,418
Charged to the income statement	145	2,192	2,337
Credited to the income statement	(165)	(40)	(205)
Disposal – discontinued operations	7	(122)	(115)
Utilised during the period	(71)	(4,050)	(4,121)
Balance at 29 July 2011	1,158	1,156	2,314
Current	470	1,156	1,626
Non-current	687	–	687
	1,157	1,156	2,313

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 2012 and 2021.

Provision for reorganisation

The provision for reorganisation relates primarily to the remaining costs in respect of plant closures and relocation and comprises severance payments, plant relocation, onerous property and other costs, which are expected to be settled by the end of the 2012 financial year. The charge in the period relates principally to the closure of the Hayes and Salisbury sites within the Exhibitions and Events business, as well as to restructuring activities in the Direct Response and Commercial, Books, and Point of Sale businesses, all of which are included within the Print segment.

26 Retirement benefits

Defined contribution schemes

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under control of the trustees. Payments to the schemes are expensed to the income statement as they fall due. The total expense recognised in the income statement for continuing operations of £1,634,000 (2010 – £2,481,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 29 July 2011, contributions of £215,000 (2010 – £183,000) due in respect of the 2011 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.

Defined benefits scheme – St Ives Group

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

The most recent full actuarial valuations of the scheme assets and the present value of the defined benefits obligations were carried out in April 2011 by Jonathan Punter, Fellow of the Institute of Actuaries, Punter Southall & Co Ltd, ('the actuary') who is independent of the Group. This valuation was updated at 31 July 2011. 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:

	2011 per annum	2010 per annum
Discount rate	5.50%	5.40%
Expected rate of inflation	3.50%	3.30%
Expected rate of salary increases	0.00%	0.00%
Future pension increases	3.25%	3.15%

Post-retirement mortality in the 2011 calculation is in accordance with the S1PA tables with an allowance of 1% lighter mortality for females. Future improvements from 2004 have been assumed in line with the 2009 CMI model and a long term improvement of 1% per annum. No adjustment has been made to the base table for males.

Post-retirement mortality in the 2010 calculation was in accordance with the PA00 tables with future mortality improvements from 2002 in line with the '92 series' year of birth projections allowing for the medium cohort effect and a minimum level of improvements of 1% per annum. The base table was adjusted to assume 6% greater mortality for males and 4% greater mortality for females.

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

	2011 £'000	2010 £'000
Present value of funded obligations	258,269	251,105
Fair value of scheme assets	(245,974)	(218,218)
	12,295	32,887

Notes to the Consolidated Financial Statements *continued*

26 Retirement benefits *continued*

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

	2011 £'000	2010 £'000
Current service cost	200	200
Curtailments	(1,345)	–
Interest on obligation (note 9)	13,347	13,706
Expected return on scheme assets (note 8)	(13,898)	(13,267)
	(1,696)	639

The current service cost was allocated to functional cost lines in the income statement. The curtailment credit arises due to the disposal of the Magazine printing business and is included as a non-underlying item under discontinued operations. Expected return on assets is recorded under investment income and interest on obligation is recorded under finance costs. The actual return on scheme assets was a profit of £32,673,000 (2010 – £29,698,000).

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

	52 weeks to 29 July 2011 £'000	52 weeks to 30 July 2010 £'000
Opening defined benefits obligation	251,105	232,482
Service cost	200	200
Interest cost	13,347	13,706
Curtailments	(1,345)	–
Age-related rebates	214	343
Actuarial losses	2,079	12,596
Benefits paid	(7,331)	(8,222)
Closing defined benefits obligation	258,269	251,105

Changes in the fair value of scheme assets are as follows

	52 weeks to 29 July 2011 £'000	52 weeks to 30 July 2010 £'000
Opening fair value of scheme assets	218,218	194,199
Expected returns	13,898	13,267
Actuarial gains	18,775	16,431
Contributions by employer	2,200	2,200
Age-related rebates	214	343
Benefits paid	(7,331)	(8,222)
Closing fair value of scheme assets	245,974	218,218

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

	Long-term rate of return expected at 29 July 2011 per annum	Value at 29 July 2011 £'000	Long-term rate of return expected at 30 July 2010 per annum	Value at 30 July 2010 £'000
Equity instruments	7.50%	148,950	7.80%	128,680
Bonds	4.30%	94,902	4.60%	87,795
Other	0.50%	2,122	0.50%	1,743
		245,974		218,218

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

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefits obligations	258,269	251,105	232,482	226,605	220,872
Fair value of scheme assets	(245,974)	(218,218)	(194,199)	(178,261)	(175,669)
Deficit	12,295	32,887	38,283	48,344	45,203
Experience adjustments on scheme liabilities	2,700	8,844	(1,462)	(1,462)	(1,700)
Percentage of scheme deficit	1.1%	3.5%	(0.6%)	(0.6%)	(0.8%)
Experience adjustments on scheme assets	18,775	16,431	(4,049)	(13,915)	(911)
Percentage of scheme assets	7.6%	7.5%	(2.1%)	(7.8%)	(0.5%)

The Group expects to contribute £2,200,000 to the scheme in 2012.

27 Financial risk management

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

Interest rate risk

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

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

	2011 £'000	2010 £'000
Sterling	15,544	10,209
US Dollar	—	1
Other	718	305
	16,262	10,515

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

	2011 £'000	2010 £'000
Sterling bank loans	—	10,000
US Dollar bank loans	—	3,193
	—	13,193

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

Notes to the Consolidated Financial Statements *continued*

27. Financial risk management *continued*

Interest rate sensitivity analysis

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

	2011 £'000	2010 £'000
100% movement in Sterling LIBOR	—	65

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

Foreign exchange risk

Following the full impairment of the US loan note receivable, the Group's balance sheet is not significantly exposed to movements in the US Dollar/Sterling exchange rate

Forward foreign exchange contracts

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

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

	Average exchange rate Sterling/ foreign currency	Foreign currency '000	Contract value £'000	Fair value £ 000
Sell US dollars (up to 12 months)	1.56	232	149	8
Sell Euros (up to 12 months)	1.14	2,242	1,959	(4)

The Group has entered into contracts to supply goods to customers trading in continental Europe at prices denominated in Euros and to customers trading in the USA at prices denominated in US Dollars. Forward foreign exchange contracts have been used to hedge the exchange rate risk arising from these commitments which are designated as cash flow hedges. As at 29 July 2011, the aggregate amount of unrealised profits under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on trade receivables and anticipated sale transactions amounted to £4,000. It is anticipated that the sales will be made in the 12 months following the balance sheet date.

Credit risk

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

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

Included in the Group's trade receivables are debtors with a carrying value for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. Included in the Group's trade receivables balance are debtors with a carrying amount of £19.4 million (2010 – £15.4 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of impaired receivables

	2011 £'000	2010 £'000
Between 0 and 59 days	18	883
Between 60 and 89 days	1,196	1,162
Between 90 and 119 days	232	761
120 days and above	588	45
	2,034	2,851

Movement in the allowance for doubtful debts

	2011 £'000	2010 £'000
Balance at the beginning of the period	2,851	3,308
Impairment losses recognised	505	1,133
Amounts written off as uncollectible	(402)	(1,286)
Amounts recovered during the year	—	(304)
Impairment losses reversed	(793)	—
Disposals	(127)	—
Balance at the end of the period	2,034	2,851

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

Ageing of past due but not impaired receivables

	2011 £'000	2010 £'000
Between 0 and 59 days	19,168	15,101
Between 60 and 89 days	229	265
	19,397	15,366

Liquidity risk

The Group's policy is to maintain flexibility with respect to its liquidity position, by utilising short-term cash deposits and, where necessary, short-term bank borrowings for working capital and longer-term borrowings for capital expenditure requirements. The £70.0 million, three year revolving multicurrency agreement entered into in the prior period was reduced to £55.0 million following the sale of the Magazine printing business. The agreement includes an overdraft facility of £15.0 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 23.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Notes to the Consolidated Financial Statements *continued*

28 Share capital

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid		
At 31 July 2010	103,583,137	10,358
Issued in the period	2,265,370	227
At 29 July 2011	105,848,507	10,585

All authorised and issued share capital is represented by equity shareholdings

29. Notes to the consolidated cash flow statement

Reconciliation of cash generated from operations

	2011 £'000	2010 £'000
Profit from continuing operations	17,311	14,130
Loss from discontinued operations	(17,411)	(4,427)
	(100)	9,703
Adjustments for		
Depreciation of property, plant and equipment	12,609	18,303
Impairment losses	20,488	1,171
Amortisation of intangible assets	1,894	756
Profit on disposal of property, plant and equipment	(4,652)	(2,374)
Deferred income credit	(393)	(307)
Share-based payment charge	284	60
Decrease in retirement benefit obligations	(3,345)	(2,000)
Decrease in provisions	(1,880)	(1,585)
Operating cash inflows before movements in working capital	24,905	23,727
(Increase)/decrease in inventories	(1,379)	757
(Increase)/decrease in receivables	(8,375)	5,829
Increase in payables	7,131	6,909
Cash generated from operations	22,282	37,222

Analysis of net debt

	30 July 2010 £'000	Cash flow £'000	Exchange movements £'000	29 July 2011 £'000
Cash and cash equivalents	10,515	5,751	(4)	16,262
Bank loans	(13,193)	13,494	(301)	—
	(2,678)	19,245	(305)	16,262

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

Cash flows from discontinued operations

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

	2011 £'000	2010 £'000
Net cash (used in)/generated from operating activities	(733)	4,550
Net cash (used in)/generated from investing activities	(123)	(4,580)
Net cash generated from/(used in) financing activities	182	(733)
Net decrease in cash from discontinued activities	(674)	(763)

30. Capital and other commitments

	2011 £'000	2010 £'000
Capital expenditure contracted but not provided	141	1,820

At 29 July 2011, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows

	2011 Land and buildings £'000	2011 Other £'000	2010 Land and buildings £'000	2010 Other £'000
Within one year	1,466	1,405	1,503	1,666
Between two and five years	4,690	1,605	3,580	2,490
After five years	4,250	96	4,025	10
	10,406	3,106	9,108	4,166

31 Share-based payments

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

Discretionary Executive Share Option Scheme ('2001 Scheme')

Executive directors and certain members of senior management have been granted share options under the Company's discretionary share option schemes. Details of the 2001 Scheme are included on pages 52 and 53 of the Directors' Remuneration Report

Long-term Incentive Plan ('LTIP')

Executive directors and certain members of senior management have been granted nil-cost share options under the Company's long-term incentive plan. Details of the LTIP are included on pages 53 and 54 of the Directors' Remuneration Report

A reconciliation of the movement in the number of share options is shown below

	2001 Scheme		LTIP	
	2011	2010	2011	2010
Number of options				
Outstanding at the beginning of the period	2,494,800	1,004,400	–	–
Granted during the period	–	2,232,000	1,197,000	–
Lapsed during the period	(262,800)	(741,600)	–	–
Outstanding at the end of the period	2,232,000	2,494,800	1,197,000	–
Exercisable at the end of the period	–	–	–	–

Notes to the Consolidated Financial Statements *continued*

31. Share-based payments *continued*

	2001 Scheme		LTIP	
	2011	2010	2011	2010
Weighted average exercise price £				
Outstanding at the beginning of the period	0.84	2.63	–	–
Granted during the period	–	0.66	–	–
Lapsed during the period	2.37	2.73	–	–
Outstanding at the end of the period	0.66	0.84	–	–

The fair value of the options granted in the period under the LTIP was measured using a Black-Scholes options pricing model. The inputs to the model are:

Weighted average mid-market share price	97.75p
Weighted average exercise price	£0.00
Expected life	3 years
Expected volatility	30.00%
Risk free rate	2.00%
Dividend yield	5.00%

The Group recognised a total charge of £284,000 (2010 – £60,000) relating to equity-settled share-based payment transactions. The exercise price of options outstanding at 29 July 2011 ranges between nil and 66.17 pence.

Deferred Bonus Scheme

On 1 November 2010, pursuant to the Directors and Senior Executives Deferred Bonus Scheme outlined on page 48 of the Directors' Remuneration Report, a portion of the net bonus payable to Patrick Martell, Matt Armitage and Lloyd Wigglesworth in respect of the 2010 financial year was used to purchase 201,163 shares in the Company from the Group's Employee Benefit Trust ('the EBT') on behalf of these directors at 81 pence per share. An ESOP reserve was set up when the EBT originally purchased these shares at a price of 383 pence per share. When the shares were purchased on behalf of the directors in the period, an amount equivalent to their original cost of £769,000 was released from the ESOP reserve with the difference of £607,000 between the price paid on behalf of the directors and the original cost to the EBT of the shares taken directly to retained earnings.

32 Related party transactions

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

On 1 November 2010, shares in the Company were purchased from the Group's Employee Benefit Trust on behalf of Matt Armitage, Patrick Martell and Lloyd Wigglesworth as outlined in note 31.

No other executive officers of the Company or their associates had 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.

	2011 £'000	2010 £'000
Short-term employee benefits	2,103	2,254
Post-employment benefits	19	120
Termination benefits	33	613
Share-based payment	229	60
	2,384	3,047

33 List of principal undertakings

The principal trading subsidiaries of the Company as at 29 July 2011 are shown below. All are wholly-owned subsidiaries, with the exception of Tactical Solutions (UK) Limited which is 90% owned. With the exception of any marked (†) which are owned directly, all are owned via wholly-owned intermediate holding companies.

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

	Location
Clays Limited	Bungay
Occam DM Limited †	Chilcompton
St Ives Blackburn Limited	Blackburn
St Ives Burnley Limited	Burnley
St Ives Direct Bradford Limited	Bradford
St Ives Direct Leeds Limited	Leeds
St Ives Management Services Limited	London
St Ives Westerham Press Limited	Edenbridge
Service Graphics Limited †	London and other UK sites
SP Group Limited †	Birmingham/Redditch
Tactical Solutions (UK) Limited †	Chester

All the above subsidiaries other than Occam DM Limited and Tactical Solutions (UK) Limited are engaged in the activities of printing and related services. Occam is engaged in the activity of database marketing services and Tactical Solutions is engaged in the activity of field marketing services.

34 Post-balance sheet events

On 14 September 2011 the Group acquired 100% of the single class of ordinary shares in Response One Holdings Limited, a data marketing business, for a consideration of approximately £16.25 million. The exact consideration will be determined based on a multiple of the EBITDA for the year ended 31 October 2011, adjusted for working capital. Approximately 70% of the consideration payable will be in cash with the balance to be satisfied by the issue of up to approximately 7.5 million new St Ives plc ordinary shares. An initial payment of £12.5 million in cash was made on completion. The total consideration is capped at £19.0 million.

On 20 September 2011, the Group acquired 100% of the single class of ordinary shares in Pragma Holdings Limited, a consultancy specialising in retail and consumer markets. The consideration payable will be determined as a multiple of the EBITDA achieved for the year ended 31 March 2012 adjusted for working capital, and is estimated to be approximately £4.2 million. An initial payment of £3.3 million in cash was made on completion with the balance of the consideration payable in cash and shares. The total consideration is capped at £6.0 million.

Independent Auditors' Report to the Members of St Ives plc

We have audited the parent company financial statements of St Ives plc for the 52 weeks ended 29 July 2011 which comprise the parent company Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the parent company's affairs as at 29 July 2011,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

In our opinion

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of St Ives plc for the 52 weeks ended 29 July 2011.



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

4 October 2011

Company Balance Sheet

	Note	29 July 2011 £'000	30 July 2010 £'000
Fixed assets			
Tangible assets	5	39,173	42,960
Investments	6	105,404	95,618
		144,577	138,578
Current assets			
Debtors – amounts falling due within one year	7	9,371	4,733
Debtors – amounts falling due after more than one year	7	2,429	3,497
		11,800	8,230
Creditors – amounts falling due within one year	8	(33,439)	(19,428)
Net current liabilities		(21,639)	(11,198)
Total assets less current liabilities		122,938	127,380
Creditors – amounts falling due after more than one year	8	(2,621)	(13,193)
Provision for liabilities	10	(276)	(166)
Net assets		120,041	114,021
Capital and reserves			
Share capital	11	10,585	10,358
Share premium account	11	48,540	46,706
Other reserves	12	442	(556)
Profit and loss account	13	60,474	57,513
Total equity		120,041	114,021

These financial statements were approved by the board of directors on 4 October 2011 and signed on its behalf by



Patrick Martell
Chief Executive



Matt Armitage
Finance Director

Notes to the Company Financial Statements

1 Accounting policies

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Business Review on page 11.

(a) Accounting convention

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

(b) Accounting period

The financial statements are prepared for the fifty two weeks ended 29 July 2011 ('the financial year'). Comparative figures are for the fifty two weeks ended 30 July 2010.

(c) Tangible fixed assets

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

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33 $\frac{1}{3}$ %
Fixtures, fittings and equipment	10% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 25%

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

(d) Investments

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

(e) Tax

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

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

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

(f) Provision for repairs

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

(g) Foreign currencies

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

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

(h) Share-based payments

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

(i) Derivative financial instruments

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

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

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

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

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

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

Notes to the Company Financial Statements *continued*

1 Accounting policies *continued*

(j) Pension costs

The Company operates a defined benefits pension scheme and a defined contribution pension scheme. The Company accounts for the defined benefits pension scheme as if it were a defined contribution scheme under the provisions of FRS 17. Pension costs for the Company's defined contribution scheme are charged against profits as payable. Further details are set out in note 14.

(k) Leases

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

(l) Cash flows

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

2. Profit from operations

As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The profit for the financial period for the Company was £7.2 million (2010 – loss of £4.4 million).

3 Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company were £69,000 (2010 – £62,000).

4 Employee information

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

	2011 Number	2010 Number
Sales	16	12
Administration	44	43
	60	55

Their aggregate remuneration comprised

	2011 £'000	2010 £'000
Wages and salaries	3,571	3,801
Social security costs	346	346
Other pension costs	99	108
Share-based payment	284	60
	4,300	4,315

5 Tangible fixed assets

Land and buildings

	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 31 July 2009	47,379	5,765	2,807	2,555	58,506
Additions	–	–	3	446	449
Transfers from subsidiaries	5,800	429	–	–	6,229
Transfers to subsidiaries	–	–	–	(549)	(549)
Disposals	(1,695)	–	–	(165)	(1,860)
At 30 July 2010	51,484	6,194	2,810	2,287	62,775
Additions	–	542	236	1,393	2,171
Transfers from subsidiaries	–	–	99,741	1,920	101,661
Transfers to subsidiaries	(108)	–	(99,741)	(1,934)	(101,783)
Reclassifications	–	–	576	(576)	–
Disposals	(5,255)	–	(131)	(879)	(6,265)
At 29 July 2011	46,121	6,736	3,491	2,211	58,559
Accumulated depreciation and impairment					
At 31 July 2009	13,233	2,418	1,868	1,560	19,079
Charge	690	308	188	273	1,459
Transfers from subsidiaries	274	–	–	–	274
Transfers to subsidiaries	–	–	–	(498)	(498)
Disposals	(413)	–	–	(86)	(499)
At 29 July 2010	13,784	2,726	2,056	1,249	19,815
Charge	691	334	850	252	2,127
Transfers from subsidiaries	–	–	66,102	1,890	67,992
Transfers to subsidiaries	–	–	(66,699)	(1,911)	(68,610)
Disposals	(1,440)	–	(88)	(410)	(1,938)
Reclassifications	–	–	297	(297)	–
At 29 July 2011	13,035	3,060	2,518	773	19,386
Net book value					
At 30 July 2010	38,449	3,134	292	1,514	43,389
At 29 July 2011	33,086	3,676	973	1,438	39,173

The Company has freehold land with a book value of £5,214,000 (2010 – £6,040,000) which has not been depreciated

The net book value of the Company's land and buildings includes £198,000 (2010 – £204,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £80,000 (2010 – £84,000)

Notes to the Company Financial Statements *continued***6. Investments held as fixed assets**

	Shares at cost £'000	Loans £'000	Total £'000
Investment in subsidiaries:			
Balance at 30 July 2010	72,872	22,746	95,618
Acquisitions	18,638	–	18,638
Loan capitalisations	12,000	(12,000)	–
Loan advances	–	23,972	23,972
Loan repayments	–	(23,824)	(23,824)
Impairments	(9,000)	–	(9,000)
Balance at 29 July 2011	94,510	10,894	105,404

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 33 of the consolidated financial statements.

Acquisitions of shares at cost relates to the acquisition of Tactical Solutions (UK) Limited on 9 February 2010 as disclosed in note 11 of the notes to the consolidated financial statements. Loan capitalisations comprise capital contributions by loan waiver of £6,000,000 to Service Graphics Limited and £6,000,000 to Occam DM Limited. The investment in St Ives Direct Limited was impaired in the period by £9,000,000 due to a reduction in the value of the investments in its subsidiary companies.

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

	2011 £'000	2010 £'000
Within one year		
Amounts owed by group undertakings	4,326	1,218
Loans receivable	1,986	–
Other debtors	918	1,521
Tax recoverable	1,466	858
Prepayments and accrued income	671	1,077
Derivative assets	4	59
	9,371	4,733
After more than one year		
Deferred tax asset	–	2
Loans receivable	2,429	3,495
	2,429	3,497

Loans receivable within one year of £1,986,000 and after more than one year of £2,429,000 comprise Sterling amounts receivable as deferred consideration for the sale of the Magazine printing business on 6 April 2011, as outlined in note 12 to the consolidated financial statements. These loans are non-interest bearing and are carried at amortised cost. The prior year figure comprises a US Dollar-denominated promissory loan note of US\$5.5 million received as part of the consideration on the sale of the US operation in January 2009, together with interest rolled up into the loan. The promissory loan note bears interest at 6% per annum. The promissory loan note was fully impaired in the period.

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

	2011 £'000	2010 £'000
Within one year		
Amounts owing to group undertakings	8,673	8,552
Bank loans and overdrafts (note 9)	18,190	4,910
Consideration payable on purchase of subsidiary	1,677	–
Trade creditors	878	1,602
Other creditors including tax and social security	2,402	2,135
Accruals and deferred income	1,619	2,229
	33,439	19,428

	2011 £'000	2010 £'000
After more than one year		
Consideration payable on purchase of subsidiary	2,621	–
Bank loans and overdrafts (note 9)	–	13,193
	2,621	13,193

Consideration payable for the purchase of a subsidiary of £1,677,000 within one year and of £2,621,000 after more than one year represent the fair values of the loan notes issued as part of the consideration for Tactical Solutions (UK) Ltd in the period, as detailed in note 11 to the consolidated financial statements

9 Borrowings and finance obligations

	2011 £'000	2010 £'000
Within one year		
Bank overdrafts	18,190	4,910

	2011 £'000	2010 £'000
After more than one year		
Bank loans	–	13,193

Bank overdrafts and loans

In October 2009, the Company entered into a £70.0 million committed revolving multicurrency facility which was reduced to £55 million in the period following the disposal of the Magazine printing business. The facility terminates on 31 October 2012. Within the facility, up to £15.0 million may be drawn as an overdraft. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 2.25% and 2.75%, depending on the ratio of the consolidated net debt to EBITDA, excluding non-underlying items, of the Company and its subsidiary undertakings. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

The Company's overdraft is guaranteed by certain United Kingdom subsidiary undertakings and the Company guarantees the loans and overdrafts of those United Kingdom subsidiary undertakings. At 29 July 2011, the aggregate liability for the Company under this guarantee amounted to £11,765,000 (2010 – £83,557,000). The aggregate value of the Company's loans and overdraft liabilities guaranteed by certain United Kingdom subsidiaries amounted to £18,677,000 (2010 – £43,746,000).

As at 29 July 2011, there was no loan or overdraft secured against the assets of the Company (2010 – £nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company has guaranteed amounts payable to certain suppliers of one of its trading subsidiaries. The maximum aggregate liability under these guarantees is £1,112,000.

Notes to the Company Financial Statements *continued***10. Provisions for liabilities and charges**

	Provision for repairs £'000	Deferred tax £'000	Total £'000
Balance at 31 July 2010	166	–	166
Reclassification of deferred tax assets	–	(2)	(2)
Charge to profit and loss account	–	112	112
Balance at 29 July 2011	166	110	276

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

	2011 £'000	2010 £'000
Capital allowances in excess of depreciation	230	149
Other timing differences	(120)	(151)
	110	(2)

11. Called up share capital and share premium account

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid			
At 30 July 2010	103,583,137	10,358	46,706
Issue of share capital	2,265,370	227	1,834
At 29 July 2011	105,848,507	10,585	48,540

All authorised and issued share capital is represented by equity shareholdings. 96,173 shares were issued in the period as the final element of the consideration paid for the equity of Occam DM Limited and 2,169,197 shares were issued as partial consideration for the acquisition of Tactical Solutions (UK) Limited, as outlined in note 11 to the consolidated financial statements.

12. Other reserves

	Capital redemption reserve £'000	Share option reserve £'000	ESOP reserve £'000	Hedging reserve £'000	Total £'000
Balance at 30 July 2010	1,238	60	(1,913)	59	(556)
Recognition of share-based payments	–	284	–	–	284
Issue of share capital	–	–	769	–	769
Gains on cash flow hedges					
Transferred to underlying hedged items	–	–	–	(59)	(59)
Arising on forward currency contracts	–	–	–	4	4
Balance at 29 July 2011	1,238	344	(1,144)	4	442

On 1 November 2010, pursuant to the Directors and Senior Executives Deferred Bonus Scheme outlined on page 48 of the Directors' Remuneration Report, a portion of the net bonus payable to Matt Armitage, Patrick Martell and Lloyd Wigglesworth in respect of the 2010 financial year was used to purchase 201,163 shares in the Company from the Group's Employee Benefit Trust ('EBT') on behalf of these directors at 81 pence per share. An ESOP reserve was set up when the EBT originally purchased these shares at a price of 383 pence per share. When the shares were purchased on behalf of the directors in the period, an amount equivalent to their original cost of £769,000 was released from the ESOP reserve with the difference of £607,000 between the price paid on behalf of the directors and the original cost to the EBT of the shares taken directly to retained earnings.

13 Profit and loss account

	£'000
Balance at 30 July 2010	57,513
Profit for the financial period	7,184
Issue of share capital	(607)
Dividends paid on equity shares	(3,616)
Balance at 29 July 2011	60,474

The adjustment to retained earnings in respect of the issue of share capital is explained in note 12 above

14 Retirement Benefits

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

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

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

The defined benefits scheme was closed to new entrants with effect from 6 April 2002 and closed to future benefit accrual from 31 August 2008. There are no contributions to fund future defined benefit accrual after 31 August 2008. Contributions of £2,200,000 were made in the period and the Company expects to contribute £2,200,000 to the scheme in 2012.

The Group is required to account for the defined benefits scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures, included in note 26 of the notes to the consolidated financial statements, have been based on the results of the actuarial valuation of the defined benefits scheme as at 6 April 2007 adjusted to allow for the assumptions and actuarial methodology required by IAS 19 and updated to 29 July 2011 by the scheme's actuary. These disclosures show that the scheme's assets represented 95.2% of the scheme's liabilities (2010 – 86.5%).

15. Capital commitments

	2011 £'000	2010 £'000
Capital expenditure contracted but not provided	273	1,097

Five Year Record

	52 weeks to 29 July 2011 £'000	52 weeks to 30 July 2010 (restated) £'000	52 weeks to 31 July 2009 (restated) £'000	52 weeks to 1 August 2008 (restated) £'000	53 weeks to 3 August 2007 (restated) £'000
Revenue					
Print	282,736	290,542	386,782	391,200	365,764
Marketing	14,054	888	–	–	–
USA	–	–	–	–	59,266
	296,790	291,430	386,782	391,200	425,030
Profit/(loss) from operations before non-underlying items					
Print	20,870	18,968	10,150	32,953	32,834
Marketing Services	450	(216)	–	–	–
USA	–	–	–	–	1,495
	21,320	18,752	10,150	32,953	34,329
Non-underlying items*	(4,009)	(4,622)	(14,532)	1,126	(2,765)
Profit/(loss) from operations	17,311	14,130	(4,382)	34,079	31,564
Investment income	13,973	13,267	12,857	11,051	10,171
Finance costs	(14,388)	(14,222)	(15,716)	(14,508)	(14,179)
Profit/(loss) before taxation	16,896	13,175	(7,241)	30,622	27,556
Income tax expense	(3,072)	(1,974)	916	(16,096)	(7,157)
Profit/(loss) on ordinary activities after taxation	13,824	11,201	(6,325)	14,526	20,399
Profit/(loss) on discontinued operations	(18,585)	(3,463)	(8,233)	1,714	(14,084)
Profit/(loss) for the period	(4,761)	7,738	(14,558)	16,240	6,315
Earnings per share					
Basic	13 22	10 87	(6 14)	14 10	6 13
Continuing before non-underlying items	14 45	11 83	4 94	19 57	20 25
Balance sheet					
Property, plant and equipment	62,376	107,438	122,178	141,581	147,006
Goodwill	67,443	54,383	46,274	54,679	54,679
Other intangible assets	11,522	4,683	1,215	1,753	1,394
Other non-current assets	2,429	5,052	8,008	2,517	5,123
Assets held for sale	–	2,140	1,282	6,650	3,345
Other current assets	88,558	89,402	98,218	116,811	100,121
Liabilities held for sale	–	–	–	(1,142)	–
Other current liabilities	76,217	(84,606)	(113,717)	(79,015)	(67,719)
Non-current liabilities	19,530	(48,606)	(41,390)	(88,964)	(79,422)
Net assets	136,581	129,886	122,068	154,870	164,527

Revenue and profit/(loss) from operations before non-underlying items is shown by business segment. The figures for Print segment for the periods ended 3 August 2007, 1 August 2008 and 31 July 2009 include the results of the operations previously classified within the Media and Commercial segments, including those of the Magazine printing business.

For the year ended 3 August 2007 the US segment is included within continuing operations. The Five Year Record is not audited.

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

Financial Calendar

Financial year ended 30 July 2010

Record date for final dividend	3 December 2010
Annual General Meeting	30 November 2010
Payment date for final dividend of 1.75p per ordinary share	23 December 2010

Financial year ended 29 July 2011

Half year end	28 January 2011
Announcement of Half year results	15 March 2011
Record date for interim dividend	8 April 2011
Payment date for interim dividend of 1.75p per ordinary share	3 May 2011
Financial year end	29 July 2011
Announcement of Full year results	4 October 2011
Annual General Meeting	29 November 2011
Record date for proposed final dividend	2 December 2011
Payment date for proposed final dividend of 3.50p per ordinary share	23 December 2011*

Financial year ended 27 July 2012

Half year end	27 January 2012
Announcement of Half year results	March 2012
Financial year end	27 July 2012

* If approved by shareholders at the 2011 Annual General Meeting the proposed final dividend will be paid on 23 December 2011

Shareholder Information

Corporate information

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

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

Should you wish to receive further copies of the Annual Report and Accounts or a copy of our Environmental report, please contact the Company Secretary, St Ives plc, One Tudor Street, London EC4Y 0AH.

Shares

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

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

Shareholding enquiries

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

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

Their contact details are: St Ives plc Shareholder Services, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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

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

Our principal advisers

Stockbrokers

Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT

Financial Advisers

N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU

Bankers

HSBC Bank plc, 76 Edgware Road, London W2 2EQ

The Royal Bank of Scotland plc, PO Box 2 AG, 63 Piccadilly, London W1A 2AG

Solicitors

Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS

St Ives plc
Registered in England & Wales No 1552113
Registered office
One Tudor Street
London EC4Y 0AH

Printed on Hello Silk and Revive Pure White
Uncoated paper

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

Both papers are manufactured at a mill that is certified to ISO14001 and EMAS environmental standards

The mill uses pulps that are totally chlorine free (TCF), and some pulp is bleached using an elemental chlorine free (ECF) process. The inks used are all vegetable-based

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

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Thank you to all our valued customers for allowing us to use photographs in this document that represent the products and services we supply

St Ives plc

One Tudor Street
London
EC4Y0AH

Telephone 020 7928 8844

Fax 020 7902 6436

www.st-ives.co.uk