

ANNUAL REPORT AND ACCOUNTS 2003

CONTENTS

Professional Advisers and Contact Details	2
Chairman's Statement	3
Review of Operations	6
Books	6
Direct Response and Commercial	6
Financial	8
Magazines	9
Multimedia	10
Directors	11
Directors' Report	12
Directors' Remuneration Report	18
Independent Auditors' Report to the Members of St Ives plc	25
Consolidated Profit and Loss Account	27
Consolidated Balance Sheet	28
Company Balance Sheet	29
Consolidated Cash Flow Statement	30
Consolidated Statement of Total Recognised Gains and Losses	31
Movements in Consolidated Shareholders' Funds	31
Notes to the Financial Statements	32
Financial Calendar 2003/2004	56

PROFESSIONAL ADVISERS AND CONTACT DETAILS

Registrars and Transfer Office

Capita Registrars
The Registry,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU
0870 162 3100

Stockbrokers

Hoare Govett Limited
250 Bishopsgate,
London EC2M 4AA

Merchant Bankers

N M Rothschild & Sons Limited
New Court,
St Swithin's Lane,
London EC4P 4DU

UBS Investment Bank
1 Finsbury Avenue,
London EC2M 2PP

Auditors

Deloitte & Touche LLP
Chartered Accountants,
Stonecutter Court,
1 Stonecutter Street,
London EC4A 4TR

Bankers

HSBC Bank plc
76 Edgware Road,
London W2 2EQ

The Royal Bank of Scotland plc
PO Box 2AG,
63 Piccadilly,
London W1A 2AG

Solicitors

Herbert Smith
Exchange House,
Primrose Street,
London EC2A 2HS

Registered Office

St Ives House,
Lavington Street,
London SE1 0NX
020 7928 8844

www.st-ives.co.uk

Registered in England and Wales
Registration number 1552113

CHAIRMAN'S STATEMENT

The results for the 52 weeks ended 1 August 2003 show turnover of £437.2 million (2002 – £466.8 million) and profit before taxation, exceptional items and amortisation of goodwill of £36.9 million (2002 – £36.1 million). There was a net exceptional cost of £119,000 (2002 – £9,549,000). Profit before taxation was £34.6 million (2002 – £24.3 million). Earnings per share, before goodwill amortisation and exceptional items were 23.45p (2002 – 24.33p). Basic earnings per share were 21.82p (2002 – 15.40p).

Results

A final dividend of 12.15p per share is recommended, making total dividends of 17.15p per share in respect of the year, the same as for the previous year. If approved, the final dividend will be paid on 4 December 2003 to shareholders on the register on 7 November 2003.

Dividends

Demand for books in the UK remained resilient and was reinforced by sales of a number of best selling titles. In all our other markets trading conditions were extremely challenging throughout the year. Demand was weak as a result of reduced advertising expenditure, especially for longer run, less targeted products, and was also subject to significant short term fluctuations, which made it difficult to achieve satisfactory utilisation. Activity was particularly low in the last quarter of our financial year, especially in Germany and the USA. Corporate financial printing was consistently quiet. The benefits of the cost reductions which we implemented last year were mainly passed on to our customers in lower prices, brought about by reduced demand and industry over capacity in all the geographic regions in which we operate. Upward pressure on costs, largely resulting from changes in tax and employment legislation, continued. In the circumstances, we did well to achieve turnover which was only some 6 per cent below the previous year and make a modest improvement in margin and profit. Overall, considerable progress in the UK and the Netherlands was offset by weak performances in the USA and Germany.

Trading Conditions

Clays had an excellent year and consolidated its position as the leading supplier of monochrome books to the UK trade and general market. We were again able to grow our market share because of the flexible service which we offer our customers and, as in the past, produced a very high proportion of best selling titles, most notably 'Harry Potter and the Order of the Phoenix' by J K Rowling for Bloomsbury. We continue to supply nearly all the leading UK trade and general publishers with cased and/or paperback books. During the year we invested in additional pre-press equipment as well as web and sheet fed presses, which enabled us to enhance our service offering further.

Books

CHAIRMAN'S STATEMENT *continued*

Direct Response and
Commercial
UK

In the UK, demand for longer run, less specialist work has been patchy and pricing weak. We sharpened our focus on time-sensitive, shorter run work and have gained more of this business from both existing and new customers, including the Government and Government agencies. As a result, although our sales were down overall, more specialised work accounted for a higher proportion and accordingly profit and margins improved. During the year we expanded our production facilities offering personalisation and mailing services, by moving to larger premises at our Romford site.

USA

In the USA sales to direct response and commercial markets were lower because of reduced advertising and promotional expenditure especially in the travel, automotive and leisure sectors and amongst customers requiring high quality retail and direct mail catalogues. We experienced further pricing pressure and significant short term variations in demand, giving rise to periods of poor utilisation, especially in the last quarter of the financial year. In these circumstances, it regrettably proved necessary to make a further reduction in the number of employees.

Germany

Johler Druck continued to experience weak demand and competitive pricing in economic conditions which have not been favourable. As a result sales were lower and losses increased.

Financial

Activity in corporate financial markets remained extremely subdued throughout the year in the UK, Europe and the USA, with the result that sales were below the level of the previous year. Our continued reorganisation unfortunately resulted in further reductions in staffing levels. We maintained our market share, but the volume of business was not sufficient to enable us to trade profitably in this market. We increased our share of the printing of Annual Reports for FTSE companies. However, both in the UK and the USA some annual report work was won at lower prices and to less demanding specifications than in the previous year.

Magazines
UK

Magazine paginations have been very variable both amongst titles and from issue to issue. Fashion and lifestyle titles were more robust than those dependent on travel and leisure advertising. Sales were lower overall and demand was particularly weak in the last quarter of the financial year. The pricing environment remained extremely competitive. During the year we won some new business but not so as to offset completely the effect on profitability of lower paginations and some title closures. We are now fully invested in digital computer-to-plate systems at all our sites, which will enable us further to reduce the lead times which we can offer our customers and increase flexibility.

USA

In the USA, paginations were more stable but we experienced increasing pricing pressure during the year. The benefits of the cost reductions implemented over the last eighteen months through the consolidation of our operations in south Florida were insufficient to offset fully the effect on profitability of lower volumes and prices.

The market for music and multimedia products remained subdued. However we increased sales, particularly of less time-sensitive products, which enabled us to improve utilisation and profitability at all three of our sites. Growth in demand for specialist packaging and DVD related products offset reduced demand for standard audio CD packaging. The move to new premises in Blackburn was completed towards the end of the previous financial year and the new factory is now fully operational.

Multimedia

On behalf of the board I would like to thank all employees who have made a contribution to the business, especially in the current challenging environment.

Staff

We are pleased to welcome Patrick Martell to the board. He has been with the group since 1980, for the last three years as Managing Director of our Book Division, and was appointed an executive director on 2 August 2003. Graham Menzies will leave the board at the AGM on 3 December 2003, having served just over 6 years as a non-executive director. We are grateful to him for his advice during the period of his membership of the board. We hope to be able to announce the appointment of a further non-executive director shortly.

Board

The balance sheet remains strong: at the year end, net assets were almost £241 million and net cash has almost doubled to £26.3 million. Capital expenditure during the year was nearly £20 million (2002 – £35.6 million).

Balance Sheet

The UK market for monochrome books is steady, although sales of best selling titles are likely to have less impact than in the past year. In all our other markets supply continues to exceed demand, pricing pressures are unabated and there is no current indication of a sustained or significant upturn in levels of activity. Our markets in the USA and Germany are especially challenging.

Outlook

We continue to concentrate on customers and markets with exacting service and quality requirements. Our Company's financial strength and our long standing commitment to investment in people, systems and equipment, in order to enhance service, improve productivity and maintain cost effectiveness, is more important than ever in an environment where employment and other costs continue to rise. In the short term, we are unlikely to be able to make more than modest progress, but in the longer term we remain confident in the potential of our Company's strong competitive position in its chosen markets.

Miles Emley

Chairman

14 October 2003

REVIEW OF OPERATIONS

BOOKS

Conditions within the book market remained resilient and Clays was again able to increase sales and market share while further enhancing its excellent reputation for service and quality. The continued need for faster service and more complex orders has been supported by the investment in additional capacity and the further development of Clays' management information systems.

During the last year we invested in additional pre-press, printing and finishing equipment, as well as introducing screen-based 'work to lists' on equipment to improve the flow of timely, accurate and complete management information. Our continued efforts to drive manufacturing efficiencies whilst improving the service we offer to our customers once again helped to ensure that we successfully produced a significant number of best selling titles. These included, for Bloomsbury, 'The Little Friend' (Donna Tartt), 'Schott's Original Miscellany' (Ben Schott) and 'Harry Potter and the Order of the Phoenix' (J K Rowling); 'Life of Pi' by Yann Martel, published by Canongate; 'Man and Wife' (Tony Parsons) and 'Unless I'm Very Much Mistaken' (Murray Walker) for HarperCollins; 'Living History' (Hillary Clinton) and James Patterson's 'The Beach House' for Headline Publishing; 'The Shelters of Stone' (Jean M. Auel) published by Hodder Stoughton; Patricia Cornwell's 'Portrait of a Killer' for Time Warner Books; 'Into Temptation' (Penny Vincenzi) for Orion Publishing; 'A Short History of Nearly Everything' (Bill Bryson) for Transworld Publishers; and, for Penguin, 'The Autograph Man' (Zadie Smith), 'Keane – The Autobiography' (Roy Keane) and 'Taking on the World' (Ellen MacArthur).

Overall sales growth was achieved from a combination of particularly strong demand for trade hardbacks, success in increasing our share of the non-trade book market and being able to satisfy our customers' requirements for post production services such as storage and direct delivery.

DIRECT RESPONSE
AND COMMERCIAL
UK

Demand from commercial markets was generally weak throughout the year, which saw no improvement over the previous year's activity. Countering competitive pressure on margins, therefore, offered a considerable challenge. Despite this we improved our overall performance year-on-year mainly due to improved sales mix and the benefits of the restructuring measures we took in 2001/2002.

Our Graphics and Point of Sale businesses performed well despite unexpected delays in accepting the new large format silk screen press at DisplayCraft, the benefits from which will now not be fully realised until

2003/2004. In spite of reduced market volumes in some sectors, Direct Mail showed improved sales performance which supported the expansion of our mailing facilities in Bradford and Romford. Our sheet fed businesses generally performed very well with strong performances in both sales and profits in the face of intense price competition in local markets. The performance of the Web businesses was particularly encouraging, benefiting from the rationalisation measures and reinvestment undertaken in the previous year.

Development projects and investments completed in the year included the relocation of our Edenbridge mailing business to Romford; the new silk screen press at Crayford; computer-to-plate facilities for our Bradford web and sheet fed presses and new Docutech personalisation and booklet making facilities in Leeds.

During the year we produced work for CWS, Somerfield, The Royal Bank of Scotland, HBOS, Tesco, Grattan, Spar and Dixons.

We continue to sell added value services in addition to printing, particularly to our major customers, who are accounting for a growing proportion of our revenues.

Unfavourable economic conditions in Germany continued to frustrate the actions taken to improve Jöhler Druck's results. Weak domestic demand offset the benefits of cross-selling from UK sister companies and the installation of its 6-unit web offset press, aimed at achieving better margin sales from more specialist market areas.

GERMANY

Market conditions in the USA failed to improve and the effect of the war in Iraq depressed print demand further, with customers delaying and reducing print projects. Industry utilisation declined and pricing was further depressed reflecting reduced activity, particularly towards the end of the year.

USA

We took action to further reduce our costs during the year. Additional cost reductions will be made as we complete installation of the new division-wide MIS system. We have completed the consolidation of the Hollywood and Avanti businesses and the two printing plants are now run as a single operational unit. We plan further automation in our bindery departments and are in the process of establishing a single, consolidated, digital pre-press capability for the division. We are beginning to offer our

REVIEW OF OPERATIONS *continued*

customers digital solutions for page make-up that will reduce cost and increase efficiency. In south Florida, the installation of closed loop colour control on all web presses will soon enable us to meet industry-specific standards without the need for manual intervention, with resultant cost savings. Avanti is well advanced in securing ISO certification which, when achieved, will result in the US division being the first multi-plant printing operation in the USA to have all its manufacturing sites certified.

In meeting our strategy to sell a broader range of services we now offer logistics management. We have been successful in making significant savings for our customers by distributing their products for them through the services of St Ives Logistics.

Sales to our existing customers have increased: Neiman Marcus have awarded us their Bergdorf Goodman catalogues for the next three years and Avon Products, Federated Department Stores (Bloomingdale's and Burdines), Ford Motor Company, General Motors Corporation and the U.S. Postal Service. We have secured for St Ives Creative a two-year extension from Saks Department Stores (Proffitt's division) and a one-year deal with a new customer, PETSMART. We have also won a five-year contract with America's Mart for the complete manufacture of their catalogues and directories, including creative services.

We remain under pricing pressure from a number of our customers in these very difficult economic times.

FINANCIAL

The depressed state of global capital markets resulted in another tough year. With only limited merger and acquisition activity and even fewer IPOs, financial printing volumes fell significantly. These low levels of demand necessitated further action to reduce the cost base, leading to a 15 per cent reduction in the work force. Owing to market conditions, the resultant savings were largely passed on to our customers in lower prices.

In spite of these challenging conditions we were involved in a number of high profile deals. In Europe these included the de-merger of Six Continents, listing particulars for the InterContinental Hotels Group, the acquisition of Household International by HSBC and Cadbury Schweppes' acquisition of Adams. In the USA we completed an IPO for Integrated Alarms and the Sagicor Financial Corporation demutualisation. Overall we have maintained our market share.

Towards the end of the year we saw some moderate signs of improved activity, particularly in the USA and we are well placed to benefit from any upturn in these markets when it occurs.

We enjoyed another strong year in the printing of Annual Reports and remain the market leader in the UK, producing 32 Annual Reports for FTSE 100 companies. New customers included Alliance UniChem, Associated British Foods, AstraZeneca, Barclays, GlaxoSmithKline, Kingfisher, Shire Pharmaceuticals Group and Tomkins. In the USA, Annual Reports were produced for Alcoa, DTE Energy, Delphi Automotive Systems Corporation, Florida Power and Light, Ford Motor Company, GMAC, J.P. Morgan Chase & Co., Xerox Corporation and Yum! Brands. Although the number of Annual Reports produced for US companies during the year was comparable with the previous year, sales turnover fell due to the poor market conditions.

In addition to our annual report expertise we focused on producing other corporate and fine art work. St Ives Westerham Press has sustained its UK market leadership of this sector.

In the mutual funds market we carried out new assignments for Deutsche/Scudder and for Delaware. The installation of the new 8-unit sheet fed press at Woolwich will aid our ambitions to grow our share of this market further.

Market conditions in the UK remained fiercely competitive throughout the year, particularly in the web offset sector, which is still oversupplied. Advertising levels in many of the magazines we produce for our customers have been subdued, resulting in fewer pages and thus less volume to fill our available capacity.

Price pressure has been intense, particularly when contracts fall due for renewal. To offset this we have continued to focus on ways to reduce the unit cost of production, by seeking greater flexibility from our work force and introducing automation, particularly in the post-press part of our business.

All our factories are successfully running computer-to-plate systems, and continual developments have allowed us significantly to reduce labour costs in this area.

During the year we renewed a number of key contracts, in particular with EMAP for whom we produce a large portfolio of titles including 'Car', 'Garden Answers', 'Kerrang!', 'NewWoman' and 'Nursing Times'.

MAGAZINES
UK

REVIEW OF OPERATIONS *continued*

We were also successful in renewing our contract for the weekly production of 'The Economist'; contracts with Condé Nast Publications for 'GQ', 'The World of Interiors' and 'Vogue'; and with Dennis Publishing for a number of their titles, including 'Computer Shopper', 'Maxim', and 'PC Pro'.

Since the year end we have seen an increase in pagination and overall volumes, which we expect to continue through to Christmas, although in general pricing remains subject to competitive pressures.

USA

The US regional magazine market is experiencing similar economic pressures as in the UK.

The recent investments in additional bindery capacity, improvements to our mailing capabilities and the introduction of digital solutions for our customers have all helped us to offer an improved service. During the year we won contracts for 18 regional titles, including the Spanish language versions of special feature titles for National Geographic.

MULTIMEDIA

The Multimedia division achieved significant sales growth in the year, despite subdued demand from its traditional music and multimedia customers.

This was due primarily to the steady growth in demand for DVD print products. These ranged from simple inlays for films, to more complex large pagination computer games manuals and one-off special packaging projects for multi-disc sets of films and television series. To meet the demand for special packaging projects we have installed additional carton finishing and ancillary equipment, both in the UK and Holland, and have also invested in CAD/CAM equipment to provide the necessary sales support in this new and increasingly key area of activity.

We also installed the division's first 10-unit press that will allow multi-colour sheet printing at a single pass, thereby providing a significant improvement in efficiency. This investment will ensure that we are able to compete and win new business at an acceptable level of return in what continues to be a highly competitive and price-driven market place.

Much effort in the year went into strengthening and focusing the sales teams to drive forward our efforts to identify and win new business that better complements the pattern of our traditional music and multimedia markets.

DIRECTORS

Miles Emley – (aged 54), Chairman, joined the Company as Deputy Chairman in 1992 and was appointed Chairman in 1993.

Wayne Angstrom – (aged 64), was appointed to the board in 1997. Mr Angstrom joined the Group in 1991, and is responsible for the Group's commercial and magazine printing interests in the USA.

Lorraine Baldry – (aged 54), non-executive director, was appointed to the board in 2000. Mrs Baldry has held senior management positions within Prudential plc, Regus Business Centres, Morgan Stanley and Chesterton International plc.

Brian Edwards, FCA – (aged 53), Managing Director, joined the Company in 1978, became Finance Director in 1988 and Managing Director in 1991.

Patrick Martell – (aged 39), was appointed to the board in August 2003. Mr Martell joined the Group in 1980, was appointed a director of Clays in 1994 and became its Managing Director in 2000.

Graham Menzies – (aged 55), non-executive director, is Group Chief Executive of Senior plc. Mr Menzies was appointed to the board in 1997.

Raymond Morley, FCA – (aged 51), Finance Director, joined Clays in 1986 and was appointed to the board in 1995. Mr Morley is also responsible for Group purchasing and information technology.

Dr David Wilbraham – (aged 64), senior non-executive director, was appointed to the board in 1994. Dr Wilbraham, formerly Chief Executive Officer and later Chairman of Hickson International plc, is currently non-executive director of RPC Group PLC.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifty two weeks ended 1 August 2003.

1. Activities

The activities of the Group comprise offset magazine printing, book printing and binding, direct response and general commercial printing, corporate and financial security printing and printing for the multimedia and music industries.

2. Review of operations and future prospects

A detailed review of the activities of the Group and its future prospects can be found in the Chairman's Statement and the Review of Operations.

3. Results and dividends

The Group profit for the year before taxation amounted to £34,589,000 (2002 – £24,276,000).

The directors propose a final dividend of 12.15p for each ordinary share payable on 4 December 2003 to holders on the register at 7 November 2003. If approved, the final dividend will make total dividends for the year of 17.15p per ordinary share:

	£'000
Ordinary dividends – interim	5,161
– proposed final	12,482

4. Share capital

Details of the Company's share capital are set out in note 21 to the financial statements.

5. Substantial interests

As at 14 October 2003, the only notified share interests in excess of 3 per cent of the issued ordinary share capital of the Company were as follows:

	Number of ordinary shares	%
Silchester International Investors Limited	11,601,145	11.24
Prudential plc and its subsidiaries	11,164,906	10.81
AXA S.A. and its subsidiaries	3,988,195	3.86
Legal & General Group PLC	3,113,874	3.02

6. Directors

The present membership of the board is set out on page 11. The directors' interests in shares of the Company are set out on pages 22 to 24 in the Directors' Remuneration Report.

7. Employment policies

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 or creed.

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

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 4 to the financial statements; all of the schemes are independently managed. The investments of the Group's principal pension scheme are managed separately, partly passively and partly actively under the direction of a trustee company ('The Trustee'). The fund managers of the actively managed portfolios are proscribed from holding any investment in the Group. No fund manager is permitted by the Trustee to lend to the Group. The number of directors of the Trustee is split equally between member-nominated and Company-nominated trustee directors.

8. Environmental policy

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

The targets set for 2002/2003 to minimise the net financial impact on the Group of the Climate Change Levy have been met and new targets set for 2003/2004.

Copies of the Group's Environmental Statement and the Group's latest Environmental Report on the Group's performance are available, on request, from the Company Secretary.

9. Supplier payment policy

It is the Group's normal practice to agree terms of trading, including payment terms, with all suppliers. Provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment should be made accordingly. The average creditor days outstanding at 1 August 2003 for the Group and the Company were 37 and 18 days, respectively (2002 – 45 and 27 days).

10. Political and charitable contributions

The Group made charitable donations of £11,000 during the year (2002 – £26,000). No political donations were made in either year.

DIRECTORS' REPORT *continued***11. Introduction of the single European currency**

The possibility of the UK joining the European Monetary Union at some stage continues to be monitored and the changes required to our systems and accounting procedures, were this to occur, have been identified. The costs of making such changes will not be significant.

12. Special business*(a) Partial disapplication of pre-emption rights*

The Companies Act 1985 requires that pre-emption rights must be applied to any issue of shares for cash unless shareholders have given their consent to the waiver of such rights. Resolution 9 set out in the Notice of the Annual General Meeting will therefore be proposed to enable the directors to issue shares for cash (other than by way of a rights issue or pursuant to the Group's share option schemes) up to a maximum of 5,150,000 ordinary shares, representing approximately 5 per cent of the issued ordinary share capital, without applying pre-emption rights.

Details of the Company's authorised and issued share capital are set out in note 21 to the financial statements.

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

At the Annual General Meeting of the Company held on 2 December 2002, the directors were authorised on behalf of the Company to purchase the Company's ordinary shares on the London Stock Exchange. Resolution 10 set out in the Notice of the Annual General Meeting will be proposed to renew this authority to purchase up to 10,300,000 ordinary shares, being approximately 10 per cent of the issued ordinary share capital of the Company. The directors will continue only to exercise such power if it is anticipated that it would result in an increase in the earnings per share attributable to the ordinary share capital of the Company and would be in the best interests of the shareholders generally.

13. Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

14. Corporate governance

The following describes how the principles of corporate governance set out in the Combined Code have been applied during the year.

Areas where the board has not complied with the detail within the Combined Code are also commented on below.

Board of directors

Throughout the year the board has consisted of four executive directors and three non-executive directors.

The board considers that the balance of executive and non-executive directors throughout the year was appropriate and effective for the control and direction of the business.

It is the opinion of the board that, throughout the year, each of the Company's non-executive directors was independent for corporate governance purposes and free from any business or other relationship which could materially interfere with the exercise of his or her judgement.

The board meets at regular intervals and is responsible for overall Group strategy, acquisitions and divestments, major capital projects and financial matters. It reviews the strategic direction and annual budgets of individual trading subsidiaries, and approves major individual items of capital expenditure. The board has carried out its annual review of matters reserved to it for decision. The matters reserved to the board for consideration specifically include risks such as: matters likely to disrupt a subsidiary's ability to carry on business, or damage the reputation of the Group as a whole in the eyes of its shareholders or the general public, and matters which are likely to result in a substantial unplanned financial risk to any subsidiary.

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 financial, social, environmental and ethical issues which may present a potential significant risk to the business.

The roles of Chairman and Managing Director are separate and distinct and have been so since the Company first obtained a Listing on the London Stock Exchange in 1985. 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.

All directors have full and timely access to all relevant information needed to enable them properly to discharge their responsibilities. The procedure for directors to seek independent professional advice in the furtherance of their duties and to be reimbursed their reasonable legal fees was reconfirmed during the year, as was the right of each to have access to the advice and services of the Company Secretary. All directors also have unrestricted access to other executives within the business to discuss any matter of concern to them.

Board committees

Separate Audit and Remuneration Committees of the board exist, each with written terms of reference which were reviewed during the year.

The Audit Committee continues to consist of a majority of independent non-executive directors, David Wilbraham (chairman of the committee), Lorraine Baldry and Graham Menzies, together with Miles Emley and Raymond Morley who are executive directors. Throughout the period under review, therefore, the composition of the Audit Committee did not comply with provision D.3.1 of the Combined Code. The board believes that it is appropriate and in the best interests of the shareholders for the executive directors to be represented on the committee, albeit as a minority.

The Audit Committee meets at least once a year with the Group's external auditors to review the scope and results of the audit prior to the approval by the board of the Group's financial statements and to review the independence of the auditors. The non-executive directors have been given specific approval by the board to meet separately with the Group's auditors should they, or the auditors, consider it appropriate.

The Remuneration Committee is made up solely of independent non-executive directors, namely David Wilbraham (chairman of the committee), Lorraine Baldry and Graham Menzies.

DIRECTORS' REPORT *continued***14. Corporate governance** *continued*

The board has not formed a Nomination Committee. In this respect, therefore, the Company does not comply with provision A.5.1 of the Combined Code. The full board decides on nominations and all directors participate in interviewing prospective members of the board, whether executive or non-executive. It is the board's policy to agree a candidate profile prior to initiating the search for a non-executive director.

Internal control

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, 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.

During the year the directors reviewed the need for an internal audit function and concluded that the existing control environment, financial controls and the annual external audit of all trading subsidiaries are sufficient.

The board believes that its internal control procedures, outlined below, have enabled the directors to report in full compliance with the Turnbull guidance on internal controls.

The board exercises these controls via ongoing monthly meetings of each division's senior management with the Group's Chairman, Managing Director and Finance Director present. All attendees receive agendas and papers in advance of each meeting: detailed minutes are recorded and actions followed up. Regular items for discussion encompass any areas of significant risk to the businesses and are also raised at the next meeting of the board, when appropriate.

In addition, the executive directors meet at regular intervals with divisional managing directors, the Company Secretary, the Group's director of personnel and the Group's technical director, as an executive committee to review the Group's businesses world-wide as an integral part of the Group's internal control mechanism.

Annual internal control reviews are performed by all operating sites and any inconsistencies with the Group's established corporate governance and authority limits regimes are identified and disclosed to the Audit Committee. The board has also carried out its annual review of the effectiveness of the system of internal control and the identification of and controls over key business risks which covers the year under review and the period up to the date of this annual report.

Compliance statement

Other than those areas of non-compliance regarding board committees set out above, the board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the period under review and up to the date of the approval of these financial statements.

The board is in the process of evaluating the forthcoming changes to the Combined Code that resulted from the reports and subsequent consultation on the findings and recommendations of the committees chaired by Sir Robert Smith and Derek Higgs. Although many of the changes will not affect the Company until the reporting year 2004/2005, the board will meanwhile evaluate the changes and make appropriate comment in next year's Directors' Report.

15. Shareholder relations

The board attaches considerable importance to the maintenance of good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations, sometimes at production sites, involving the Chairman, Managing Director and Finance Director.

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

16. Going concern

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

17. Statement of directors' responsibilities

The following statement is made for the purpose of clarifying for shareholders the respective responsibilities of the directors and the auditors in the preparation of the accounts. The auditors' responsibilities are contained within their audit report on pages 25 and 26.

In accordance with the Companies Act 1985, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for the year. The directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group enabling them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for the Group's systems of internal control and they have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Philip Harris

Secretary

14 October 2003

DIRECTORS' REMUNERATION REPORT

Policy on directors' remuneration

This report has been prepared by the Remuneration Committee of St Ives plc ('the committee') and approved by the board. The report complies with the Directors' Remuneration Report Regulations 2002. Information relating to remuneration of the directors on page 20, directors' pension entitlements on page 21 and directors' share options on pages 23 and 24 has been audited.

The board is responsible for setting the Company's policy on directors' remuneration in respect of the 2002/2003 financial year and future years and the role of the committee, *inter alia*, is to apply the board's policy and decide on the remuneration of each executive director. No director is involved in determining his or her own remuneration.

The primary objectives of the Company's policy on executive directors' remuneration are firstly, that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully and, secondly, to reward them in a way which encourages the creation of value for the shareholders. The setting of appropriate targets for executive directors, which have to be achieved for them to earn a performance-related bonus, and the determination of their remuneration package is undertaken annually by the committee. Targets may be adjusted, where appropriate, to take account of any change in the issued share capital of the Company. It is currently the board's policy that a bonus shall not exceed 75 per cent of the executive's basic pay for the year in question. Bonus payments to directors do not qualify for pension benefits. The committee periodically considers available remuneration and benefits data relevant to UK public companies and others in the same business sector as the Company. The Company's policy on setting non-executive directors' remuneration is to offer a salary sufficient to attract and retain individuals of appropriate calibre such that they are able to apply an independent view based on their experience and skills. Non-executive directors are not entitled to participate in the Group's share option schemes, nor in any long term incentive plan.

It is the Company's policy that executive directors should serve under rolling service contracts of twelve months' duration or less and that there should be no special provisions for compensation in the event of termination. Payment in lieu of any unworked notice on termination of service is a matter of negotiation between the parties. The policy on non-executive directors' letters of appointment are that they shall be for an initial three-year term, thereafter subject to notice at any time and retirement by rotation at Annual General Meetings of shareholders.

Details of the executive directors' service contracts and non-executive directors' letters of appointment are shown on page 22.

During the year the committee drew on advice and assistance from New Bridge Street Consultants, the Chairman and the Company Secretary in connection with the grants of awards to the executive directors and certain other members of senior management under the St Ives plc Executive Share Option Scheme ('2001 Scheme') and the St Ives plc Equity Partnership Plan ('EPP').

The executive directors' remuneration consists of five components:

- a) **Basic salary** – which reflects the executive's experience, responsibility and market value.
- b) **Performance-related bonus** – based on objectives set by the committee relative to the performance of the Group, operating unit or individual as appropriate, as an incentive to the executive directors to achieve relevant and demanding targets. No executive director received a bonus in respect of 2002/2003.

The committee decides annually on what objectives should be set for the executive directors for the forthcoming financial year. For 2003/2004 the committee has set an incentive for the executive directors to achieve a targeted profit before taxation, goodwill amortisation and exceptional items. In addition the committee has previously set a further bonus element which may be payable in October 2005 in the event that, in any financial year ending on or before August 2005, the Group's profit before taxation, goodwill

amortisation and exceptional items exceeds a specific target. The bonuses which may be earned by Wayne Angstrom and Patrick Martell are also partly dependent on the US division and the Book division, respectively, meeting or exceeding their profit before interest targets for 2003/2004.

- c) **Pension and other benefits** – Brian Edwards, Patrick Martell and Raymond Morley each participate in the Group's principal pension scheme, a defined benefits scheme, which has a normal retirement age of 65. Miles Emley joined the Company after the imposition of the Inland Revenue earnings cap introduced by the Finance Act 1989. In his case, the Company contributes to a Funded Unapproved Retirement Benefits Scheme, a Self Invested Personal Pension and life assurance cover, for the purpose of providing pension and death in service benefits for Miles Emley and his dependants comparable to those of colleagues to whom the earnings cap does not apply. Wayne Angstrom participates in a Section 401(k) Plan set up in the USA for the benefit of employees of St Ives Inc.

There are no unfunded pension promises or similar arrangements for directors.

Executive directors receive benefits in kind, including the provision of a car, fuel and medical insurance. During the year Raymond Morley received additional salary of £13,056 (which is ignored when calculating pensionable salary and bonus entitlement) in lieu of the provision of a car and fuel benefits.

- d) **Share options** – Executive directors and certain members of senior management have been granted share options under the Group's discretionary share option schemes. These share options were not granted at a discount and, therefore, over time will reward management when shareholders are rewarded, but not otherwise, as is proper. As a result of the adoption of the 2001 Scheme no further options will be granted under any of its predecessor schemes, which are in a state of run-off. The Company's policy is to grant options to executive directors at the discretion of the committee up to an annual maximum of 150 per cent of basic salary (400 per cent in exceptional circumstances). It is also the Company's policy normally to phase the granting of share options, rather than to award them in a single large block to any individual. The committee decides on an appropriate performance condition which has to be satisfied before options can normally be exercised. Details of options granted to directors under the Group's discretionary share option schemes are given in the table of directors' share options on page 23.

Options granted in October 2002 under the 2001 Scheme can only be exercised if, after a period of between three and five years, commencing from the year ended 2 August 2002 (the 'base year'), some or all of the following are satisfied: 25 per cent of an option may be exercised in the event that the Company's Earnings Per Share ('EPS') growth has exceeded the UK's Retail Prices Index ('RPI'), plus at least 3 per cent per annum compound since the base year; RPI plus at least 4 per cent over the same period must be achieved to exercise the next 25 per cent of the grant; RPI plus at least 5 per cent for the third 25 per cent and RPI plus 6 per cent for the final 25 per cent of the grant to be exercisable. To the extent that the foregoing performance condition is not satisfied by the fifth anniversary of grant, the options lapse.

Options granted to the executive directors and outstanding under the 1995 Scheme and the 1992 Scheme cannot be exercised unless a performance condition is satisfied, which is an increase in EPS on average of not less than 2 per cent per annum above RPI over a period of at least three years. Outstanding options granted under the 1985 Scheme are exercisable without restriction.

Options can only be exercised between the third and seventh anniversary of grant in the case of the 1995 Scheme, and between the third and tenth anniversary of grant in the case of the Group's other discretionary schemes.

Executive directors may participate in the Company's Savings-Related Share Option Schemes ('Sharesave schemes').

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

e) **Long term incentive plan** – During the year executive directors and certain members of senior management were invited to participate in the EPP. Under the rules of the EPP the participants, having purchased St Ives plc shares on the open market and deposited them with an Employees' Benefit Trust, potentially qualify for an award of free matching shares, in the ratio of between 0.5:1 (if three years' EPS growth from the base year is RPI plus 1 per cent per annum, compound) and 3:1 (if EPS growth from the base year is RPI plus 8 per cent per annum, compound) – the level of match being determined on a straight-line basis if the Company's EPS growth over the three-year period falls between the two points. There will be no re-testing of performance following the end of the three-year period.

Full details of the components of the executive directors' remuneration referred to above, including options granted, exercised and outstanding under the Group's share option schemes, are set out in the tables below and on pages 21 to 24.

Directors' remuneration

The total amounts for directors' remuneration were as follows:

	2003 £'000	2002 £'000
Emoluments	991.3	988.7
Compensation for loss of office	—	—
Gains on exercise of share options	—	325.7
Amounts receivable under long term incentive schemes	—	—
Money-purchase pension contributions	83.0	80.2
	1,074.3	1,394.6

Individual directors' remuneration was as follows:

	Basic salary £'000	Bonus £'000	Benefits in kind £'000	Pension contributions (Note 1) £'000	Total remuneration	
					2003 £'000	2002 £'000
<i>Executive</i>						
Wayne Angstrom	197.0	—	14.3	6.1	217.4	239.8
Brian Edwards	239.4	—	21.1	—	260.5	248.5
Miles Emley	261.9	—	16.0	76.9	354.8	344.6
Raymond Morley	176.0	—	0.6	—	176.6	176.0
<i>Non-executive</i>						
Lorraine Baldry	20.0	—	—	—	20.0	20.0
Graham Menzies	20.0	—	—	—	20.0	20.0
David Wilbraham	25.0	—	—	—	25.0	20.0
	939.3	—	52.0	83.0	1,074.3	1,068.9

Miles Emley is the highest paid director in the Company.

Directors' pension entitlements

Disclosures of directors' entitlements from the Group's principal pension scheme are shown below:

	Transfer value of accrued pension (Notes 2 and 7)		Increase in transfer value during the year less directors' contributions (Notes 2 and 6)	Increase in accrued pension during the year (Notes 3 and 6)	Transfer value of increase in accrued pension less directors' contributions (Note 2)	Accumulated total accrued pension (Notes 4 and 6)	
	at 1 August 2003	at 2 August 2002	£'000	£'000 p.a.	£'000	at 1 August 2003	at 2 August 2002
	£'000	£'000	£'000	£'000 p.a.	£'000	£'000 p.a.	£'000 p.a.
Brian Edwards	993.0	643.5	334.2	8.6	54.7	109.3	99.0
Raymond Morley	527.1	352.4	164.4	5.5	33.2	66.3	59.8

Notes

- 1 Pension contributions shown under individual directors' remuneration are in respect of money-purchase schemes only. In the case of Miles Emley this sum includes a salary payment of £19,473 (2002 – £17,117) in addition to basic pay which, after tax, offsets the income tax and national insurance contributions payable by the director on the Company's contributions to a Funded Unapproved Retirement Benefits Scheme.
- 2 The transfer values have been calculated on the basis of actuarial advice in accordance with Professional Guidance Note GN11.
- 3 The increase in the accrued pension during the year shown above excludes any increase arising from the statutory revaluation in deferment up to normal retirement age. The inclusion of the statutory revaluation in deferment up to normal retirement age would have the effect of increasing the accrued pension during the year to £9,699 per annum for Brian Edwards and £6,472 per annum for Raymond Morley.
- 4 The accumulated total accrued pension entitlements shown are annual amounts at retirement calculated on service completed to the relevant year end. This was 19 years, including 4 years' service purchased from transfers in to the principal pension scheme, in the case of Brian Edwards and 19 years, including 2 years' service purchased from a transfer in to the principal pension scheme, for Raymond Morley.
- 5 Member contributions were payable in the year by the directors under the Group's pension schemes. Additional voluntary contributions paid and any benefit arising are not included in the above tables.
- 6 Brian Edwards' accumulated total accrued pension at 1 August 2003 includes £654 per annum in respect of an individual transfer-in made during the year. This accrued pension relating to the transfer-in has been excluded from the increase in the accrued pension during the year. The transfer-in of £1,982 has been treated as an employee contribution and therefore deducted from the increase in the transfer value over the year.
- 7 The principal reason for the increase in transfer values is that the transfer value at 2 August 2002 is calculated on the Minimum Funding Requirement basis, which was the appropriate basis for calculating cash equivalent transfer values at that time. The cash equivalent transfer value at 1 August 2003 has been calculated on a new basis adopted and applied by the Trustee of the principal scheme during the year for scheme members generally. This change in basis and the change in market conditions accounted for £291,700 of the difference in the case of Brian Edwards and £142,300 in the case of Raymond Morley.

DIRECTORS' REMUNERATION REPORT *continued***Directors' contracts**

	Date	Unexpired term/ notice period
<i>Executive</i>		
Wayne Angstrom	1 October 1997	12 months
Brian Edwards	3 October 1985	6 months
Miles Emley	3 June 1992	12 months
Raymond Morley	5 May 1992	12 months
<i>Non-executive</i>		
Lorraine Baldry	27 January 2000	None
Graham Menzies	2 August 1997	None
David Wilbraham	1 August 1994	None

In accordance with the board's policy on directors' remuneration, none of the above includes specific provisions for compensation on early termination by the Company.

Lorraine Baldry, Graham Menzies and David Wilbraham each retire by rotation at the forthcoming Annual General Meeting. Graham Menzies has decided not to seek re-election. Lorraine Baldry and David Wilbraham, being eligible, offer themselves for re-election. Both are independent non-executive directors and served on the Audit and Remuneration Committees throughout the year. David Wilbraham is also the senior non-executive director and chairs both committees. Patrick Martell was appointed to the board with effect from 2 August 2003 and holds office until the Annual General Meeting and, being eligible, he offers himself for election. Patrick Martell has a contract dated 1 August 2003 which is for a rolling twelve month period and has no specific provision for compensation on early termination by the Company.

Details of the directors' contracts are shown above and brief biographical details are set out on page 11.

Directors' share interests

Directors' beneficial interests (as defined by the Companies Act 1985) on 1 August 2003 and 2 August 2002 in 10p ordinary shares of the Company were as follows:

	1 August 2003	2 August 2002
<i>Executive</i>		
Wayne Angstrom	126,755	100,000
Brian Edwards	515,117	483,259
Miles Emley	105,884	79,273
Raymond Morley	31,920	10,632
<i>Non-executive</i>		
Lorraine Baldry	—	—
Graham Menzies	10,000	10,000
David Wilbraham	15,000	15,000

Directors' share options

Details of directors' share options are shown below:

	Date of grant	Number of options				1 August 2003	Exercise price (pence)	Date from which exercisable	Expiry date
		2 August 2002	Exercised during year	Lapsed during year	Granted during year				
Wayne Angstrom									
<i>Executive share options</i>									
1992 Scheme	21 Dec 1995	20,000	—	—	—	20,000	455.34	21 Dec 1998	20 Dec 2005
1992 Scheme	17 Oct 1996	10,000	—	—	—	10,000	468.33	17 Oct 1999	16 Oct 2006
1995 Scheme	2 Dec 1997	30,000	—	—	—	30,000	531.17	2 Dec 2000	1 Dec 2004
1995 Scheme	17 Nov 1998	20,000	—	—	—	20,000	320.84	17 Nov 2001	16 Nov 2005
1995 Scheme	28 Oct 1999	25,000	—	—	—	25,000	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	—	—	—	37,500	37,500	315.00	30 Oct 2005	29 Oct 2012
<i>EPP</i>									
2001 Plan	26 Nov 2002	—	—	—	80,265	80,265	nil	26 Nov 2005	25 May 2006
<i>Sharesave options</i>									
	5 June 1998	3,731	—	—	—	3,731	402.00	1 Aug 2003	31 Jan 2004
Total		<u>108,731</u>	<u>—</u>	<u>—</u>	<u>117,765</u>	<u>226,496</u>			
Brian Edwards									
<i>Executive share options</i>									
1985 Scheme	1 Nov 1994	30,000	—	—	—	30,000	320.00	1 Nov 1997	31 Oct 2004
1995 Scheme	17 Oct 1996	35,000	—	—	—	35,000	468.33	17 Oct 1999	16 Oct 2003
1995 Scheme	14 Nov 1997	35,000	—	—	—	35,000	520.84	14 Nov 2000	13 Nov 2004
1995 Scheme	17 Nov 1998	40,000	—	—	—	40,000	320.84	17 Nov 2001	16 Nov 2005
1995 Scheme	28 Oct 1999	35,000	—	—	—	35,000	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	—	—	—	50,000	50,000	315.00	30 Oct 2005	29 Oct 2012
<i>EPP</i>									
2001 Plan	26 Nov 2002	—	—	—	95,574	95,574	nil	26 Nov 2005	25 May 2006
<i>Sharesave options</i>									
	17 June 1997	2,932	—	(2,932)	—	—	407.00	1 Aug 2002	31 Jan 2003
	5 June 1998	892	—	—	—	892	402.00	1 Aug 2003	31 Jan 2004
	10 June 1999	262	—	—	—	262	462.00	1 Aug 2004	31 Jan 2005
	19 June 2002	1,904	—	—	—	1,904	431.00	1 Aug 2007	31 Jan 2008
Total		<u>180,990</u>	<u>—</u>	<u>(2,932)</u>	<u>145,574</u>	<u>323,632</u>			
Miles Emley									
<i>Executive share options</i>									
1995 Scheme	17 Oct 1996	45,000	—	—	—	45,000	468.33	17 Oct 1999	16 Oct 2003
1995 Scheme	14 Nov 1997	45,000	—	—	—	45,000	520.84	14 Nov 2000	13 Nov 2004
1995 Scheme	28 Oct 1999	40,000	—	—	—	40,000	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	—	—	—	55,000	55,000	315.00	30 Oct 2005	29 Oct 2012
<i>EPP</i>									
2001 Plan	26 Nov 2002	—	—	—	79,833	79,833	nil	26 Nov 2005	25 May 2006
<i>Sharesave options</i>									
	11 June 2001	2,052	—	—	—	2,052	411.00	1 Aug 2006	31 Jan 2007
	19 June 2002	1,320	—	—	—	1,320	431.00	1 Aug 2007	31 Jan 2008
Total		<u>133,372</u>	<u>—</u>	<u>—</u>	<u>134,833</u>	<u>268,205</u>			
Raymond Morley									
<i>Executive share options</i>									
1995 Scheme	21 Dec 1995	25,000	—	(25,000)	—	—	455.34	21 Dec 1998	20 Dec 2002
1995 Scheme	17 Oct 1996	15,000	—	—	—	15,000	468.33	17 Oct 1999	16 Oct 2003
1995 Scheme	28 Oct 1999	20,000	—	—	—	20,000	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	—	—	—	35,000	35,000	315.00	30 Oct 2005	29 Oct 2012
<i>EPP</i>									
2001 Plan	26 Nov 2002	—	—	—	63,864	63,864	nil	26 Nov 2005	25 May 2006
<i>Sharesave options</i>									
	5 June 1998	2,735	—	—	—	2,735	402.00	1 Aug 2005	31 Jan 2006
	10 June 1999	1,183	—	—	—	1,183	462.00	1 Aug 2004	31 Jan 2005
Total		<u>63,918</u>	<u>—</u>	<u>(25,000)</u>	<u>98,864</u>	<u>137,782</u>			

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

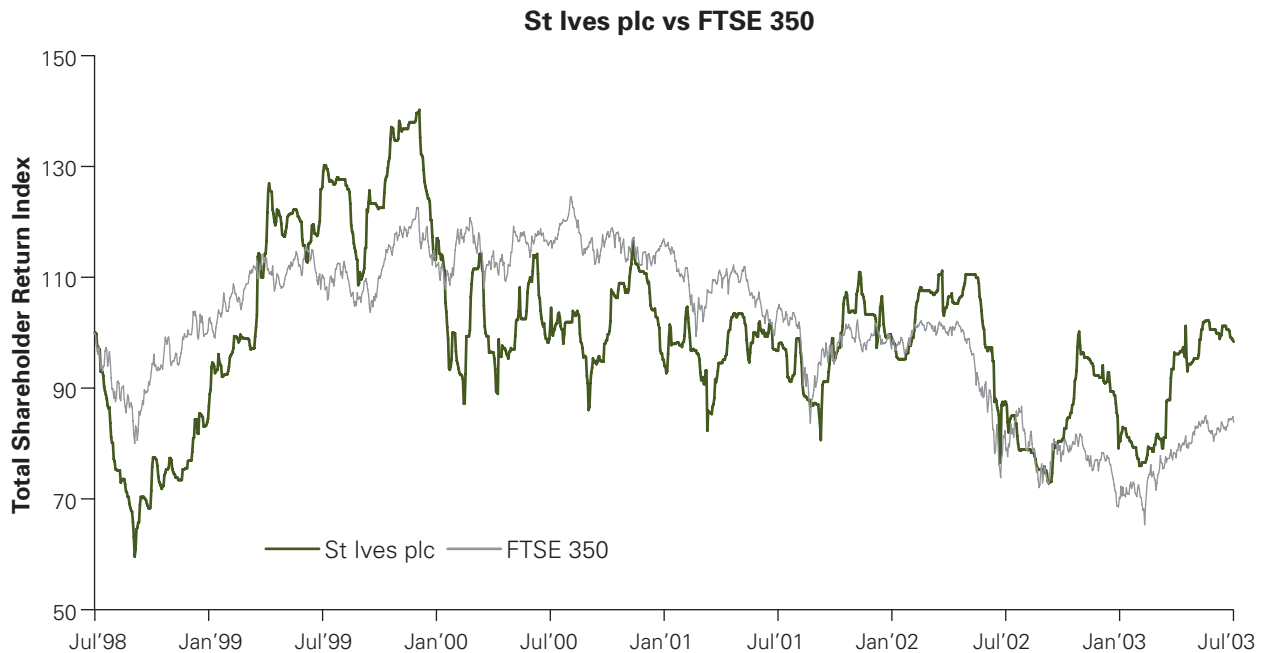
No options were exercised by the directors during the year.

There has been no change in the above directors' share interests and their share options between the year end and 14 October 2003.

The market price of St Ives plc ordinary shares of 10p each at 1 August 2003 was 379p and the range during the financial year was 297.5p to 394p.

Performance graph

A comparison of the Total Shareholder Return of the Company compared with the Total Shareholder Return for the FTSE 350 over the past five years is shown below:



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

Philip Harris

Secretary

14 October 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST IVES PLC

We have audited the financial statements of St Ives plc for the fifty two week period ended 1 August 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the movements in consolidated shareholders' funds and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST IVES PLC

*continued***Basis of audit opinion**

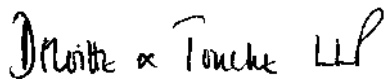
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 1 August 2003 and of the profit of the Group for the fifty two weeks then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors
London

14 October 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	52 weeks to 1 August 2003			52 weeks to 2 August 2002		
		Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation (note 10) £'000	Total £'000	Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation (note 10) £'000	Total £'000
Turnover	2	437,211	—	437,211	466,806	—	466,806
Cost of sales		(328,150)	(456)	(328,606)	(352,670)	(4,316)	(356,986)
Gross profit		109,061	(456)	108,605	114,136	(4,316)	109,820
Sales and distribution costs		(28,635)	(292)	(28,927)	(31,162)	(537)	(31,699)
Administrative expenses							
Goodwill amortisation		—	(2,195)	(2,195)	—	(2,250)	(2,250)
Exceptional items		—	404	404	—	(4,013)	(4,013)
Other administrative expenses		(44,829)	—	(44,829)	(47,862)	—	(47,862)
		(44,829)	(1,791)	(46,620)	(47,862)	(6,263)	(54,125)
Other operating income/(costs)		784	225	1,009	1,250	(683)	567
Operating profit	5	36,381	(2,314)	34,067	36,362	(11,799)	24,563
Interest receivable		1,142	—	1,142	787	—	787
Interest payable	3	(620)	—	(620)	(1,074)	—	(1,074)
Profit before taxation		36,903	(2,314)	34,589	36,075	(11,799)	24,276
Taxation	6	(12,739)	633	(12,106)	(11,067)	2,618	(8,449)
Profit after taxation		24,164	(1,681)	22,483	25,008	(9,181)	15,827
Equity dividends	8	(17,643)	—	(17,643)	(17,688)	—	(17,688)
Retained profit/(loss)		6,521	(1,681)	4,840	7,320	(9,181)	(1,861)
Basic earnings per share	9			21.82p			15.40p
Diluted earnings per share	9			21.81p			15.36p
Earnings per share before exceptional items and goodwill amortisation	9	23.45p			24.33p		
Dividend per ordinary share	8			17.15p			17.15p

All transactions are derived from continuing activities.

CONSOLIDATED BALANCE SHEET

	Note	1 August 2003		2 August 2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11	38,644		40,839	
Tangible assets	12	185,293		201,558	
Investments	13	1,280		—	
			225,217		242,397
Current assets					
Stocks	14	12,437		15,444	
Debtors	15	70,768		69,391	
Cash at bank and in hand	25	50,871		39,768	
			134,076		124,603
Creditors: amounts falling due within one year	16	(104,834)		(113,525)	
Net current assets			29,242		11,078
Total assets less current liabilities			254,459		253,475
Creditors: amounts falling due after more than one year	17	(1,043)		(1,189)	
Provisions for liabilities and charges	19	(11,586)		(15,946)	
Deferred income	20	(1,113)		(1,523)	
			(13,742)		(18,658)
			240,717		234,817
Capital and reserves					
Called up share capital	21	10,323		10,317	
Share premium account	21	45,645		45,455	
Capital redemption reserve	22	1,238		1,238	
Profit and loss account	22	183,511		177,807	
Equity shareholders' funds			240,717		234,817

These financial statements were approved by the board of directors on 14 October 2003 and signed on its behalf by

Miles Emley	} Directors
Raymond Morley	

COMPANY BALANCE SHEET

	Note	1 August 2003		2 August 2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12	41,315		40,551	
Investments	13	221,910		229,856	
			263,225		270,407
Current assets					
Debtors	15	8,071		4,745	
Cash at bank and in hand		27,449		13,258	
			35,520		18,003
Creditors: amounts falling due within one year					
	16	(56,636)		(52,391)	
Net current liabilities					
			(21,116)		(34,388)
Total assets less current liabilities					
			242,109		236,019
Provisions for liabilities and charges					
	19		(1,392)		(1,202)
			240,717		234,817
Capital and reserves					
Called up share capital	21	10,323		10,317	
Share premium account	21	45,645		45,455	
Revaluation reserve	22	71,161		77,243	
Capital redemption reserve	22	1,238		1,238	
Profit and loss account	22	112,350		100,564	
Equity shareholders' funds					
			240,717		234,817

These financial statements were approved by the board of directors on 14 October 2003 and signed on its behalf by

Miles Emley }
 Raymond Morley } Directors

CONSOLIDATED CASH FLOW STATEMENT

	Note	52 weeks to 1 August 2003		52 weeks to 2 August 2002	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	23		59,959		73,196
Returns on investments and servicing of finance					
Interest received		1,143		794	
Interest paid		(685)		(775)	
Interest element of finance lease rental payments		(58)		(169)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			400		(150)
Taxation					
United Kingdom corporation taxation paid		(9,148)		(15,175)	
Overseas taxation refunded		1,344		444	
			(7,804)		(14,731)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(23,268)		(35,344)	
Disposal of tangible fixed assets		2,748		2,723	
Investment in own shares		(1,913)		—	
			(22,433)		(32,621)
Acquisitions					
Subsequent cash flows in respect of prior year acquisition			—		332
Equity dividends paid			(17,697)		(17,619)
Cash inflow before financing			12,425		8,407
Financing					
Issue of ordinary share capital		196		1,948	
Capital element of finance lease rentals		(930)		(1,499)	
Debt due within a year:					
Repayment of term loan		(352)		(503)	
Debt due beyond a year:					
Repayment of long term borrowings		—		(284)	
Net cash outflow from financing			(1,086)		(338)
Increase in cash in the year			11,339		8,069

A reconciliation of net cash flow to movement in net funds is provided in note 24.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	52 weeks to 1 August 2003	52 weeks to 2 August 2002
	£'000	£'000
Profit after taxation	22,483	15,827
Exchange differences	801	(3,989)
Related taxation	63	1,512
Total recognised gains and losses relating to the year	23,347	13,350

MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	52 weeks to 1 August 2003	52 weeks to 2 August 2002
	£'000	£'000
Opening shareholders' funds	234,817	237,207
Total recognised gains and losses	23,347	13,350
Equity dividends	(17,643)	(17,688)
Issue of ordinary shares	196	1,948
Closing shareholders' funds	240,717	234,817

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. Comparative figures have been amended, where appropriate, for minor changes in presentation. The particular accounting policies adopted are described below.

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all subsidiary undertakings for the fifty two weeks to 1 August 2003 ('the financial year'). The previous accounting period was for the fifty two weeks to 2 August 2002.

(c) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

(d) Goodwill

In respect of business combinations entered into by the Group, the fair value of the purchase consideration given is allocated between the underlying net assets of the acquired businesses other than goodwill, on the basis of the fair value to the Group. Any difference represents goodwill. In the case of business combinations entered into after 31 July 1998, purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful economic life. Each acquisition is separately evaluated for the purposes of determining its useful economic life, which shall not exceed twenty years. The useful economic lives are reviewed annually and revised if necessary. Any goodwill arising from business combinations entered into prior to 31 July 1998 was written off directly to reserves. Such goodwill shall be reinstated on disposal of those businesses and charged to the profit and loss account in the relevant period.

(e) 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 with a minimum rate of 2 per cent. The annual rates of depreciation are as follows:

Freehold buildings	2% – 4%
Leasehold properties	Period of lease
Leasehold improvements	10% – 20%
Plant and machinery	10% – 33½%
Fixtures, fittings and equipment	20% – 33½%
Motor vehicles	20% – 25%

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

(f) Investments

Fixed asset investments in subsidiaries are revalued to directors' valuation and are stated at net asset value. In the opinion of the directors this valuation policy gives a fair representation of the net worth of the Company.

(g) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

(h) Deferred taxation

In accordance with Financial Reporting Standard 19 'Deferred Taxation', deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more taxation, or a right to pay less taxation at a future date, at rates expected to apply when they crystallise based on current taxation rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred taxation is not provided on timing differences arising from the unremitted earnings of subsidiaries where there is no commitment to remit these earnings nor in respect of gains realised that have been rolled over into the acquisition costs of replacement assets. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

(i) Regional grants

Regional grants are provided for and amortised in equal annual instalments over the estimated lives of the assets to which they relate.

(j) Provisions for repairs

Where the Group 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.

(k) Foreign currencies

The results of the overseas subsidiary undertakings are translated into Sterling at the average rates of exchange during the period. The balance sheets of the overseas subsidiary undertakings are translated into Sterling at the rates at the balance sheet date. The resulting exchange differences are taken to reserves.

Where foreign currency borrowings have been used to finance or provide a hedge against Group 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.

Transactions denominated in foreign currencies are translated into the local currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These exchange differences are included in profit on ordinary activities before taxation.

(l) Derivative financial instruments

The Group does not hold derivative financial instruments ('derivatives') to manage the currency exposure of borrowings or to provide a complete hedge against investments in overseas subsidiary undertakings. Purchases of capital equipment and materials denominated in foreign currencies, and the sale of goods similarly denominated, are hedged by specific forward exchange contracts or by balancing transactions. The Group does not trade in or undertake any speculative derivative transactions. Gains or losses in respect of hedges of future transactions are deferred and recognised as appropriate when the hedged transaction occurs.

NOTES TO THE FINANCIAL STATEMENTS *continued***1. Accounting policies** *continued**(m) Pension costs*

Pension costs for the Group's defined benefit pension schemes are charged against profits so as to spread the cost of pensions over the employees' expected working lives with the Group in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' ('SSAP24'). Pension costs for the Group's defined contribution schemes are charged against profits as payable. Further details are set out in note 4.

(n) Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases. The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the Group's policy set out in note 1(e) above. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

2. Analyses of turnover, operating profit and net assets

The geographical analysis of turnover by destination is stated below:

	2003 £'000	2002 £'000
United Kingdom	285,923	295,261
United States of America	122,685	143,908
Rest of the World	28,603	27,637
	437,211	466,806

The geographical analysis of turnover and operating profit/(loss) by origin is stated below:

	Turnover		Operating profit/(loss)	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
United Kingdom	291,282	303,362	39,279	26,310
United States of America	120,553	141,504	(1,066)	3,510
Rest of the World	25,376	21,940	(1,951)	(3,007)
	437,211	466,806	36,262	26,813
Goodwill amortisation – USA	—	—	(2,195)	(2,250)
	437,211	466,806	34,067	24,563

The geographical analysis of operating profit/(loss) before exceptional items and goodwill amortisation is stated below:

	2003 £'000	2002 £'000
United Kingdom	39,260	34,970
United States of America	(703)	3,613
Rest of the World	(2,176)	(2,221)
	36,381	36,362

All turnover and operating profits derive from continuing activities.

The segmental analysis of turnover is stated below:

	2003 £'000	2002 £'000
Books	70,145	56,017
Direct Response and Commercial	192,342	217,492
Financial	34,968	48,630
Magazines	113,163	123,109
Multimedia	26,593	21,558
	<u>437,211</u>	<u>466,806</u>

The directors consider that an analysis of profit on a segmental basis would be seriously prejudicial to the interests of the Group and, as permitted by Statement of Standard Accounting Practice 25 'Segmental Reporting', no further disclosure is given.

Net operating assets, which are defined as total assets less current liabilities excluding cash balances, bank loans and overdrafts and obligations under finance leases due within one year, are geographically analysed by origin as follows:

	2003 £'000	2002 £'000
United Kingdom	127,776	132,833
United States of America	46,687	50,923
Rest of the World	15,075	15,237
	<u>189,538</u>	<u>198,993</u>
Goodwill – USA	38,644	40,839
	<u>228,182</u>	<u>239,832</u>

3. Interest payable and similar charges

	2003 £'000	2002 £'000
Bank loans and overdrafts	507	843
Other loans	55	62
Finance charges payable under finance leases	58	169
	<u>620</u>	<u>1,074</u>

The scheme's actuary recommended that the contribution rate of 8.25 per cent of pensionable pay was appropriate. This recommendation was accepted by the Company and the Trustee.

A creditor of £186,000 (2002 – £86,000), inclusive of interest accrued, is included in respect of the defined benefit schemes.

The pension cost relating to foreign schemes was £1,165,000 (2002 – £1,188,000). The foreign schemes are defined contribution schemes and are principally Section 401(k) Plans in the USA.

- (b) The FRS17 disclosures below have been based on the actuarial valuation of the scheme as at 6 April 2002 adjusted to allow for the assumptions and actuarial methodology required by FRS17 and updated to 1 August 2003 by the scheme's actuary.

The major assumptions used by the actuary were:

	1 August 2003 % per annum	2 August 2002 % per annum	3 August 2001 % per annum
Rate of increase in salaries	3.6%	3.5%	4.0%
Rate of increase in pensions in payment and deferred pensions	2.6%	2.5%	3.0%
Discount rate	5.5%	5.9%	6.0%
Inflation assumption	2.6%	2.5%	3.0%

The FRS17 assumptions are similar to those used for funding and the SSAP24 disclosures, except for the lower investment return assumption (discount rate) used of 5.5 per cent which is based on corporate bond yields. This has the effect of increasing the value placed on the liabilities and thereby increases the deficit disclosed. The higher investment return used for funding and SSAP24 purposes reflects the higher return expected in the long term by investing in asset classes other than corporate bonds, in particular equities.

The assets, the expected rates of return on the assets and the liabilities of the scheme were:

	Long term rate of return expected at 1 August 2003 per annum	Value at 1 August 2003 £'000	Long term rate of return expected at 2 August 2002 per annum	Value at 2 August 2002 £'000	Long term rate of return expected at 3 August 2001 per annum	Value at 3 August 2001 £'000
Equities	7.0%	58,224	7.0%	57,462	7.0%	66,776
Bonds	5.2%	34,384	5.7%	25,357	5.8%	24,613
Other	4.8%	2,377	5.0%	3,125	5.0%	1,765
Total market value of assets		94,985		85,944		93,154
Actuarial value of liability		156,753		123,507		107,667
Deficit in the scheme		(61,768)		(37,563)		(14,513)
Related deferred tax asset		18,530		11,269		4,354
Net pension liability		(43,238)		(26,294)		(10,159)

NOTES TO THE FINANCIAL STATEMENTS *continued***4. Information regarding employees, directors and pension costs** *continued*

The effect on the Group's profit and loss account and the statement of total recognised gains and losses in respect of the Group's UK schemes, had FRS17 been adopted during the year, would have been as follows:

	2003 £'000	2002 £'000
Analysis of the amount charged to operating profit:		
Current service cost	4,289	4,468
Past service cost	—	—
Total operating charge	4,289	4,468
Analysis of the amount charged to other finance costs:		
Expected return on pension scheme assets	(5,725)	(6,192)
Interest on pension scheme liabilities	7,446	6,352
Net finance charge	1,721	160
Net charge to profit and loss account	6,010	4,628
Analysis of amount recognised in the statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	(1,431)	(20,711)
Experience gains and losses arising on the scheme liabilities	(5,344)	1,064
Changes in assumptions underlying the present value of the scheme liabilities	(15,001)	(2,647)
Actuarial loss recognised in the statement of total recognised gains and losses	(21,776)	(22,294)
Movement in deficit during the year:		
Deficit in the scheme at beginning of year	(37,563)	(14,513)
Movement in year:		
Current service cost	(4,289)	(4,468)
Contributions	3,581	3,872
Past service costs	—	—
Other net finance charges	(1,721)	(160)
Actuarial loss	(21,776)	(22,294)
Deficit in the scheme at end of year	(61,768)	(37,563)

The actuarial valuation, adjusted for FRS17 and updated at 1 August 2003, showed a deficit of £61,768,000. Contributions for the year of £3,581,000 were paid at the recommended rate of 8.25 per cent of pensionable pay. Ordinarily the contribution rate would not be reviewed until the next formal valuation of the scheme, which is due no later than as at 6 April 2005. However, in light of lower than expected investment returns the Company and the Trustee are reviewing the options for dealing with the growing deficit. The scheme was closed to new entrants with effect from 6 April 2002. As a result, the current service cost calculated using the projected unit method will increase over time (expressed as a percentage of pensionable pay) but will be applied to a shrinking pensionable payroll.

The effect on the Group's balance sheet, had FRS17 been adopted at the year end in respect of the Group's UK schemes, would have been as follows:

	2003 £'000	2002 £'000
Net assets:		
Net assets before pension liability	240,717	234,817
Net pension liability	(43,238)	(26,294)
Net assets after pension liability	197,479	208,523
Reserves:		
Profit and loss reserve before pension liability	183,511	177,807
Net pension liability	(43,238)	(26,294)
Profit and loss reserve after pension liability	140,273	151,513

	2003		2002	
	£'000	%	£'000	%
History of experience gains and losses:				
Difference between the expected and actual return on scheme assets:				
Amount	(1,431)		(20,711)	
Percentage of scheme assets		(2)		(24)
Experience gains and losses on scheme liabilities:				
Amount	(5,344)		1,064	
Percentage of the present value of the scheme liabilities		(3)		1
Total amount recognised in statement of total recognised gains and losses:				
Amount	(21,776)		(22,294)	
Percentage of the present value of the scheme liabilities		(14)		(18)

NOTES TO THE FINANCIAL STATEMENTS *continued***5. Operating profit**

	2003 £'000	2002 £'000
Operating profit is after charging/(crediting):		
Auditors' remuneration – audit fees – the Company	5	5
– audit fees – subsidiary companies	416	417
– tax compliance	219	232
– tax advisory	105	178
– other non-audit related fees	28	27
Depreciation – owned assets	33,996	33,254
– leased assets	394	593
Goodwill amortisation	2,195	2,250
Amortisation of own shares	633	—
Operating lease rentals – land and buildings	1,953	2,345
– plant and machinery	1,167	1,171
– other	67	91
Profit on disposal of fixed assets	(1,009)	(567)
Regional grant amortisation (note 20)	(410)	(404)

6. Taxation on profit on ordinary activities – the Group

	2003 £'000	2002 £'000
<i>(a) Analysis of taxation charge</i>		
Current taxation:		
UK corporation taxation at 30% (2002 – 30%) based on the profit for the year	14,379	9,043
Foreign taxation for the year	(44)	(930)
Adjustments in respect of prior periods	(737)	(1,498)
Net current taxation charge	13,598	6,615
Deferred taxation:		
Timing differences, origination and reversal	(2,041)	1,128
Adjustments in respect of prior periods	549	706
	12,106	8,449
<i>(b) Reconciliation of the taxation charge</i>		
Profit on ordinary activities at the UK statutory rate of 30% (2002 – 30%)	10,377	7,283
Effects of:		
Disallowed expenditure and non-taxable income	942	969
Non-deductible amortisation of goodwill	546	712
Capital allowances less than/(in excess of) depreciation	799	(427)
Taxation losses not utilised	2,075	1,219
Higher taxation rates on overseas losses	(17)	(515)
Movement in short term timing differences	(387)	(1,128)
Adjustments in respect of prior periods	(737)	(1,498)
Net current taxation charge	13,598	6,615

(c) Factors that may affect future taxation charge

The future taxation charge will be affected by the results of the overseas operations where a benefit may be obtained if these operations return to profitability.

7. Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes £29,381,000 (2002 – £29,186,000) which is dealt with in the financial statements of the parent company.

8. Equity dividends

		2003 £'000	2002 £'000
Equity dividends – interim paid	5.00p (2002 – 5.00p)	5,161	5,153
– proposed final	12.15p (2002 – 12.15p)	12,482	12,535
		<u>17,643</u>	<u>17,688</u>

The directors propose a final equity dividend of 12.15p for each ordinary share payable to holders on the register on 7 November 2003. If approved, the final dividend will be paid on 4 December 2003.

9. Earnings per share

The calculation of basic earnings per share is based on profits after taxation as disclosed in the profit and loss account of £22,483,000 (2002 – £15,827,000). Adjusted earnings per share is calculated by adding back exceptional items and goodwill amortisation, as adjusted for taxation, to the profit after taxation. Basic earnings per share and adjusted basic earnings per share are calculated on a weighted average of 103,062,130 (2002 – 102,777,257) ordinary shares in issue during the year. The 500,000 (2002 – nil) EPP matching shares held on behalf of the Company have been excluded from the earnings per share calculation.

The calculation of the diluted earnings per share is based on profit after taxation as disclosed in the profit and loss account and on a diluted weighted average of 103,101,320 (2002 – 103,011,170) shares during the year.

The difference between the number of shares used in the basic and diluted earnings per share calculation is 39,190 (2002 – 233,913) representing dilutive share options held but not yet exercised. Dilution has been restricted to share options where the individual option price is less than the average market value of shares during the year, which was 344.03p (2002 – 414.39p).

NOTES TO THE FINANCIAL STATEMENTS *continued***9. Earnings per share** *continued*

An adjusted basic earnings per share has been presented in order to highlight the underlying performance of the Group, and is calculated as set out in the table below:

	2003		2002	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and basic earnings per share	22,483	21.82	15,827	15.40
Exceptional items and goodwill amortisation	1,681	1.63	9,181	8.93
Adjusted earnings and adjusted earnings per share	24,164	23.45	25,008	24.33

10. Exceptional items and goodwill amortisation

	2003		2002	
	Total £'000	Related taxation £'000	Total £'000	Related taxation £'000
Exceptional items	119	532	9,549	2,528
Goodwill amortisation	2,195	101	2,250	90
	2,314	633	11,799	2,618

The exceptional items relate to major rationalisation measures including redundancy costs, losses less realised gains on asset disposals, provision for and release of lease termination and other closure costs.

	2003 £'000	2002 £'000
Cashflows in respect of exceptional items:		
Net cash outflow from operating activities – current year	(804)	(6,020)
– prior year	(1,121)	—
Disposal of tangible fixed assets	340	1,328
Decrease in cash	(1,585)	(4,692)

11. Intangible fixed assets – the Group

	Cost £'000	Accumulated amortisation £'000	Net book value £'000
Goodwill:			
At 2 August 2002	44,743	(3,904)	40,839
Amortisation charge for the year	—	(2,195)	(2,195)
At 1 August 2003	44,743	(6,099)	38,644

The acquisition price of St Ives Inc Avanti and its subsidiary St Ives Inc Case-Hoyt has yet to be finalised.

The goodwill above is being amortised over twenty years.

12. Tangible fixed assets

	Land and buildings		Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
	Freehold £'000	Long leases £'000			
The Group					
Cost or valuation:					
At 2 August 2002	69,698	4,357	379,297	29,226	482,578
Exchange differences	15	(2)	725	156	894
Additions	1,807	550	14,548	2,487	19,392
Disposals	(165)	—	(18,350)	(2,357)	(20,872)
Reclassifications	3	(103)	14	86	—
At 1 August 2003	71,358	4,802	376,234	29,598	481,992
Accumulated depreciation:					
At 2 August 2002	15,393	719	244,456	20,452	281,020
Exchange differences	74	(2)	210	141	423
Charge for the year	1,594	204	28,715	3,877	34,390
Disposals	(55)	—	(17,044)	(2,035)	(19,134)
Reclassifications	—	—	1	(1)	—
At 1 August 2003	17,006	921	256,338	22,434	296,699
Net book value:					
At 1 August 2003	54,352	3,881	119,896	7,164	185,293
At 2 August 2002	54,305	3,638	134,841	8,774	201,558
The Company					
Cost or valuation:					
At 2 August 2002	42,679	4,261	2,596	2,000	51,536
Additions	1,630	—	—	70	1,700
Transfers from subsidiaries	—	410	133	34	577
Disposals	—	—	—	(145)	(145)
Reclassifications	3	—	(3)	—	—
At 1 August 2003	44,312	4,671	2,726	1,959	53,668
Accumulated depreciation:					
At 2 August 2002	7,424	622	1,890	1,049	10,985
Charge for the year	810	185	173	311	1,479
Transfers from subsidiaries	—	10	—	15	25
Disposals	—	—	—	(136)	(136)
At 1 August 2003	8,234	817	2,063	1,239	12,353
Net book value:					
At 1 August 2003	36,078	3,854	663	720	41,315
At 2 August 2002	35,255	3,639	706	951	40,551

NOTES TO THE FINANCIAL STATEMENTS *continued***12. Tangible fixed assets** *continued*

The Group and the Company have freehold land with a book value of £7,655,000 and £4,621,000 respectively which has not been depreciated. The comparable values for the prior year were £7,113,000 and £4,629,000.

The net book value of the Group's and the Company's land and buildings includes £254,000 (2002 – £262,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £112,000 (2002 – £116,000).

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £2,120,000 (2002 – £571,000); Company – £nil (2002 – £3,000).

The net book value of the Group's fixed assets include £2,033,000 (2002 – £3,517,000) in respect of assets held under finance leases and £nil for the Company in respect of both years.

13. Investments held as fixed assets

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Subsidiaries	—	—	220,630	229,856
Own shares	1,280	—	1,280	—
	1,280	—	221,910	229,856

(a) Investments in subsidiaries:

	Shares at cost £'000	Loans £'000	Revaluation to net asset value £'000	Total £'000
Balance at 2 August 2002	84,832	67,189	77,835	229,856
Additions	—	2,388	—	2,388
Repayment of loan by group company	—	(5,023)	—	(5,023)
Revaluation of subsidiaries to net asset value	—	(509)	(6,082)	(6,591)
Balance at 1 August 2003	84,832	64,045	71,753	220,630

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 30.

(b) Investment in own shares:

	The Group £'000	The Company £'000
Cost:		
Additions	1,913	1,913
At 1 August 2003	1,913	1,913
Accumulated amortisation:		
Charge in the year	633	633
At 1 August 2003	633	633
Net book value:		
At 1 August 2003	1,280	1,280
At 2 August 2002	—	—

Executive directors and certain senior executives participate in the Group's Equity Partnership Plan ('EPP'). Under the rules of the EPP the participants, having purchased St Ives plc shares on the open market and deposited them, as 'Investment Shares', with either of the Company's independently managed UK or US Employees' Benefit Trusts ('the EBTs'), potentially qualify for an award of free matching shares, 'Award Shares'. The performance condition under the rules of the EPP provides for the unconditional transfer of Award Shares to the participants, in the ratio (Award Shares to Investment Shares) of between 0.5:1 (if the three years' EPS growth from the base year, is RPI plus 1 per cent per annum, compound) and 3:1 (if EPS growth from the base year, is at least RPI plus 8 per cent per annum, compound) – the level of match being determined on a straight-line basis if the Company's EPS growth over the three year period falls between these two points. There will be no re-testing of performance following the end of the three-year period. Participants potentially have the right, dependent on the extent to which the performance condition laid down in the rules governing the EPP is met, to subscribe for up to a maximum of 649,593 ordinary shares in the Company for nil consideration, exercisable prior to 25 May 2006.

The Company has loaned the EBTs funds sufficient to fund the purchase in the open market and hold in the names of the EBTs, 500,000 10p ordinary shares in the Company as a hedge against the anticipated liabilities of the Company under the EPP in respect of a grant made on 26 November 2002. Rights to the dividends on these shares held by the EBTs have been waived. As at 1 August 2003 the loans outstanding between the EBTs and the Company amounted to £1,913,452 (2002 – £nil) and the market value of the shares held in the EBTs at 1 August 2003 was £1,895,000 (2002 – £nil).

The cost of the shares which it is anticipated will be awarded under the EPP is amortised evenly over the period of service to which the award of shares relates and charged to wages and salaries.

14. Stocks – the Group

	2003 £'000	2002 £'000
Raw materials	5,603	5,502
Work in progress	6,873	10,050
	12,476	15,552
Less: payments on account	(39)	(108)
	12,437	15,444

There are no material differences between replacement cost and the values shown above for all stock categories for either year.

NOTES TO THE FINANCIAL STATEMENTS *continued***15. Debtors**

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts due within one year:				
Trade debtors	63,931	61,952	—	—
Amounts owed by group undertakings	—	—	7,867	4,487
Other debtors	4,043	4,653	104	158
Prepayments and accrued income	2,750	2,744	100	100
	70,724	69,349	8,071	4,745
Amounts due after more than one year:				
Other debtors	44	42	—	—
	70,768	69,391	8,071	4,745

16. Creditors: amounts falling due within one year

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Unsecured loan notes (note 18)	1,430	1,430	1,430	1,430
Bank loans and overdrafts (note 18)	22,782	23,576	32,312	32,484
Obligations under finance leases (note 18)	382	1,119	—	—
Trade creditors	23,498	32,630	241	207
Amounts owed to Group undertakings	—	—	2,294	1,641
Other creditors	13,844	15,369	2,611	2,604
Taxation	7,706	2,022	3,134	24
Other taxes and social security	5,255	4,473	2,063	1,381
Accruals and deferred income	17,455	20,371	69	85
Proposed final dividend (note 8)	12,482	12,535	12,482	12,535
	104,834	113,525	56,636	52,391

17. Creditors: amounts falling due after more than one year – the Group

	2003 £'000	2002 £'000
Bank loans (note 18)	—	100
Obligations under finance leases (note 18)	—	193
Other creditors	1,043	896
	1,043	1,189

18. Borrowings and finance lease obligations

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Unsecured loan notes	1,430	1,430	1,430	1,430
Bank overdrafts	—	—	9,641	9,236
Bank loans	22,782	23,676	22,671	23,248
Finance lease obligations	382	1,312	—	—
	24,594	26,418	33,742	33,914
Due within one year	24,594	26,125	33,742	33,914
Due after one year	—	293	—	—
	24,594	26,418	33,742	33,914
Analysis of loan repayments:				
Bank loans and overdrafts				
Repayable within one year	22,782	23,576	32,312	32,484
Between one and two years	—	100	—	—
Other loans repayable otherwise than by instalments				
Repayable within one year	1,430	1,430	1,430	1,430
Net finance lease obligations are payable as follows:				
Within one year	382	1,119	—	—
Between one and two years	—	193	—	—
	24,594	26,418	33,742	33,914

As at 1 August 2003 bank loans of £111,000 (2002 – £428,000) were secured on land, buildings, plant and machinery of Johler Druck GmbH. All other borrowings are unsecured.

Floating Rate Guaranteed Unsecured Loan Notes 2008, with a par value of £1,430,000 were in issue at 1 August 2003. These Loan Notes carry interest payable semi-annually at 0.5 per cent below the base rate published by The Royal Bank of Scotland plc. Loan Noteholders were granted rights to redeem Loan Notes on 30 June 2003 or on any anniversary date thereafter up to 30 June 2007. None has been redeemed to date. Loan Notes not previously redeemed by noteholders or purchased by the Company will be repaid in full at par value, with accrued interest, on 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS *continued***19. Provisions for liabilities and charges**

	The Group				The Company
	Deferred taxation £'000	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000	Deferred taxation £'000
Balance at 2 August 2002	11,147	810	3,989	15,946	1,202
Transfers	—	938	(938)	—	—
Charged to the profit and loss account	—	178	845	1,450	190
Credited to the profit and loss account	(1,492)	(978)	(1,460)	(4,357)	—
Utilised	—	—	(1,444)	(1,444)	—
Exchange differences	(2)	(7)	—	(9)	—
Balance at 1 August 2003	9,653	941	992	11,586	1,392

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2003 and 2013.

The provision for reorganisation, which existed at last year end, was released to the profit and loss account following the settlement of liabilities arising from the Gillingham closure less an amount charged in respect of other leasehold liabilities. These liabilities will be settled over the period of the lease which expires in 2013.

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

	2003 £'000	2002 £'000
The Group		
Capital allowances in excess of depreciation	16,729	17,054
Other timing differences	(7,076)	(5,907)
	9,653	11,147
The Company		
Capital allowances in excess of depreciation	2,301	1,951
Other timing differences	(909)	(749)
	1,392	1,202

20. Deferred income – the Group

	£'000
Regional grants:	
Balance at 2 August 2002	1,523
Transfer to profit and loss account (note 5)	(410)
Balance at 1 August 2003	1,113

21. Called up share capital and share premium account

	Number of shares	2003 £'000	2002 £'000
Authorised share capital:			
10p ordinary shares	160,000,000	16,000	16,000
Allotted and fully paid:	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
At 2 August 2002	103,168,577	10,317	45,455
Share options exercised	60,756	6	190
At 1 August 2003	103,229,333	10,323	45,645

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

During the year 60,756 10p ordinary shares were issued as a result of share options exercised for cash consideration of £196,000.

Under the Group's discretionary share option schemes certain senior executives of the Group held options at 1 August 2003 to subscribe for up to 2,160,000 ordinary shares at prices between 287p and 558p per share, exercisable at various dates up to 29 October 2012. Participants in the Sharesave schemes held options to subscribe for up to 2,057,291 ordinary shares at prices of between 332p and 462p per share, exercisable at various dates up to 31 January 2010.

Under the EPP participants potentially have the right, dependent on the extent to which the performance condition laid down in the rules governing the EPP is met, to subscribe for up to a maximum of 649,593 ordinary shares in the Company for nil consideration, exercisable prior to 25 May 2006.

NOTES TO THE FINANCIAL STATEMENTS *continued***22. Reserves**

	Capital redemption reserve £'000	Profit and loss account £'000
The Group		
Balance at 2 August 2002	1,238	177,807
Exchange differences and related taxation	—	864
Retained profit for the financial year	—	4,840
Balance at 1 August 2003	1,238	183,511

Cumulative goodwill previously written off directly to the Group profit and loss account reserve amounts to £53,365,000 (2002 – £53,365,000).

	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
The Company			
Balance at 2 August 2002	77,243	1,238	100,564
Exchange differences	—	—	48
Retained profit for the financial year	—	—	11,738
Revaluation of subsidiaries to net asset value	(6,082)	—	—
Balance at 1 August 2003	71,161	1,238	112,350

Exchange gains of £68,000 and related tax debits of £20,000 have been offset in reserves of the Company and exchange losses of £227,000 and related tax credits of £63,000 have been offset in reserves of the Group on borrowings hedged against equity investments in overseas subsidiaries. The charge to the profit and loss account in respect of such borrowings was £nil (2002 – £nil).

23. Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Operating profit	34,067	24,563
Non cash movements:		
Depreciation	34,390	33,847
Goodwill amortisation	2,195	2,250
Amortisation of own shares	633	—
Deferred income	(410)	(404)
Net provisions movement	(1,738)	3,105
Profit on disposal of tangible fixed assets	(1,009)	(884)
Long term creditor	(45)	146
Changes in working capital:		
Stocks	2,980	5,105
Debtors	(1,825)	16,087
Creditors	(8,158)	(10,760)
Other cash movements:		
Regional grant received	—	141
Provisions utilised	(1,121)	—
Net cash inflow from operating activities	59,959	73,196

24. Reconciliation of net cash flow to movement in net funds

	2003 £'000	2002 £'000
Increase in cash in the year	11,339	8,069
Cash outflow from decrease in debt and lease financing	1,282	2,286
Change in net funds resulting from cash flows	12,621	10,355
Exchange adjustments	306	1,255
Movement in net funds in the year	12,927	11,610
Opening net funds	13,350	1,740
Closing net funds	26,277	13,350

25. Analysis of net funds

	2 August 2002 £'000	Cash flow £'000	Other non cash changes £'000	Exchange movement £'000	1 August 2003 £'000
Cash at bank and in hand	39,768	11,339	—	(236)	50,871
Debt due within one year	(25,006)	352	(107)	549	(24,212)
Debt due after one year	(100)	—	107	(7)	—
Finance leases	(1,312)	930	—	—	(382)
	13,350	12,621	—	306	26,277

26. Capital commitments

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Contracted for but not provided for in the financial statements	2,905	9,748	1,033	1,693

NOTES TO THE FINANCIAL STATEMENTS *continued***27. Operating lease commitments**

The following commitments in respect of operating leases are due for payment during the period ending 30 July 2004:

	The Group			
	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	171	902	193	788
Between two and five years	801	547	1,313	752
After five years	990	2	1,129	10
	The Company			
	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	—	12	23	11
Between two and five years	35	—	35	—
After five years	9	—	9	—

28. Contingent liabilities

Neither the Group nor Company had contingent liabilities at 1 August 2003 or at 2 August 2002.

29. Derivatives and other financial instruments*(a) Interest rate risk*

The Group finances its operations through a mixture of retained earnings and bank borrowings and generally maintains a positive net funds position. Group policy is to manage exposure risk to interest rate fluctuations with bank borrowings, predominantly short term, at floating rates with matching short term deposits of surplus funds.

(b) 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 all working capital and capital expenditure requirements. It is the Group's policy to utilise longer-term bank borrowings to finance acquisitions, thereby providing a hedge against net investments in overseas subsidiaries.

(c) Foreign currency risk

The Group has overseas subsidiaries which operate in the USA, Germany and Holland and whose revenues and expenses are denominated exclusively in the relevant foreign currencies. In order to provide some protection to the Group's Sterling balance sheet from the movements in these foreign exchange rates, the Group may, if appropriate, finance a part of its net investment in these subsidiaries by means of overseas borrowings subject to the interest cost of those borrowings. The extent of this financing at 1 August 2003 was 35 per cent of the gross investment in foreign currencies.

The Group's UK subsidiaries' sales are principally with customers in the UK, and are denominated in Sterling.

(d) Financial instruments

A discussion of the Group's objectives, policies and strategies with regard to derivative financial instruments, can be found in the accounting policies note on page 33. The Group's position at 1 August 2003, in respect of derivatives and other financial instruments, is consistent with that adopted throughout the year. Short term debtors and creditors arising directly from the Group's operations are excluded from the following disclosures.

(e) Interest rate and currency profile of financial liabilities at:

1 August 2003

	Floating rate borrowings £'000	Fixed rate borrowings £'000	Total gross borrowings £'000	Fixed rate borrowings	
				Weighted average interest rate %	Weighted average time for which rate is fixed Years
Sterling	1,430	382	1,812	7.00	0.1
US Dollar	22,671	—	22,671	—	—
Euro	—	111	111	6.30	0.2
	<u>24,101</u>	<u>493</u>	<u>24,594</u>	<u>6.87</u>	<u>0.1</u>

2 August 2002

	Floating rate borrowings £'000	Fixed rate borrowings £'000	Total gross borrowings £'000	Fixed rate borrowings	
				Weighted average interest rate %	Weighted average time for which rate is fixed Years
Sterling	1,430	1,312	2,742	7.45	1.0
US Dollar	23,248	—	23,248	—	—
Euro	—	428	428	6.30	1.4
	<u>24,678</u>	<u>1,740</u>	<u>26,418</u>	<u>7.17</u>	<u>1.1</u>

The floating rate borrowings are interest bearing borrowings at interest rates based upon LIBOR.

(f) Interest rate and currency profile of financial assets

	2003 £'000	2002 £'000
Sterling	42,784	27,523
US Dollar	6,666	11,239
Other	1,421	1,006
	<u>50,871</u>	<u>39,768</u>

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

(g) Currency analysis of monetary assets and liabilities

After taking into account the effect of any hedging transactions undertaken to manage currency exposures there were no significant net foreign currency monetary assets or liabilities giving rise to net currency gains and losses recognised in the profit and loss account at either 1 August 2003 or 2 August 2002. Matched assets and liabilities are those that generate no gain or loss in the profit and

NOTES TO THE FINANCIAL STATEMENTS *continued***29. Derivatives and other financial instruments** *continued*

loss account, either because they are denominated in the same currency as the Group operations to which they belong or because they qualify under Statement of Standard Accounting Practice 20 'Foreign Currency Translation' as a foreign currency borrowing providing a hedge against a foreign equity investment.

(h) Borrowing facilities

The Group has agreed borrowing facilities with its bankers, which were undrawn at 1 August 2003, of:

	2003	2002
	£'000	£'000
Expiring within one year	50,000	50,000

(i) Financial liabilities

Set out below is a year end comparison of book and fair values of all the Group's financial instruments by category. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates at the year end. There is no difference between the market and fair value of financial assets and consequently these are not included in the table below.

	2003		2002	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Short term borrowings and current portion				
of long term debt	24,594	24,595	26,125	26,157
Long term borrowings	—	—	293	309
	24,594	24,595	26,418	26,466

The maturity profile of the Group's financial liabilities is disclosed in note 18. Other creditors falling due after more than one year of £1,043,000 (2002 – £896,000) fall due as follows: £145,000 between one and two years, £343,000 between two and five years and £555,000 after more than five years.

(j) Gains and losses on hedges

The Group enters into forward foreign currency contracts to hedge purchases of capital and materials denominated in foreign currencies and the sale of goods similarly denominated. The cumulative aggregate gains and losses that are unrecognised, and the cumulative aggregate gains and losses carried forward at the balance sheet date are all immaterial. The amount included in the current year profit and loss account in relation to gains or losses that arose in previous years is also immaterial.

30. Additional information on subsidiaries

The principal trading subsidiaries, all of which are wholly owned by subsidiaries of the Company, are shown below.

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

	Location
Clays Limited	Bungay
DisplayCraft Limited	Bradford/Crayford
Harlequin Colourprint Limited	Bristol
Hunters Armley Limited	Bradford/Leeds
Red Letter Leeds Limited	Leeds
Red Letter Romford Limited (previously Red Letter Edenbridge Limited)	Romford
St Ives Andover Limited	Andover
St Ives Burrups International Limited	London/Luxembourg/France/Germany
St Ives Burrups Limited	London
St Ives Caerphilly Limited	Ystrad Mynach
St Ives Edenbridge Limited	Edenbridge
St Ives Graphic Media Limited	Bradford
St Ives Multimedia Limited	Tunbridge Wells
St Ives Multimedia Blackburn Limited	Blackburn
St Ives Peterborough Limited	Peterborough
St Ives Plymouth Limited	Plymouth
St Ives Roche Limited	Roche
St Ives Romford Limited	Romford
St Ives Westerham Press Limited	Edenbridge
Sevenoaks Print Finishers Limited	Edenbridge
Smiths Colour Printers Limited	Bradford

The following companies are incorporated overseas:

Johler Druck GmbH	Germany
St Ives Burrups Inc	USA
St Ives Burrups Japan KK	Japan
St Ives Inc Avanti	USA
St Ives Inc Case-Hoyt	USA
St Ives Inc Cleveland	USA
St Ives Inc Hollywood	USA
St Ives Multimedia BV	Holland

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

FINANCIAL CALENDAR 2003/2004

7 November 2003	Record date for final ordinary dividend
4 December 2003	Payment of final ordinary dividend
April 2004	Announcement of interim results
April/May 2004	Record date for interim ordinary dividend
June 2004	Payment date for interim ordinary dividend

The Annual General Meeting of St Ives plc will be held at St Ives House, Lavington Street, London SE1 0NX at 11.00 am on Wednesday, 3 December 2003.