

1552113

ANNUAL REPORT AND ACCOUNTS 2005



St Ives

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CHAIRMAN'S STATEMENT

The results for the fifty two weeks ended 29 July 2005 show turnover of £419.5 million (2004 – £410.3 million) and underlying profit before taxation, exceptional items and goodwill amortisation of £39.1 million (2004 – £39.7 million). Profit before taxation was £11.4 million (2004 – £14.9 million). Underlying earnings per share before exceptional items and goodwill amortisation were 25.30p (2004 – 25.08p) and basic earnings per share were 2.70p (2004 – 2.92p). The results include an initial contribution to operating profit before exceptional items and goodwill amortisation of £4.15 million from SP Group for the forty six weeks since its acquisition in September 2004.

Results

The profit before taxation, exceptional items and goodwill amortisation is similar to that achieved in the previous financial year and is in accordance with the indications which we gave at the time of our Interim Statement in April. The charge for exceptional items and goodwill of £27.7 million represents the loss on disposal of Johler Druck (£14.1 million which includes £5.9 million of goodwill previously written-off to reserves), exceptional costs relating to the consolidation of the Group's operations into fewer sites (£9.9 million) and goodwill amortisation and write off (£3.7 million).

The Board is recommending a final dividend of 12.15p per share, making total dividends of 17.15p per share for the year as a whole, the same as the previous year. If approved, the final dividend will be paid on 2 December 2005 to shareholders on the register on 4 November 2005.

Dividends

Demand for books and for point-of-sale services was resilient but, as we indicated earlier in the year, most of our other markets continued to experience little growth, downward pricing pressure and over-capacity.

Trading Conditions

Our book sales were higher than in the previous year. We maintained market share, mainly because our service levels are faster and more responsive than those offered by our competitors. We produced over 50 per cent of the best sellers published during our financial year in both hardback and paperback formats. Sales of fulfilment and other post-production services also grew. The results showed the benefit of our continuing investment in equipment and systems.

Books

In the UK, demand for personalised direct mail products, especially from financial services customers, reduced sharply and the market for less time-sensitive, longer-run products continued to face over-capacity, intensely competitive pricing and lower volumes. During the year we rationalised our operations further through the closure of our factory in Bristol, many of whose customers we have continued to serve from elsewhere in the Group.

Direct Response, Commercial
and Point-of-Sale
UK

CHAIRMAN'S STATEMENT *continued*

Demand for point-of-sale products and services remained steady. SP Group made a contribution of £35.3 million to Group turnover in the forty six weeks since its acquisition. We undertook new work for our client base, which comprises leading retail store chains and international brand companies. We completed the consolidation of the point-of-sale operations previously carried out at St Ives Crayford into our site at Redditch towards the end of the period.

USA

Commercial markets in the USA remained fiercely competitive against a background of continuing over-capacity. Sales were reduced, although we retained the more suitable work previously undertaken at Case-Hoyt, thus improving utilisation and returns at our other facilities. We expanded the volumes of specialist franchise print work (including *on-line ordering and inventory control, fulfilment and distribution*) produced mainly at our Cleveland site.

Financial

Demand for financial print in the USA was unchanged but continued low activity in the UK and Europe necessitated a further reduction in our cost base there, which was completed towards the end of the year. Volumes of *annual report printing* grew, partly as a result of increased pagination. Losses overall were again reduced.

Magazines

UK

Magazine sales in the UK were lower as a result of competitive pricing, principally because of over-capacity, and weak demand. In the second half of the year we closed our factory at Caerphilly and have been successful in retaining the work previously produced there for our other sites. During the year we commissioned a new high speed stitching line and two new 72-page presses to lower our cost of production and enhance service further.

USA

In the USA, magazine sales grew and returns improved modestly as a result of better utilisation of our facilities.

Multimedia

Sales to music and multimedia markets were maintained overall, mainly because of growth in demand for special packaging and DVD related products for video, audio and computer games applications. Improved utilisation generated better returns at Uden in Holland, although short lead times and volatile demand made utilisation a challenge in the UK.

Balance Sheet

Net assets at the year end were £215 million with net borrowings of £23 million. As already announced, we disposed of our German subsidiary, Johler Druck, during the year for a cash consideration of €2.2 million.

Investment

Capital expenditure during the year amounted in total to £36 million, more than twice last year's level. We have continued to invest in systems and equipment across the Group to reduce our costs of production and

enhance the flexibility of the service we are able to offer our customers. The largest individual items were the new logistics facility at Redditch, web presses and a high speed stitching line for the magazine market, digital presses mainly for point-of-sale customers and a sheetfed press in Cleveland.

As in previous years, our consolidated financial statements have been prepared under UK Generally Accepted Accounting Principles ('UKGAAP'). In accordance with EU regulations, in future we will be required to adopt International Financial Reporting Standards ('IFRS') and prepare consolidated financial statements on an IFRS basis. We will report under IFRS for the first time in our Interim Results for the twenty six weeks ending 27 January 2006 and our Annual Report for 2006 will be the first to be prepared under IFRS. The 2006 Interim Results and Annual Report will include comparative IFRS information for the corresponding periods in 2005. An announcement will be made in January 2006 setting out the restatement of the 2005 results and providing an explanation of the effects of the change to IFRS on our results. The most significant impact is expected to be in relation to the treatment of the defined benefits pension scheme (which was closed to new members in April 2002) and an indication of the effect in relation to 2005 is set out in note 4(b) of the accompanying financial statements.

IFRS

The success of our business depends mainly on the people who work throughout the Group and I should like to thank all of them on behalf of the Board and the shareholders for the contribution which they have made towards achieving a creditable result in very challenging conditions.

Staff

On 30 September 2005 we announced that the Group will in future be managed as three operating segments, namely Media Products, Commercial Products and USA and that segmental sales and operating profit will be reported in this way. Changes in Board responsibilities to reflect the new segmental structure were introduced at the same time: Brian Edwards remains as Group Managing Director with overall responsibility for the day-to-day management of the Group, but with particular responsibility for Commercial Products, serving the direct response, commercial, and point-of-sale markets in the UK and financial markets worldwide; Wayne Angstrom continues to have responsibility for the Group's US businesses, serving commercial, point-of-sale and magazine markets; and Patrick Martell has become Managing Director Media Products, responsible for the book, magazine and multimedia markets mainly in the UK. As part of the new structure the Chairman's role has become part-time.

Board

CHAIRMAN'S STATEMENT *continued*

Outlook

Most of our markets continue to experience over-capacity and fiercely competitive pricing. We have invested further in the latest, most flexible and productive web and sheetfed presses and stitching and binding lines in order to lower our costs of production and further enhance service. Upward pressure on costs, particularly indirect costs of employment and utilities, continues.

We have renewed medium or long-term contracts with most of our larger book publishing customers and are poised to make further progress in growing market share through the provision of more post-production added-value services. The underlying market is stable.

In the magazine market in the UK we are further sharpening our focus on short-run specialist titles and offering additional logistics and mailing services. A new freehold facility has been established at our Roche factory for this purpose. The investment in a new high-speed perfect binding line at our factory in Plymouth is particularly suited to shorter-run, time-sensitive work. The market for longer-run, more commoditised work continues to offer poor returns and we are keeping our overall mix of work under constant review.

There is no indication of any sustained pick-up in demand for corporate financial documentation either in the UK or the USA. The market for annual reports remains competitive, although pagination is growing as a result of increased regulatory and disclosure requirements.

As always it is difficult to predict levels of demand for music, multimedia and software related packaging. However demand for special packaging is increasing as video and audio publishers seek to exploit their back catalogues.

Demand for point-of-sale products and services is steady. We have won business from a number of new customers. In particular, at the start of the new financial year we were awarded a long-term contract to supply all Marks & Spencer's point-of-sale requirements. At the same time we acquired their own print facility at Burnley, where some of this work will be produced.

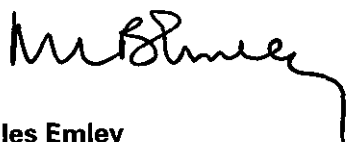
We have established a new, purpose-built freehold logistics facility at Redditch in order to accommodate the new business as well as to enable us to offer a broader range of fulfilment services to customers across all our markets.

Commercial and direct response markets remain extremely competitive, especially for longer-run and more commodity products. We are increasing our focus on customers with requirements for more specialist products and services.

US markets for magazine and commercial products face similar challenges. Here too we are keeping our work mix under continuous review and are concentrating further on more specialist areas and on providing added-value services. Recent hurricanes have caused short-term disruption to our businesses in Florida, but without damage to property.

In our principal markets our competitive position is as strong as ever. In recent years we have undertaken significant rationalisation and consolidation of the Group's activities. We continue to invest in the best available technology to reduce our costs of production and enhance our service offering: capital expenditure this year is expected to be well in excess of last year's level.

In the short term question marks remain over consumer confidence and rising utility costs are a particular concern. However, notwithstanding the continuing challenge posed by current market conditions, we believe that our commitment to service and quality, and increasing focus on the provision of added-value services in addition to the supply of printed products, will deliver progress for shareholders.

A handwritten signature in black ink, appearing to read 'Miles Emley', with a long, sweeping underline that extends to the right.

Miles Emley

Chairman

11 October 2005

REVIEW OF OPERATIONS

BOOKS

The UK market for monochrome trade books remained strong in a year which included the publication of the latest Harry Potter title – 'Harry Potter and the Half-Blood Prince'.

Clays continued to benefit from its reputation for quality and its ability to provide a fast reliable service and as a result produced a high proportion of the UK's best selling titles. These included, in addition to JK Rowling's 'Harry Potter and the Half-Blood Prince', 'The Two of Us: My Life with John Thaw' (Sheila Hancock) for Bloomsbury; 'Cloud Atlas' (David Mitchell) and 'Farewell but not Goodbye – My Autobiography' (Sir Bobby Robson) for Hodder; 'A Long Way Down' (Nick Hornby) published by Penguin; 'The Family Way' by Tony Parsons for Harper Collins; 'Small Island' (Andrea Levy) and 'Lifeguard' (James Patterson) for Headline; 'Trace' (Patricia Cornwell) published by Time Warner Books; and 'Saturday' by Ian McEwan for Random House.

We have continued with our investment programme in the areas of web printing, cased binding, and cover and jacket production, in addition further developing our Management Information Systems to extend the range and quality of services offered to our customers. In particular, we have significantly increased the number of books which we deliver direct from our factory to distributors, wholesalers and retail outlets. During the year we renewed a number of contracts with our trade customers to secure volumes going forward.

DIRECT RESPONSE,
COMMERCIAL AND
POINT-OF-SALE
UK

Trading conditions in commercial markets continued to be highly competitive with volumes, and particularly margins, remaining suppressed.

In commercial markets we experienced a significant reduction in demand due principally to a number of large annual one-off projects which did not repeat this year. There was a reduction in the demand for personalised direct mail marketing materials, particularly from the financial services sector and in sales to the public sector. Encouragingly, however, sales to other major customers, notably retail, increased.

We continued our programme of redeveloping and reinvesting in our commercial printing businesses with particular emphasis on reducing commodity capacity whilst at the same time broadening our service capabilities.

During the year we completed the relocation of St Ives Direct Bradford's graphics and digital print facility to Leeds and invested in

additional state-of-the-art digital print, graphics and photographic studio facilities. In March we closed our Bristol sheetfed operation and transferred its business to our sites in Bradford and Romford.

An increasing number of opportunities are emerging which we are well placed to exploit as a result of our recent investments in digital, graphics and mailing technologies. In June we ordered a new 5 unit 32-page specialist short grain press for St Ives Direct Bradford's web operations to replace a long grain press more suited to commoditised products. The new press, with in-line finishing, will complement our existing 32-page press and strengthen our ability to specialise in value-added products when it is installed in March 2006.

Despite tougher trading conditions experienced by UK retailers during the year, demand for point-of-sale products and services from our retail and international brand customers has remained steady.

Following the acquisition of SP Group in September 2004, our existing point-of-sale operations at Crayford were transferred to SP's Redditch site.

SP has broadened the Group's customer base with the addition of a number of household names, most notably Arcadia Group, Bacardi, Boots, George and Wilkinsons.

The outlook for SP is positive and, in circumstances where it is prudent to do so, we shall widen its customer base and pursue other opportunities for investment as they arise.

We have also purchased additional premises at Redditch to house St Ives Logistics, a new group facility to meet customers' increasing requirements for stock management, consolidation, fulfilment and logistics services.

USA

The commercial markets we serve in the USA remained extremely competitive. Our business in Cleveland has gained significant sales from fast food chain franchisees which partly offset declining prices and volumes experienced in their traditional markets. Our recent investment in a new sheetfed multicolour perfecting press and development of St Ives On-Line™ will help us to make further progress by giving our customers the ability to effect direct order entry, undertake digital pre-press operations and page make up and initiate proofing.

REVIEW OF OPERATIONS *continued*

FINANCIAL

Traditional one-off transactional corporate finance work has continued to decline, through a combination of a growth in private equity funded deals and AIM activity requiring less documentation, over-capacity and the growth of the distribution of documents in electronic form. In response to this we have implemented further cost reductions and we continued to develop our *smartproducts* (*smartapps*, *smartforum* and *smartEDGAR*) designed to enable companies and mutual funds to compile documents more efficiently and cost effectively.

In addition we have strengthened our offering by merging the print and mailing operations at Woolwich with the Group's site at Romford, thereby providing from a single site a full range of services, from document compilation and printing through to distribution and fulfilment services. In the US we have relocated our Philadelphia office and expanded our digital printing and binding capabilities to increase the amount of short-run and personalised work we can produce in-house.

In the FTSE 100 annual reports market we have further consolidated our position as market leader, producing, amongst others, reports for BP, Rolls-Royce, Centrica, HSBC Bank, Rio Tinto, Unilever and WPP. In the USA we produced annual reports for Archer Daniels Midland Company, Delphi Automotive Systems, Ford Motor Company, DTE Energy, Tellabs, National City Corporation, Steel Dynamics Inc, and A. Schulman.

Additionally our award-winning factory, St Ives Westerham Press, printed the documentation for London's successful bid for the 2012 Olympics.

Within the corporate finance markets we were involved in a small number of high profile deals, including transactions for O2, HBOS, National Grid, TowerGroup and Feldman Equities. We were also active in the securitisation market working for Morgan Stanley, Lehman Brothers, Bear Stearns and RBS Greenwich Capital.

MAGAZINES
UK

Market conditions in the magazine sector in the UK have remained competitive. Oversupply is a prominent feature and will continue to be so for the foreseeable future.

Following consultation with the employees the decision was made to close our Caerphilly factory and production ceased in June. Caerphilly was suited to long-run magazines and commercial work where competition has become most fierce, and our customers' scheduling

requirements meant that we suffered considerable capacity under-utilisation each month. We were able to transfer all of Caerphilly's regular work to our other factories.

Our drive to reduce costs of production and improve efficiency has continued and the investments we announced last year have now been installed and are fulfilling our expectations. The new 72-page MAN 'Lithoman' single web presses installed at our Peterborough and Roche factories were running in April 2005 and are now in full production. The Ferag high speed stitching line installed at Peterborough at the end of last year will allow us to improve productivity and service levels.

During the year we ordered a new generation 'Publica-Rollstream' perfect binding line designed and built in partnership by two leading post press suppliers, Ferag and Kolbus. This equipment, which will be capable of significantly increasing net outputs from the bindery in our Plymouth factory, was commissioned in September 2005.

We were successful in renewing our agreement with IPC for producing 'Marie Claire', 'Instyle' and 'Wallpaper' and added their men's monthly magazine 'Loaded' and specialist titles including 'Yachting World', 'The Field', 'Uncut' and 'Country Homes & Interiors' to the portfolio of titles to be produced. Other new work included 'The National Trust Magazine'; 'Navy News'; 'Golf International'; 'the wisden cricketer'; and a number of smaller-run titles and one-off supplements.

We have recently seen a build up in forward loading in line with seasonal trends, although it is difficult to predict whether this will continue into the New Year. Our recent investments in the latest presses and finishing equipment will provide a good platform to react to whatever market conditions we encounter.

USA

The difficult trading conditions in the US magazine marketplace have remained unchanged and we have continued to reduce our exposure to longer-run titles which are subject to the fiercest price competition by broadening our shorter-run magazine customer base. In this regard, we further consolidated our trading with Editorial Televisa, who awarded us the printing of 'National Geographic en Español', 'Harper's Bazaar' and 'ESPN Deportes', to add to eight titles already regularly produced for them and produced numerous new shorter-run titles for other customers.

REVIEW OF OPERATIONS *continued*

MULTIMEDIA

Our businesses at Blackburn and Uden both improved their performance by changing their work mix, increasing their volume of traditional products and widening their product range to counter-balance the seasonality of their principal markets.

It was decided during the year that it would be beneficial to transfer the point-of-sale business within our Crayford operation to SP Group. This has enabled the consolidation of the Group's UK point-of-sale operations. In addition, production of booklets and inlay products at Crayford transferred to our Blackburn plant which, for the foreseeable future, will focus predominantly on these types of paper-based products. These transfers of activities were completed during the second half of the year.

The remaining Multimedia business in Crayford is now better able to accommodate expected growth in the demand for DVD carton board and special packaging products which are favoured by publishers and distributors of computer games, cinema films and television programmes.

We have seen a similar growth in demand for this type of packaging in Uden and the significant investments we made last year in both the UK and Holland to produce these types of product has proven to be timely. Volumes of Multimedia products are forecast to continue to grow overall, despite the expected reduction in demand for standard CD products arising from the growth in the downloading of music from the internet.

DIRECTORS

Executive Directors

Miles Emley – aged 56, Chairman, joined the Company as Deputy Chairman in 1992 and was appointed Chairman in 1993.

Wayne Angstrom – aged 66, 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.

Brian Edwards, FCA – aged 55, Managing Director with particular responsibility for Commercial Products from 1 October 2005, joined the Company in 1978, became Finance Director in 1988 and Managing Director in 1991.

Patrick Martell – aged 41, was appointed to the board in 2003. Mr Martell joined the Group in 1980, was appointed a director of Clays in 1994 and became its Managing Director in 2000. Mr Martell was appointed Managing Director Media Products for the Group on 1 October 2005

Raymond Morley, FCA – aged 53, 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.

Non-Executive Directors

Lorraine Baldry – aged 56, was appointed to the board in 2000. Mrs Baldry is Chairman of the London Thames Gateway Development Corporation and Central London Partnership. She has also held senior management positions within Prudential plc, Regus Business Centres, Morgan Stanley and Chesterton International plc.

Simon Marquis – aged 52, was appointed to the board on 1 January 2004. He is Chairman of the media planning and buying agency, ZenithOptimedia UK, and Chairman of Evolutions Limited and The National Readership Survey. He has 30 years' experience in the media and marketing industries.

Dame Sue Tinson – aged 62, was appointed to the Board on 1 January 2004, is a non-executive Director of Yorkshire Building Society and Chime Communications, and serves on the board of ITV London. Dame Sue has 38 years' experience in the media industry, much of it with ITN as Associate Editor and Editor of 'News at Ten'. She is a Fellow of the Royal Television Society.

Dr David Wilbraham – aged 66, 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 a non-executive director of RPC Group Plc, Chairman of Akers Biosciences Inc and serves as a Governor of Imperial College.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifty two weeks ended 29 July 2005.

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; point-of-sale materials and services for major retailers and brands; 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. Post balance sheet events are set out in note 33 to the financial statements.

3. Results and dividends

The Group profit for the year before taxation amounted to £11,446,000 (2004 – £14,899,000).

The directors propose a final dividend of 12.15p for each ordinary share payable on 2 December 2005 to holders on the register at 4 November 2005. If approved, the final dividend will make total dividends for the year of 17.15p per ordinary share:

	£'000
Ordinary dividends – interim	5,158
– proposed final	12,517

4. Share capital

Details of the Company's share capital are set out in note 22 to the financial statements.

5. Substantial interests

As at 11 October 2005, 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 and its subsidiaries	20,887,997	20.18
Prudential plc and its subsidiaries	10,522,925	10.17
Legal & General Group plc and its subsidiaries	4,172,727	4.03

6. Directors

The present membership of the board is set out on page 13. The directors' interests in shares of the Company are set out on page 28 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, gender, marital status, sexual orientation, 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 Group's principal UK pension scheme is a defined contribution scheme which has been available to all eligible employees to join since it was established in 2002 on the closure of the former defined benefits scheme to new members.

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

8. Environmental policy

The board applies an environmental policy that is implemented through the Group's 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 2004/2005 to minimise the net financial impact on the Group of the Climate Change Levy have been met and new targets set for 2005/2006.

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 29 July 2005 for the Group and the Company were 40 and 20 days, respectively (2004 – 37 and 23 days).

10. Political and charitable contributions

The Group made charitable donations of £11,000 during the year (2004 – £32,000) principally to local charities serving communities in which the Group operates. No political donations were made in either year.

11. International Financial Reporting Standards

For these financial statements St Ives plc has prepared its Group financial statements under UK Generally Accepted Accounting Principles. The Group will report under International Financial Reporting Standards ('IFRS') for the first time in its interim results for the twenty six weeks to 27 January 2006 and the Group's first full year of reporting under IFRS will be for the 2006 financial year. Further comment is made in the Chairman's Statement on page 5.

DIRECTORS' REPORT *continued***12. Special business***(a) Authority for the directors to allot ordinary shares*

At the Annual General Meeting of the Company held on 30 November 2000 the directors were authorised, for the purpose of Section 80 of the Companies Act 1985 ('the Act'), to allot relevant securities up to an aggregate of £4,000,000. Resolution 9 set out in the Notice of the Annual General Meeting will be proposed to give the directors a new and unconditional authority, for the purposes of Section 80 of the Act, to allot relevant securities up to an aggregate nominal amount of £3,780,000. This amount approximates to one-third of the issued ordinary share capital of the Company, together with relevant securities which may be issued pursuant to outstanding options under the Group's discretionary share option schemes and savings-related share option schemes.

(b) Partial disapplication of pre-emption rights

The Act requires that pre-emption rights must be applied to any issue of shares for cash unless shareholders have given their consent to the waiver of such rights. Resolution 10 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 22 to the financial statements.

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

At the Annual General Meeting of the Company held on 1 December 2004, the directors were authorised on behalf of the Company to purchase the Company's ordinary shares on the London Stock Exchange. Resolution 11 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.

(d) Alteration to Articles of Association

Following a consultation process in respect of director and auditor liability, an amendment to the Act came into force on 6 April 2005 under which companies may indemnify directors against liabilities (including against legal costs) to a greater extent than was previously possible. The amendment to the Act addresses concerns that exposure to liabilities arising from legal action brought against directors by third parties and the cost of lengthy court proceedings were affecting the recruitment and behaviour of directors.

Pursuant to the new provisions, the Company will not be permitted to indemnify any director against any liability incurred by the director to the Company or any associated company; to pay a fine imposed in criminal proceedings or by a regulatory authority; in unsuccessfully defending any criminal proceedings or any civil proceedings brought by the Company or an associated company; or in failing to obtain certain types of relief. Subject to the above, in the case of liabilities arising from an action by a third party, both the costs (of the director and of the third party) and any damages awarded against a director may be paid by the Company. The new legislation requires that indemnities provided to directors must be disclosed in the Directors' Report and made available for inspection at the

Company's registered office. The relaxation of the legislation does not apply to auditors. However, there is now no longer any restriction on indemnifying other officers such as the Company Secretary and managers.

The board wishes to continue to attract good quality directors and therefore believes it is in the interests of the Company to take advantage of this amendment to the law. Accordingly, Resolution 12 will be proposed at the forthcoming Annual General Meeting with the proposed effect that a new Article 141 be inserted in the Company's Articles of Association to give its directors and officers the benefit of the new provisions to the extent agreed by the board and within the limitations contained in the Act, as revised.

13. Auditors

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

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

14. 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. Major shareholders are given the opportunity to meet with the non-executive directors.

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.

15. 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.

16. 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 30 and 31.

In accordance with the Companies Act 1985 ('the Act'), 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.

DIRECTORS' REPORT *continued*

16. Statement of directors' responsibilities *continued*

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group enabling them to ensure that the financial statements comply with the Act. 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

11 October 2005

CORPORATE GOVERNANCE

Compliance statement

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

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

Board of directors

The board comprises an executive chairman, four non-executive directors and four executive directors. Excluding ad hoc meetings to deal with procedural matters, the board met eight times during the year and all directors attended all these meetings apart from those held on 30 September 2004 and on 31 March 2005. Dame Sue Tinson was unable to be present at either meeting and Lorraine Baldry was absent from the latter meeting.

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. In reaching this opinion the board has carefully considered the balance between applying 'good practice' and what it believes is in the shareholders' best interests. David Wilbraham has served on the board for more than nine years. The board's view, however, is that he displays every quality of independence in carrying out his responsibilities as a non-executive director. He is prepared to challenge others' assumptions and viewpoints, questions intelligently, debates constructively and has developed a sound understanding of the Group's business which, allied to his independence of judgement, serves shareholders' interests well. The board has concluded that, notwithstanding his length of tenure, David Wilbraham continues to be independent.

The non-executive directors each have a clear understanding of their roles and responsibilities, which are appropriately documented. The non-executive directors met during the year, without the Chairman being present, and appraised the Chairman's performance. The non-executive directors also met separately with the auditors. David Wilbraham fulfilled the role of Senior Independent Director throughout the year.

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

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

The 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 significant risk to the business.

CORPORATE GOVERNANCE *continued***Board of directors** *continued*

The board has established a process, led by the Chairman, for the evaluation of the board, its committees and individual directors. This evaluation was carried out during the year and resultant recommendations were considered by the board in September 2004 and implemented. After conducting a review of the membership of the board and its principal committees the board decided that the make up of each was appropriate to the business of the Group and the responsibilities and duties of each forum.

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. An appropriate division of responsibilities has been set out in writing and agreed by the board. During the year the board considered succession planning.

Miles Emley holds an external non-executive directorship with Wolverhampton & Dudley Breweries plc and his fee for providing his services has been paid to the Company, in accordance with the board's policy.

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.

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

Board committees

Separate Audit and Remuneration Committees of the board exist, each with written terms of reference which were reviewed and revised during the year. Copies of these terms of reference can be obtained from the Secretary and are made available on the Group's corporate web site.

The Company Secretary acted as secretary to the committees.

Audit Committee

Throughout the year the Company's four independent non-executive directors, David Wilbraham (chairman of the Committee), Lorraine Baldry, Simon Marquis and Dame Sue Tinson each served on the Audit Committee.

The board is of the opinion that the Audit Committee includes sufficient relevant financial experience and that the number of meetings held (three) during the year was sufficient for it to properly discharge its business.

The Audit Committee met twice during year with the Group's external auditors: to agree the scope of the audit and review the independence of the auditors, including the level of fees for audit and non-audit services; and to review the results of the audit prior to the approval by the board of the Group's financial statements. The Group Chairman and the Finance Director were also invited to attend each meeting to ensure that committee members were fully informed and supported in carrying out their duties.

During the year the Audit Committee evaluated its performance, reviewed the Group's 'Whistle-blowing policy' and made a recommendation to the board that no circumstances had arisen to warrant the establishment of an internal audit function. In addition, the Committee also reviewed the annual internal control reviews performed by the operating sites and the controls over key business risks. The members of the Audit Committee have been given specific approval by the board to meet with the Group's auditors whenever they, or the auditors, consider it appropriate.

Remuneration Committee

Throughout the year the Remuneration Committee has been made up solely of independent non-executive directors: David Wilbraham (chairman of the Committee), Lorraine Baldry, Simon Marquis and Dame Sue Tinson. The Remuneration Committee met twice during the year which, in the opinion of the board, was sufficient to discharge its business.

At the end of the year the Remuneration Committee formally evaluated its performance.

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 accepted the view of the Audit Committee 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 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, which are then raised at the next meeting of the board when appropriate.

In addition, throughout the year the executive directors met 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 Group's 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.

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



Philip Harris

11 October 2005

DIRECTORS' REMUNERATION REPORT

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

Information relating to remuneration of the directors on pages 25 and 26, directors' pension entitlements on pages 26 and 27 and directors' share options on pages 27 and 28 has been audited.

Policy on directors' remuneration

The board is responsible for setting the Company's policy on directors' remuneration in respect of the 2004/2005 financial year and future years and the role of the Committee, inter alia, is to apply the Company's policy and decide on the remuneration of each executive director. No director is involved in determining his or her own remuneration.

The primary objectives of the Company's policy on executive directors' remuneration are firstly, that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully and, secondly, to reward them in a way which encourages the creation of value for the shareholders. The setting of appropriate targets for executive directors, which have to be achieved for them to earn a performance-related bonus, and the determination of their overall remuneration package is undertaken annually by the Committee. Targets may be adjusted, where appropriate, to take account of any change in the issued share capital of the Company. It is the Company's policy that a bonus shall not exceed 75 per cent of the executive's basic pay for the year in question and shall not qualify for pension benefits. The Committee periodically considers available remuneration and benefits data relevant to UK public companies and others in the same business sector as the Company. Following the restructuring referred to in the Chairman's Statement, appropriate changes will be made to the executive directors' remuneration packages which will be disclosed in next year's Report & Accounts. The Company's policy on setting non-executive directors' remuneration is to offer a director's fee sufficient to attract and retain individuals of appropriate calibre such that they are able to apply an independent view based on their experience and skills. Non-executive directors may not participate in the Group's share option schemes, 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 shall therefore be 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, but subject to notice at any time and retirement by rotation at Annual General Meetings of shareholders. Executive directors may accept appointments outside the Company provided that the permission of the board has been obtained. Fees from all such appointments held by full time executive directors shall be accounted for to the Company.

Details of the executive directors' service contracts and non-executive directors' letters of appointment are shown on page 25.

During the year the Committee, having satisfied itself that New Bridge Street Consultants LLP (NBSC) had no other connections with the Company which would prejudice their independence, retained and drew on advice and assistance from NBSC. The Committee also sought and obtained, when appropriate, advice and assistance from the Chairman of the Company and the Company Secretary in connection with carrying out its business.

Components of directors' remuneration

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

Basic salary

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

Performance-related bonus

The Committee sets objectives annually relative to the performance of the Group, operating unit or individual as appropriate, as an incentive to the executive directors to achieve relevant and demanding targets for the forthcoming financial year. To the extent that he achieved his performance target for the year set by the Committee in July 2004 in relation to the performance of the Book division and the Group as a whole, Patrick Martell earned a bonus in respect of 2004/2005, which represented 75 per cent of his annual basic salary. No other director earned a bonus during the year because their minimum performance targets were not met. For 2005/2006 the Committee has set an incentive for the executive directors to achieve a targeted profit for the Group before taxation, goodwill amortisation and exceptional items calculated by reference to the results of each quarter and the year as a whole. In the event that the bonus earned exceeds 20 per cent of basic salary, one third of the whole of the bonus shall be satisfied in the form of shares, which will vest in October 2009. The bonus which may be earned by Wayne Angstrom is also partly dependent on the US division meeting or exceeding its profit before interest target for 2005/2006. In appropriate circumstances the Committee may award a discretionary performance-related bonus to a director.

Benefits in kind and pension arrangements

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

Brian Edwards, Patrick Martell and Raymond Morley each participate in the Group's defined benefits pension scheme, which has a normal retirement age of 65. Wayne Angstrom participates in a Section 401(k) Plan set up in the USA for the benefit of employees of St Ives Inc. 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. These arrangements are made for the purpose of providing pension and death in service benefits for Miles Emley and his dependants, as nearly as is practicable, comparable to those of his colleagues who are contributory members of the Group's defined benefits pension scheme.

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 Executive Share Option Scheme ('2001 Scheme') no options have been granted under any of its predecessor schemes since 28 October 1999. The Company's policy is to grant options to executive directors at the discretion of the Committee up to an annual maximum of 150 per cent of basic salary (400 per cent in exceptional circumstances). It is also the Company's policy normally to phase the granting of share options, rather than to award them in a single large block to any individual. The Committee decides on an appropriate performance condition which has to be satisfied before options can normally be exercised. The Company decided in 2004 that no further options subject to re-testing would be granted. Details of options granted to directors under the Group's discretionary share option schemes are given in the table of directors' share options on pages 27 and 28 and the Committee's view on what it has decided to be an appropriate basis for setting performance conditions is set out below.

Options granted under the 2001 Scheme prior to 2004 can only be exercised if, after a period of between three and five years commencing from a base year (which is the financial year ending immediately prior to the date of grant), some or all of the following are satisfied: 25 per cent of any option may be exercised in

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

the event that the Company's Earnings Per Share before exceptional items and goodwill amortisation ('EPS') growth has exceeded the UK's Retail Prices Index ('RPI'), plus at least 3 per cent per annum compound since the base year; RPI plus at least 4 per cent over the same period must be achieved to exercise the next 25 per cent of the grant; RPI plus at least 5 per cent for the third 25 per cent and RPI plus 6 per cent for the final 25 per cent of the grant to be exercisable. To the extent that the foregoing performance conditions are not satisfied by the fifth anniversary of grants made in 2002 and 2003, and by the third anniversary in the case of grants made in 2004 (which are not subject to re-testing), the options lapse. No options granted under the 2001 Scheme have vested to date.

Options granted to the executive directors and outstanding under the discontinued 1995 and 1992 Schemes will not vest 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.

Options granted under the 1995 Scheme on 17 November 1998 have vested and unless exercised by 16 November 2005 they will lapse: those granted on 28 October 1999 have not yet vested as the performance condition in relation to this grant has not been met.

Those options granted under the 1992 Scheme on 21 December 1995 will lapse on 20 December 2005 as the appropriate performance condition has not been met and the options granted on 17 October 1996 have not vested as the appropriate performance condition has yet to be met.

Under the 1995 Scheme, options can only be exercised between the third and seventh anniversary of grant 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.

Long term incentive plan

Executive directors and certain members of senior management participate in the EPP. Under the terms of the invitations made to date and having purchased St Ives plc shares on the open market and deposited them with an Employees' Benefit Trust, the participants potentially qualify for an award of free matching shares, in the ratio of between 0.5:1 (if three years' EPS growth from the base year is RPI plus 1 per cent per annum, compound) and 3:1 (if EPS growth from the base year is RPI plus 8 per cent per annum, compound). No participant may invest in excess of the equivalent of 50% of his basic salary in shares deposited with the Employees' Benefits Trust. The level of match will be determined on a straight-line basis if the Company's EPS growth over the three-year period falls between the two points. There will be no re-testing of performance following the end of the three-year period.

The executives who participated in the EPP 2001 Plan on 26 November 2002 will not qualify for an award of free matching shares based on the Group's growth in EPS between 2002 and 2005 and so these awards will lapse on 26 November 2005.

The performance conditions

On page 29 of this Report, a graph is included illustrating the Company's Total Shareholder Return (TSR) over the past five years, compared with that of the FTSE 350. Shareholders will, however, note that this performance measurement has not been adopted by the Committee for determining the extent to which options may be exercised or matching share awards taken up under the Company's share option schemes and the EPP.

The Committee considers that, so far as the shareholders are concerned, the directors' primary objective should be the delivery of sustained, long-term real growth in earnings per share and that it is appropriate therefore that this is the measure which should be applied to the exercise of options and award of matching shares.

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

- a) TSR is an unreliable measure because it is highly dependent on the Company's share price performance and is outside the control of the participants;

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

The board seeks to deliver long-term sustainable growth in earnings, employing consistently applied and appropriately prudent accounting policies.

Directors' contracts

Details of the directors' contracts are disclosed below and brief biographical details are set out on page 13. In accordance with the board's policy on directors' remuneration, none of the contracts includes specific provisions for compensation on early termination by the Company.

<i>Executive</i>	Date of contract	Unexpired term/ notice period
Wayne Angstrom	1 October 1997	12 months
Brian Edwards	3 October 1985	6 months
Miles Emley	3 June 1992	12 months
Patrick Martell	1 August 2003	12 months
Raymond Morley	5 May 1992	12 months
<i>Non-executive</i>	Date of letter of appointment	
Lorraine Baldry	27 January 2004	None
Simon Marquis	5 December 2003	None
Dame Sue Tinson	5 December 2003	None
David Wilbraham	1 August 1994	None

In accordance with the Company's Articles of Association Wayne Angstrom and Raymond Morley, executive directors, each retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. David Wilbraham, independent non-executive director who served on the Audit and Remuneration Committees throughout the year, has held office for more than nine years and also submits himself for re-election. The directors have set out, on page 19, their reasons for recommending his re-election.

Directors' remuneration

The total amounts for directors' remuneration were as follows:

	2005 £'000	2004 £'000
Emoluments	1,323.8	1,383.0
Gains on exercise of share options	8.2	—
Money purchase pension contributions	117.7	82.5
Total remuneration	1,449.7	1,465.5

Patrick Martell is the highest paid director in the Company.

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

Individual directors' emoluments were as follows:

	Basic salary/fee £'000	Bonus £'000	Benefits in kind £'000	Total emoluments	
				2005 £'000	2004 £'000
<i>Executive</i>					
Wayne Angstrom	178.3	—	16.1	194.4	190.2
Brian Edwards	252.2	—	22.0	274.2	308.7
Miles Emley	275.8	—	16.0	291.8	329.7
Patrick Martell	173.1	119.5	—	292.6	269.8
Raymond Morley	184.8	—	1.0	185.8	209.3
<i>Non-Executive</i>					
Lorraine Baldry	20.0	—	—	20.0	20.0
Simon Marquis	20.0	—	—	20.0	11.7
Graham Menzies	—	—	—	—	6.9
Dame Sue Tinson	20.0	—	—	20.0	11.7
David Wilbraham	25.0	—	—	25.0	25.0
	1,149.2	119.5	55.1	1,323.8	1,383.0

The basic salaries of Patrick Martell and Raymond Morley include additional payments of £13,839 and £13,056, respectively (2004 – £8,073 and £13,056, respectively), which is not included when calculating their pensionable salary and bonus entitlements, in lieu of the provision of a car and fuel benefits.

Directors' pensions

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

	Transfer value of accrued pension (Note 1)		Increase in transfer value during the year less directors' contributions (Note 1) £'000	Increase in accrued pension during the year (Note 2) £'000 p.a.	Transfer value of increase in accrued pension less directors' contributions (Note 1) £'000	Accumulated total accrued pension (Note 3)	
	at 29 July 2005 £'000	at 30 July 2004 £'000				at 29 July 2005 £'000 p.a.	at 30 July 2004 £'000 p.a.
Brian Edwards	1,475.1	1,182.9	276.1	5.8	48.2	129.6	120.1
Patrick Martell	348.9	247.7	91.4	4.4	16.9	54.4	48.5
Raymond Morley	840.9	656.2	173.8	4.5	34.6	80.1	73.3

Notes

- The transfer values have been calculated on the basis of actuarial advice in accordance with Professional Guidance Note GN11. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the defined benefits pension scheme.
- The increase in the accrued pension during the year shown above excludes any increase arising from the statutory revaluation in deferment up to normal retirement age. The inclusion of the statutory revaluation in deferment up to normal retirement age would have the effect of increasing the accrued pension during the year to £9,502 per annum for Brian Edwards, £5,874 per annum for Patrick Martell and £6,807 per annum for Raymond Morley.
- The accumulated total accrued pension entitlements shown are annual amounts at retirement calculated on service completed to the relevant year end. This was 20 years 9 months, including 4 years 6 months' service purchased from transfers-in to the Company's defined benefits pension scheme, in the case of Brian Edwards; 20 years 4 months, including 5 years 2 months' service purchased from transfers-in to the Company's defined benefits pension scheme, for Patrick Martell; and 21 years, including 2 years 1 month's service purchased from a transfer-in to the company's defined benefits pension scheme, for Raymond Morley.
- Member contributions were payable in the year by the directors under the defined benefits pension scheme. Additional voluntary contributions paid and any benefit arising are not included in the above tables.

Pension contributions made by the Company to defined contribution schemes in respect of executive directors are shown below. In the case of Miles Emley this sum includes a salary payment of £32,990 (2004 – £21,512) made in addition to basic salary 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.

	2005 £'000	2004 £'000
Wayne Angstrom	6.3	—
Miles Emley	111.4	82.5
	<u>117.7</u>	<u>82.5</u>

Directors' share options

Details of directors' share options, including awards which may arise under the Group's EPP, are shown below. All options were granted for nil consideration.

		Number of options						Date	
			Exercised	Lapsed	Granted		Exercise	from	
	Date	30 July	during	during	during	29 July	price	which	Expiry
	of grant	2004	year	year	year	2005	pence	exercisable	date
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
2001 Scheme	30 Oct 2003	35,000	—	—	---	35,000	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	—	—	—	40,000	40,000	345.25	21 Oct 2007	20 Oct 2014
<i>EPP</i>									
2001 Plan	26 Nov 2002	80,265	—	—	—	80,265	nil	26 Nov 2005	25 May 2006
		<u>257,765</u>	—	(30,000)	40,000	267,765			
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	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
2001 Scheme	30 Oct 2003	42,500	---	—	—	42,500	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	—	—	—	50,000	50,000	345.25	21 Oct 2007	20 Oct 2014
<i>EPP</i>									
2001 Plan	26 Nov 2002	95,574	—	—	—	95,574	nil	26 Nov 2005	25 May 2006
<i>Sharesave options</i>									
	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
		<u>330,240</u>	(30,000)	(35,262)	50,000	314,978			
Miles Emley									
<i>Executive share options</i>									
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
2001 Scheme	30 Oct 2003	45,000	—	—	—	45,000	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	—	---	—	55,000	55,000	345.25	21 Oct 2007	20 Oct 2014
<i>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
		<u>268,205</u>	—	(45,000)	55,000	278,205			

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

		Number of options							
	Date of grant	30 July 2004	Exercised during year	Lapsed during year	Granted during year	29 July 2005	Exercise price pence	Date from which exercisable	Expiry date
Patrick Martell									
<i>Executive share options</i>									
1995 Scheme	14 Nov 1997	10,000	—	(10,000)	—	—	520.84	14 Nov 2000	13 Nov 2004
1995 Scheme	17 Nov 1998	10,000	—	—	—	10,000	320.84	17 Nov 2001	16 Nov 2005
1995 Scheme	28 Oct 1999	10,000	—	—	—	10,000	558.00	28 Oct 2002	27 Oct 2006
2001 Scheme	30 Oct 2002	30,000	—	—	—	30,000	315.00	30 Oct 2005	29 Oct 2012
2001 Scheme	30 Oct 2003	35,000	—	—	—	35,000	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	—	—	—	40,000	40,000	345.25	21 Oct 2007	20 Oct 2014
<i>EPP</i>									
2001 Plan	26 Nov 2002	19,959	—	—	—	19,959	Nil	26 Nov 2005	25 May 2006
		<u>114,959</u>	<u>—</u>	<u>(10,000)</u>	<u>40,000</u>	<u>144,959</u>			
Raymond Morley									
<i>Executive share options</i>									
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
2001 Scheme	30 Oct 2003	35,000	—	—	—	35,000	426.84	30 Oct 2006	29 Oct 2013
2001 Scheme	21 Oct 2004	—	—	—	40,000	40,000	345.25	21 Oct 2007	20 Oct 2014
<i>EPP</i>									
2001 Plan	26 Nov 2002	63,864	—	—	—	63,864	nil	26 Nov 2005	25 May 2006
<i>Savesave 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
		<u>157,782</u>	<u>—</u>	<u>(1,183)</u>	<u>40,000</u>	<u>196,599</u>			

Details of options exercised by directors during the year are as follows:

	Scheme	Number of options	Exercise price pence	Market price at exercise date pence	Gains on exercise £
Brian Edwards	1985	30,000	320.00	347.25	8,175

Directors' share interests

Directors' beneficial interests (as defined by the Act) on 29 July 2005 and 30 July 2004 in 10p ordinary shares of the Company were as follows:

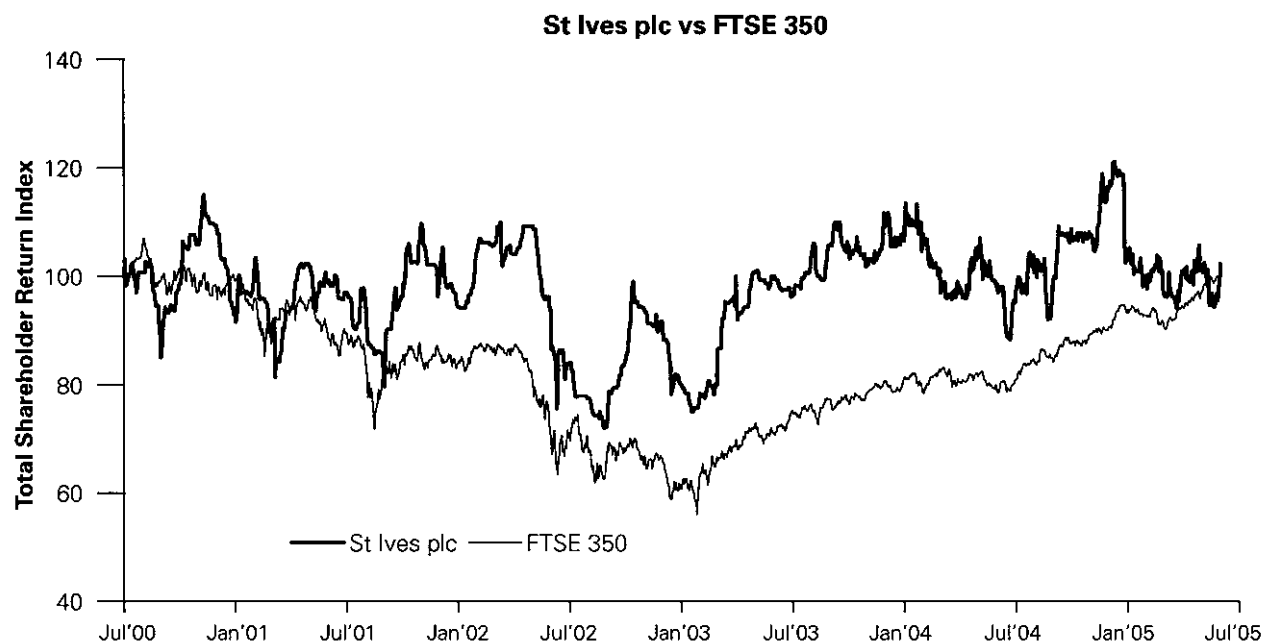
	29 July 2005	30 July 2004
<i>Executive</i>		
Wayne Angstrom	126,755	126,755
Brian Edwards	515,117	515,117
Miles Emley	105,884	105,884
Patrick Martell	6,653	6,653
Raymond Morley	31,920	31,920
<i>Non-executive</i>		
Lorraine Baldry	—	—
Darne Sue Tinson	2,000	—
Simon Marquis	—	—
David Wilbraham	15,000	15,000

There has been no change in the above directors' share interests and their share options between the year end and 11 October 2005.

The market price of St Ives plc ordinary shares of 10p each at 29 July 2005 was 364.75p and the range during the financial year was 329.25p to 437.50p.

Performance graph

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



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

Philip Harris

Secretary

11 October 2005

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 29 July 2005 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 34. 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 also report to you if, in our opinion, the company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long-term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the July 2003 FRC 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 period 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.

Basis of audit opinion

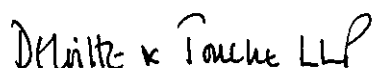
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described 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 29 July 2005 and of the profit of the Group for the fifty two week period 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

11 October 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		52 weeks to 29 July 2005			52 weeks to 30 July 2004		
	Note	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							
Existing activities		384,203	—	384,203	410,304	—	410,304
Acquired activities		35,274	—	35,274	—	—	—
	2	419,477	—	419,477	410,304	—	410,304
Cost of sales		(308,824)	(6,837)	(315,661)	(300,931)	(5,265)	(306,196)
Gross profit		110,653	(6,837)	103,816	109,373	(5,265)	104,108
Sales and distribution costs		(28,494)	(843)	(29,337)	(25,628)	(377)	(26,005)
Administrative expenses							
Goodwill amortisation – existing activities		—	(1,413)	(1,413)	—	(1,810)	(1,810)
– acquired activities		—	(1,360)	(1,360)	—	—	—
Goodwill impairment		—	—	—	—	(13,000)	(13,000)
Goodwill write-off		—	(941)	(941)	—	—	—
Exceptional items		—	(2,863)	(2,863)	—	(2,913)	(2,913)
Other administrative expenses		(43,440)	—	(43,440)	(45,578)	—	(45,578)
		(43,440)	(6,577)	(50,017)	(45,578)	(17,723)	(63,301)
Other operating income/(costs)		576	72	648	292	(1,390)	(1,098)
Operating profit							
Existing activities		35,142	(12,239)	22,903	38,459	(24,755)	13,704
Acquired activities		4,153	(1,946)	2,207	—	—	—
	2, 5	39,295	(14,185)	25,110	38,459	(24,755)	13,704
Profit on disposal of fixed assets		—	626	626	—	—	—
Loss on disposal of subsidiary		—	(14,101)	(14,101)	—	—	—
Interest receivable		574	—	574	1,645	—	1,645
Interest payable	3	(763)	—	(763)	(450)	—	(450)
Profit on ordinary activities before taxation		39,106	(27,660)	11,446	39,654	(24,755)	14,899
Tax on profit on ordinary activities	6	(13,072)	4,406	(8,666)	(13,879)	1,980	(11,899)
Profit on ordinary activities after taxation		26,034	(23,254)	2,780	25,775	(22,775)	3,000
Equity dividends	8	(17,675)	—	(17,675)	(17,637)	—	(17,637)
Retained loss for the financial period transferred from reserves		8,359	(23,254)	(14,895)	8,138	(22,775)	(14,637)
Basic earnings per share	9			2.70p			2.92p
Diluted earnings per share	9			2.70p			2.92p
Earnings per share before exceptional items and goodwill amortisation	9	25.30p			25.08p		
Equity dividend per ordinary share	8			17.15p			17.15p

All transactions are derived from continuing activities.

CONSOLIDATED BALANCE SHEET

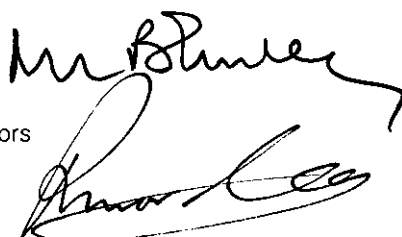
	Note	29 July 2005		30 July 2004	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11	51,089		22,814	
Tangible assets	12	159,557		163,165	
			210,646		185,979
Current assets					
Stocks	14	13,344		11,554	
Debtors – amounts falling due within one year	15	79,965		67,924	
Debtors – amounts falling due after more than one year	16	22,938		22,896	
Cash at bank and in hand	26	5,594		47,455	
		121,841		149,829	
Creditors: amounts falling due within one year	17	(101,029)		(92,833)	
Net current assets			20,812		56,996
Total assets less current liabilities			231,458		242,975
Creditors: amounts falling due after more than one year	18	(947)		(992)	
Provisions for liabilities and charges	20	(15,582)		(18,519)	
Deferred income	21	(308)		(706)	
			(16,837)		(20,217)
Net assets			214,621		222,758
Capital and reserves					
Called up share capital	22	10,349		10,331	
Share premium account	22	46,497		45,909	
Capital redemption reserve	23	1,238		1,238	
ESOP reserve	23	(1,913)		(1,913)	
Profit and loss account	23	158,450		167,193	
Equity shareholders' funds			214,621		222,758

These financial statements were approved by the board of directors on 11 October 2005 and signed on its behalf by

Miles Emley

Raymond Morley

} Directors



COMPANY BALANCE SHEET

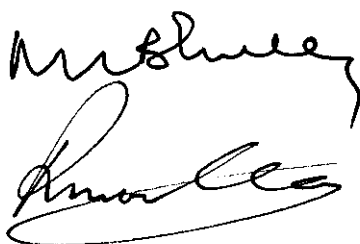
	Note	29 July 2005		30 July 2004	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12	45,088		41,145	
Investments	13	198,389		186,431	
			243,477		227,576
Current assets					
Debtors – amounts falling due within one year	15	12,777		7,919	
Debtors – amounts falling due after more than one year	16	22,798		22,658	
Cash at bank and in hand		—		18,802	
			35,575		49,379
Creditors: amounts falling due within one year	17	(58,350)		(50,620)	
Net current liabilities			(22,775)		(1,241)
Total assets less current liabilities			220,702		226,335
Provisions for liabilities and charges	20		(6,081)		(3,577)
Net assets			214,621		222,758
Capital and reserves					
Called up share capital	22		10,349		10,331
Share premium account	22		46,497		45,909
Revaluation reserve	23		45,749		56,633
Capital redemption reserve	23		1,238		1,238
ESOP reserve	23		(1,913)		(1,913)
Profit and loss account	23		112,701		110,560
Equity shareholders' funds			214,621		222,758

These financial statements were approved by the board of directors on 11 October 2005 and signed on its behalf by

Miles Emley

Raymond Morley

} Directors



CONSOLIDATED CASH FLOW STATEMENT

	Note	52 weeks to 29 July 2005		52 weeks to 30 July 2004	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities					
before one-off pension payment		41,788		65,175	
One-off pension payment		—		(25,000)	
Net cash inflow from operating activities	24		41,788		40,175
Returns on investments and servicing of finance					
Interest received		574		1,645	
Interest paid		(711)		(352)	
Interest element of finance lease rental payments		—		(4)	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(137)		1,289
Taxation					
United Kingdom corporation taxation paid		(8,498)		(12,325)	
Overseas taxation (paid)/refunded		(384)		264	
			(8,882)		(12,061)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(33,571)		(16,414)	
Disposal of tangible fixed assets		5,374		1,479	
			(28,197)		(14,935)
Acquisitions and disposals					
Purchase of subsidiary undertaking	31	(31,153)		—	
Net cash acquired with subsidiary undertaking		54		—	
Subsequent cash flows in respect of prior year acquisition		—		1,020	
Disposal of subsidiary undertaking	32	1,278		—	
Net cash disposed of with subsidiary undertaking		(593)		—	
			(30,414)		1,020
Equity dividends paid			(17,648)		(17,628)
Net cash outflow before financing			(43,490)		(2,140)
Financing					
Issue of ordinary share capital		606		272	
Capital element of finance lease rentals		—		(382)	
Debt due within one year:					
Repayment of term loan		—		(108)	
Loan notes redeemed		(3,449)		(36)	
Net cash outflow from financing			(2,843)		(254)
Decrease in cash in the year			(46,333)		(2,394)

A reconciliation of net cash flow to movement in net (debt)/funds is provided in note 25.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	52 weeks to 29 July 2005	52 weeks to 30 July 2004
	£'000	£'000
Profit after taxation	2,780	3,000
Exchange differences on foreign currency net investments	997	(4,520)
Related taxation	(385)	1,573
Total recognised gains and losses relating to the year	3,392	53

MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	52 weeks to 29 July 2005	52 weeks to 30 July 2004
	£'000	£'000
Opening shareholders' funds	222,758	239,437
Total recognised gains and losses	3,392	53
Equity dividends	(17,675)	(17,637)
Issue of ordinary shares	606	272
Long term incentive schemes	(1,266)	633
Goodwill previously written-off included in retained loss for the year	6,806	—
Closing shareholders' funds	214,621	222,758

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. All accounting policies have been applied consistently throughout the period and the preceding period. 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 29 July 2005. The previous accounting period was for the fifty two weeks to 30 July 2004.

(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. Revenue is recognised when the risks and rewards of ownership are transferred to the customer, normally on shipment of the product.

(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 subject to impairment reviews where indicators of impairment exist. 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 is 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% – 33⅓%
Fixtures, fittings and equipment	20% – 33⅓%
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.

NOTES TO THE FINANCIAL STATEMENTS *continued***1. Accounting policies** *continued**(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.

(m) Pension costs

Pension costs for the Group's defined benefits 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.

2. Analyses of turnover, operating profit and net operating assets

The geographical analysis of turnover by destination is stated below:

	2005 £'000	2004 £'000
United Kingdom	299,239	283,335
United States of America	85,171	95,650
Rest of the World	35,067	31,319
	419,477	410,304

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

	Turnover		Operating profit/(loss)	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
United Kingdom	307,421	288,052	22,956	33,838
United States of America	84,282	94,840	4,847	(4,506)
Rest of the World	27,774	27,412	1,021	(818)
	419,477	410,304	28,824	28,514
Goodwill amortisation – UK	—	—	(1,360)	—
Goodwill amortisation – USA	—	—	(1,413)	(1,810)
Goodwill impairment – USA	—	—	—	(13,000)
Goodwill write-off – UK	—	—	(941)	—
	419,477	410,304	25,110	13,704

NOTES TO THE FINANCIAL STATEMENTS *continued***2. Analyses of turnover, operating profit and net operating assets** *continued*

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

	2005 £'000	2004 £'000
United Kingdom	35,385	36,704
United States of America	2,889	2,573
Rest of the World	1,021	(818)
	39,295	38,459

All turnover and operating profits derive from continuing activities.

The segmental analysis of turnover is stated below:

	2005 £'000	2004 £'000
Books	71,708	66,042
Direct Response, Commercial and Point-of-Sale	186,219	181,990
Financial	32,540	33,810
Magazines	103,873	104,033
Multimedia	25,137	24,429
	419,477	410,304

The turnover of SP Group since acquisition of £35,274,000 is included in Direct Response, Commercial and Point-of-Sale in the table above for 2005.

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 loan notes are geographically analysed by origin as follows:

	2005 £'000	2004 £'000
United Kingdom	164,495	149,277
United States of America	35,654	32,084
Rest of the World	3,712	12,794
	203,861	194,155
Goodwill – UK	29,688	—
Goodwill – USA	21,401	22,814
	254,950	216,969

3. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and overdrafts	600	396
Other loans	163	50
Finance charges payable under finance leases	—	4
	763	450

4. Information regarding employees, directors and pension costs

	2005 £'000	2004 £'000
Employees' and executive directors' costs during the year:		
Wages and salaries	128,755	129,349
Social security costs	14,505	16,030
Other pension costs – regular cost	5,267	3,878
– exceptional	(358)	1,202
	148,169	150,459

The exceptional pension (credit)/charge relates to the provision for, and subsequent partial release of, unfunded pension liabilities in the US following the closure of the Case-Hoyt and Marlton operations in the year to July 2004.

	Total at year end		Monthly average during year	
	2005	2004	2005	2004
Number of persons employed:				
Production	3,365	3,606	3,702	3,867
Sales and distribution	478	423	513	439
Administration	546	562	580	570
	4,389	4,591	4,795	4,876

Full details concerning directors' remuneration, shareholdings and options are shown in the Directors' Remuneration Report on pages 22 to 29.

Pension costs

The Group has continued to account for pensions in accordance with SSAP24 and the disclosures given in (a) below are those required by that standard.

Financial Reporting Standard 17 'Retirement Benefits' ('FRS17') was issued in November 2000 and the transitional disclosures required by that standard, to the extent not covered in (a), are set out in (b) below.

(a) The Group operates a defined benefits pension scheme in which approximately half of its UK employees participate, with assets held in separate trustee administered funds (the 'defined benefits scheme'). This scheme was closed to new entrants from 6 April 2002, but benefits continue to accrue for existing active members. A defined contribution scheme has been established for joiners after 6 April 2002, to which the Group contributes at the rate of 4 per cent of pensionable pay. The pension cost for the Group's UK schemes was £4,380,000 (2004 – £3,400,000).

A triennial valuation of the defined benefits scheme was carried out as at 6 April 2005, using the projected unit method, by Jonathan Punter, Fellow of the Institute of Actuaries, Punter Southall & Co Ltd ('the actuary'), who is independent of the Group. The principal actuarial assumptions adopted for the purposes of both SSAP24 and determining the funding rate in the valuation were: a long term interest rate (investment return) of 7.8 per cent per annum before Normal Retirement Age ('NRA') and 5.3 per cent per annum after NRA; salary increases of 3.9 per cent per annum and limited price indexation of 2.9 per cent per annum. Pension increases were allowed for in accordance with the rules of the defined benefits scheme and past practice.

At the valuation date, the actuarial value of the assets on this basis was sufficient to cover 86 per cent of the benefits that had been accrued to members equivalent to a deficit of £23.2 million. The market value of the defined benefits scheme's assets, as at 6 April 2005, was

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

£143.3 million. For the purpose of the actuarial valuation, assets were taken at market value. These results remain preliminary until the actuary's formal valuation report has been signed.

The increase in the deficit can mainly be attributed to the revised mortality assumption adopted. The 2005 valuation has been based on post-retirement mortality table PA92 (Year of birth) whereas the 2002 valuation was based on table PA90 (Age-rated down two years). The PA92 table reflects significant improvements in pensioner life expectancy.

The Company has continued to pay contributions at the rate of 10.6 per cent of pensionable pay in accordance with the actuary's recommendation. Following the results of the 2005 valuation, the contribution rate is currently under review.

Included in debtors is a prepayment of £25,001,000 (2004 – £25,068,000), inclusive of interest accrued, mainly arising as a result of a one-off payment by the Company into the defined benefits scheme in May 2004.

The pension cost relating to foreign schemes was £529,000 (2004 – £1,680,000). 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 defined benefits scheme as at 6 April 2005 adjusted to allow for the assumptions and actuarial methodology required by FRS17 and updated to 29 July 2005 by the actuary.

The major assumptions used by the actuary were:

	29 July 2005 per annum	30 July 2004 per annum	1 August 2003 per annum
Rate of increase in salaries	3.8%	3.9%	3.6%
Rate of increase in pensions in payment and deferred pensions	2.8%	2.9%	2.6%
Discount rate	5.0%	5.7%	5.5%
Inflation assumption	2.8%	2.9%	2.6%

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 5.0 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 29 July 2005 per annum	Value at 29 July 2005 £'000	Long term rate of return expected at 30 July 2004 per annum	Value at 30 July 2004 £'000	Long term rate of return expected at 1 August 2003 per annum	Value at 1 August 2003 £'000
Equities or equivalent	7.0%	77,707	7.0%	62,505	7.0%	58,224
Bonds	4.7%	63,441	5.3%	39,276	5.2%	34,384
Other	4.5%	12,233	4.5%	27,089	4.8%	2,377
Total market value of assets		153,381		128,870		94,985
Present value of liabilities		219,965		173,801		156,753
Deficit in the scheme		(66,584)		(44,931)		(61,768)
Related deferred tax asset		19,975		13,479		18,530
Net pension liability		(46,609)		(31,452)		(43,238)

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

	2005 £'000	2004 £'000
Analysis of the amount charged to operating profit:		
Current service cost	4,002	5,032
Past service costs	—	—
Settlements/curtailments	(600)	—
Total operating charge	3,402	5,032
Analysis of the amount charged to other finance costs:		
Expected return on pension scheme assets	(7,719)	(6,290)
Interest on pension scheme liabilities	9,976	8,764
Net finance charge	2,257	2,474
Net charge to profit and loss account	5,659	7,506
Analysis of amount recognised in the statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	15,270	(1,207)
Experience gains and losses arising on the scheme liabilities	8,367	(1,505)
Changes in assumptions underlying the present value of the scheme liabilities	(44,755)	(3,632)
Actuarial loss recognised in the statement of total recognised gains and losses	(21,118)	(6,344)
Movement in deficit during the year:		
Deficit in the scheme at the beginning of year	(44,931)	(61,768)
Movement in year:		
Current service cost	(4,002)	(5,032)
Contributions	5,124	30,687
Past service costs	—	—
Settlements/curtailments	600	—
Other net finance charges	(2,257)	(2,474)
Actuarial loss	(21,118)	(6,344)
Deficit in the scheme at end of year	(66,584)	(44,931)

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

The actuarial valuation, adjusted for FRS17 and updated at 29 July 2005, showed a deficit of £66.6 million. Contributions for the year were paid at the rate of 10.6 per cent of pensionable pay. The contribution rate is currently under review as part of the formal valuation of the defined benefits scheme, being carried out as at 6 April 2005. This 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 defined benefits scheme, would have been as follows:

	2005 £'000	2004 £'000
Net assets:		
Net assets before pension liability	214,621	222,758
Less SSAP 24 prepayment net of related deferred tax	(21,250)	(23,125)
Net pension liability	(46,609)	(31,452)
Net assets after pension liability	146,762	168,181
Reserves:		
Profit and loss reserve before pension liability	158,450	167,193
Less SSAP24 prepayment net of related deferred tax	(21,250)	(23,125)
Net pension liability	(46,609)	(31,452)
Profit and loss reserve after pension liability	90,591	112,616

	2005	2004	2003	2002
History of experience gains and losses:				
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	15,270	(1,207)	(1,431)	(20,711)
Percentage of scheme assets (%)	10	(1)	(2)	(24)
Experience gains and losses on scheme liabilities:				
Amount (£'000)	8,367	(1,505)	(5,344)	1,064
Percentage of the present value of the scheme liabilities (%)	4	(1)	(3)	1
Total amount recognised in statement of total recognised gains and losses:				
Amount (£'000)	(21,118)	(6,344)	(21,776)	(22,294)
Percentage of present value of the scheme liabilities (%)	(10)	(4)	(14)	(18)

5. Operating profit

	2005 £'000	2004 £'000
Operating profit is after charging/(crediting):		
Auditors' remuneration – audit fees – the Company	5	5
– audit fees – subsidiary companies	402	395
– tax compliance	161	140
– tax advisory	48	35
– other assurance services	22	7
– other non-audit related fees	23	69
Depreciation – owned assets	29,701	31,759
– leased assets	—	10
Impairment of tangible fixed assets (note 12)	3,278	—
Goodwill amortisation	2,773	1,810
Goodwill impairment	—	13,000
Goodwill write-off (note 10)	941	—
Long-term incentive schemes provision (release)/charge	(1,266)	633
Operating lease rentals – land and buildings	1,768	1,733
– plant and machinery	1,545	1,143
– other	181	176
(Profit)/loss on disposal of fixed assets	(648)	1,098
Regional grant amortisation (note 21)	(398)	(407)

In addition further fees of £30,000 were paid to the auditors in respect of acquisition due diligence which have been included in costs of investment and £23,000 in respect of tax advisory which have been included in loss on disposal of subsidiary.

6. Tax on profit on ordinary activities – the Group

	2005 £'000	2004 £'000
<i>(a) Analysis of taxation charge</i>		
Current taxation:		
UK corporation taxation at 30% (2004 – 30%) based on the profit for the year	7,412	11,918
Foreign taxation for the year	561	62
Adjustments in respect of prior periods	(41)	(12)
Net current taxation charge	7,932	11,968
Deferred taxation:		
Timing differences, origination and reversal	157	3
Adjustments in respect of prior periods	577	(72)
	8,666	11,899
<i>(b) Reconciliation of the taxation charge</i>		
Tax on profit on ordinary activities at the UK statutory rate of 30% (2004 – 30%)	3,433	4,470
Effects of:		
Disallowed expenditure and non-taxable income	893	1,531
Non-deductible amortisation and impairment of goodwill	796	4,342
Non-deductible losses of disposal of subsidiary and goodwill write-off	4,513	—
Capital allowances less than depreciation	1,044	1,672
Taxation losses not utilised	1,207	563
Taxation losses utilised	(409)	—
Higher taxation rates on overseas profits	174	91
Movement in short-term timing differences	(3,678)	(689)
Adjustments in respect of prior periods	(41)	(12)
Net current taxation charge	7,932	11,968

(c) Factors that may affect future taxation charge

There are no factors that will significantly affect the future taxation charge.

NOTES TO THE FINANCIAL STATEMENTS *continued***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 profit on ordinary activities after taxation of £19,508,000 (2004 – £17,439,000) which is dealt with in the financial statements of the parent company.

8. Equity dividends

	2005 £'000	2004 £'000
Equity dividends – interim paid 5.00p (2004 – 5.00p)	5,158	5,146
– proposed final 12.15p (2004 – 12.15p)	12,517	12,491
	17,675	17,637

The directors propose a final equity dividend of 12.15p for each ordinary share payable to holders on the register on 4 November 2005. If approved, the final dividend will be paid on 2 December 2005.

9. Earnings per share

The calculation of basic earnings per share is based on profit after taxation as disclosed in the profit and loss account of £2,780,000 (2004 – £3,000,000). 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 102,914,012 (2004 – 102,783,290) ordinary shares in issue during the year.

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 102,968,476 (2004 – 102,888,405) shares during the year.

The difference between the number of shares used in the basic and diluted earnings per share calculation is 54,464 (2004 – 105,115) 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 372.70p (2004 – 390.24p).

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:

	2005		2004	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and basic earnings per share	2,780	2.70	3,000	2.92
Exceptional items and goodwill amortisation	23,254	22.60	22,775	22.16
Adjusted earnings and adjusted earnings per share	26,034	25.30	25,775	25.08

All the above calculations exclude 500,000 (2004 – 500,000) ordinary shares which are held on behalf of the Company by Employees' Benefit Trusts (see note 22).

10. Exceptional items and goodwill amortisation

	2005 £'000	2004 £'000
Exceptional items		
– rationalisation measures	12,677	10,747
– provision and accrual releases	(2,206)	(802)
– goodwill impairment	—	13,000
– goodwill write-off	941	—
– profit on disposal of fixed assets	(626)	—
– loss on disposal of subsidiary	14,101	—
Goodwill amortisation	2,773	1,810
	27,660	24,755
Related taxation	(4,406)	(1,980)
Exceptional items and goodwill net of related taxation	23,254	22,775

Rationalisation measures of £12,677,000 includes £7,801,000 relating to the closure of St Ives Caerphilly Limited and restructuring of the remaining Web operations, £1,800,000 relating to the relocation of the point-of-sale business from St Ives Crayford Limited to SP Group Limited and the resulting reorganisation of SP Group's logistics business, and £2,002,000 for the closure of our Woolwich operations and subsequent restructuring of the Financial division. The remaining £1,074,000 relates to other rationalisation measures completed or announced throughout the Group. The provision and accrual releases of £2,206,000 includes £1,364,000 relating to the closure of St Ives Inc Case-Hoyt. The balance of £842,000 relates to other provision and accrual releases of items previously charged as exceptional costs and the release of fair value provisions no longer required. Following the closure of St Ives Direct Bristol Limited, £941,000 of goodwill previously written-off to reserves has now been written-off through the profit and loss account. The profit on the disposal of fixed assets relates to the sale of the Tunbridge Wells factory which was closed in the previous financial year. The loss on disposal of subsidiary relates to the sale of Johler Druck GmbH as detailed in note 32 and includes £5,865,000 in respect of goodwill previously written-off to reserves. Goodwill amortisation of £2,773,000 (2004 – £1,810,000) was charged for the fifty two weeks ended 29 July 2005.

	2005 £'000	2004 £'000
Cashflows in respect of exceptional items:		
Net cash outflow from operating activities – current year	(6,190)	(2,731)
– prior year	(5,249)	(182)
Disposal of tangible fixed assets – current year	2,095	166
– prior year	2,212	—
Disposal of subsidiary undertaking	685	—
	(6,447)	(2,747)

11. Intangible fixed assets – the Group

	Cost £'000	Accumulated amortisation £'000	Net book value £'000
Goodwill:			
At 31 July 2004	43,723	(20,909)	22,814
Additions	31,048	—	31,048
Amortisation charge for the period	—	(2,773)	(2,773)
At 29 July 2005	74,771	(23,682)	51,089

The additional goodwill in the year arose from the acquisition of SP Group detailed in note 31.

The goodwill above is being amortised over twenty years.

NOTES TO THE FINANCIAL STATEMENTS *continued***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 31 July 2004	69,012	5,822	353,028	26,555	454,417
Exchange differences	773	2	3,563	321	4,659
Acquisitions	375	687	2,308	901	4,271
Additions	6,777	1,871	24,693	2,839	36,180
Disposals	(7,891)	—	(42,166)	(3,912)	(53,969)
Reclassifications	24	(24)	546	(546)	—
At 29 July 2005	69,070	8,358	341,972	26,158	445,558
Accumulated depreciation:					
At 31 July 2004	17,692	1,048	251,945	20,567	291,252
Exchange differences	303	1	2,700	262	3,266
Charge for the year	1,423	280	25,012	2,986	29,701
Impairment charge	1,350	—	1,733	195	3,278
Disposals	(3,424)	—	(34,708)	(3,364)	(41,496)
Reclassifications	68	—	475	(543)	—
At 29 July 2005	17,412	1,329	247,157	20,103	286,001
Net book value:					
At 29 July 2005	51,658	7,029	94,815	6,055	159,557
At 30 July 2004	51,320	4,774	101,083	5,988	163,165
The Company					
Cost or valuation:					
At 31 July 2004	44,371	5,676	2,868	2,058	54,973
Additions	6,391	106	270	101	6,868
Transfers from subsidiaries	—	874	—	—	874
Transfers to subsidiaries	—	—	—	(12)	(12)
Disposals	(1,082)	—	—	(107)	(1,189)
At 29 July 2005	49,680	6,656	3,138	2,040	61,514
Accumulated depreciation:					
At 31 July 2004	9,080	1,036	2,227	1,485	13,828
Charge for the year	818	236	192	275	1,521
Impairment charge	1,350	—	—	—	1,350
Transfers to subsidiaries	—	—	—	(12)	(12)
Disposals	(172)	—	—	(89)	(261)
At 29 July 2005	11,076	1,272	2,419	1,659	16,426
Net book value:					
At 29 July 2005	38,604	5,384	719	381	45,088
At 30 July 2004	35,291	4,640	641	573	41,145

Impairment charges relate to the writing down, to anticipated realisable value, of certain assets following the closure of operations at Caerphilly and Woolwich.

The Group and the Company have freehold land with a book value of £6,998,000 and £4,621,000 respectively which has not been depreciated. The comparable values for the prior year were £7,607,000 and £4,621,000.

The net book value of the Group's and the Company's land and buildings includes £238,000 (2004 – £246,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £104,000 (2004 – £108,000).

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £5,135,000 (2004 – £8,403,000); Company – £nil (2004 – £nil).

13. Investments held as fixed assets – the Company

	Shares at cost £'000	Loans £'000	Revaluation to net asset value £'000	Total £'000
Investment in subsidiaries:				
Balance at 31 July 2004	84,832	44,374	57,225	186,431
Additions	13,055	27,781	—	40,836
Amounts written-off	(6,971)	(5,489)	—	(12,460)
Repayment of loans by group company	—	(8,055)	—	(8,055)
Revaluation	—	1,560	(9,923)	(8,363)
Balance at 29 July 2005	90,916	60,171	47,302	198,389

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 34.

14. Stocks – the Group

	2005 £'000	2004 £'000
Raw materials	6,513	4,672
Work in progress	7,009	7,130
	13,522	11,802
Less: payments on account	(178)	(248)
	13,344	11,554

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: amounts falling due within one year**

	The Group		The Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	67,791	59,678	—	—
Amounts owed by group undertakings	—	—	2,965	4,234
Other debtors	7,440	3,541	3,339	116
Taxation recoverable	—	—	4,143	1,067
Pension prepayment	2,203	2,410	2,203	2,410
Prepayments and accrued income	2,531	2,295	127	92
	79,965	67,924	12,777	7,919

16. Debtors: amounts falling due after more than one year

	The Group		The Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Other debtors	140	238	—	—
Pension prepayment	22,798	22,658	22,798	22,658
	22,938	22,896	22,798	22,658

17. Creditors: amounts falling due within one year

	The Group		The Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Unsecured loan notes (note 19)	3,961	1,394	3,961	1,394
Bank loans and overdrafts (note 19)	25,125	20,055	34,318	30,505
Trade creditors	23,161	20,894	156	224
Amounts owed to group undertakings	—	—	4,222	2,177
Other creditors	12,744	12,573	2,411	2,806
Taxation	5,623	6,026	—	—
Other taxes and social security	4,202	4,082	737	992
Accruals and deferred income	13,696	15,318	28	31
Proposed final equity dividend (note 8)	12,517	12,491	12,517	12,491
	101,029	92,833	58,350	50,620

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

	2005 £'000	2004 £'000
Other creditors	947	992

19. Borrowings and finance lease obligations

	The Group		The Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Unsecured loan notes	3,961	1,394	3,961	1,394
Bank overdrafts	4,386	—	13,579	10,450
Bank loans	20,739	20,055	20,739	20,055
	29,086	21,449	38,279	31,899

All borrowings are due within one year (2004 – all due within one year).

As at 29 July 2005 there were no bank loans secured on land, buildings, plant or machinery (2004 – £nil).

On 13 September 2004 the Company issued Floating Rate Guaranteed Unsecured Loan Notes 2006, (2006 Notes) with a par value of £3,450,000 were issued as part of the initial consideration for the purchase of SP Group. Holders of 2006 Notes were granted rights to redeem them at any time between 30 April 2005 and 30 September 2006. During the year, 2006 Notes with a par value of £3,414,000 were redeemed and a further issue of 2006 Notes, with a par value of £2,566,000, was made in part satisfaction of the additional consideration due under the terms of the purchase of SP Group. At the end of the year the par value of 2006 Notes outstanding was £2,602,000. 2006 Notes not previously redeemed by holders or purchased by the Company will be repaid in full at par value, with accrued interest, on 30 September 2006.

Holders of Floating Rate Guaranteed Unsecured Loan Notes 2008, (2008 Notes) were granted rights to redeem 2008 Notes on 30 June 2003 or on any anniversary date thereafter up to 30 June 2007 and Loan Notes of a par value of £35,000 were redeemed during the year. At the end of the year the par value of 2008 Notes outstanding was £1,359,000. 2008 Notes not previously redeemed by holders or purchased by the Company will be repaid in full at par value, with accrued interest, on 30 June 2008.

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

NOTES TO THE FINANCIAL STATEMENTS *continued***20. Provisions for liabilities and charges**

	The Group			
	Deferred taxation £'000	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 31 July 2004	9,624	967	7,928	18,519
Exchange differences	(5)	4	(40)	(41)
Acquisition of subsidiary undertaking	52	87	—	139
Reclassification	—	(17)	17	—
Charged to the profit and loss account	734	44	6,984	7,762
Credited to the profit and loss account	—	(86)	(1,633)	(1,719)
Utilised	—	—	(9,078)	(9,078)
Balance at 29 July 2005	10,405	999	4,178	15,582

	The Company			
	Deferred taxation £'000	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 31 July 2004	3,517	60	—	3,577
Charged to the profit and loss account	2,037	—	490	2,527
Utilised	—	—	(23)	(23)
Balance at 29 July 2005	5,554	60	467	6,081

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, provision for repairs is made for these estimated costs over a period of the lease. It is anticipated that these liabilities will crystallise between 2005 and 2021.

The provision for reorganisation relates primarily to the remaining costs in respect of plant closures and relocation (see note 10) and comprises severance payments, plant relocation and other costs, unfunded pension liabilities and onerous property costs which are expected to be settled in 2006 and 2007. Also included are UK leasehold liabilities which are expected to be settled over the period of a lease which expires in 2013.

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

	2005 £'000	2004 £'000
The Group		
Capital allowances in excess of depreciation	13,515	14,283
Other timing differences	(3,110)	(4,659)
	10,405	9,624
The Company		
Capital allowances in excess of depreciation	2,982	2,487
Other timing differences	2,572	1,030
	5,554	3,517

21. Deferred income – the Group

Regional grants:	£'000
Balance at 31 July 2004	706
Transfer to profit and loss account (note 5)	(398)
Balance at 29 July 2005	308

22. Called up share capital and share premium account

	Number of shares	2005 £'000	2004 £'000
Authorised share capital:			
10p ordinary shares	160,000,000	16,000	16,000
	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 31 July 2004	103,310,170	10,331	45,909
Share options exercised	180,901	18	588
At 29 July 2005	103,491,071	10,349	46,497

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

During the year 180,901 10p ordinary shares were issued as a result of share options exercised for cash consideration of £606,000.

Under the Group's discretionary share option schemes, executive directors and certain senior managers of the Group held options at 29 July 2005 to subscribe for up to 2,323,000 ordinary shares at prices between 315p and 558p per share, exercisable at various dates up to 20 October 2014. Participants in the Group's savings-related share option schemes held options to subscribe for up to 993,677 ordinary shares at prices of between 332p and 462p per share, exercisable at various dates up to 31 January 2010.

Executive directors and certain senior managers 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 have the right, dependent on the extent to which the performance condition is met, to subscribe for up to a maximum of 584,904 ordinary shares in the Company for nil consideration, exercisable prior to 25 May 2006 (using the year ended 2 August 2002 as the base year) ('the 2002 Award'); to subscribe for up to a maximum of 49,536 ordinary shares in the Company for nil consideration, exercisable prior to 24 May 2007 (using the year ended 1 August 2003 as the base year) ('the 2003 Award'); and a maximum of 56,964 ordinary shares

NOTES TO THE FINANCIAL STATEMENTS *continued***22. Called up share capital and share premium account** *continued*

in the Company for nil consideration, exercisable prior to 24 May 2008 (using the year ended 30 July 2004 as the base year) ('the 2004 Award').

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 in respect of grants made under the EPP. Rights to the dividends on these shares held by the EBTs have been waived. As at 29 July 2005 the loans outstanding between the EBTs and the Company amounted to £1,913,000 (2004 – £1,913,000) and the market value of these shares held in the EBTs at 29 July 2005 was £1,823,750 (2004 – £1,820,000).

The cost of the shares which it is anticipated will be awarded under the EPP is charged evenly over the period of service to which the award of shares relates and charged to administrative expenses. Following a reassessment of the likelihood of the 2002 Award crystallising, the amount provided has been written back and the potential vesting of up to 584,904 Award Shares, referred to above, will not occur and the 2002 Award will lapse on 26 November 2005.

23. Reserves

	Capital redemption reserve £'000	ESOP reserve £'000	Profit and loss account £'000
The Group			
Balance at 31 July 2004	1,238	(1,913)	167,193
Exchange differences and related taxation	—	—	612
Retained loss for the financial year	—	—	(14,895)
Long-term incentive schemes	—	—	(1,266)
Goodwill previously written-off included in retained loss for the year	—	—	6,806
Balance at 29 July 2005	1,238	(1,913)	158,450

Cumulative goodwill previously written-off directly to the Group profit and loss account reserve amounts to £46,559,000 (2004 – £53,365,000).

	Revaluation reserve £'000	Capital redemption reserve £'000	ESOP reserve £'000	Profit and loss account £'000
The Company				
Balance at 31 July 2004	56,633	1,238	(1,913)	110,560
Exchange differences and related taxation	—	—	—	613
Retained profit for the financial year	—	—	—	1,833
Revaluation of subsidiaries to net asset value	(9,923)	—	—	—
Transfer from revaluation reserve	(961)	—	—	961
Long-term incentive schemes	—	—	—	(1,266)
Balance at 29 July 2005	45,749	1,238	(1,913)	112,701

Exchange gains of £876,000 and related tax debit of £263,000 have been offset in reserves of the Company and exchange losses of £1,232,000 and related tax credits of £369,000 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 (2004 – £nil).

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

	2005 £'000	2004 £'000
Operating profit	25,110	13,704
Non-cash movements:		
Depreciation	29,701	31,769
Impairment of tangible fixed assets	3,278	—
Goodwill amortisation	2,773	1,810
Goodwill impairment	—	13,000
Goodwill write-off	941	—
Long term incentive schemes provision (release)/charge	(1,266)	633
Deferred income	(398)	(407)
Net provisions movement	5,344	7,996
(Profit)/loss on disposal of tangible fixed assets	(648)	1,098
Changes in working capital:		
Stocks	(1,568)	359
Debtors	(6,142)	2,844
Creditors	(6,154)	(5,180)
Other cash movements:		
Provisions utilised	(9,183)	(2,451)
One-off pension payment	—	(25,000)
Net cash inflow from operating activities	41,788	40,175

NOTES TO THE FINANCIAL STATEMENTS *continued***25. Reconciliation of net cash flow to movement in net (debt)/funds**

	2005 £'000	2004 £'000
Decrease in cash in the year	(46,333)	(2,394)
Cash outflow from decrease in debt and lease financing	3,449	526
Change in net (debt)/funds resulting from cash flows	(42,884)	(1,868)
Loan notes issued on acquisition of subsidiary	(6,016)	—
Exchange movement	(598)	1,597
Movement in net (debt)/funds in the year	(49,498)	(271)
Opening net funds	26,006	26,277
Closing net (debt)/funds	(23,492)	26,006

26. Analysis of net (debt)/funds

	31 July 2004 £'000	Cash flow £'000	Acquisition excluding cash and overdrafts £'000	Exchange movement £'000	29 July 2005 £'000
Cash at bank and in hand	47,455	(41,989)	—	128	5,594
Overdrafts	—	(4,344)	—	(42)	(4,386)
Debt due within one year	(21,449)	3,449	(6,016)	(684)	(24,700)
	26,006	(42,884)	(6,016)	(598)	(23,492)

27. Capital commitments

	The Group		The Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Contracted for but not provided for in the financial statements	11,429	16,303	1,465	—

28. Operating lease commitments

The following commitments in respect of operating leases are due for payment during the period ending 28 July 2006:

	The Group			
	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	212	76	11	129
Between two and five years	778	899	729	505
After five years	1,331	66	768	2

	The Company			
	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	—	—	—	7
Between two and five years	9	3	9	3

29. Contingent liabilities

Neither the Group nor Company had contingent liabilities at 29 July 2005 or at 30 July 2004.

30. Derivatives and other financial instruments

(a) Interest rate risk

The Group finances its operations through a mixture of retained earnings and bank borrowings. 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, if appropriate, bank borrowings in foreign currencies to finance overseas acquisitions, which also provide a hedge against net investments in overseas subsidiaries.

(c) Foreign currency risk

The Group has overseas subsidiaries which operate in the USA 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 29 July 2005 was 31 per cent of the designated part of its 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 pages 38 and 39. The Group's position at 29 July 2005, 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.

NOTES TO THE FINANCIAL STATEMENTS *continued***30. Derivatives and other financial instruments** *continued**(e) Interest rate and currency profile of financial liabilities*

	2005 £'000	2004 £'000
Sterling	8,347	1,394
US Dollar	20,739	20,055
	29,086	21,449

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

(f) Interest rate and currency profile of financial assets

	2005 £'000	2004 £'000
Sterling	23	38,255
US Dollar	3,322	7,750
Other	2,249	1,450
	5,594	47,455

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 29 July 2005 or 30 July 2004. Matched assets and liabilities are those that generate no gain or loss in the profit and 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 29 July 2005, of:

	2005 £'000	2004 £'000
Expiring within one year	46,089	50,000

(i) Fair values

There is no difference between the carrying value and fair value of financial assets or of financial liabilities in either the current or prior year.

(j) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities is disclosed in note 19. Other creditors falling due after more than one year of £947,000 (2004 – £992,000) fall due as follows: £159,000 between one and two years, £533,000 between two and five years and £225,000 after more than five years.

(k) 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.

31. Acquisition of subsidiary undertaking

On 13 September 2004 the whole of the issued share capital of SP Group Holdings Limited ('SP Group') was acquired on a debt-free basis. The initial consideration for the acquisition was £33 million, payable as to £29.8 million in cash and as to the balance through the issue of floating rate loan notes. Following the earn-out period and the achievement of the target profit before interest and goodwill amortisation of £4.9 million for the year ended 31 March 2005, additional consideration of £3.92 million was paid in June 2005 as to £1.4 million in cash and the balance through the issue of floating rate loan notes.

The purchase of SP Group has been accounted for by the acquisition method and has been consolidated into the Group from the date of acquisition.

SP Group is a leading supplier of point-of-sale material and services to major retail store chains and international brands. Its services include complete project management and fulfilment operations in addition to digital, silk-screen and lithographic printing facilities located in Birmingham and Redditch.

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

The total consideration for the acquisition, the provisional fair value attributed to the assets acquired and resultant goodwill is set out in the table below:

	Book value on acquisition £'000	Alignment of accounting policies £'000	Revaluations £'000	Fair value of assets acquired £'000
Intangible fixed assets	16,629	—	(16,629)	—
Tangible fixed assets	4,164	107	—	4,271
Stock and work in progress	747	—	—	747
Debtors and prepayments	6,988	(95)	(71)	6,822
Cash at bank and in hand	54	—	—	54
Trade creditors and accruals	(5,272)	(154)	—	(5,426)
Taxation	(271)	71	22	(178)
Deferred taxation	(52)	—	—	(52)
Provisions for liabilities and charges	—	(87)	—	(87)
	<u>22,987</u>	<u>(158)</u>	<u>(16,678)</u>	<u>6,151</u>
Goodwill (note 11)				31,048
Consideration				<u>37,199</u>
Satisfied by:				
Unsecured loan notes				6,016
Cash				31,153
				<u>37,169</u>
Fees due				30
				<u>37,199</u>

The adjustments made to align the accounting policies of SP Group to those of the Group relate to fixed asset lives and depreciation rates, and provisions for leasehold premises repairs, trade debtors and employee benefits.

The revaluation adjustments relate to the elimination of existing goodwill and specific trade debtor provisions.

The profit and loss account of SP Group for the period from 1 April 2004 to 12 September 2004, shown on the basis of accounting policies of SP Group prior to acquisition, comprised:

	Period to 12 September 2004 £'000
Turnover	<u>15,715</u>
Operating profit	1,781
Net interest payable	<u>(1,009)</u>
Profit on ordinary activities before taxation	772
Tax on profit on ordinary activities	<u>(253)</u>
Profit on ordinary activities after taxation	519
Dividends	<u>(2,000)</u>
Retained loss for the period	<u>(1,481)</u>

SP Group earned a profit on ordinary activities after taxation in the period 25 October 2002 to 31 March 2004 of £424,000.

There were no other recognised gains and losses in the periods.

For the period from the date of acquisition to 29 July 2005 SP Group increased the Group's net operating cash flows by £2,489,000, received £28,000 in respect of net returns on investments and servicing of finance, paid £981,000 in respect of taxation and £1,850,000 for capital expenditure.

32. Disposal of subsidiary undertaking

On 5 April 2005 the Group disposed of the whole of its interest in Johler Druck GmbH ('Johler') for a cash consideration of approximately €2.2 million.

Up to the date of disposal Johler made an operating loss (before interest) of £267,000 and in the previous full year it made an operating loss (before interest) of £935,000.

The net assets disposed of and the related sale proceeds were as follows:

	Book value on disposal £'000
Tangible fixed assets	8,062
Stock and work in progress	714
Debtors and prepayments	1,696
Cash at bank and in hand	593
Trade creditors and accruals	(1,552)
Taxation	1
	9,514
Goodwill previously written-off to reserves	5,865
Loss on disposal	(14,101)
Disposal proceeds	1,278
Net cash inflows in respect of the sale comprised:	
Cash consideration (net of costs of disposal)	1,278
Cash at bank and in hand disposed of	(593)
	685

33. Post balance sheet events

On 1 August 2005 SP Group Limited secured a long-term contract to supply all Marks and Spencer plc's point-of-sale requirements. At the same time the freehold land, building and equipment of their print business in Burnley was acquired for approximately £3.4 million. The business has 74 employees and will trade under the name St Ives Burnley Limited.

On 15 August 2005 the freehold land, building and equipment formerly owned by Ailec Mailing, located in Roche and adjacent to our existing factory, was acquired for approximately £2.2 million. The facility will operate as a mailing house under the name SouthWest Mailing Limited.

NOTES TO THE FINANCIAL STATEMENTS *continued***34. Additional information on subsidiaries**

The principal trading subsidiaries, all of which were wholly owned by subsidiaries of the Company at 29 July 2005, are shown below.

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

	Location
Clays Limited	Bungay
St Ives Andover Limited	Andover
St Ives Blackburn Limited	Blackburn
St Ives Caerphilly Limited	Ystrad Mynach
St Ives Crayford Limited	Crayford
St Ives Direct Bradford Limited	Bradford/Leeds
St Ives Direct Bristol Limited	Bristol
St Ives Direct Edenbridge Limited	Edenbridge
St Ives Direct Mail Leeds Limited	Leeds
St Ives Direct Mail Romford Limited	Romford
St Ives Direct Romford Limited	Romford
St Ives Financial Limited (previously St Ives Burrups Limited)	London/Luxembourg
St Ives Graphic Media Limited	Bradford/Leeds
St Ives Peterborough Limited	Peterborough
St Ives Plymouth Limited	Plymouth
St Ives Roche Limited	Roche
St Ives Westerham Press Limited	Edenbridge
Sevenoaks Print Finishers Limited	Edenbridge
SP Group Limited	Birmingham/Redditch

The following companies are incorporated overseas:

St Ives Burrups Japan KK	Japan
St Ives Financial Inc (previously St Ives Burrups Inc)	USA
St Ives Inc Avanti	USA
St Ives Inc Cleveland	USA
St Ives Inc Hollywood	USA
St Ives Uden BV (previously St Ives Multimedia BV)	Holland

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

Johler Druck GmbH was disposed of on 5 April 2005.

FIVE YEAR RECORD

	52 weeks to 29 July 2005 £'000	52 weeks to 30 July 2004 £'000	52 weeks to 1 August 2003 £'000	52 weeks to 2 August 2002 £'000	53 weeks to 3 August 2001 £'000
Turnover					
United Kingdom	307,421	288,052	291,282	303,362	340,875
United States of America	84,282	94,840	120,553	141,504	130,878
Rest of the World	27,774	27,412	25,376	21,940	26,401
	419,477	410,304	437,211	466,806	498,154
Operating profit/(loss) before exceptional items and goodwill amortisation					
United Kingdom	35,385	36,704	39,260	34,970	53,976
United States of America	2,889	2,573	(703)	3,613	6,962
Rest of the World	1,021	(818)	(2,176)	(2,221)	(332)
	39,295	38,459	36,381	36,362	60,606
Exceptional items					
– rationalisation measures	(10,471)	(9,945)	(119)	(9,549)	—
– goodwill impairment	—	(13,000)	—	—	—
– goodwill write-off	(941)	—	—	—	—
Goodwill amortisation	(2,773)	(1,810)	(2,195)	(2,250)	(1,546)
Operating profit	25,110	13,704	34,067	24,563	59,060
Profit on disposal of fixed assets	626	—	—	—	—
Loss on disposal of subsidiary	(14,101)	—	—	—	—
Net interest (payable)/receivable	(189)	1,195	522	(287)	1,399
Profit before taxation	11,446	14,899	34,589	24,276	60,459
Taxation	(8,666)	(11,899)	(12,106)	(8,449)	(18,628)
Equity dividends	(17,675)	(17,637)	(17,643)	(17,688)	(17,711)
Retained (loss)/profit for the financial period	(14,895)	(14,637)	4,840	(1,861)	24,120
Earnings per share					
Basic	2.70p	2.92p	21.82p	15.40p	40.20p
Before exceptional items and goodwill amortisation	25.30p	25.08p	23.45p	24.33p	41.59p
Dividend per share	17.15p	17.15p	17.15p	17.15p	17.15p
Balance sheet					
Intangible fixed assets	51,089	22,814	38,644	40,839	44,328
Tangible fixed assets	159,557	163,165	185,293	201,558	205,580
Net current assets	20,812	56,996	29,242	11,078	3,789
Creditors due after one year, provisions and deferred income	(16,837)	(20,217)	(13,742)	(18,658)	(16,490)
Shareholders' funds	214,621	222,758	239,437	234,817	237,207

Turnover and operating profit/(loss) before exceptional items and goodwill amortisation is shown by origin.

Figures for the period ended 1 August 2003 have been restated following the adoption of UITF38 (periods prior to 1 August 2003 are not affected by the adoption of UITF38). Figures for the period ended 3 August 2001 have been restated following the adoption of FRS19. All the above periods are therefore presented on a consistent basis.

FINANCIAL CALENDAR 2005/2006

4 November 2005	Record date for final ordinary dividend
2 December 2005	Payment of final ordinary dividend
April 2006	Announcement of interim results
April/May 2006	Record date for interim ordinary dividend
May/June 2006	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 on Tuesday 29 November 2005 at 11.00 a.m.