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PROFESSIONAL ADVISERS

Registrars and transfer office

Capita IRG Plc
Bourne House,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

Stockbrokers

Hoare Govett Limited
250 Bishopsgate,
London EC2M 4AA

Merchant Bankers

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

SBC Warburg Dillon Read
2 Finsbury Avenue,
London EC2M 2PA

Auditors

Deloitte & Touche
Chartered Accountants,
Hill House,
1 Little New Street,
London EC4A 3TR

Bankers

HSBC Bank plc
76 Edgware Road,
London W2 2EQ

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

Solicitors

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

Registered Office

St Ives House,
Lavington Street,
London SE1 0NX

CHAIRMAN'S STATEMENT

The Group's financial result last year was our best ever and marks another year of significant growth. Turnover was £473.2 million (1999 – £452.2 million), an increase of 4.6 per cent. Profit before taxation increased 14.5 per cent to £68.8 million (1999 – £60.1 million). Basic earnings per share were 45.77p, an increase of 14.8 per cent on the previous year's 39.87p. Over the last decade, earnings have grown at an average rate of over 14 per cent per annum.

Results

The performance of our UK businesses taken together has been especially strong. In particular, we have benefited from consistently high levels of activity and a number of large, complex jobs in corporate financial printing markets. In the USA, a combination of factors, including the initial costs of growing our facilities to serve the US financial printing market, led to reduced results. Our businesses in continental Europe have performed creditably in market conditions which have remained unsettled. However, some of the benefit of this improved performance was eroded on translation, as a result of the strengthening of sterling against the Euro relative to the previous year.

A final dividend of 12.15p per share is proposed, which, if approved, will make a total of 16.9p for the year as a whole, an increase of 15 per cent on the 14.7p paid in the previous year.

Dividend

Clays, our book printing company, had another excellent year, and produced a high proportion of best selling titles for the UK trade and general market. This work has been won through our ability to deliver a consistently fast service for initial orders and reprints of both cased and paperback books. Following the adverse outcome of the judicial review into the planning application for a new book factory, we have decided instead to invest in the development of Clays' existing site. New equipment, principally directed at further improving flexibility and turn-round times, will be installed towards the end of this financial year.

Books

Our companies serving these markets in the UK have made further progress. This has been achieved mainly through greater production efficiency and improved work mix. Continental competition has had an impact on the market for longer run and less time sensitive products.

Direct Response and
Commercial
UK

In the USA, St Ives Inc in Cleveland has experienced volatile market conditions and a very competitive pricing environment. Demand from our larger customers was reduced and sales of instore discount coupons and associated advertising material were lower. Towards the end of the year, we took steps to reduce the cost base of the business, which should be of benefit in the new financial year. Construction delays have postponed the commissioning of a new replacement press until next month.

USA

In Germany, the performance of Johler Druck was improved, principally as a result of more even utilisation throughout the year.

Germany

Both domestic and international corporate financial printing markets remained busy throughout most of the year. We won a number of large jobs involving complex distribution plans. Towards the end of the first half

Financial

CHAIRMAN'S STATEMENT *continued*

of the year, we terminated our joint venture serving the international corporate finance market. We have established our own US typesetting, sales and service operation, based in New York, which has been further expanded by the acquisition of Packard Press, which we announced in May, and the more recent acquisition of a significant part of the business of Global Financial Press. Burrups' international network of offices now includes presences in London, New York, Philadelphia, Tokyo, Frankfurt, Paris and Luxembourg. In the UK, our reputation for the production of company annual reports and high quality commercial and fine art print continues to grow. We have made progress in filling the additional press capacity which we installed to serve this market in the middle of the year at Westerham Press.

Magazines

In the UK, overall demand for magazines has been steady. *Paginations have generally been maintained and launches of new titles continue.* Demand for shorter run, more specialist titles, on which we mainly concentrate, has been more resilient than for longer run titles, and recently we have experienced increasing price competition from competitors who have lost work to continental European printers. The trend from saddle-stitched to perfect bound product, which we are well placed to serve, continues as before. New replacement sheetfed and web offset presses and a new perfect binding line were successfully commissioned at our factories in Plymouth and Roche towards the end of the year.

In the USA, St Ives Inc in Hollywood, Florida was busy throughout the year operating at close to effective maximum capacity for much of the time. In the first half of the year, however, paginations were higher than our customers had predicted with the result that we experienced production inefficiencies and incurred costly outwork.

Multimedia

Pricing in the market for music related product continues to be competitive as our customer base adapts to less rapid growth in their own markets. We have mitigated the effects of this by broadening our range of commercial and multimedia customers both in the UK and the Netherlands.

Balance Sheet

At the year end, shareholders' funds had increased to approximately £219 million, including £12 million of goodwill arising on the acquisition of Packard Press. Our pre-tax return on average capital employed (including goodwill written off) is around 27 per cent. Capital expenditure during the year totalled £38.9 million. Despite significant capital expenditure and the acquisition of Packard Press for cash, net cash resources at the year end increased to £56.8 million.

Staff

The Group's continued success is mainly the result of the efforts of the staff in all our businesses and, on behalf of the Board and shareholders, I should like to thank everyone who has contributed to this year's good result.

Kenneth Ladd, a non-executive director, who has served on the Board since 1967, retired from the Board in September on reaching his seventieth birthday. Gary Iceton, previously Chairman of Clays, left the Board at the end of July to pursue personal business interests. We thank them both for their contributions over many years. In January, Lorraine Baldry joined the Board as an additional non-executive director.

Board Changes

Recently, so-called "e-commerce" activity has provided additional demand for printed products, especially for advertising and leisure purposes. In many different parts of the Group, we are using new telecommunication and digital technologies to enhance the speed and immediacy of the service which we offer our customers. We believe that these factors, together with our consistent approach to investment in people and equipment to reduce the cost of production and our determination to make continuous improvements in service and efficiency, will contribute to the continued growth of our business. Opportunities for growth will also arise from sensibly priced acquisitions of complementary businesses serving markets with demanding service requirements.

Outlook

Current conditions in our markets, which reflect significant investment in new capacity by a number of our competitors and, in the UK, increased continental competition for less time-sensitive work, may make for less rapid growth in the short term than we have achieved recently. However, we are confident of a satisfactory outcome for the new financial year.

Miles Emley

Chairman

REVIEW OF OPERATIONS

BOOKS

Last year was a successful year for Clays, during which we built on the foundations of service and performance already laid and benefited from higher levels of activity in the UK trade cased book market place. We further increased sales to major UK trade publishers.

We produced many of the year's best sellers, including the Harry Potter books by JK Rowling for Bloomsbury; 'Managing My Life' by Alex Ferguson and 'White Cap and Bails' by Dickie Bird for Hodder Headline; 'Adrian Mole – the Cappuccino Years' by Sue Townsend for Penguin; 'John Major – The Autobiography' for Harper Collins; 'If only – Geri Halliwell' for Transworld; and 'Black Notice' by Patricia Cornwell for Little Brown.

There has been significant benefit from investments made in management information systems, which have enabled us to enhance service levels and reliability. Our digital pre-press facility has been extended so as to provide both more efficient administration and increased electronic communication with our customers. Following the adverse outcome to the judicial review into the application for planning consent for a new factory at Flixton, over the next twelve months we will be installing new printing and binding equipment in our existing factory, which will help us to satisfy growing demand from our customers to ever more exacting service standards.

DIRECT RESPONSE
AND COMMERCIAL
UK

Despite increased price competition from both UK and continental European competitors, especially for longer run and less time-sensitive products, we made good progress in commercial markets. During the year, there was further integration of the management and systems of the former Hunters Armley and St Ives Direct businesses. As a result, we have been able to provide a more comprehensive service to our customers in commercial web, sheet-fed, direct mail and point of sale markets and to improve our mix of work.

New customers for whom we worked during the year include Barclays Bank, The Royal Bank of Scotland, Lloyds TSB, Focus Do It All and People's Bank. We have also been successful in developing and enhancing the services which we provide to existing customers such as Inland Revenue, EDS, Grattan, CWS, Matalan, HSBC and National Westminster Bank. Overall we have produced a more balanced mix of work for customers in the mail order, financial services, Government, retail and travel sectors.

During the year, we completed the construction of a 25,000 square foot extension to our factory at Romford and installed a new, replacement 6 colour sheet-fed press and additional binding and finishing equipment. A further replacement sheet-fed press at Smiths in Bradford has provided much needed compatibility with existing equipment. Additional laser printers and enclosing lines were commissioned at Red Letter Bradford and Red Letter Edenbridge.

Planned developments for the current year include the further strengthening of our commercial, sales and customer service management teams; more investment in printing, mailing and IT technologies; the continued development of our e-commerce capability; more operational integration of related businesses within the division; and the improvement or expansion of our facilities in Kent and Yorkshire.

The extension to our Cleveland factory has been completed and after some delay a new replacement web press will shortly be commissioned. Automated equipment for handling instore discount coupon programmes is now in operation. Our sales team has been reinforced and we are continuing to target local, regional and national catalogue, direct mail and publication markets with a view to winning more recurring and contractual work. New work won for Cleveland included 'Bloomingdale's By Mail', 'Highlights for Children', 'Lane Bryant', greetings cards for American Greetings and inserts for Conde Nast.

USA

Market conditions last year were a challenging combination of fluctuating demand and competitive pricing. In the early part of the year demand exceeded capacity and resulted in inefficiency and unplanned outwork which reduced margins. Later in the year, levels of demand were volatile and pricing especially competitive. At the end of the year, we implemented significant cost reductions which should improve profitability in 2000/2001.

We have expanded our digital pre-press and plate-making capabilities. Closed loop colour control systems are being installed on both our most recent web presses which will further improve quality consistency, enhance flexibility and reduce lead times. In the current year we plan to install a replacement sheet-fed press and a polybag & mailing line to serve commercial and publication markets.

REVIEW OF OPERATIONS *continued*

GERMANY

The increased competition reported in last year's review has continued unabated. Little growth in domestic demand, combined with the installation of additional capacity by our competitors, has intensified price pressure particularly for longer run and less specialist products. Customers' service requirements are becoming more demanding. The investments which we made during the year in digital pre-press systems have helped us respond successfully to these market conditions and enabled us to produce increasing volumes throughout the year. Almost all of our input is now digitally received.

We were successful in improving utilisation throughout the year and won business from new customers, such as Komminform, Berge & Meer, TCT, Famila and DeTeMedien. We have also supplied specialist, press finished, products to the UK market.

FINANCIAL PRINT

It has been a strong year for corporate financial printing. Both domestically and internationally there have been a large number of high profile mergers and acquisitions and we have grown our business as a result of our involvement in many of these transactions.

In the UK, documentation was produced for the mergers of Norwich Union with CGU and Granada with Compass, the purchase of the AA by Centrica, the offer for National Westminster Bank by The Royal Bank of Scotland and the de-merger of Cable & Wireless Communications to NTL. We also produced documentation for a share buy-back for British Gas and a scheme of arrangement for Allied Zurich.

Within the international corporate finance market, documentation was produced for Sun Life Assurance Company of Canada, the largest demutualisation ever undertaken, and also the Colonial/Commonwealth demutualisation. We worked on PowerGen's purchase of LG&E Corporation and we handled the documentation for the mergers of Alcan, Algroup and Pechiney and Coca-Cola Beverages with Hellenic Bottling. IPOs for which we produced documents included those for Enel, Rhodia and Equant and the Sonera privatisation.

With this growth in international business we have taken significant steps to increase our presence in the US. Initially this involved the setting up of our own facilities in New York, which was followed in May by the acquisition of Packard Press, a domestic US financial printer. Packard Press (now renamed Burrups Inc) has offices in New York and Philadelphia, as well as a printing plant in Marlton, New Jersey. This

acquisition gives us a strong platform from which to further extend our services in the US, both domestically and internationally. At the end of September our US presence in these markets was further re-inforced by the acquisition of the facilities and part of the business of Global Financial Press: its business will be combined with that of Burrups in New York and Philadelphia.

In the annual report and accounts market we have further strengthened our position as market leader in printing for leading FTSE companies. Major new reports include those for Cadbury Schweppes, 3i, Billiton, ARM Holdings, Anglo American and Railtrack.

In addition to annual reports and accounts we have continued to focus on attracting other corporate and fine art work. Amongst the bigger projects we worked on were a product launch for Sappi and marketing books for Getty Images. Growth in this area has been strong, leading us to invest in a third 8 unit sheet-fed press which increases both our capacity and flexibility. At the same time we have worked hard to improve further the quality of our work and it was encouraging that Westerham Press was voted best printer for the third year in succession in a poll conducted by 'Design Week'.

We have maintained a leading position in what has been a very competitive market over the past year. Major new contracts won included 'New Woman' for EMAP Elan, 'Business 2.0' for Future Publishing, 'Vanity Fair' for Conde Nast, 'Mizz' for IPC and the new weekly 'Shares' magazine for MSM. We expect a number of large new publications to be launched in the current year which will add further to our portfolio of leading titles and customers.

A new replacement 8 unit web offset press at our factory in Plymouth started production in January and provided some additional capacity which has been successfully filled. We also installed a 6 unit web offset cover press at our Roche factory in April, which enables us to meet the growing demand for spot colours and coatings for 4, 6 and 8 page covers. In the first half of the current financial year a new replacement perfect binding line is being installed at Plymouth and a 5 unit perfecting sheet-fed press has recently started production at Roche to give us greater capacity and flexibility in addressing the short run market. The trend towards the supply of digital rather than conventional copy by our customers continues and we expect to invest further in digital pre-press technology and systems in the current year to meet this requirement.

MAGAZINES
UK

REVIEW OF OPERATIONS *continued*

We expect the offset market to remain competitive. We are determined to maintain our leading position by meeting our customers' needs and focusing on customer service as well as through continued investment in people and machinery.

USA

We have focused particularly on the large extent, shorter run sector of the market, both for magazines and catalogues, where competition is less acute than for longer run products. New work undertaken during the period includes 'Arts and Antiques', 'Florida International' and, for the Latin American market, 'Vogue', 'Architectural Digest', 'Motor Trend', 'Men's Fitness' and 'Punto.com'. We have also begun to offer fulfilment services to our travel industry customers, thereby adding value.

Closed loop colour control systems have now been installed on all our 8 unit web offset presses and the transition to full digital pre-press and plate making systems, including full colour pre-set of our presses, is approaching a conclusion.

We start the new financial year with an improved mix of work and, as a result of our recent investment in new equipment and systems, with increased capacity to service the varying seasonal demands of our contract customers.

MULTIMEDIA

The music market has been flat throughout the year and pricing has been extremely competitive. In the singles market, in particular, demand has reduced as a result of the much shorter product lives in the charts than previously experienced. We have been successful in non-music multimedia markets, especially in producing packaging for internet access CDs, recordable CDs and CD and DVD software packaging. This is a growing market which we are well placed to serve.

Last year notable work included print for major releases by George Michael, Eurythmics, Queen, David Bowie, Westlife, Steps, Britney Spears and Ronan Keating. We also produced print for the James Bond compilation, 'Music of the Millennium' and the best selling 'Grand Prix' computer game.

We have taken actions to reduce cost. We have invested in additional, more productive press capacity, in specialist finishing equipment and in digital pre-press systems. Both our investment and the actions to reduce cost have enabled us to remain a leading supplier to the music and multimedia markets.

DIRECTORS

Directors

Miles Emley – (aged 51), Chairman, joined the Company as Deputy Chairman in 1992 and was appointed Chairman in 1993.

Wayne Angstrom – (aged 61), appointed to the board in 1997, has been President and Chief Executive Officer of St Ives Inc since 1991. Mr Angstrom is responsible for the Group's US operations in Florida and Ohio.

Lorraine Baldry – (aged 51), non-executive director, was appointed to the board on 27 January 2000. Mrs Baldry is currently a senior adviser to Morgan Stanley Dean Witter, having previously held senior management positions within Prudential Corporation and, latterly, Regus Business Centres.

Brian Edwards, FCA – (aged 50), Managing Director, joined the Company in 1978, became Finance Director in 1988 and Managing Director in 1991.

Graham Menzies – (aged 52), non-executive director, Group Chief Executive of Senior plc. Mr Menzies was appointed to the board in 1997.

Raymond Morley, FCA – (aged 48), 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.

Kenneth Pardey – (aged 55), Managing Director of the Multimedia Division, is also responsible for health and safety. He was appointed to the board in 1986 following the acquisition of Clays, which he originally joined in 1979. Mr Pardey has announced his intention to retire from the board in January 2001.

Dr David Wilbraham – (aged 61), non-executive director, was appointed to the board in 1994. Dr Wilbraham, formerly Chief Operating Officer and later Chairman of Hickson International plc, is currently non-executive Chairman of RPC Group PLC.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifty two weeks ended 28 July 2000.

1. Activities

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

2. Review of operations and future prospects

A detailed review of the activities of the Group and its position and future prospects can be found in the Chairman's Statement and the Review of Operations. On 25 September 2000, the Company purchased certain of the assets and business of Global Financial Press Inc based in New York and Philadelphia. Details of the purchase are set out in note 30 to the financial statements.

3. Results and dividends

The Group profit for the year before taxation amounted to £68,839,000 (1999 – £60,105,000).

The directors propose a final ordinary dividend of 12.15p for each ordinary share payable on 4 December 2000 to holders on the register at 3 November 2000. If approved, the final dividend will make a total for the year of 16.9p per ordinary share:

	£'000
Ordinary dividends – interim	4,938
– proposed final	12,621

4. Share capital

Details of the Company's share capital are set out in note 20 to the financial statements.

5. Substantial interests

As at 10 October 2000, the only notified share interests in excess of 3 per cent of the issued ordinary share capital of the Company were as follows:

	Ordinary shares	%
Schroders Investment Management Limited on behalf of institutional clients on a non-beneficial basis	14,755,101	14.17
Prudential plc	10,803,153	10.37
Scudder Threadneedle Investments Limited	4,742,108	4.55

6. Directors

The present membership of the board is set out on page 11. All directors served throughout the year with the exception of Mrs Lorraine Baldry, who was appointed on 27 January 2000. The directors' interests in shares of the Company are set out in the Report by the board to the Shareholders on Directors' Remuneration on pages 19 to 23.

Gary Iceton resigned from the board with effect from 1 August 2000 and Kenneth Ladd retired from the board on his 70th birthday, 9 September 2000.

Kenneth Pardey has tendered his resignation which will be effective on 31 January 2001.

7. Employment policies

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

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

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

Details of the Group's pension schemes are set out in note 4 to the financial statements; all of the schemes are independently managed. The investments of the Group's principal pension scheme are managed separately, passively (70%) and actively (30%). The fund manager of the actively managed portfolio is proscribed from holding any investment in the Group. Neither fund manager is permitted by the Trustee to lend to the Group. The number of trustee directors of the Group's principal pension scheme is split equally between member and Company-nominated trustee directors.

8. Environmental policy

The board has established an environmental policy which is implemented through the Group's existing management structure. The policy concentrates on achieving a deliverable improvement in performance in consultation with suppliers, customers and employees. In partnership with our principal suppliers, we continue to seek ways of reducing the Group's usage of raw materials, including utilities, and to re-use or recycle materials where practicable.

9. Terms of payment

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 28 July 2000 for the Group and the Company were 45 and 35 days, respectively (1999 – 50 and 43 days).

10. Political and charitable contributions

The Group made charitable donations of £44,000 during the year (1999 – £26,000). No political donations were made in either year.

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

Our continental European businesses successfully accommodated the introduction of the euro in the prior year. The possibility of the UK joining EMU at some stage continues to be monitored and, were this to occur, the changes required to our systems and accounting procedures have been identified. The costs of making such changes will not be significant.

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

At the Annual General Meeting of the Company held on 28 November 1996, the directors were authorised, for the purpose of Section 80 Companies Act 1985 ("the Act"), to allot relevant securities up to an aggregate of £3,816,000. 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 £4,000,000. 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 St Ives plc Executive Share Option Schemes 1985, 1995 and 1997, the St Ives plc Savings Related Share Option Scheme 1991 and the St Ives plc Overseas Executive Share Option Scheme 1992.

(b) Share capital

Details of the Company's authorised and issued share capital are set out in note 20 to the financial statements.

The Companies Act 1985 requires that pre-emption rights must be applied to any issue of shares for cash unless shareholders have given their consent to the waiver of such rights. Resolution 10 set out in the Notice of 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 existing share option schemes) up to a maximum of 5,207,000 shares, representing approximately 5 per cent of the issued ordinary share capital, without applying pre-emption rights.

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

At the Annual General Meeting of the Company held on 25 November 1999, the directors were authorised to purchase the Company's ordinary shares on The London Stock Exchange. Resolution 11 set out in the Notice of Annual General Meeting will be proposed to renew the directors' authority to purchase up to 10,414,000 ordinary shares being approximately 10 per cent of the issued ordinary share capital of the Company. The directors do not intend exercising such power unless it would result in an increase in the earnings per share attributable to the ordinary share capital of the Company and would be in the best interests of the shareholders generally.

13. Auditors

A resolution to re-appoint Deloitte & Touche will be proposed at the forthcoming Annual General Meeting.

14. The Combined Code

In the current year, the Combined Code has been supplemented by the Turnbull Committee Report "Internal Control: Guidance for Directors on the Combined Code", published in September 1999.

The board has reviewed its standard of Corporate Governance to report to shareholders on how the Principles of the Combined Code have been applied, and to report on the board's implementation of the Turnbull guidance.

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

Board of Directors

From 30 July 1999 until 27 January 2000, the board consisted of nine directors, of whom three were non-executive directors. From 27 January 2000 until the conclusion of the year under review the board comprised ten directors, including four non-executive directors.

The board considers that the balance achieved between executive and non-executive directors during these periods was appropriate and effective for the control and direction of the business.

In the opinion of the board 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. None of them participates in any bonus, share option or pension scheme of the Company.

Each non-executive director contributes equally to the direction and management of the group. Therefore, the board does not consider it necessary or appropriate formally to appoint one of the non-executive directors as a senior independent non-executive director. In this respect, therefore, the board is not fully compliant with provision A.2.1 of the Combined Code.

Non-executive directors do not have service agreements and their terms of engagement are agreed by the executive directors and confirmed in writing by the Chairman. It continues to be the policy of the board that executive directors should be employed under service agreements which can be determined by serving 12 months' notice or less.

The board meets regularly throughout the year and is responsible for overall Group strategy, acquisitions and divestments, major capital projects and financial matters. It reviews the strategic direction and annual budgets of individual trading subsidiaries, and approves major individual items of capital expenditure. All directors have full and timely access to all relevant information needed to enable them properly to discharge their responsibilities.

The roles of Chairman and Managing Director are separate and distinct and have been so since the Company first obtained a Listing on The London Stock Exchange in 1985. The Company's Articles of Association require all directors to retire and offer themselves for re-appointment by shareholders at least once every three years.

DIRECTORS' REPORT *continued*

The procedure for directors to seek independent professional advice in the furtherance of their duties and to be reimbursed their reasonable legal fees was reconfirmed during the year, as was the right of each to have access to the advice and services of the company secretary. All directors also have unrestricted access to other executives within the business to discuss any matter of concern to them.

Board Committees

Separate Audit and Remuneration Committees of the board exist with written terms of reference established for each. The Remuneration Committee is made up solely of non-executive directors, namely David Wilbraham (committee chairman), Kenneth Ladd (until 9 September 2000), Graham Menzies and Lorraine Baldry, who was appointed to the committee on 27 January 2000.

The Audit Committee continues to consist of a majority of non-executive directors, together with two executive directors – Miles Emley and Raymond Morley. Throughout the period under review, therefore, the composition of the Audit Committee did not comply with provision D.3.1 of the Combined Code. The board believes that it is appropriate and in the best interests of the shareholders for the executive directors to be represented on the Audit Committee, albeit as a minority. David Wilbraham chairs the committee. Kenneth Ladd, Graham Menzies and, with effect from 27 January 2000, Lorraine Baldry, also served on the Audit Committee during the year.

The Audit Committee meets at least once a year with the Group's external auditors to review the scope and results of the audit prior to the approval by the board of the Group's Financial Statements.

The board has not formed a Nomination Committee: the full board decides on nominations and all directors participate in interviewing prospective members of the board, whether executive or non-executive. In this respect, therefore, the Company does not comply with provision A.5.1 of the Combined Code.

Shareholder relations

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

The Annual General Meeting is regarded as an opportunity to communicate directly with shareholders and the chairman of the Audit and Remuneration Committees is available at the Annual General Meeting to answer shareholders' questions. The Notice of this year's Annual General Meeting has been circulated more than 20 working days prior to the meeting in accordance with the Combined Code (and is included in this report on pages 52 to 54).

Internal Control

The board is responsible for the Group's system of internal control 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 conducted a formal evaluation of the effectiveness of the Group's internal controls and risk management process. As part of this review, the directors also reviewed the need for an internal audit function, and have concluded that the existing financial control environment and the annual external audits of all trading subsidiaries are sufficient.

This evaluation was compared to the guidance provided by the Turnbull Committee and 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 this year.

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

In addition, the executive directors meet each month with divisional managing directors, the company secretary and the Group's director of personnel 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 role of the board is described on pages 15 and 16 and a statement of directors' responsibilities is given on page 18. During the year the board reviewed the list of matters specifically reserved to it for decision.

15. Compliance Statement

Other than those areas of non-compliance set out in paragraph 14 above, the board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the period under review and up to the date of the approval of these financial statements.

16. Going concern

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

DIRECTORS' REPORT *continued***17. Statement of directors' responsibilities**

The following statement is made for the purpose of clarifying for members 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 page 24.

In accordance with the Companies Act 1985, the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for that period. 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 accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group enabling them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for the Group's systems of internal financial 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

10 October 2000

REPORT BY THE BOARD TO THE SHAREHOLDERS ON DIRECTORS' REMUNERATION

Policy on Directors' Remuneration

The board is responsible for setting the Company's policy on directors' remuneration and the Remuneration Committee decides on the remuneration package of each executive director.

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 performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee.

No director is involved in determining or deciding his or her own remuneration. The Remuneration Committee consists exclusively of non-executive directors and its role is, *inter alia*, to apply the board's policy on remuneration. The current members of this committee are David Wilbraham (chairman of the Committee), Lorraine Baldry and Graham Menzies.

The executive directors' remuneration consists of four components:

- a) **Salary** – which reflects the executive's experience, responsibility and market value.
- b) **Bonus** – based on objectives set by the Remuneration Committee relative to the performance of the Group, operating unit or individual as appropriate, as an incentive to the executive directors to achieve relevant and demanding targets. Incentive payments to the executive directors for 1999/2000 varied between 17.7 per cent and 55.7 per cent of basic annual salary. Bonus payments to directors do not qualify for pension benefits.
- c) **Pension and other benefits** – With the exception of Miles Emley and Wayne Angstrom, the executive directors participate in the Group's principal defined benefit pension scheme which has a normal retirement date of 65. Miles Emley joined the Company after the imposition of the Inland Revenue earnings cap introduced by the Finance Act 1989. In his case the Company contributes to a number of money-purchase pension arrangements set up for the purpose of providing pension and death in service benefits for the executive and his dependants comparable to those of colleagues to whom the cap does not apply. Wayne Angstrom participates in a Section 401(k) Plan set up in the USA for St Ives Inc's employees generally.

Certain directors receive benefits in kind, including the provision of a car, fuel and medical expenses insurance.

- d) **Share options** – Executive directors and senior managers are granted share options under the Group's Discretionary Executive Share Option Schemes. These are not granted at a discount and, therefore, over time will reward management when shareholders are rewarded, but not otherwise, as is proper. Under the Inland Revenue Unapproved (1995 Scheme) and Approved (1997 Scheme) Executive Share Option Schemes, options cannot be exercised unless a performance criteria is achieved, 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 can only be

REPORT BY THE BOARD TO THE SHAREHOLDERS ON DIRECTORS' REMUNERATION *continued*

exercised between the third and seventh anniversary of their grant in the case of the 1995 Scheme and between the third and tenth anniversary of grant in the case of options awarded under the 1997 Scheme. Executive directors also participate in the Company's savings-related share option schemes.

The rules of the Company's share option schemes prevent non-executive directors from participating. Full details of the components of the executive directors' remuneration referred to above, including options granted, exercised and outstanding under all option schemes, are set out in the tables below and on pages 21 to 23.

Directors' remuneration

£'000	Basic Pay	Bonus	Benefits in kind	Pension	Total Remuneration	
				Contributions (Note 1)	1999/2000	1998/1999
Executive						
Wayne Angstrom	187.3	33.2	13.5	6.3	240.3	255.6
Brian Edwards	222.1	118.1	10.5	—	350.7	365.3
Miles Emley	243.0	127.8	13.7	63.8	448.3	430.6
Gary Iceton (Note 2)	145.5	81.0	13.5	—	240.0	253.3
Raymond Morley	143.0	66.4	12.4	—	221.8	210.3
Kenneth Pardey	143.0	58.5	9.0	—	210.5	212.8
Non-Executive						
Lorraine Baldry (Note 3)	10.0	—	—	—	10.0	—
Kenneth Ladd	20.4	—	4.6	—	25.0	24.6
Graham Menzies	20.0	—	—	—	20.0	20.0
David Wilbraham	20.0	—	—	—	20.0	20.0
	1,154.3	485.0	77.2	70.1	1,786.6	1,792.5

Miles Emley is the highest paid director of the Company.

Directors' pension arrangements

There are no unfunded pension promises or similar arrangements for directors and aggregate contributions to the Group's principal pension scheme amounted to £117,200 (1999 – £114,900).

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

	Age at 28 July 2000	Service years	Increase in accrued pension during the year (Note 5) £'000 pa	Transfer value of increase in accrued pension (Note 6) £'000	Accumulated total accrued pension at 28 July 2000 (Note 7) £'000 pa	Accumulated total accrued pension at 30 July 1999 (Note 7) £'000 pa
(Note 4)						
Brian Edwards	50	22	7.0	69.2	68.6	59.6
Gary Iceton	50	34	4.4	42.4	33.7	28.4
Raymond Morley	48	14	6.6	59.0	44.2	36.5
Kenneth Pardey	55	21	4.3	52.5	33.1	27.9

- Note 1. Pension contributions are in respect of money purchase schemes only. In the case of Miles Emley this sum includes a salary payment of £17,334 (1999 – £16,533) in addition to Basic Pay which, after tax, offsets the income tax payable by the director on the Company's contributions to a Funded Unapproved Retirement Benefits Scheme.
- Note 2. Gary Iceton resigned with effect from 1 August 2000. Under the terms of his contract Gary Iceton is due to be paid a further £142,253 in Basic Pay, benefits in kind and pension contributions until his contract concludes in March 2001.
- Note 3. Lorraine Baldry was appointed on 27 January 2000.
- Note 4. Contributions were payable in the year by the directors under the St Ives Pension Scheme.
- Note 5. The increase in accrued pension during the year excludes any increase arising from statutory revaluation in deferment up to normal retirement age.
- Note 6. The transfer value has been calculated on the basis of actuarial advice in accordance with Professional Guidance Note GN11, less the contributions paid by directors.
- Note 7. The accumulated total accrued pension shown is an annual amount at retirement calculated on pensionable service completed to the year end.
- Note 8. Additional Voluntary Contributions paid by directors and any benefit arising are not included in the above table.

Directors' contracts

Executive directors have rolling service contracts of twelve months' duration or less. There are no special provisions for compensation in the event of termination and payment in lieu of any unworked notice is a matter of negotiation between the parties. It is disclosed above that payments under Gary Iceton's service agreement will continue until March 2001.

Wayne Angstrom, Graham Menzies and David Wilbraham each retire by rotation at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election. Graham Menzies and David Wilbraham serve on both the Audit and Remuneration Committees. Wayne Angstrom has a service agreement which is subject to twelve months' notice. Lorraine Baldry was appointed to the board on 27 January 2000 and holds office until the Annual General Meeting and, being eligible, she offers herself for election. Lorraine Baldry has served on both the Audit and Remuneration Committees since 27 January 2000. Neither Graham Menzies, David Wilbraham, nor Lorraine Baldry, has a service agreement. Brief biographical details of each are set out on page 11.

Directors' share interests

Directors' beneficial interests (as defined by the Companies Act 1985) on 28 July 2000, 30 July 1999 (or date of appointment) and 10 October 2000 in shares of the Company were as follows:

	28 July 2000	30 July 1999	10 October 2000
<i>Executive</i>			
Wayne Angstrom	50,000	50,000	100,000
Brian Edwards	483,259	483,259	483,259
Miles Emley	16,000	16,000	21,011
Raymond Morley	10,632	10,632	10,632
Kenneth Pardey	5,476	5,476	5,476
<i>Non-Executive</i>			
Lorraine Baldry	—	—	—
Graham Menzies	10,000	5,000	10,000
David Wilbraham	15,000	10,000	15,000

REPORT BY THE BOARD TO THE SHAREHOLDERS ON DIRECTORS' REMUNERATION *continued***Directors' share options**

Details of directors' share options are shown below:

	Date of Grant	Number of options			Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
		30 July 1999	Exercised during year	Granted during year				
Wayne Angstrom								
Executive share options	20 Nov 1992	30,000	—	—	292.33	—	20 Nov 1995	19 Nov 2002
	1 Nov 1994	20,000	—	—	320.00	—	1 Nov 1997	31 Oct 2004
	21 Dec 1995	20,000	—	—	455.34	—	21 Dec 1998	20 Dec 2005
	17 Oct 1996	10,000	—	—	468.33	—	17 Oct 1999	16 Oct 2006
	2 Dec 1997	30,000	—	—	531.17	—	2 Dec 2000	1 Dec 2004
	17 Nov 1998	20,000	—	—	320.84	—	17 Nov 2001	16 Nov 2005
	28 Oct 1999	—	—	25,000	558.00	—	28 Oct 2002	27 Oct 2006
Sharesave options	5 June 1998	3,731	—	—	402.00	—	1 Aug 2003	31 Jan 2004
Total		133,731	—	25,000	158,731			
Brian Edwards								
Executive share options	1 Nov 1994	30,000	—	—	320.00	—	1 Nov 1997	31 Oct 2004
	17 Oct 1996	35,000	—	—	468.33	—	17 Oct 1999	16 Oct 2003
	14 Nov 1997	35,000	—	—	520.84	—	14 Nov 2000	13 Nov 2004
	17 Nov 1998	40,000	—	—	320.84	—	17 Nov 2001	16 Nov 2005
	28 Oct 1999	—	—	35,000	558.00	—	28 Oct 2002	27 Oct 2006
Sharesave options	17 June 1997	2,932	—	—	407.00	—	1 Aug 2002	31 Jan 2003
	5 June 1998	892	—	—	402.00	—	1 Aug 2003	31 Jan 2004
	10 June 1999	262	—	—	462.00	—	1 Aug 2004	31 Jan 2005
Total		144,086	—	35,000	179,086			
Miles Emley								
Executive share options	20 Nov 1992	200,000	—	—	292.33	—	20 Nov 1995	19 Nov 2002
	1 Nov 1994	30,000	—	—	320.00	—	1 Nov 1997	31 Oct 2004
	17 Oct 1996	45,000	—	—	468.33	—	17 Oct 1999	16 Oct 2003
	14 Nov 1997	45,000	—	—	520.84	—	14 Nov 2000	13 Nov 2004
	28 Oct 1999	—	—	40,000	558.00	—	28 Oct 2002	27 Oct 2006
Sharesave options	16 June 1995	5,011	—	—	285.00	—	1 Aug 2000	31 Jan 2001
	4 June 1996	762	—	—	389.00	—	1 Aug 2001	31 Jan 2002
Total		325,773	—	40,000	365,773			
Raymond Morley								
Executive share options	21 Dec 1995	25,000	—	—	455.34	—	1 Dec 1998	20 Dec 2002
	17 Oct 1996	15,000	—	—	468.33	—	17 Oct 1999	16 Oct 2003
	17 Nov 1998	20,000	—	—	320.84	—	17 Nov 2001	16 Nov 2005
	28 Oct 1999	—	—	20,000	558.00	—	28 Oct 2002	27 Oct 2006
Sharesave options	5 June 1998	2,735	—	—	402.00	—	1 Aug 2005	31 Jan 2006
	10 June 1999	1,183	—	—	462.00	—	1 Aug 2004	31 Jan 2005
Total		63,918	—	20,000	83,918			
Kenneth Pardey								
Executive share options	25 Nov 1991	25,000	—	—	274.00	—	25 Nov 1994	24 Nov 2001
	1 Nov 1994	10,000	—	—	320.00	—	1 Nov 1997	31 Oct 2004
	17 Oct 1996	15,000	—	—	468.33	—	17 Oct 1999	16 Oct 2003
	14 Nov 1997	20,000	—	—	520.84	—	14 Nov 2000	13 Nov 2004
	17 Nov 1998	20,000	—	—	320.84	—	17 Nov 2001	16 Nov 2005
Sharesave options	17 June 1997	2,932	—	—	407.00	—	1 Aug 2002	31 Jan 2003
	10 June 1999	832	—	—	462.00	—	1 Aug 2004	31 Jan 2005
Total		93,764	—	—	93,764			

Gary Iceton and Kenneth Ladd both served as directors throughout the year. Their beneficial interests (as defined by the Companies Act 1985) on 28 July 2000 were unchanged since 30 July 1999 and were, respectively, 23,379 and 412,500 shares.

Gary Iceton's share options at 28 July 2000 were:

	Date of Grant	Number of options		28 July 2000	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
		30 July 1999	Exercised during year	Granted during year				
Executive share options	17 Oct 1996	25,000	—	—	25,000	468.33	—	17 Oct 1999
	17 Nov 1998	20,000	—	—	20,000	320.84	—	17 Nov 2001
	28 Oct 1999	—	—	25,000	25,000	558.00	—	28 Oct 2002
Sharesave options	17 June 1997	2,932	—	—	2,932	407.00	—	1 Aug 2002
	5 June 1998	892	—	—	892	402.00	—	1 Aug 2003
Total		48,824	—	25,000	73,824			

The following directors have exercised share options between 28 July 2000 and 10 October 2000:

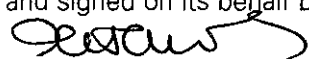
	Date of Grant	Number of options exercised	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
Wayne Angstrom						
Executive share options	20 Nov 1992	30,000	292.33	453.50	20 Nov 1995	19 Nov 2002
Executive share options	1 Nov 1994	20,000	320.00	453.50	1 Nov 1997	31 Oct 2004
Miles Emley						
Sharesave options	16 June 1995	5,011	285.00	452.50	1 Aug 2000	31 Jan 2001

No gains were made by directors during the year on the exercise of share options. The aggregate of all gains made by directors subsequent to the year end on the exercise of options (see above) was £83,444.

These gains were notional as the directors concerned retained the shares in question which are included in their beneficial interests in the Company's shares at 10 October 2000 shown on page 21.

The market price of St Ives plc Ordinary shares of 10p each at 28 July 2000 was 439.5p and the range during the financial year was 395p to 635p.

Approved by the Board of Directors
and signed on its behalf by



Philip Harris
Secretary

10 October 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 25 to 50 which have been prepared under the accounting policies set out on pages 30 to 32.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 18 the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement on pages 15 to 17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We 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. 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 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.

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 28 July 2000 and of the profit of the Group for the fifty-two weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

10 October 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	52 weeks to 28 July 2000		52 weeks to 30 July 1999	
		£'000	£'000	£'000	£'000
Turnover					
Continuing activities		471,382		452,237	
Acquired activities		1,825		—	
	2		473,207		452,237
Cost of sales		(340,101)		(331,477)	
Gross profit		133,106		120,760	
Sales and distribution costs		(24,315)		(21,528)	
Administrative expenses					
Goodwill amortisation		(108)		—	
Other administrative expenses		(42,704)		(40,684)	
			(42,812)		(40,684)
Other operating income		542		954	
Operating profit	5	66,812		59,502	
Continuing activities		(291)		—	
Acquired activities					
			66,521		59,502
Interest receivable		3,561		2,085	
Interest payable	3	(1,243)		(1,482)	
Profit before taxation		68,839		60,105	
Taxation	6	(21,340)		(19,053)	
Profit after taxation		47,499		41,052	
Equity dividends	8	(17,559)		(15,207)	
Retained profit		29,940		25,845	
Earnings per share	9	45.77p		39.87p	
Diluted earnings per share	9	45.28p		39.63p	
Earnings per share before goodwill amortisation	9	45.87p		39.87p	

CONSOLIDATED BALANCE SHEET

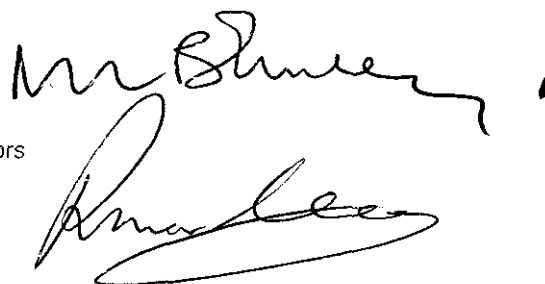
	Note	28 July 2000		30 July 1999	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		12,133		—
Tangible assets	11		183,182		170,306
Current assets					
Stocks	13		16,934		14,692
Debtors	14		75,202		76,342
Cash at bank and in hand			65,877		64,233
			158,013		155,267
Creditors: amounts falling due within one year	15		(112,326)		(112,173)
Net current assets			45,687		43,094
Total assets less current liabilities			241,002		213,400
Creditors: amounts falling due after more than one year	16		5,899		8,868
Provisions for liabilities and charges	18		14,270		14,982
Accruals and deferred income	19		2,312		2,984
			(22,481)		(26,834)
			218,521		186,566
Capital and reserves					
Called up share capital	20		10,388		10,366
Share premium account	20		41,522		40,875
Capital redemption reserve	21		1,040		1,040
Profit and loss account	21		165,571		134,285
Equity Shareholders' funds			218,521		186,566

These financial statements were approved by the Board of Directors on 10 October 2000 and signed on its behalf by

Miles Emley

Raymond Morley

} Directors



COMPANY BALANCE SHEET

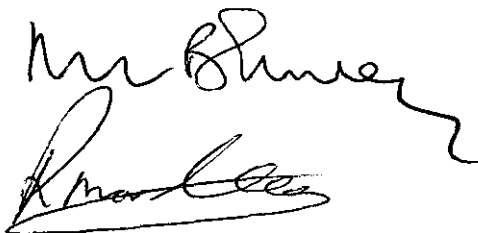
	Note	28 July 2000		30 July 1999	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11	27,354		20,304	
Investments	12	194,423		162,353	
		<u>221,777</u>		<u>182,657</u>	
Current assets					
Debtors	14	12,480		6,618	
Cash at bank and in hand		48,722		45,019	
		<u>61,202</u>		<u>51,637</u>	
Creditors: amounts falling due within one year	15	(62,432)		(45,955)	
Net current (liabilities)/assets			(1,230)		5,682
Total assets less current liabilities		<u>220,547</u>		<u>188,339</u>	
Creditors: amounts falling due after more than one year	16	1,430		1,430	
Provisions for liabilities and charges	18	596		343	
			(2,026)		(1,773)
		<u>218,521</u>		<u>186,566</u>	
Capital and reserves					
Called up share capital	20	10,388		10,366	
Share premium account	20	41,522		40,875	
Revaluation reserve	21	79,573		60,124	
Capital redemption reserve	21	1,040		1,040	
Profit and loss account	21	85,998		74,161	
Equity Shareholders' funds		<u>218,521</u>		<u>186,566</u>	

These financial statements were approved by the Board of Directors on 10 October 2000 and signed on its behalf by

Miles Emley

Raymond Morley

Directors



CONSOLIDATED CASH FLOW STATEMENT

	Note	52 weeks to 28 July 2000		52 weeks to 30 July 1999	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	22		93,419		92,344
Returns on investments and servicing of finance					
Interest received		3,555		2,108	
Interest paid		(1,092)		(720)	
Interest element of finance lease rental payments		(447)		(536)	
Net cash inflow from returns on investments and servicing of finance			2,016		852
Taxation					
United Kingdom corporation tax paid		(19,278)		(18,474)	
Overseas tax paid		(1,944)		(2,907)	
			(21,222)		(21,381)
Capital expenditure					
Payments to acquire tangible fixed assets		(33,432)		(23,273)	
Disposal of tangible fixed assets		1,162		3,982	
			(32,270)		(19,291)
Acquisitions					
Purchase of subsidiary undertaking	29	(13,640)		—	
Net cash acquired with subsidiary undertaking	29	84		—	
Subsequent cash flows in respect of prior year acquisition		—		(312)	
			(13,556)		(312)
Equity dividends paid			(15,771)		(13,581)
Cash inflow before financing			12,616		38,631
Financing					
Issue of ordinary share capital		669		2,022	
Capital element of finance lease rentals		(1,986)		(3,140)	
Debt due within a year:					
Repayment of term loan		(9,972)		(1,255)	
Debt due beyond a year:					
Repayment of long-term borrowing		(735)		—	
Net cash outflow from financing			(12,024)		(2,373)
Increase in cash in the year			592		36,258

A reconciliation of net cash flow to movement in net funds is provided in note 23.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	52 weeks to 28 July 2000	52 weeks to 30 July 1999
	£'000	£'000
Profit after taxation	47,499	41,052
Exchange differences	1,346	35
Total recognised gains and losses relating to the year	48,845	41,087

MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	52 weeks to 28 July 2000	52 weeks to 30 July 1999
	£'000	£'000
Opening shareholders' funds	186,566	158,288
Total recognised gains and losses	48,845	41,087
Dividends	(17,559)	(15,207)
Issue of ordinary shares	669	2,022
Goodwill adjustment	—	376
Closing shareholders' funds	218,521	186,566

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

(a) Accounting convention

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

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all subsidiary undertakings for the fifty-two weeks to 28 July 2000 (the financial year). The previous accounting period was for the fifty-two weeks to 30 July 1999.

(c) Goodwill

In respect of business combinations entered into by the Group, the fair value of the purchase consideration given is allocated between the underlying net assets of the acquired businesses other than goodwill, on the basis of the fair value to the Group. Any difference represents goodwill. In the case of business combinations entered into after 31 July 1998, purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful economic life. Each acquisition is separately evaluated for the purposes of determining its useful economic life, which shall not exceed 20 years. The useful economic lives are reviewed annually and revised if necessary. Any goodwill arising from business combinations entered into prior to 31 July 1998 was written off directly to reserves. Such goodwill shall be reinstated on disposal of those businesses and charged to the profit and loss account for the relevant period.

(d) 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% – 25%
Fixtures, fittings and equipment	20% – 33⅓%
Motor vehicles	20% – 33⅓%

(e) 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.

(f) Stocks

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

(g) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(h) Regional grants

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

(i) 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.

(j) 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.

(k) Derivative financial instruments

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

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

Pension costs for the Group's defined benefit pension schemes are charged against profits so as to spread the cost of pensions over the employees' expected working lives with the Group. This is in accordance with Statement of Standard Accounting Practice No. 24 (SSAP 24). Pension costs for the Group's defined contribution schemes are charged against profits as payable. Further details are set out in note 4.

(m) Leases

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

2. Turnover

Turnover represents the net invoiced value of sales outside the Group during the relevant financial year.

The geographical analysis of turnover by destination is stated below:

	2000 £'000	1999 £'000
United Kingdom	342,546	326,592
United States of America	82,809	74,093
Rest of the World	47,852	51,552
	473,207	452,237

The geographical analysis of turnover and operating profit by origin is stated below:

	Turnover		Operating Profit	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
United Kingdom	372,008	351,925	60,677	50,894
United States of America	72,314	68,799	3,764	6,708
Rest of the World	28,885	31,513	2,188	1,900
	473,207	452,237	66,629	59,502
Goodwill amortisation – USA	—	—	(108)	—
	473,207	452,237	66,521	59,502

All turnover and operating profits derive from continuing and acquired activities. The turnover and operating profit for the United States of America includes Packard Press Inc since its acquisition on 31 May 2000 (note 29). There were no other acquisitions during the year.

The £291,000 operating loss from acquired activities comprises: turnover £1,825,000, cost of sales £1,184,000, selling and distribution costs £499,000 and administrative expenses £433,000. In deriving operating profit, goodwill amortisation of £108,000 arising on the acquisition of Packard Press Inc has been included within administrative expenses.

The directors consider that the Group has only one class of business and consequently no further analysis of turnover or profit is given.

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

	2000 £'000	1999 £'000
United Kingdom	112,314	113,352
United States of America	53,757	32,284
Rest of the World	12,576	14,949
	178,647	160,585

3. Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loans and overdrafts	722	830
Other loans	74	101
Finance charges payable under finance leases	447	551
	1,243	1,482

4. Information regarding employees, directors and pension costs

	2000 £'000	1999 £'000
Employees' costs during the year:		
Wages and salaries	128,903	126,246
Social security costs	15,474	13,971
Other pension costs	4,667	3,729
	149,044	143,946

	2000 Number	1999 Number
Monthly average number of persons employed:		
Production	4,305	4,126
Sales and distribution	442	371
Administration	636	627
	5,383	5,124

Full details concerning directors' remuneration, shareholdings and options are shown in the Report by the Board to the Shareholders on Directors' Remuneration on pages 19 to 23.

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

The Group operates pension schemes which the majority of employees are eligible to join. The principal scheme, the St Ives Pension Scheme, is of the defined benefit type with assets held in separate trustee administered funds.

The pension cost for the Group's UK schemes was £3,792,000 (1999 – £2,926,000).

The contributions were determined following an actuarial valuation of the principal scheme by Punter Southall & Co Ltd, consulting actuaries, as at 6 April 1999 using the projected unit method. The principal actuarial assumptions adopted for the purposes of SSAP 24 in the valuation were a long term interest rate of 6.5% per annum, salary increases of 4.0% per annum and limited price indexation of 2.5% per annum which has resulted in the increase in pension cost compared to the previous year. Pension increases were allowed for in accordance with the rules of the scheme and past practice.

At the valuation date, the actuarial value of the assets on this basis was sufficient to cover 102% of the benefits that had accrued to members in the principal scheme. The market value of the scheme's assets as at 6 April 1999 was £86.1 million. For the purpose of the actuarial valuation, assets were taken at 96.5% of the market value.

The pension cost relating to foreign schemes was £829,000 (1999 – £506,000). The foreign schemes are defined contribution schemes.

All schemes were fully funded as at 6 April 1999 and, in the opinion of the directors, remained fully funded as at 28 July 2000. A creditor of £66,000 (1999 – £191,000 prepayment), inclusive of interest accrued, is included in creditors in respect of the defined benefit schemes.

5. Operating profit

Operating profit is after charging/(crediting):

	2000 £'000	1999 £'000
Auditors' remuneration – Audit fees – the Company	5	5
– Audit fees – subsidiary companies	297	300
– Non-audit related fees	261	274
Deferred income (note 19)	(189)	(190)
Depreciation – owned assets	27,007	28,054
– leased assets	1,259	1,483
Goodwill amortisation – acquired activities	108	—
Operating lease rentals – land and buildings	1,896	1,425
– other	1,462	1,199
Profit on disposal of fixed assets	(542)	(954)
Regional grant amortisation (note 19)	(585)	(612)

6. Tax on profit on ordinary activities

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30.0% (1999 – 30.7%)	19,701	17,728
Deferred taxation – credited for the year	(143)	(298)
Overseas taxation	1,782	1,708
	<u>21,340</u>	<u>19,138</u>
Adjustments to prior years' tax provisions	—	(85)
	<u>21,340</u>	<u>19,053</u>

7. Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes £29,284,000 (1999 – £26,239,000) which is dealt with in the financial statements of the parent company.

8. Dividends

	2000 £'000	1999 £'000
Equity dividends – interim paid 4.75p (1999 – 4.25p)	4,938	4,374
– proposed final 12.15p (1999 – 10.45p)	12,621	10,833
	<u>17,559</u>	<u>15,207</u>

The directors propose a final equity dividend of 12.15p for each ordinary share payable to holders on the register on 3 November 2000. If approved, the final dividend will be paid on 4 December 2000.

9. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on profits after taxation as disclosed in the profit and loss account of £47,499,000 (1999 – £41,052,000). Basic earnings per share and adjusted basic earnings per share are calculated on a weighted average of 103,776,115 (1999 – 102,958,104) 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 104,896,559 (1999 – 103,579,568) shares during the year.

The difference between the number of shares used in the basic and diluted earnings per share calculation is 1,120,444 (1999 – 621,464) 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 520.72p (1999 – 435.75p).

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

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

	2000		1999	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and basic earnings per share	47,499	45.77	41,052	39.87
Goodwill amortisation	108	0.10	—	—
Earnings and basic earnings per share before goodwill amortisation	47,607	45.87	41,052	39.87

10. Intangible fixed assets — the Group

	Cost £'000	Accumulated amortisation £'000	Net book value £'000
Goodwill			
At 30 July 1999	—	—	—
Additions	12,241	—	12,241
Amortisation charge for the year	—	(108)	(108)
At 28 July 2000	12,241	(108)	12,133

The goodwill in the year arose on the acquisition of Packard Press Inc detailed in note 29.

11. 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 30 July 1999	49,031	3,093	307,802	20,381	380,307
Exchange differences	534	(1)	2,787	(75)	3,245
Acquisitions	—	309	1,577	256	2,142
Additions	3,052	—	29,836	5,966	38,854
Disposals	—	(614)	(4,478)	(3,093)	(8,185)
Reanalysis	63	—	(284)	221	—
At 28 July 2000	52,680	2,787	337,240	23,656	416,363
Accumulated depreciation					
At 30 July 1999	9,279	1,024	185,513	14,185	210,001
Exchange differences	111	—	1,772	(59)	1,824
Acquisitions	—	121	426	108	655
Charge for the year	1,085	68	24,185	2,928	28,266
Disposals	—	(580)	(4,225)	(2,760)	(7,565)
Reanalysis	—	—	(3)	3	—
At 28 July 2000	10,475	633	207,668	14,405	233,181
Net book value					
At 28 July 2000	42,205	2,154	129,572	9,251	183,182
At 30 July 1999	39,752	2,069	122,289	6,196	170,306

	Land and buildings		Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
	Freehold £'000	Long leases £'000			
The Company					
Cost or valuation					
At 30 July 1999	23,302	—	3,092	3,309	29,703
Additions	729	—	—	845	1,574
Transfers from subsidiaries	6,282	1,487	—	18	7,787
Transfers to subsidiaries	—	—	—	(1,029)	(1,029)
Disposals	—	—	—	(168)	(168)
At 28 July 2000	30,313	1,487	3,092	2,975	37,867
Accumulated depreciation					
At 30 July 1999	4,726	—	2,574	2,099	9,399
Charge for the year	520	50	86	321	977
Transfers from subsidiaries	418	363	—	11	792
Transfers to subsidiaries	—	—	—	(502)	(502)
Disposals	—	—	—	(153)	(153)
At 28 July 2000	5,664	413	2,660	1,776	10,513
Net book value					
At 28 July 2000	24,649	1,074	432	1,199	27,354
At 30 July 1999	18,576	—	518	1,210	20,304

The Group and the Company have freehold land with a book value of £5,403,000 and £3,410,000 respectively which has not been depreciated. The comparable values for the prior year were £5,261,000 and £2,585,000.

The net book value of the Group's and the Company's land and buildings includes £278,000 (1999 – £286,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £124,000 (1999 – £128,000). As permitted by the transitional arrangements of Financial Reporting Standard 15, Tangible Fixed Assets, the Group has not updated its valuation of these properties which therefore continue to be carried at their net book value based on the valuation performed on 31 July 1985.

Included in the Group's cost of plant and machinery are items in the course of construction amounting to £4,070,000 (1999 – £1,744,000).

The net book value of the Group's fixed assets include £8,276,000 (1999 – £10,854,000) in respect of assets held under finance leases (Company – £nil in respect of both years).

NOTES TO THE FINANCIAL STATEMENTS *continued***12. Investments held as fixed assets – the Company**

	Shares at cost £'000	Loans £'000	Revaluation to net asset value £'000	Total £'000
Investments in subsidiaries:				
Balance at 30 July 1999	84,256	17,381	60,716	162,353
Additions	—	13,387	—	13,387
Disposals to group companies	—	(1,500)	—	(1,500)
Revaluation of subsidiaries to net asset value	576	158	19,449	20,183
Balance at 28 July 2000	84,832	29,426	80,165	194,423

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 31.

13. Stocks

	The Group	
	2000 £'000	1999 £'000
Raw materials	7,264	5,530
Work in progress	10,231	9,928
	17,495	15,458
Less: payments on account	(561)	(766)
	16,934	14,692

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

14. Debtors

	The Group		The Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts due within one year:				
Trade debtors	68,873	68,013	—	—
Amounts owed by group undertakings	—	—	11,812	5,894
Other debtors	4,116	6,453	577	656
Prepayments and accrued income	2,168	1,863	91	68
	75,157	76,329	12,480	6,618
Amounts due after more than one year:				
Other debtors	45	13	—	—
	75,202	76,342	12,480	6,618

15. Creditors: amounts falling due within one year

	The Group		The Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Bank loans and overdrafts (note 17)	1,484	9,379	41,069	25,498
Trade creditors	36,643	31,562	234	307
Amounts owed to group undertakings	—	—	296	342
Other creditors	20,028	22,737	3,545	3,730
Taxation	13,215	12,927	3,762	3,690
Social security	4,559	5,384	715	1,292
Obligations under finance leases (note 17)	2,038	2,039	—	—
Accruals and deferred income	21,738	17,312	190	263
Proposed final dividend	12,621	10,833	12,621	10,833
	112,326	112,173	62,432	45,955

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

	The Group		The Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Unsecured loan notes (note 17)	1,430	1,430	1,430	1,430
Bank loans (note 17)	1,198	2,476	—	—
Obligations under finance leases (note 17)	2,977	4,962	—	—
Other creditors	294	—	—	—
	5,899	8,868	1,430	1,430

NOTES TO THE FINANCIAL STATEMENTS *continued***17. Borrowings and finance lease obligations**

	The Group		The Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Unsecured loan notes	1,430	1,430	1,430	1,430
Bank overdrafts	969	—	41,069	16,856
Bank loans	1,713	11,855	—	8,642
Finance lease obligations	5,015	7,001	—	—
	9,127	20,286	42,499	26,928
Due within one year	3,522	11,418	41,069	25,498
Due after one year	5,605	8,868	1,430	1,430
	9,127	20,286	42,499	26,928
Analysis of loan repayments:				
Bank loans and overdrafts				
Repayable within one year	1,484	9,379	41,069	25,498
Between one and two years	499	651	—	—
Between two and five years	699	1,510	—	—
After five years	—	315	—	—
Other loans repayable otherwise than by instalments				
Between two and five years	1,430	1,430	1,430	1,430
Net finance lease obligations are payable as follows:				
Within one year	2,038	2,039	—	—
Between one and two years	1,489	2,159	—	—
Between two and five years	1,488	2,803	—	—
	9,127	20,286	42,499	26,928
Bank loans repayable by instalments some of which fall due after five years:				
Total amount	—	1,467	—	—

As at 28 July 2000 bank loans of £1,063,000 (1999 – £1,483,000) were secured on land, buildings, plant and machinery of Johler Druck GmbH.

Floating Rate Guaranteed Unsecured Loan Notes 2008, with a par value of £1,430,000 were in issue at 28 July 2000. These loan notes carry interest payable semi-annually at 0.5% below the base rate published by The Royal Bank of Scotland plc. Loans can be redeemed on 30 June 2003 and on any subsequent 30 June until 30 June 2008, on which date any loan notes not previously redeemed or purchased will be repaid in full at par value.

18. Provisions for liabilities and charges

	The Group			The Company		
	Deferred taxation £'000	Provision for repairs £'000	Total £'000	Deferred taxation £'000	Provision for repairs £'000	Total £'000
Balance at 30 July 1999	13,657	1,325	14,982	341	2	343
Acquisitions	(1,010)	134	(876)	—	—	—
Additions	—	62	62	—	—	—
Utilised	(143)	—	(143)	(49)	—	(49)
Transfers	—	—	—	304	—	304
Reversed	—	(2)	(2)	—	(2)	(2)
Exchange differences	243	4	247	—	—	—
Balance at 28 July 2000	12,747	1,523	14,270	596	—	596

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2003 and 2010.

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

	2000		1999	
	Amount provided £'000	Amount unprovided £'000	Amount provided £'000	Amount unprovided £'000
The Group				
Capital allowances in excess of depreciation	16,142	802	16,891	802
Gains deferred by rollover relief	—	946	—	867
Other timing differences	(3,395)	—	(3,234)	—
	12,747	1,748	13,657	1,669
The Company				
Differences between capital allowances and depreciation	488	802	(8)	802
Gains deferred by rollover relief	108	1,268	349	1,268
	596	2,070	341	2,070

NOTES TO THE FINANCIAL STATEMENTS *continued***19. Accruals and deferred income**

	The Group		
	Deferred insurance surplus £'000	Regional grants £'000	Total £'000
Balance at 30 July 1999	379	2,605	2,984
Received during the year	—	120	120
Exchange differences	—	(18)	(18)
Transfer to profit and loss account	(189)	(585)	(774)
Balance at 28 July 2000	190	2,122	2,312

The deferred insurance surplus represents the difference between the original cost of fixed assets destroyed by fire at the Group's premises in previous periods, and the cost of the equivalent replacement assets recoverable under the terms of the relevant insurance policies together with the regional grants applicable to the destroyed assets. This balance together with other regional grants received is being amortised and credited to the profit and loss account over the lives of the replacement assets.

20. Called up share capital and share premium account

	Number of shares	2000 £'000	1999 £'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 30 July 1999	103,663,801	10,366	40,875
Share options exercised	212,743	22	647
At 28 July 2000	103,876,544	10,388	41,522

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

During the year 212,743 10p ordinary shares were issued for cash consideration of £669,000.

Under the Executive Share Option Schemes 1985, 1995 and 1997, certain senior executives of the Group hold options to subscribe for up to 2,619,946 ordinary shares at prices between 227p and 558p per share, exercisable at various dates up to 2009. Participants of the Savings-Related Share Option Scheme 1991 hold options to subscribe for up to 2,849,614 ordinary shares at prices of between 268p and 462p per share, exercisable at various dates up to 31 January 2008.

Under the Overseas Executive Share Option Scheme 1992 options granted to overseas executives are outstanding to subscribe for up to 185,000 ordinary shares at prices between 320p and 468.33p per share, exercisable at various dates up to October 2006.

21. Reserves

	Capital redemption reserve £'000	Profit and loss account £'000
The Group		
Balance at 30 July 1999	1,040	134,285
Exchange differences	—	1,346
Retained profit for the financial year	—	29,940
Balance at 28 July 2000	1,040	165,571

Cumulative goodwill previously written off directly to the Group profit and loss account reserve amounts to £53,365,000 (1999 – £53,365,000).

	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
The Company			
Balance at 30 July 1999	60,124	1,040	74,161
Exchange differences	—	—	112
Retained profit for the financial year	—	—	11,725
Revaluation of subsidiaries to net asset value	19,449	—	—
Balance at 28 July 2000	79,573	1,040	85,998

Exchange differences of £576,000 and related tax credits of £46,000 have been offset in reserves of the Company and Group on borrowings hedged against equity investments in overseas subsidiaries. The charge to the profit and loss account in respect of such borrowings was £35,000.

NOTES TO THE FINANCIAL STATEMENTS *continued***22. Reconciliation of operating profit to net cash inflow from operating activities**

	2000 £'000	1999 £'000
Operating profit	66,521	59,502
Non cash movements:		
Depreciation	28,266	29,537
Goodwill amortisation	108	—
Deferred income	(774)	(802)
Provisions made	62	62
Provisions reversed	(2)	—
Profit on disposal of tangible fixed assets	(542)	(954)
Changes in working capital:		
Stocks	(1,167)	(722)
Debtors	5,562	(2,933)
Creditors	(4,735)	8,537
Other cash inflow:		
Regional grant received	120	117
Net cash inflow from operating activities	93,419	92,344

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

	2000 £'000	1999 £'000
Increase in cash in the year	592	36,258
Cash outflow from decrease in debt and lease financing	12,693	4,395
Change in net funds resulting from cash flows	13,285	40,653
New finance lease	—	(1,021)
Exchange adjustments	(482)	(64)
Movement in net funds in the year	12,803	39,568
Opening net funds	43,947	4,379
Closing net funds	56,750	43,947

24. Analysis of net funds

	30 July 1999 £'000	Cash flow £'000	Other non cash changes £'000	Exchange movement £'000	28 July 2000 £'000
Cash at bank and in hand	64,233	1,561	—	83	65,877
Overdrafts	—	(969)	—	—	(969)
		592			
Debt due within one year	(9,379)	9,972	(505)	(603)	(515)
Debt due after one year	(3,906)	735	505	38	(2,628)
Finance leases	(7,001)	1,986	—	—	(5,015)
	43,947	13,285	—	(482)	56,750

25. Capital commitments

	The Group	
	2000 £'000	1999 £'000
Contracted for but not provided in financial statements	6,356	20,250

The Company had capital commitments of £258,000 at 28 July 2000 and £765,000 at 30 July 1999.

26. Operating lease commitments

The following commitments in respect of operating leases are due for payment during the period ending 3 August 2001:

	The Group			
	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire				
Within one year	234	761	158	750
Between two and five years	524	479	354	502
After five years	1,331	405	1,010	5
	The Company			
	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire				
Within one year	—	5	4	—
Between two and five years	—	—	—	5
After five years	44	—	—	—

NOTES TO THE FINANCIAL STATEMENTS *continued***27. Contingent liabilities**

Neither the Group nor Company had contingent liabilities at 28 July 2000 or at 30 July 1999.

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

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows at fixed and floating rates of interest to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep a majority of its borrowings at fixed rates of interest in order to minimise exposure to short-term interest rate fluctuations. At the year-end, 65 per cent of the Group's borrowings were at fixed rates.

(b) Liquidity risk

The Group's policy is to maintain flexibility with respect to its liquidity position, by utilising short-term cash deposits and where necessary short-term bank borrowings for all working capital and capital expenditure requirements. It is the Group's policy to utilise longer term bank borrowings to finance acquisitions, thereby providing a hedge against net investments in overseas subsidiaries.

(c) Foreign currency risk

The Group has overseas subsidiaries which operate in the USA, Germany and the Netherlands and whose revenues and expenses are denominated exclusively in the relevant foreign currencies. In order to provide some protection to the Group's sterling balance sheet from the movements in these foreign exchange rates, the Group 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 28 July 2000 was nil (1999 – 16% of the gross investment in foreign currencies).

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

(d) Financial instruments

A discussion of the Group's objectives, policies and strategies with regard to derivative financial instruments, can be found in the accounting policies note on page 31. The Group's position at 28 July 2000, in respect of derivatives and other financial instruments, is consistent with that adopted throughout the year. Short term debtors and creditors arising directly from the Group's operations are excluded from the following disclosures.

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

28 July 2000

	Floating rate borrowings £'000	Fixed rate borrowings £'000	Total gross borrowings £'000	Fixed rate borrowings	
				Weighted average interest rate %	Weighted average time for which rate is fixed Years
Sterling	2,500	4,914	7,414	7.65	2.5
US Dollar	650	—	650	—	—
Deutschmark	—	1,063	1,063	6.30	3.3
	<u>3,150</u>	<u>5,977</u>	<u>9,127</u>	<u>7.41</u>	<u>2.6</u>

30 July 1999

	Floating rate borrowings £'000	Fixed rate borrowings £'000	Total gross borrowings £'000	Fixed rate borrowings	
				Weighted average interest rate %	Weighted average time for which rate is fixed Years
Sterling	1,907	7,387	9,294	7.74	3.7
US Dollar	867	8,642	9,509	6.47	1.0
Deutschmark	—	1,483	1,483	6.30	4.3
	<u>2,774</u>	<u>17,512</u>	<u>20,286</u>	<u>6.99</u>	<u>2.4</u>

The floating rate borrowings are interest bearing borrowings at interest rates based upon LIBOR and US thirty day commercial paper fixed for periods of up to one week.

(f) Interest rate and currency profile of financial assets

	2000 Cash £'000	1999 Cash £'000
Sterling	54,259	48,341
US Dollar	5,202	9,799
Other	6,416	6,093
	<u>65,877</u>	<u>64,233</u>

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

(g) Currency analysis of monetary assets and liabilities

After taking into account the effect of any hedging transactions entered into 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 28 July 2000 or 30 July 1999. 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 No. 20 as a foreign currency borrowing providing a hedge against a foreign equity investment.

NOTES TO THE FINANCIAL STATEMENTS *continued***28. Derivatives and other financial instruments** *(continued)**(h) Borrowing facilities*

The Group have agreed with their bankers borrowing facilities, which were undrawn at 28 July 2000, of:

	2000 £'000	1999 £'000
Expiring within one year	15,000	65,000

(i) Financial liabilities

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

	2000		1999	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Short-term borrowings and current portion of long-term debt	3,522	3,849	11,418	11,418
Long-term borrowings	5,605	5,526	8,868	9,312
	9,127	9,375	20,286	20,730

The maturity profile of the Group's financial liabilities is disclosed in note 17. Other creditors falling due after more than one year of £294,000 (1999 – £nil) fall due as follows: £93,000 between one and two years, £191,000 between two and five years and £10,000 after more than five years.

(j) Gains and losses on hedges

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

29. Acquisition of businesses

During the year the Group acquired 100% of Packard Press Inc (Packard) for a total consideration of £13.64 million subject to adjustment based on net assets at completion, which is not expected to be material. The purchase of Packard was completed on 31 May 2000 and has been accounted for by the acquisition method. The results of Packard have been consolidated into the Group from 1 June 2000.

Packard is a US printer of corporate financial, investment funds and commercial printing products and services.

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
Tangible fixed assets	2,002	(261)	(254)	1,487
Current assets excluding cash	5,236	(341)	(82)	4,813
Cash	84			84
Creditors and other provisions	(4,855)	(873)	(267)	(5,995)
Deferred tax	350	507	153	1,010
	<u>2,817</u>	<u>(968)</u>	<u>(450)</u>	<u>1,399</u>
Goodwill (note 10)				12,241
Consideration paid in cash				<u>13,640</u>

The adjustments made to align the accounting policies of Packard to those of the Group relate to fixed asset lives and depreciation rates, expensing of deferred costs included in current assets, leasehold premises repair provisions and provisions for employee benefits.

The principal revaluation adjustments relate to tangible fixed assets to reduce the carrying value of certain major items of plant and machinery to their fair value, to provide for potential tax liabilities and other unaccrued costs on lease obligations.

Goodwill arising on the acquisition is provisional, owing to the short period of ownership and the finalisation of consideration payable.

During its financial year ending 31 March 2000, Packard made an audited loss after tax of \$310,000 as prepared under US GAAP. For the period from 1 April 2000 to the date of acquisition Packard made an unaudited profit after tax as prepared under US GAAP of \$117,000.

For the period from the date of acquisition to 28 July 2000 Packard contributed £272,000 to the Group's net operating cash flows, contributed £4,000 in respect of net returns on investments and servicing of finance, paid £55,000 in respect of taxation and £2,000 for capital expenditure.

30. Post balance sheet event

On 25 September 2000 certain of the assets and business of Global Financial Press Inc ("Global") were acquired for a net consideration of US\$5 million (approximately £3.5 million).

Global is a US printer servicing the corporate financial, funds, document reproduction and imaging markets and its New York operations are in the process of being combined with those of Packard.

NOTES TO THE FINANCIAL STATEMENTS *continued***31. Additional information on subsidiaries**

The principal trading subsidiaries are all wholly owned by subsidiaries of the Company and were as follows:

	Location
Bryer & Spencer Limited	London
Burrups Limited	London
Burrups International Limited	London/Luxembourg/France/Germany
Burrups Japan KK	Japan
Burrups Inc (previously Packard Press Inc)	USA
Clays Limited	Bungay
DisplayCraft Limited	London
Harlequin Colourprint Limited	Bristol
Hunters Armley Limited	Leeds and Bradford
Johler Druck GmbH	Germany
Red Letter Bradford Limited (previously Red Letter Marketing Services Limited)	Bradford
Red Letter Edenbridge Limited (previously St Ives Data Management Limited)	Edenbridge
St Ives Andover Limited	Andover
St Ives Caerphilly Limited	Ystrad Mynach
St Ives Edenbridge Limited	Edenbridge
St Ives Gillingham Limited	Gillingham
St Ives Graphic Media Limited	Bradford
St Ives Inc, Cleveland (previously The Perlmutter Printing Company)	USA
St Ives Inc, Hollywood	USA
St Ives Multimedia BV	Holland
St Ives Multimedia Limited	Tunbridge Wells
St Ives Multimedia Blackburn Limited	Blackburn
St Ives Peterborough Limited	Peterborough
St Ives Plymouth Limited	Plymouth
St Ives Roche Limited	Roche
St Ives Romford Limited	Romford
Sevenoaks Print Finishers Limited	Edenbridge
Smiths Colour Printers Limited	Bradford
Westerham Press Limited	Edenbridge

Other than Burrups Japan KK, Burrups Inc, Johler Druck GmbH, St Ives Inc, Cleveland, St Ives Inc, Hollywood and St Ives Multimedia BV, all companies are incorporated in Great Britain and registered in England and Wales.

FINANCIAL CALENDAR 2000/2001

3 November 2000	Record date for final dividend
4 December 2000	Payment of final dividend
Mid April 2001	Announcement of interim results
April/May 2001	Record date for interim ordinary dividend
Early June 2001	Payment date for interim ordinary dividend

The Annual General Meeting of St Ives plc will be held at St Ives House, Lavington Street, London SE1 0NX at 11.00 am on Thursday 30 November 2000.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of St Ives plc will be held at St Ives House, Lavington Street, London SE1 0NX on Thursday 30 November 2000 at 11.00 am for the following purposes:

Ordinary business

1. To receive and adopt the audited financial statements for the fifty-two weeks ended 28 July 2000 together with the reports of the directors and auditors (Resolution 1).
2. To re-elect Wayne Angstrom (Resolution 2), Graham Menzies (Resolution 3), and David Wilbraham (Resolution 4) each of whom is retiring from office by rotation, as directors of the Company.
3. To elect Lorraine Baldry (Resolution 5), who was appointed since the last Annual General Meeting, a director of the Company.
4. To declare a final dividend of 12.15p per ordinary share (Resolution 6).
5. To re-appoint Deloitte & Touche as auditors to the Company (Resolution 7).
6. To authorise the directors to fix the remuneration of the auditors (Resolution 8).
7. To transact any other ordinary business of the Company.

Special business**Ordinary Resolution**

To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

8. Resolution 9

That

- (a) the directors are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to the aggregate nominal amount of £4,000,000. The authority hereby conferred shall expire, unless previously varied, renewed or revoked by the Company in general meeting, five years from the date of this resolution, provided that the Company may, prior to such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry in which case the directors may allot such securities pursuant to such offer or agreement as if such authority had not expired;
- (b) all such prior authorities conferred under Section 80 of the Act be revoked provided that such revocation shall not have retrospective effect.

To consider and, if thought fit, to pass the following resolutions which will be proposed as Special Resolutions:

Special Resolutions

9. Resolution 10

That subject to the passing of resolution 9 set out in the notice convening this Annual General Meeting the directors are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment provided that:

- (a) this power be limited to:
 - (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions,

exceptions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws or requirements of any government or recognised regulatory body or any stock exchange or otherwise in any territory;

- (ii) the allotment of equity securities pursuant to the terms of the St Ives plc Executive Share Option Schemes 1985, 1995 and 1997, the St Ives plc Savings-Related Share Option Scheme 1991, the St Ives Overseas Executive Share Option Scheme 1992, the Savings-Related Share Option Schemes for employees in the USA, The Netherlands and Germany or any other employees' share option scheme approved by the members in general meeting;
- (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal value of £520,700;
- (b) the power conferred hereby shall expire on the date of the next annual general meeting of the Company unless renewed, extended, varied or revoked by the Company in general meeting;
- (c) the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and
- (d) the power conferred hereby shall be in substitution for and to the exclusion of any earlier power conferred on the directors pursuant to Section 95 of the Act.

10. Resolution 11

That authority is hereby generally and unconditionally given, pursuant to Section 166 of the Act, for the Company to make market purchases (as defined in Section 163(3) of the Act) of any of its own ordinary shares of 10p each in such manner and on such terms as the directors may from time to time determine provided that:

- (a) the authority hereby conferred shall expire, unless previously varied, renewed or revoked by the Company in general meeting, at the conclusion of the next general meeting of the Company after the passing of this resolution, save that the Company shall be entitled under such authority to make at any time before expiry thereof any contract of purchase of its own ordinary shares which will or might be concluded wholly or partly after the expiry of such authority;
- (b) the maximum number of ordinary shares hereby authorised to be acquired is 10,414,000 being approximately 10 per cent of the issued ordinary share capital of the Company on the date hereof; and
- (c) the maximum price which may be paid for each ordinary share of 10p is an amount equal to 105 per cent of the average middle market quotations for the ordinary shares of the Company (as derived from The London Stock Exchange Daily Official List) for the ten business days prior to the date of purchase and the minimum price is 10p, such price being exclusive of Advance Corporation Tax, if any, payable by the Company.

By Order of the Board



Philip Harris
Secretary

26 October 2000

NOTICE OF ANNUAL GENERAL MEETING *continued*

Notes

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for the Annual General Meeting is enclosed. To be valid, forms of proxy together with any power of attorney or other authority (if any) under which any form of proxy is signed or a notarially certified or office copy of such power of attorney or other authority should be deposited at or sent to Capita IRG Plc, P.O. Box 25, Beckenham, Kent BR3 4BR so as to arrive not later than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude members from attending and voting at the meeting in person should they find themselves able to do so.
3. The register of the interests of the directors in the share capital of the Company and copies of the service agreements of the directors are available for inspection at the registered office of the Company during normal business hours and will be available at the meeting.

FORM OF PROXY

St Ives plc

Form of Proxy for use only by holders of Ordinary Shares having the right to attend and vote at the Annual General Meeting of St Ives plc to be held at St Ives House, Lavington Street, London SE1 0NX on 30 November 2000 at 11.00 am.

I/We _____
(Please use block letters)

being (a) registered holder(s) of Ordinary Shares hereby appoint the CHAIRMAN OF THE MEETING (note 2)

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 30 November 2000 at 11.00 am and at any adjournment thereof.

Signature _____ Date _____ 2000

Ordinary Business	For	Against
1 To receive and adopt the Directors' Report and Financial Statements		
2 To re-elect Wayne Angstrom as a director of the Company		
3 To re-elect Graham Menzies as a director of the Company (member of the Audit and Remuneration Committees)		
4 To re-elect David Wilbraham (Chairman of the Audit and Remuneration Committees) as a director of the Company		
5 To elect Lorraine Baldry (member of the Audit and Remuneration Committees) as a director of the Company		
6 To declare a dividend		
7 To re-appoint the Auditors		
8 To authorise the directors to fix the remuneration of the Auditors		
Special Business		
9 To renew the power to allot relevant securities pursuant to Section 80 of the Companies Act 1985		
10 To renew the power to allot equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment		
11 To renew the power of the Company to purchase its own shares		

Please indicate, by inserting a cross in the appropriate space, how you wish your vote to be cast on the resolution mentioned. If you sign this form and return it without any specific directions, your proxy will abstain or vote as he thinks fit. This form of proxy will be used only in the event of a poll being directed or demanded.

Notes:

- To be valid, this form must be deposited at or sent to the office of the Company's Registrars, Capita IRG Plc, P.O. Box 25, Beckenham, Kent BR3 4BR, so as to arrive not later than forty-eight hours before the time appointed for holding this meeting.
- This form may be used for the appointment of any other person as proxy by deleting the words "the CHAIRMAN OF THE MEETING" and inserting the name and address of the person whom it is desired to appoint. A proxy need not be a member of the Company.
- Any alterations made in this form of proxy should be initialled.
- If the appointor is a corporation this form of proxy should be either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- Return of a completed form of proxy will not preclude a member from attending and voting personally at the meeting.

BUSINESS REPLY SERVICE
Licence No. MB 122

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First fold

**The Registrar,
Capita IRG Plc,
(Proxies),
P.O. Box 25,
BECKENHAM,
KENT
BR3 4BR**

Second fold and tuck in

Third fold and tuck in