



# **ST IVES PLC ANNUAL REPORT AND ACCOUNTS 2016**



# Strategic Marketing

| <i>Data</i>        | <i>Digital</i>     | <i>Insight</i>     |
|--------------------|--------------------|--------------------|
| Occam              | amaze              | incite             |
| RESPONSE ONE       | realise            | Hive group         |
|                    | BRANDED3           | P R A G M A        |
|                    | solstice           | fsp                |
|                    | THE APP BUSINESS   |                    |
| Revenue            | Revenue            | Revenue            |
| £36.2m             | £71.2m             | £36.7m             |
| % of Group revenue | % of Group revenue | % of Group revenue |
| 9.9%               | 19.4%              | 10.0%              |



## Marketing Activation

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▶ Service Graphics

▶ SIMS

▶ SP



## Books

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▶ Clays

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*Revenue*

---

£154.8m

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*% of Group  
revenue*

---

42.1%

---

*Revenue*

---

£68.6m

---

*% of Group  
revenue*

---

18.6%



# INSIDE YOUR REPORT

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The Strategic Report on pages 2 to 27 has been approved by the Board of Directors and signed on its behalf by

  
Matt Armitage  
Chief Executive  
4 October 2016

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### Chairman's Statement

Read about our Chairman's highlights.



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### Our Business Model and Strategy

Read about our business model and strategy for growth.



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### Strategy in Action

Read more about how we continue to deliver against our strategic priorities.



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### Corporate and Social Responsibility

Read more about our sustainable and responsible practice.



## OUR GROUP TODAY

St Ives is an international marketing services group comprised of 16 successful and dynamic marketing and print services businesses. We operate not as a single entity but as a group of market leading businesses, each with its own unique value proposition. Our businesses offer complementary services and collaborate closely with each other when this adds value to clients.

## WE MANAGE OUR BUSINESS IN THREE DISTINCT SEGMENTS

Our industry leading Strategic Marketing businesses have strong capabilities across three specialist high growth areas: Data, Digital and Insight. Our Marketing Activation businesses, which deliver marketing communications through a combination of print and in-store marketing services complement this offering, whilst our market leading Books business represents an additional source of profit and cash generation as we continue to grow.

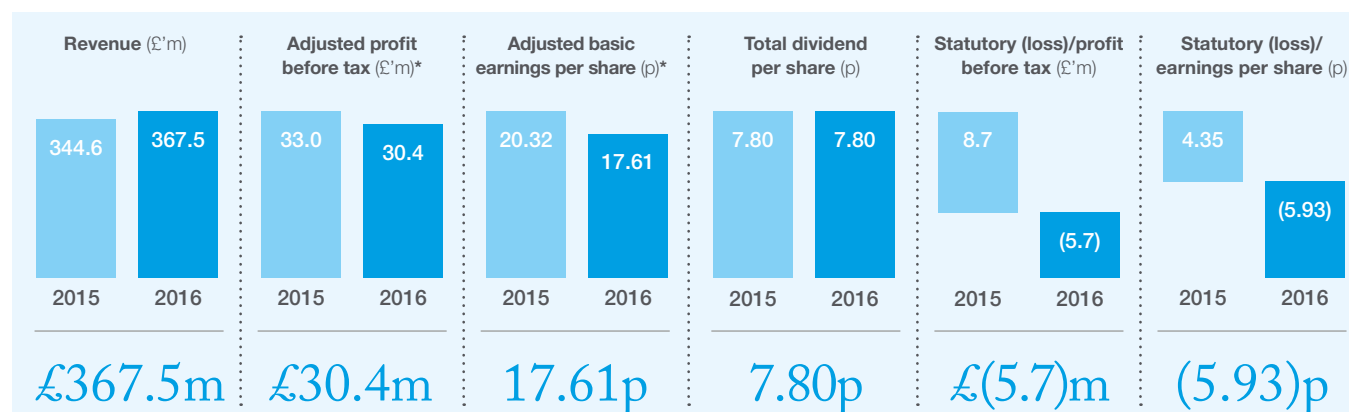


Lift flap for the full Group overview.

## Operational highlights

- Further strong revenue growth of 30% in Strategic Marketing segment: 11% organic, 19% acquisitive growth;
- 3% revenue increase in Books offset by 7% decline in Marketing Activation;
- Strategic Marketing now contributing 39% of Group revenue (2015 – 32%) and 58% of Adjusted operating profit (2015 – 46%);
- Important strategic progress across all three drivers of growth:
  - Enhanced collaboration, with over 150 clients using services of more than one Group business (2015 – 106), including Universal Pictures, Whitbread, Jaguar Land Rover, Adidas and Regatta;
  - Continued international growth, with nine Strategic Marketing businesses serving clients on an international basis; over 37% of Strategic Marketing revenue is now generated from client work outside of the UK (2015 – 30%); and
  - Two further Strategic Marketing acquisitions completed during the year: Fripp, Sandeman and Partners ('FSP'), a specialist retail property consultancy, acquired in August 2015; and The App Business ('TAB'), a mobile-led digital consultancy, acquired in January 2016; both trading in line with expectations.

## Financial highlights



\* Adjusted profit before tax and Adjusted basic earnings exclude Adjusting Items. Adjusting Items comprise of redundancies, empty property and restructuring costs; impairments, gain or loss on disposal of properties; costs related to the acquisitions or setting up of new subsidiaries; impairment or amortisation charges related to goodwill and intangible assets; contingent consideration required to be treated as remuneration; movements in deferred consideration; costs related to the St Ives Defined Benefits Pension Scheme and accelerated bank amortisation fees.

# FURTHER MOMENTUM



I believe the positive steps we have taken to review and reinforce the Group strategy have reassured people about our future growth, and that investment in our employees remains a critical focus.

## Our approach

It has been another year of progress at St Ives with successes across the Group. We have achieved growth in overall revenues notwithstanding the issues outlined in our April trading update, which we believe were short-term. This was confirmed by our full-year performance that was in line with the revised market expectations. We are now looking forward to the new financial year.

Following a review of our business model, we are confident that we continue to have the right strategy for the Group as we move forward.

I was pleased with the performance of our Strategic Marketing businesses. Towards the end of the year there were some key client acquisitions across the business and organic growth for the segment continues to run ahead of expectation. I am confident that this good performance will continue.

Our Books business revenue is slightly up on the previous year. We have finalised the transition of the contract with Penguin Random House and we fully anticipate the benefits to be felt during the coming year.

Trading conditions remain challenging in Marketing Activation, mainly due to the ongoing issues within the grocery sector. As a consequence, we have reviewed the carrying value of goodwill and made a non-cash impairment charge. This has resulted in the Group reporting a statutory loss for the year.

Moving forward it is our goal to reduce our dependency on the grocery sector. We were recently appointed as print and fulfilment partner for Whitbread on a long-term contract to support all of its brands, and will continue to target other contracts of this nature.

Growth is likely to be limited in both Marketing Activation and Books. Conditions will continue to be challenging, but we are confident of adding value in these segments.

Meanwhile, our acquisition of The App Business ('TAB') in January 2016 was an exciting development in further expanding our mobile and digital services capabilities, and we are very much looking forward to extending the already powerful synergy between TAB and Solstice, which we bought during the previous year.

Brexit has had minimal impact on Group revenues to this point. However, we remain cautious about its effects and we are monitoring carefully political and economic changes in its wake.

## Governance

The CEO, Matt Armitage and the CFO, Brad Gray, have had a challenging year, particularly in the run-up to our April trading statement. They have displayed cool heads and tenacity with the result that short-term considerations did not cause us to deviate from our strategic priorities. Matt was pivotal in the review of our strategy, continuing to demonstrate belief in the business we have created, and maintaining support for the investment we are making to grow as we move forward. Matt and Brad both would have qualified for an annual bonus based on the growth in our Strategic Marketing businesses. However, both volunteered to forego the bonus in light of the issues outlined in our April statement. We are grateful to them for displaying this appropriate leadership.

The Board continues to take its role in corporate governance of the Group very seriously, implementing rigorous and robust systems to ensure we meet the high standards demanded by our investors and the regulators. We bolstered the non-executive team earlier in the year with the appointment of Nigel Pocklington, a vastly experienced director with first-hand involvement in the digital development of major brands including the Financial Times, Expedia and currently Moneysupermarket.com.

Nigel adds extra strength and wisdom to the leadership team, and complements the expertise of our other Board members.

## Our people

I'd like to extend my thanks to every employee who has been involved in another productive year. I have been impressed with the continued dedication of the Group's entire workforce, in particular their hard work and dedication in more uncertain periods. I believe the positive steps we have taken to review and reinforce the Group strategy have reassured people about our future growth, and that investment in our employees remains a critical focus.

We intend investigating a programme which would allow people to transfer between businesses within the Group, helping to develop not just their careers but also collaboration between our companies.

Meanwhile, we have an ongoing commitment to each individual's health and safety. This applies to our office sites as well as factories and workshops around the UK and overseas. We constantly review systems across all of our facilities to make sure everyone works risk-free.

## Outlook

Finally, I consider us to be well placed to achieve solid growth, impress our clients and increase shareholder value during the next twelve months.

I look forward to working with the Board and our businesses to make that happen.

Richard Stillwell  
Chairman  
4 October 2016



*Lenovo***ENSURING LENOVO'S MARKETING NEVER STANDS STILL**

Incite, St Ives' strategic research consultancy, supported leading global PC vendor, Lenovo, with a worldwide segmentation programme.

The work was carried out to drive targeting, brand positioning and communications, product design and portfolio management. The solution was required to encompass business customers of all shapes and sizes, across industries, and in markets including the US, India, China and Germany – which had varying requirements.

The consultancy conducted buyer research in eight key markets across four continents, interviewing Lenovo stakeholders in marketing, sales and strategy, to understand their needs and expectations. This was supported by qualitative and quantitative conversations with decision-makers and

influencers in small, medium and large enterprises, and complemented by third-party information.

The outcome was a detailed breakdown of the market, with key segments profiled and sized. This showed Lenovo could reach all targets, delivering focused messages and relevant product offers to stakeholders.

Using such a wide range of strategic inputs to create a well-informed and focused marketing strategy was no mean feat. Incite's integrated approach laid the foundations for Lenovo to have a strong platform for future growth, ensuring the technology company should never stand still.

**incite**

Find out more about Incite:  
[www.incite.ws](http://www.incite.ws)



# AN INDUSTRY LEADING APPROACH

St Ives is an international marketing services group. We operate not as a single entity but as a group of market-leading businesses, each with its own unique value proposition. Our companies offer complementary services and collaborate closely with each other when this adds value to clients.

We have built strong capabilities in our Strategic Marketing businesses and specifically in the high-growth segments of Data, Digital and Insight. Our complementary Marketing Activation capability delivers our clients' marketing communications through a combination of print and in-store marketing services.

Our strategic focus is on investing in further Strategic Marketing businesses that will continue to flourish as a part of St Ives and that will, in turn, help to support further growth. Our Marketing Activation businesses and separate, longstanding and market-leading Books business, represent an additional source of profit and cash generation as we pursue this growth strategy.

We ensure that all of our businesses are able to provide intellectual rigour and creative thinking, combined with the ability to execute complex and sophisticated solutions. We believe the combination of these attributes creates a set of services which add value that is both tangible and measurable. This helps to deliver enduring client relationships out of which the Group can build long-term market strength and shareholder value.

We put great emphasis on creating and nurturing the right corporate culture. We look for businesses run by straightforward individuals or teams who demonstrate high levels of passion and integrity in their leadership. We deliberately operate a flat corporate structure that gives autonomy to individual management teams whilst encouraging and facilitating collaboration.

A fundamental aspect of our business model is that all our companies operate as separate brands and businesses. This gives them freedom to develop their own intellectual property and to become leading players within their markets. The Group's role is to support the businesses with investment to accelerate growth and to facilitate collaboration so that our combined offering creates maximum synergy and value for our clients.





## BUSINESS MODEL

St Ives offers autonomy and supports collaboration to accelerate growth

### Group Businesses:

Operate as individual brands

Offer complementary services

Share common attributes  
– culture, ambition, specialism

INTERNATIONAL  
MARKETING SERVICES  
GROUP MADE  
UP OF DYNAMIC  
MARKET LEADING  
BUSINESSES

### St Ives:

Provides investment to accelerate growth

Supports and facilitates collaboration

Offers autonomy

## GROWTH DRIVERS

Our strategy for growth is centred around three key priorities



### COLLABORATION

➤ Read more on page 10



### ACQUISITION

➤ Read more on page 12



### INTERNATIONALISATION

➤ Read more on page 14



# MAINTAINING OUR STRATEGY FOR GROWTH



We are confident in our strategy for further growth and have once again made progress in all three areas – collaboration, internationalisation and acquisition.

## *Performance highlights*

Group revenue of £367.5 million was 7% higher than the previous year. This growth was driven by our Strategic Marketing segment, which delivered growth of 11% on an organic basis along with acquisitive growth of 19%. Revenue within our Books Segment was 3% ahead of the prior year. These performances were partially offset by a 7% decline in our Marketing Activation segment, due to continued pressure within the grocery retail sector.

The Group's statutory loss before tax of £5.7 million (2015 – profit of £8.7 million) includes Adjusting Items of £36.1 million, of which £12.7 million relates to a non-cash impairment charge in the Marketing Activation segment.

The Group's Adjusted profit before tax declined to £30.4 million (2015 – £33.0 million) and Adjusted basic earnings per share decreased by 13% to 17.61 pence (2015 – 20.32 pence).

This year saw further growth in our Strategic Marketing segment, which contributed 58% (2015 – 46%) of the Group's Adjusted operating profit, offset by decline within our Marketing Activation and Books segments. Towards the end of the year, as previously announced, we experienced the cancellation and deferral of a number of large contracts within our Strategic Marketing segment, reflecting greater caution within our customer base over the allocation of budgets. Whilst we can confirm that this was a short-term challenge and that we have made encouraging progress in replacing those revenues, this nonetheless materially impacted the outturn for the year.

The Board is recommending a final dividend of 5.45 pence, making a full year dividend of 7.80 pence (2015 – 7.80 pence), reflecting the Board's confidence in the Group's ability to make further strategic and financial progress during the year ahead.

We are confident in our strategy for further growth, which remains centred around three key priorities:

- organic growth through collaboration and investment in our existing marketing services businesses;
- internationalisation, primarily client-led, into large and high growth markets; combined with
- further acquisitions of complementary, ambitious and growing Strategic Marketing businesses, which share our common attributes and ethos.

Once again, we have made strategic progress in all three areas.

### **Collaboration:**

Our approach is based on cross-thinking as opposed to cross-selling, where collaboration is facilitated and supported rather than forced. Over 150 of our clients currently work with more than one business across the Group (2015 – 106), collaborating on projects for clients including Universal Pictures, Whitbread, Jaguar Land Rover, Adidas and Regatta.

In addition, we are seeing further evidence of our businesses working together on joint propositions. Synergies between Solstice, the Chicago-based mobile and emerging technology business bought in 2015 and the recently acquired The App Business ('TAB') have resulted in both businesses sharing resources, working practices, growth frameworks and data. They are collaborating on existing clients and exciting new business opportunities.

This has been an important driver of the organic revenue growth achieved in our Strategic Marketing segment.

### **Internationalisation:**

Many of our businesses deliver international solutions for clients and where we can identify client-led opportunities, we plan to open additional overseas offices. These opportunities must be in large markets or in markets with the potential for significant and sustainable growth.



During the year we continued to increase our headcount in both the US and Asia to meet client demand, expanding our presence in New York and opening further offices in San Francisco and Dubai.

Now over 37% of our Strategic Marketing revenue comes from clients based outside of the UK (2015 – 30%). Nine of our Strategic Marketing businesses, Incite, Pragma, Fripp, Sandeman and Partners Limited ('FSP') Hive, Amaze, Realise, Branded3, TAB and Solstice, service clients on an international basis.

#### Acquisition:

We have made two further acquisitions during the year; FSP, a specialist retail property consultancy, which is working closely with our Pragma Consulting business to secure new business wins, and TAB, a mobile-led consultancy which has provided the Group with additional scale and deeper strategy and development capabilities within the fast growing mobile technology sector. Both acquisitions have integrated well into the Group.

The acquisition of further complementary marketing services businesses, which add value to our existing portfolio and operate in our chosen growth areas of Data, Digital and Insight services, will continue to be an important element of our overall growth strategy.

Given the challenges experienced in the latter months of the financial year however, in the year ahead we will be prioritising organic growth, through increased collaboration and leveraging the investments we have made in existing propositions and in new offices.

While the Group's strategic focus is on expanding our Strategic Marketing offering, we also recognise the importance of continued investment and innovation in our complementary Marketing Activation segment and separate, long-standing and market leading Books business. These separate segments represent an additional source of profit and cash generation as we pursue our overall growth strategy.

### Whitbread

## PARTNERING WHITBREAD FOR COMMERCIAL SUCCESS

SP, the Group's point of sale and retail specialist, was appointed by the UK's leading hospitality group, Whitbread, as its print and fulfilment partner. Working with the business on a long-term contract, it provides support to Whitbread across all of its brands. The appointment represents an opportunity to transfer the business' vast experience and knowledge of grocery retailing into other sectors.

Acting as an extension of Whitbread's in-house team, SP is supporting the company with the artwork and production of all customer-facing print collateral and merchandise. In addition, the business is providing support services of installation, warehousing, logistics and distribution.

Delivery of key promotional projects for Whitbread is also part of the contract. This has already included delivering creative, manufacturing and installation services to successfully bring to life the Seriously Summer campaign

in all Costa Coffee outlets, and driving new initiatives into Costa's flagship stores.

Through a more agile and responsive way of working, SP will continue to drive quality and process improvements across Whitbread.



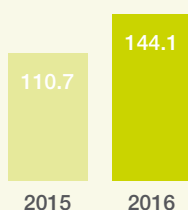
Find out more about SP: [www.spgroup.co.uk](http://www.spgroup.co.uk)



# SEGMENT OVERVIEW

## Strategic Marketing

Revenue  
(£'m)



£144.1m

Our Strategic Marketing operations, which represent 39% of Group revenue (2015 – 32%), are organised around three high-growth sectors: Data, Digital and Insight.

Despite the cancellation and deferral of a number of large projects during the second half of the financial year (as reported in our 25 April trading statement), trading across our Strategic Marketing segment has continued to be positive and ahead of the prior year.

We are encouraged with the progress that is being made to replace the projects which were cancelled.

### Data

Our Data businesses represented 25% of Strategic Marketing revenue at £36.2 million (2015 – £33.2 million).

Over the course of the year, the Data businesses have continued to diversify their propositions to take advantage of new revenue streams, whilst increasing their collaboration with other businesses within the Group.

New propositions have included the introduction of a specialist marketing technology offering, Bench, and the continued development of the CRM business, Amaze One. Both offerings have benefited from significant client wins throughout the year including being appointed by Ryanair to implement a new marketing platform and the delivery of a CRM solution for Morrisons.

In addition, collaboration between our Data and Digital businesses has resulted in a number of new client wins including Vue Cinemas and Universal Pictures.

### Digital

The Digital businesses represented 49% of Strategic Marketing revenue at £71.2 million (2015 – £45.5 million).

2016  
£'m

2015  
£'m

|                                                      |              |              |
|------------------------------------------------------|--------------|--------------|
| Data Marketing                                       | 36.2         | 33.2         |
| Digital Marketing                                    | 71.2         | 45.5         |
| Insight                                              | 36.7         | 32.0         |
| <b>Strategic Marketing revenue</b>                   | <b>144.1</b> | <b>110.7</b> |
| <b>Strategic Marketing Adjusted operating profit</b> | <b>19.4</b>  | <b>16.3</b>  |

Our Digital businesses offer services across the entire digital spectrum including the high growth areas of customer experience, eCommerce, mobile and digital technology innovation, including The Internet of Things, and is therefore benefiting from the trend of continued investment in digital services internationally.

This has resulted in a number of significant new business wins. Most notably, we have recently been appointed as one of two long term digital partners to the English Football League ('EFL'). This is an important and valuable long term partnership, involving designing and developing EFL's new digital platforms, including new websites for over 60 EFL clubs, and providing integrated solutions across what is the world's largest sporting digital network.

During the year, we were also appointed as global digital partner for Emirates Airline, which has resulted in us building a presence in Dubai. In addition, the division has won projects with Electrolux, the BBC, McDonalds, the Met Office, Walmart and confused.com.

As stated previously, in January 2016 we acquired TAB, a mobile-led consultancy specialising in strategy, product development and business transformation. The acquisition further strengthens our digital capabilities particularly in the high growth area of mobile.

### Insight

Our Insight businesses represented 26% of Strategic Marketing revenue at £36.7 million (2015 – £32.0 million).

We have continued to expand our international reach within our Insight division, with the opening of an office in San Francisco and expansion of headcount in New York, Singapore and Shanghai to meet increased client demand.

Our airports and commercial spaces proposition continues to be a high-growth area for the division. One of this year's most high profile projects has been advising on the commercial strategy for La Guardia International Airport in the US.

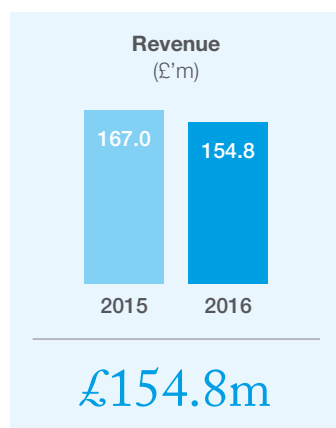
In addition, we are continuing to see our retail consultancy business Pragma and the recently acquired specialist retail property consultancy, FSP, working closely together. Their combined services are gaining traction with both existing and new clients.

\* Before Adjusting Items. See note 7 on page 79.



## Marketing Activation

|                                                | 2016<br>£'m | 2015<br>£'m |
|------------------------------------------------|-------------|-------------|
| Marketing Activation revenue                   | 154.8       | 167.0       |
| Marketing Activation Adjusted operating profit | 8.1         | 10.9        |

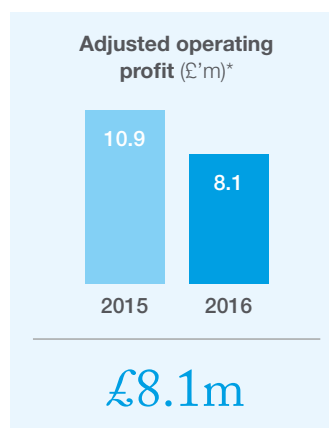


**Our Marketing Activation segment represented 42% of Group revenue for the year (2015 – 48%).**

Trading conditions within this segment have continued to be challenged, due in large part to the ongoing pressures within the grocery retail market.

Whilst our expertise in grocery retail remains an important strength, diversification of the client base beyond this sector remains a priority.

We were recently appointed as print and fulfilment partner for Whitbread on a long term contract to support all of their brands. Whilst we incurred some transition costs in the final quarter, this contract, along with additional services now being provided under our contract with HSBC, will help to reduce our dependency on the grocery retail sector in the long term.



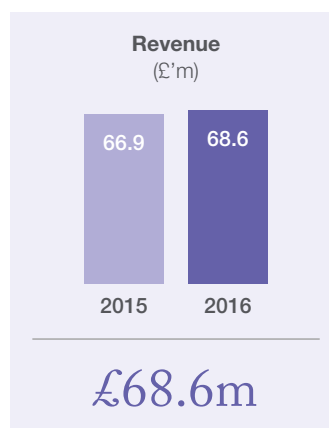
\* Before Adjusting Items. See note 7 on page 79.

In addition to the above, the segment has had a number of new wins and project extensions throughout the year for clients including Royal Mail, The Conservative Party, Adidas, Footlocker, Revlon, Informa and Duracell. We continue to target other contracts of this nature although we recognise that it will take time and investment to win and transition such work.

Moving forward our focus is on strategic growth opportunities in markets that value service and innovation and further reduce the over-reliance on grocery retail. This will include delivering a wider portfolio of goods and services that cover the whole of the marketing operations sphere of brands and retailers. We will also continue to focus on protecting margins through driving efficiency improvements and cost reductions, and by differentiating our competitive offering through targeted investment in new service lines and further cross sales initiatives.

## Books

|                                 | 2016<br>£'m | 2015<br>£'m |
|---------------------------------|-------------|-------------|
| Books revenue                   | 68.6        | 66.9        |
| Books Adjusted operating profit | 5.8         | 8.1         |



**Our market-leading Books business, represented 19% (2015 – 20%) of Group revenue for the year.**

Revenue was some 3% higher than the prior year at £68.6million (2015 – £66.9 million).

During the year, the business has worked on a number of exciting projects, most recently the new J.K. Rowling title, Harry Potter and The Cursed Child. Books were distributed to over 50 retail destinations in the week ahead of publication to support what was the biggest single book launch in the UK and the US for ten years. Since publication over 1,200,000 copies have been sold in the UK, making it the largest selling book of 2016.

Clays has also benefited from a number of new business wins and from growth in self-publishing.



\* Before Adjusting Items. See note 7 on page 79.

Although incremental volume was secured through the Penguin Random House contract, this was offset by publishers' destocking, as previously reported. This appears to have now run its course but, coupled with costs associated with the transitioning of the Penguin Random House contract, it adversely affected the segment's Adjusted operating profit.

We continue to adapt to suit the evolving needs of clients, with further investment in digital print technology to provide a broader product range and greater capacity to support fast lead-times and lower stock-holding, and with continued focus on extending supply-chain solutions to reduce the overall cost of the books supply-chain.

## Outlook

Trading in the new financial year has started in line with our expectations.

Following the short-term challenges during the final quarter of last year, trading across our Strategic Marketing segment has stabilised. We are pleased by the progress being made in bringing in new projects from existing and new clients, and are excited by the opportunities that the breadth of our capabilities create.

Trading conditions within our Marketing Activation segment continue to be challenging, due

in large part to the ongoing pressures within the grocery retail market, but we are focused on diversifying into other higher growth sectors and expect to build on the success we have seen in this regard in recent months.

Within our Books business, having finalised the transition of the additional work won from Penguin Random House, we will focus on volume growth and targeting additional work from new and existing clients.

We see considerable opportunities to progress our strategic priorities in the year ahead, particularly through further collaboration between businesses within the Group, and through ongoing internationalisation that matches client demand. Our particular focus will be on organic growth within our Strategic Marketing segment. Whilst remaining alert to the possible impact from Brexit on business confidence, we will continue to invest in the UK, and in the US and Asia, to support our plans for growth over the medium term.

We remain clear on our long-term growth priorities and have the financial strength to support our strategic ambitions. Our balance sheet is solid and we have the necessary cash flow capabilities to both support our dividends and reduce our debt. Assuming no marked change to current market conditions, we are confident of making further strategic and financial progress during the current year.

*M. A. Armitage*

**Matt Armitage**  
Chief Executive  
4 October 2016

# COLLABORATION



Facilitating and supporting collaboration is a key strand of our organic growth strategy. We believe that a culture of collaboration is most successful when it is driven from within our businesses rather than imposed by the Group. The number of clients now working with more than one business across the Group is 150, compared to 106 in the previous year. During the past twelve months, we've also made investments in joint propositions and closer working between our businesses. Synergies between Solstice, the Chicago-based mobile and emerging technology specialist, and recently acquired The App Business ('TAB') have resulted in both companies working together on existing clients and exciting new business opportunities. In addition, there has been further closer working between our Data and Digital operations and Marketing Activation businesses.



## *Universal*

### DELIVERING COMPETITIVE ADVANTAGE FOR UNIVERSAL PICTURES

Universal Pictures has been working with St Ives' Digital business Realise since 2014, producing digital campaigns and content for titles such as *Black Sea*, *Step Up* and *Fast & Furious 7*.

Most recently Realise designed and delivered a web application that allows Universal to quickly launch pre-booking sites in preparation for box office openings. The site has multiple integration points including Find Any Film's own Application Programming Interfaces, WhatsApp and Google Maps.

Meanwhile, a collaboration between Realise and Data business Response One has supported Universal with the implementation of a new Customer Relationship

Management ('CRM') system. In conjunction with specialist marketing technology business Bench, the agencies delivered a scalable technology platform, using a responsive framework to ensure consistency of experience across devices.

In addition, Universal has been supplied with an insight-driven customer strategy by Response One, and subsequent planning and execution of consistent communications across all channels.

The CRM solution will help differentiate Universal from its competitors, allowing the business to collect insights from consumers which can then be used to drive marketing activity across owned and paid channels.



## *Regatta*

### CREATING IMPACTFUL IN-STORE CAMPAIGNS FOR REGATTA

St Ives' Marketing Activation business SP (supported by Service Graphics) works with outdoor and leisure clothing retailer Regatta, to deliver the in-store shopper experience as well as large format print at a UK and European level.

Collateral includes artwork, production and installation of a wide range of in-store marketing material – including point of sale and temporary displays – as well as prototyping and production of 3D concepts to create innovative retail spaces and windows.

By working directly with Regatta's retail marketing team, the St Ives businesses help to deliver around 40 in-store campaigns and window refreshes per month across multiple brands

including Regatta, Dare2b and Craghoppers. St Ives is driving efficiencies for the brands including the consolidation of deliveries for store roll-outs on the Continent.

Recent work includes providing the artwork and creative for a festival campaign delivered into 218 stores and concessions, including the external sourcing of CAD design and the production of props such as hay bales, crates, totem poles and bunting.

The teams have also started producing and delivering POS and large format graphics to both Regatta and Dare2b's International stores.





# ACQUISITION



The acquisition of further complementary Strategic Marketing businesses, which add value to our existing portfolio and operate in our chosen growth areas of Data, Digital and Insight services, will continue to be an important element of our overall future growth strategy. We completed two further acquisitions this year: Fripp, Sandeman and Partners ('FSP'), a specialist retail property consultancy, which is working closely with our Pragma Consulting business to secure new business wins; and The App Business ('TAB'), a mobile-led consultancy which has provided the Group with additional scale, and deeper strategy and development capabilities within the fast growing mobile technology sector.



Being part of an international group will support us in this next important phase of growth. We were impressed by St Ives' strategy of acquiring and backing companies founded on strong values, while giving the businesses' leaders autonomy to continue their journey. With St Ives' range of global talent, offices and insight, and likeminded culture, we can accelerate the next chapter of our journey.

**Rob Evans**  
Founder and Strategy Director – TAB

*TfL*

## DRIVING MOBILE TRANSFORMATION FOR TfL

TAB, the mobile services consultancy acquired by St Ives in 2016, has been working with Transport for London ('TfL') for more than two years.

The business' original remit was to partner the transport operator on its ground-breaking Mobile Programme – one of the largest enterprise mobility schemes in the UK.

TAB and TfL have collaborated across a diverse range of mobile products and processes. This includes 19 discovery phases to date; these involve in-depth user analysis, user research and prototyping to assess new ways in which mobile software can be used to help TfL work more

efficiently. In addition, TAB has built and delivered nine mobile software products, including a global first with TfL Decelerator, the first iPad app in the world that tests the brakes of Tube trains while they are in service, driving projected savings of more than £1 million for the operator.

A key enabler for the Mobile Programme was TAB's development of a Mobile Backend as a Service platform. This smart software layer allows multiple disparate data sources across TfL to be optimised for mobile, and ready for use by TfL's workforce across hundreds of London locations.





St Ives strengthened its digital and mobile capabilities in January 2016 when it bought London-based software company TAB.

In a world increasingly driven by mobile and emerging technologies, the benefits of the deal for the Group were manifold. Buying TAB extended St Ives' core strategy of broadening the depth and scale of its expertise in high-growth areas of marketing services, such as digital, data and insight.

TAB launched in 2009 with the purpose of creating technology experiences that make the world work better for billions of people. TAB achieves this by helping the world's largest companies create digital products that leverage mobile and emerging technologies to meet customers' needs, and seize new markets.

While TAB set out to help clients leverage smartphone apps, today the business is focussed on mobility itself – not just 'mobile'. Daniel Joseph, Founder and Strategy Director, explains: "Smartphone apps are the foundation of TAB. However, apps have rapidly evolved, and continue to do so. Today, the opportunity isn't restricted to a

standalone mobile app, or series of apps. Instead, it is to enable and choreograph mobility – fluid experiences that allow customers to interact with services they care about, wherever they are, on any device.

"That could be across in-car displays, at home on connected devices, or on a smartphone. It may mean apps you tap, speak to – and even ones you never see or open. Furthermore, as more objects come online and the Internet of Things takes shape, we have an enormous opportunity to help companies build these experiences across devices and surfaces, leveraging new data points to create additional services and value."

Rob Evans, Founder and Strategy Director, adds: "Being part of an international group will support us in this next important phase of growth. We were impressed by St Ives' strategy of acquiring and backing companies founded on strong values, while giving the businesses' leaders autonomy to continue their journey. With St Ives' range of global talent, offices and insight, and likeminded culture, we can accelerate the next chapter of our journey."

Synergy with Solstice, the Chicago-based mobile and emerging technology specialist business bought by St Ives in 2015, was another mutually attractive feature of the acquisition. Both businesses already share resources, working practices, growth frameworks and data, and are working together on existing clients and exciting new business opportunities. J Schwan, CEO,

Solstice, says: "The similarities between our organisations are uncanny. We've been able to get straight down to working together and are extremely excited about our future alongside each other."

TAB lists Visa, Unilever, Transport for London and Ford among its customers. Prior to starting TAB, both Joseph and Evans held senior strategic roles at Media Arts Lab, helping Apple launch the iPhone around Europe. The connection with Apple continues: TAB is an Apple Mobility Partner, helping the tech powerhouse drive mobile-led business transformation that redefines how work gets done on iPhone and iPad.

With the emergence of new technologies, TAB's desire and opportunity to fulfil its purpose around the world only gets bigger. Joseph says: "Software is certainly eating the world – including the organisations and industries that once dominated it. The clear demand from the C-Suite down is for specialists to help them seize these new opportunities, rather than being disrupted by them. There's huge scope ahead for us, both in the UK and internationally."



Find out more about The App Business: [www.theappbusiness.com](http://www.theappbusiness.com)



# INTERNATIONALISATION



International operations have continued to make a growing contribution to Group revenues during the past year. More than 37% of our Strategic Marketing revenue now comes from clients based outside the UK. Meanwhile, nine of our Strategic Marketing businesses – Incite, Pragma, Hive, Amaze, Realise, Branded3, Solstice, The App Business ('TAB') and Fripp, Sandeman and Partners ('FSP') – now deliver international solutions for clients. In addition to our presence in Singapore and Shanghai, this year we've further expanded our New York office, and built a presence in San Francisco and Dubai. We believe that this provides a firm foundation for continued overseas growth and we will open additional overseas offices where we identify client-led opportunities.



## Emirates

### FULFILLING EMIRATES' GLOBAL DIGITAL AMBITION

Amaze, St Ives' Digital consultancy, is a global digital partner to Emirates, working in a full-service capacity across consultancy and implementation to support the airline's ability to fulfil its ambitions in the digital domain.

Emirates appointed Amaze for its expertise across enterprise content management, innovative digital strategy and governance, and its experience working with global corporations to maximise digital effectiveness.

Amaze has delivered enterprise architecture consultancy and implementation services for the organisation. This has included the re-platforming of ddata.com, one of the largest air service providers in the world, to a single, global responsive solution with updated and consistent branding, and improved technical performance.

The consultancy will continue to enhance the organisation's ability to deliver customer service excellence across its digital platforms, as part of its broader omnichannel strategy.

The relationship marks the first of its scale for Amaze in the Middle East, and the partnership has resulted in the consultancy developing an on-the-ground presence to service Emirates as part of its wider international expansion plans.

**amaze**



Find out more about Amaze:  
[www.amaze.com](http://www.amaze.com)



## LaGuardia

### LAYING STRONG FOUNDATIONS FOR LAGUARDIA'S NEW AIRPORT TERMINAL

Pragma is a strategic partner for operators and investors in over 30 international markets. The consultancy was commissioned as the specialist commercial advisor to LaGuardia Gateway Partners ('LGP'), the consortium responsible for modernising and redeveloping LaGuardia Airport, which included Vantage Airport Group.

The \$4 billion redevelopment project will result in a state-of-the-art terminal facility reflecting LaGuardia's importance as New York City's airport, a global hub and major employer.

Pragma's work included assessing non-aeronautical potential of the terminal's existing commercial facilities and assisting with the design of the new layout. The consultancy advised on optimal category mix, and forecast financial returns and construction time for the new terminal.

Strategic passenger research delivered insight into the profile of the passengers and their commercial requirements. Pragma also reviewed existing retail and catering facilities' commercial performance, highlighting opportunities based on passenger forecasts and global benchmarks.

Collaboration with Vantage Airport Group's architects has defined a future commercial proposition maximising commercial revenue, making best use of space, and helping passengers feel comfortable and valued.

LGP was announced as preferred operational and development bidder, and Pragma was retained to help the consortium assess the impact of final financial negotiations on non-aeronautical revenues. The consultancy is now looking forward to helping the new venture take off.

**P** P R A G M A

Find out more about Pragma:  
[www.pragmauk.com](http://www.pragmauk.com)



# SOLID GROWTH



Revenue from our Strategic Marketing segment increased by 30% as result of both strong organic and acquisitive growth.

| A. Statutory results                            | 52 weeks to<br>29 July 2016 | 52 weeks to<br>31 July 2015 |
|-------------------------------------------------|-----------------------------|-----------------------------|
| Revenue                                         | <b>£367.5m</b>              | £344.6m                     |
| Statutory (loss)/profit before interest and tax | <b>£(1.8)m</b>              | £11.7m                      |
| Statutory (loss)/profit before tax              | <b>£(5.7)m</b>              | £8.7m                       |
| Basic (loss)/earnings per share                 | <b>(5.93)p</b>              | 4.35p                       |

| B. Adjusting Items                                                         | 52 weeks to<br>29 July 2016<br>£'m | 52 weeks to<br>31 July 2015<br>£'m |
|----------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Statutory (loss)/profit from operations*                                   | <b>(1.8)</b>                       | 11.7                               |
| Adjusting Items:                                                           |                                    |                                    |
| Expenses related to restructuring items                                    | <b>2.6</b>                         | 3.2                                |
| Loss/(profit) on disposal of property, plant and equipment                 | <b>1.7</b>                         | (0.5)                              |
| Amortisation of acquired intangibles                                       | <b>9.2</b>                         | 7.8                                |
| Impairment of available for sale asset                                     | <b>–</b>                           | 1.5                                |
| Impairment of acquired intangibles and goodwill                            | <b>12.7</b>                        | 1.5                                |
| Costs associated with the acquisition and setup of subsidiaries            | <b>0.8</b>                         | 0.7                                |
| Contingent consideration required to be treated as remuneration            | <b>8.2</b>                         | 6.2                                |
| (Decrease)/increase in deferred consideration                              | <b>(0.8)</b>                       | 2.5                                |
| Administrative expenses related to St Ives Defined Benefits Pension Scheme | <b>0.7</b>                         | 0.8                                |
| Adjusted profit from operations*                                           | <b>33.3</b>                        | 35.4                               |

\* Profit from operations is stated as operating profit plus share of results of joint ventures and other operating income/(expense).

## Overview

Although the Group delivered strong revenue growth largely within the Strategic Marketing segment, the Group's operating profit declined due to revenue decline within Marketing Activation and margin pressures within both Marketing Activation and Books.

The Group's statutory results are set out in table A opposite.

The Group prepares adjusted results, which, in management's view reflect how the business is managed and show the performance in a manner consistent with the previous year. Adjusted results exclude items such as costs related to restructuring activities, acquisitions made in current and prior periods, disposal of sites and St Ives Defined Benefits Pension Scheme charges. The analysis of Adjusting Items is set out in table B opposite.

A non-cash impairment charge of £12.7 million was recorded in the Marketing Activation segment against goodwill and acquired intangibles. An impairment charge of £10.2 million has been made against the goodwill allocated to SP Group Limited. This reflects the reduction in operating profits and expected future growth rates resulting from lower promotional activity levels within grocery retail and the wider retail sector. An impairment charge of £2.5 million has been made against the goodwill and customer relationship asset of Tactical Solutions UK Limited due to the loss of a customer and a decline in operating profit.

Other non-cash Adjusting Items include contingent consideration required to be treated as remuneration of £8.2 million, amortisation of acquired intangibles of £9.2 million, offset by a decrease in deferred consideration of £0.8 million.

## Revenue

Revenue increased by £22.9 million (7%) to £367.5 million. Acquisitive growth was 6% with organic growth of 1%. Strong organic growth in Strategic Marketing and Books was largely offset by a decline in Marketing Activation.

Revenue generated from overseas business increased from £35 million to £53 million and represented 15% of revenue (2015 – 10%).

Revenue from our Strategic Marketing segment increased from £110.7 million to £144.1 million as a result of recent acquisitions and organic growth. The growth of 30% was split between strong organic growth of 11% and acquisition growth of 19%.

Revenue from the Marketing Activation segment decreased from £167.0 million to £154.8 million. The segment suffered from continued pressures within the retail grocery market where our clients reduced spend on promotional activity.

Revenue from the Books segment increased by 3% from £66.9 million to £68.6 million with the transition of the final tranche of the Penguin Random House contract in January 2016.

## Adjusted gross profit margin and underlying profitability

The Group's gross profit margin decreased marginally from 33% to 32%. Margin was adversely impacted by differing factors within each segment and is more fully explained below.

Adjusted profit from operations has decreased from £35.4 million (10% of revenue) to £33.3 million (9% of revenue).

Adjusted profit from operations in the Strategic Marketing segment has increased from £16.3 million to £19.4 million with an operating



margin of 13% (2015 – 15%). This includes a full year contribution from Solstice LLC, Fripp Sandeman and Partners Limited ('FSP' – acquired in August 2015) and six months from The App Business Limited ('TAB'). In the final quarter of the year the segment saw the cancellation and deferral of a number of projects and therefore a reduction in forecast revenue for the year. In order to mitigate the impact of the revenue decline a number of tactical cost reductions were made, although the skilled workforce was broadly maintained and this detrimentally affected the margin in the final quarter.

Adjusted profit from operations in the Marketing Activation segment has decreased from £10.9 million to £8.1 million with an operating margin of 5% (2015 – 7%). The action taken in early 2015 of consolidating production sites, with the closure of operations at Burnley, has offset some of the impact on margins of reduced promotional activity from the grocery retailers. In the latter part of the financial year the segment has been successful in partially diversifying its client base with the provision of goods and services to Whitbread, although in the short term the segment has incurred additional transition costs.

Adjusted profit from operations in the Books segment decreased from £8.1 million to £5.8 million with an operating margin of 9% (2015 – 12%). The margin was adversely impacted by transition costs relating to the Penguin Random House contract and also a change in the mix of client work. This led to a number of personnel positions becoming redundant with an associated redundancy cost of £521,000 recorded as an Adjusting Item.

## Acquisitions

On 13 August 2015 the Group acquired FSP, a UK-based retail consultancy. The consideration of £2.2 million was payable in the form of cash and St Ives plc shares.

On 29 January 2016 the Group acquired 82.16% of TAB with the remaining 17.84% acquired on 8 February 2016. TAB is a UK based mobile led consultancy specialising in strategy product development and business transformation. The initial consideration of £22.3 million and the consideration of £4.9 million to acquire the remaining equity was payable in the form of cash and St Ives plc shares.

Deferred consideration paid in the prior year for acquisitions totalled £9.4 million (2015 – £15.6 million).

The Group raised £13.4 million, after expenses, through the issue of 6.4 million shares in February 2016.

## Tax

The statutory effective tax rate was 33.3% (2015 – 36.4%). This rate is impacted by Adjusting Items that were not deductible for taxation purposes. The total tax charge was £2.4 million (2015 – £3.2 million).

The Group's tax rate on the Adjusted profit before tax was 20.8% (2015 – 21.3%) compared to the standard rate of tax of 22.7% (2015 – 19.9%). The Adjusted tax charge was £6.3 million (2015 – £7.0 million).

Income tax of £4.3 million (2015 – £6.6 million) was paid in the United Kingdom.

## Dividend

The Board is recommending a final dividend of 5.45 pence per ordinary share (2015 – 5.55 pence) giving a total dividend of 7.80 pence (2015 – 7.80 pence). The dividend, on an adjusted basis, is covered 2.3 times by Adjusted earnings and will be paid on 19 December 2016 to shareholders on the register at 25 November 2016, with an ex-dividend date on 24 November 2016.

## Pensions

The Group closed its Defined Benefits Pension Scheme (the 'Scheme') to new members in 2002 and ceased future accrual within the Scheme in 2008. The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits. The Consolidated Balance Sheet reflects the net deficit on the Scheme at 29 July 2016 based on the market value of the assets at that date and the valuation of liabilities using AA non-gilt bond yields.

On an IAS 19 basis the net deficit on the Scheme reduced to £26.4 million (2015 – £27.6 million) before the related deferred tax asset. The value of the plan assets increased to £344.1 million (2015 – £311.0 million). Approximately 65% of the plan assets are invested in return seeking assets providing a higher level of return over the longer period. Plan liabilities increased to £370.5 million

(2015 – £338.6 million) primarily due to a decrease in the discount rate offset by a fall in the inflation rate and net re-measurement gains of £21.1 million (2015 – £1.5 million losses).

The Scheme's actuarial valuation reviews determine any cash deficit payments by the Group. The Scheme's triennial valuation was as at April 2016 and discussions are underway with the Scheme Trustees for future funding levels. The Group currently makes deficit funding contributions of £2.0 million per annum and a contribution of £0.4 million per annum (2015 – £0.4 million) towards the costs of administration.

The Group is continuing the process of automatically enrolling eligible UK employees into a qualifying pension scheme. The charge for the year for the Group's defined contribution schemes was £3.9 million (2015 – £3.8 million).

## Cash flow

Cash generated from operations was £23.7 million (2015 – £35.5 million). The decrease in cash generated from operations is primarily due to an increased working capital requirement of £7.5 million resulting from the growth in Strategic Marketing and an increase in consideration treated as remuneration of £2.6 million.

Total capital expenditure was as per table C below.

The expenditure of £3.1 million in Strategic Marketing included the fit-out of new offices for Incite and Solstice and the refurbishment of offices for Amaze. The expenditure of £4.5 million in Marketing Activation and Books related to maintenance capital and the final expenditure relating to the Penguin Random House contract.

## Debt

During the year, the Group increased its revolving credit facility, which expires on 23 March 2019 from £115.0 million to £125.0 million. Subsequent to the year end the Group has reduced its revolving credit facility to £95.0 million supplemented by a term loan of £30.0 million and increased its maximum leverage covenant condition (net debt to Adjusted EBITDA) for the remaining duration of the facility.

Net debt increased during the year from £62.8 million to £80.8 million. At 29 July 2016, St Ives had drawn £92.6 million on its bank credit facility, leaving an unutilised commitment of £32.4 million. The Group had cash in hand of £11.8 million.

At 29 July 2016, the ratio of net debt to EBITDA before Adjusting Items was 1.96 times (2015 – 1.45 times) as shown in table D below.



**Brad Gray**  
Chief Financial Officer  
4 October 2016

### C. Capital expenditure

|                      | 2016<br>£'m | 2015<br>£'m |
|----------------------|-------------|-------------|
| Strategic Marketing  | 3.1         | 1.5         |
| Marketing Activation | 1.5         | 1.1         |
| Books                | 3.0         | 3.5         |
| <b>Total</b>         | <b>7.6</b>  | <b>6.1</b>  |

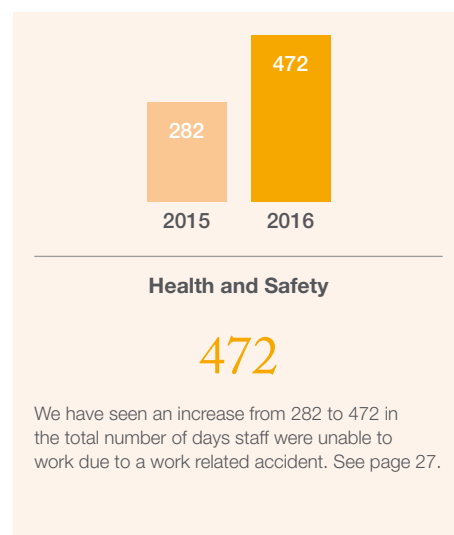
### D. Gearing ratio

|                                                  | 2016<br>£'m | 2015<br>£'m |
|--------------------------------------------------|-------------|-------------|
| Adjusted profit from operations                  | 33.3        | 35.4        |
| Depreciation and Amortisation                    | 7.9         | 7.9         |
| <b>EBITDA before Adjusting Items</b>             | <b>41.2</b> | <b>43.3</b> |
| <b>Net Debt</b>                                  | <b>80.8</b> | <b>62.8</b> |
| <b>Net debt to EBITDA before Adjusting Items</b> | <b>1.96</b> | <b>1.45</b> |

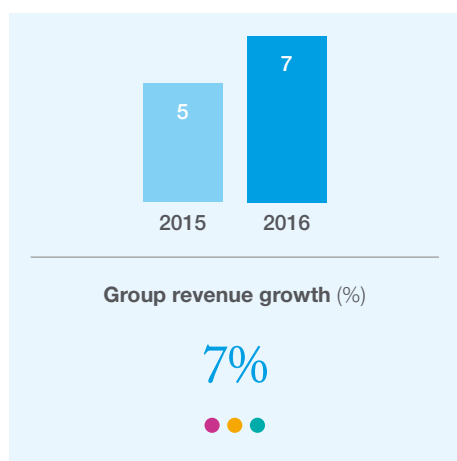
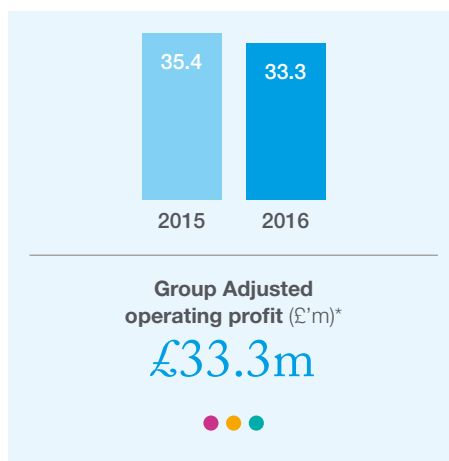
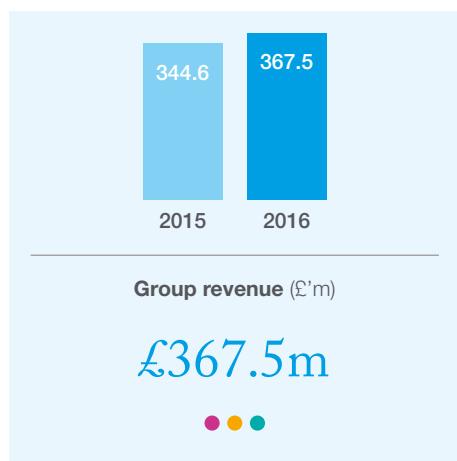
# MEASURING OUR PERFORMANCE

COLLABORATION ●  
ACQUISITION ●  
INTERNATIONALISATION ●

## Operational



## Financial



\* Before Adjusting Items. See note 7 on page 79.



*Ryanair*

## MAKING RYANAIR'S CUSTOMER-CENTRIC APPROACH TAKE OFF

St Ives' specialist marketing technology business Bench, worked with low-cost airline Ryanair to deliver more targeted and engaging communications which supported the implementation of a new customer-focused strategy.

The Bench marketing implementation team leveraged the airline's extensive point-of-sale data, including email addresses, transaction details, and departure and destination airports.

Harnessing profile information from all passenger touchpoints has enabled Ryanair to deliver relevant, data-driven communications featuring information and offers to its customer base.

Given the airline's fluid business requirements, an agile development approach was deployed by the marketing implementation team allowing it to be proactive throughout the project. It provided in-depth consultancy on the data structures needed, as well as defining the technology stack on which the solution was built.

The work delivered by the team was pivotal to Ryanair's wider digital transformation and customer engagement programme which was being executed in parallel, offering passengers a more relaxed attitude to baggage, fewer hidden charges and a simplified booking procedure.

**BENCH**


Find out more about Bench:  
[www.mybench.co.uk](http://www.mybench.co.uk)



# MANAGING OUR RISKS

The Board is responsible for carrying out a robust assessment of the principal risks facing the Group, including those threatening its ability to achieve its business model, strategic objectives, solvency and liquidity. This assessment was carried out during the year. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group’s risk management processes.



The Group’s risk management framework is discussed on page 29. A Group Risk Register is reviewed and debated by the Board and Audit Committee twice-yearly. It includes risks that are specific to the Group, such as growth strategy, and risks escalated from the risk registers of individual subsidiaries where they might have a material effect on the Group as a whole.

The longer term viability of the Group has been assessed by the Board over a three-year period during the year. Details of this review are on page 53.

*Risk appetite*

The Board has reviewed its risk appetite in different areas of the business during the year. Risk appetite relates to the amount of risk the Group is willing to take or accept to achieve its strategic objectives. It is a key consideration in decision-making across the Group and helps to define the mitigating activities required to manage risks.

The Board seeks to minimise health, safety, liquidity and reputational risks and thereby has a particularly low risk appetite in these areas. Rigorous health and safety policies and procedures are in place and monitored by the Group Health Safety and Environmental Advisor. For liquidity risk, the Group has detailed procedures for monitoring headroom in its bank facility and the associated leverage and interest cover covenants. The investment in material foreign subsidiaries are hedged by drawing on the Group’s bank facility in the same foreign currency. In other aspects, such as acquisitions and organic growth, the Board takes a more balanced approach on risk taking. This is aided by the degree of experience gained by the Group in acquiring businesses within the Strategic Marketing segment since 2010. Notwithstanding this experience, acquisitive growth is inherently higher risk than organic growth and the Board have accepted this risk profile, whilst attempting to mitigate the risks as far as possible, as it seeks to deliver the Group’s strategic goals.

The Board will continue to assess its Risk appetite annually in light of changes to the economic environment, strategic progress and the performance of the businesses.

*Principal Risks and  
Uncertainties*

The table overleaf details the Group’s principal risks and the key mitigating activities in place to address them. It is recognised that the Group is exposed to risks wider than those listed. The risks disclosed are ones believed to have the greatest impact on the business at this point in time and which have been debated at recent Board or Audit Committee meetings.

A risk rating from low to high has been incorporated for both the inherent risks and the residual risks. The inherent risk rating is measured before taking into account mitigating actions whereas residual risk ratings are after these mitigations have been factored. The changes in the risk ratings from the Board’s assessment in the prior year have been highlighted as well as any new key risks that have been added to the register during the year.



### Risk rating key



### Risk level change key



| RISK                                                                                                                                                                 | DESCRIPTION                                                                                                                                                                                                                                                                                                                                | RISK RATING (INHERENT) | CHANGE IN 2016                                                                                                                                                                                           | MITIGATING ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | RISK RATING (RESIDUAL) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>Acquisition strategy</b><br>Acquisitions may not fit in to the Group's strategic direction and may fail to deliver growth and successful integration as a result. | As businesses are acquired as part of the Group's strategic objectives to grow its Strategic Marketing segment, it is fundamental to identify businesses that will enhance the Group's capabilities.                                                                                                                                       |                        | <br>The inherent risk rating is consistent with the prior year. Over time, with scale increasing from further acquisitions, it is expected that the rating of this risk will fall.                       | Stringent selection criteria is followed for pursuing acquisitions that fit the Group's strategy and its culture. Detailed due diligence is undertaken using external advisors. Board strategic reviews are held annually to monitor progress against the business model to, as necessary, refresh and adapt the Group's strategy for delivering growth. Meetings are held with senior management of the subsidiaries to determine cross-selling opportunities.                                                                                                                                     |                        |
| <b>Organic growth</b><br>Organic growth, including overseas expansion, may not be pursued in the right sectors or territories.                                       | Investing in the wrong territories could result in significant incremental costs to the Group.                                                                                                                                                                                                                                             |                        | <br>Organic growth is a key strategic objective for the business and the risk factors involved are considered to be consistent with the prior year in view of those territories that have been targeted. | Regular discussion of strategy at Board meetings and meetings of representatives from the businesses to develop the Group's proposition and growth opportunities and collaborative behaviour. Detailed budgets and three year plans are submitted to the Board for review.                                                                                                                                                                                                                                                                                                                          |                        |
| <b>Legacy businesses</b><br>Issues arising within Marketing Activation and Books may distract or inhibit the Board's focus on its strategic objectives.              | This could, in the short term, impact the growth within the Strategic Marketing segment if the Board has to address issues that emerge in other parts of the Group.                                                                                                                                                                        |                        | <br>Decline in the Marketing Activation segment was experienced during the year, primarily due to issues in the grocery retail sector.                                                                   | Consolidation of businesses and management within the Marketing Activation segment has created greater synergies with a senior management team across the segment that oversees each of the subsidiaries. Diversification away from the grocery retail sector is being undertaken.                                                                                                                                                                                                                                                                                                                  |                        |
| <b>Economy</b><br>Challenging economic conditions may inhibit growth and create uncertainty.                                                                         | Brexit has created more uncertainty in the economy which could result in marketing campaigns or projects being cancelled or deferred at short notice. Whilst the Group does have long term contracts with clients, the level of spend is predominantly at the client's discretion rather than being derived from guaranteed sales volumes. |                        | <br>Given the degree of uncertainty in the economy, partly impacted by Brexit, the Board's view is that this risk has increased from the prior year.                                                     | Diversification into markets that are capable of delivering profit growth with an increasing range of marketing companies. Opportunities pursued to open overseas offices, where client demand warrants it. Investment in a wider range of services offered to clients. A continual review of the Group's cost base. The securing of long-term client relationships. Seeking to increase market share by investing in sophisticated and targeted sales lead generation. A regular review of performance of all businesses against their budgets and implement timely remedial action, where needed. |                        |

*Risk rating key*









*Risk level change key*



| RISK                                                                                                                 | DESCRIPTION                                                                                                                                                                              | RISK RATING (INHERENT) | CHANGE IN 2016                                                                                                                                                                                                                                                                          | MITIGATING ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | RISK RATING (RESIDUAL) |
|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>Clients</b><br>Competitive pressure that may result in the loss of a key client.                                  | The Group has a variety of key clients in each of its three business segments. Long-term relationships have been fostered with many of these clients over a number of years.             |                        | <br>Whilst still a key risk that needs to be considered by the Board, this risk has reduced in part due to two further acquisitions in the year and also following the decline in the grocery retail sector which has reduced the contribution of these clients to the Group's results. | Encourage collaborative behaviour across the Group's businesses and create a commitment to cross-selling that will distinguish the Group's marketing offering from its competitors'. Achieve or exceed service level agreements with clients. Broaden our capabilities, providing marketing solutions in support of our clients' marketing strategies. Avoid over reliance on any single client. Implement bespoke propositions for securing the renewal of key client contracts, providing Group support where appropriate. Conduct client satisfaction surveys. |                        |
| <b>Employees</b><br>A failure to attract, develop and retain employees with the necessary talent for our businesses. | Retaining staff is a key priority for the Group as it continues to invest in new and existing service orientated businesses.                                                             |                        | <br>This risk rating is consistent with the prior year.                                                                                                                                                                                                                                 | Implement appraisals and fulfil training needs where identified. Develop a collaborative culture across the Group's businesses. Operate discretionary share-based incentive schemes, and other benefits. Pay part of consideration in shares to vendor directors of acquired businesses, with 'lock-in' obligations.                                                                                                                                                                                                                                              |                        |
| <b>Financing</b><br>The Group's ability to trade may be compromised by lack of cash funds.                           | Being able to finance working capital and carry out operations is fundamental to the Group.                                                                                              |                        | <br>This inherent risk is consistent with prior years. The bank facility was increased during the year and subsequently amended after the year end, further details of which are provided on page 91.                                                                                   | Conduct 'going concern' reviews on a twice yearly basis; conduct longer-term viability assessments annually; continually monitor the Group's performance against its banking covenants. Undertake monthly reviews of working capital, cash forecasts and headroom on banking covenants. Periodically review the Group's financial KPIs with its bankers.                                                                                                                                                                                                          |                        |
| <b>Pension Scheme</b><br>The volatility of the St Ives Defined Benefits Pension Scheme deficit.                      | The volatility of the scheme's deficit is impacted by the inflation rate, changes in the discount rate derived from gilt yields and changes in actuarial assumptions, such as mortality. |                        | <br>This risk rating associated with the scheme's deficit remains high. The deficit has increased primarily due to low interest rates.                                                                                                                                                  | Agree deficit recovery plan with the Pension Scheme Trustee. Regularly engage the Trustee directors in discussions on the Group's performance. Manage possible Section 75 debts arising from business disposals and closures. Contribute to discussions on the Scheme's investment strategy. Proactively seek to limit the growth in the pension liability.                                                                                                                                                                                                       |                        |



| RISK                                                                                                                                                               | DESCRIPTION                                                                                                                                                                                                  | RISK RATING (INHERENT)                                                              | CHANGE IN 2016                                                                                                                                                                                                                                 | MITIGATING ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | RISK RATING (RESIDUAL)                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Reputational</b><br>Exposure to reputational or financial damage due to accident, unethical trading, non-compliance with legislation or regulation or disputes. | Health and safety is a pre-eminent priority for the Board and is discussed at each Board meeting.<br><br>Other reputational risks need to be carefully managed as part of the Group's governance procedures. |    | <br>This risk rating is consistent with the prior year, reflecting the Board's assessment of the associated risk impact.                                      | Ingrain robust health and safety culture throughout the Group, supported by rigorous health and safety and environmental policies; monitor compliance; measure performance and investigate major incidents. Monitor changes in legislation and regulations, take legal advice and provide training where necessary. Place a strong emphasis on compliance with local taxation rules by embedding the Group's processes and procedures. Apply the Group's policies on Ethical Trading, Share Dealing, Equal Opportunities, Dignity at Work and Whistle Blowing. Have in place business continuity plans and a procedure for dealing with the control of Inside Information. |    |
| <b>Data Security</b><br>Exposure to reputational or financial damage due to corruption or theft of company owned or client owned data.                             | This includes the risk of loss of data, sabotage or disruption to the business, fraud, reputation damage, and possible fines.                                                                                |  | <br>This risk has been added as a key risk for the Group during the year in part following the new regulations coming into effect concerning data security. | IT functions in place around the Group with responsibility to protect data (e.g. encryption, firewalls, restricted access). Periodic reviews by Internal Audit, utilising in-house IT as well as specialist external consultants. Cyber security and IT questionnaire completed periodically by subsidiaries to highlight areas of potential risk, together with any mitigating actions performed in order to address this risk.                                                                                                                                                                                                                                           |  |

# SUSTAINABLE AND RESPONSIBLE BUSINESS

St Ives' US-based mobile and emerging technology business Solstice offers an excellent example of the Group's approach to its employees' development and wellbeing.

The business invests in the Employee Experience, a cornerstone of the company's culture that supports each person's career at Solstice.

The programme involves a number of key initiatives, including the Solstice Delivery Fundamentals. This is a training programme designed specifically for new hires to help them integrate into the consultancy. Each new staff member is also assigned to the Mentor Programme, with a specific colleague helping them to become a fully fledged member of the team.

Meanwhile, Solstice Connect is a six-week course designed for groups of employees to help inspire the new 'Solsties', as they are nicknamed, in their work. Additionally, there is 'Solstice U', an internal training programme with more than 50 tailored courses developed and taught by other people in the business to help individuals further their skill sets.

External training is also encouraged by Solstice's leadership team. To that end, employees are offered an annual training budget to improve an existing skill or develop a new one.

Many people use the budget to deepen their technical knowledge, while others opt to improve qualities such as public speaking and leadership skills.

Mike Henry, Functional Principal at Solstice, offered this appraisal of the programme: "Solstice allowed me to think outside the box with my training and attend the SealFit Advanced Academy in San Diego. The academy was incredibly rewarding and beneficial as it put me through a once-in-a-lifetime experience training with current



and ex-Navy Seals. Throughout the week, they taught me numerous techniques to tap into my full potential and be comfortable with the uncomfortable – all of which I've since applied to my professional and personal life."

An ongoing part of the employee development strategy is the 360 Performance Review Process. Every six months, a team member selects five people they work with to provide written feedback. The employee then discusses the feedback with their mentor to come up with a plan to implement advice and schedule more training. New objectives are also set for the subsequent six months.

Another area which demonstrates Solstice's ethos is community relations. The consultancy's Philanthropy Committee runs several internal initiatives to support a variety of causes. One unique opportunity for employees to help their communities is the Solstice Global Impact Initiative. The grant programme was established to foster global outreach to tech communities in foreign countries.

Recent trips organised for the business' staff include a mission to Nairobi, Kenya, described by one participant as "a life-changing experience."

During the past five years, the business has been raising money for Lurie Children's Hospital in Chicago at the city's annual dance marathon. More than 100 Solstice employees, friends and family participated in the 2016 event raising a total of \$117,000. Meanwhile, 25 bags stuffed with school supplies have been donated to Operation Backpack, organised by charity group Volunteers of America.

Solstice's ultimate goal is to provide initiatives to give every employee an opportunity to develop their careers. Through the comprehensive nurturing programme on offer, the business intends to create a culture of ongoing learning which leads to high staff retention rates and satisfaction.

## *Our relationships with stakeholders*

The Board recognises that, in managing the Group's activities, it has responsibilities to a broad range of stakeholders including our clients and suppliers, our people, the community and our shareholders. It also understands the importance of overall corporate social responsibility and aims to ensure this is reflected in our business practices.

In this report we outline how we seek to meet the responsibilities mentioned above and measure the Group's performance, now and in the future. The Group has had no human rights issues and has issued no policies during the year that need to be disclosed for an understanding of the development, performance or position of the Group's corporate and social responsibility.



## *Clients and suppliers*

In its dealings with clients and suppliers, the Group adheres to an Ethical Trading Policy.

### **What we are doing**

All subsidiaries report on how they manage their relationships with key clients. Their CEO or Managing Director, as the case may be, has signed up to the Group's Anti-corruption and Bribery Policy which, together with the Ethical Trading Policy, is publicised to all employees.

The Group is committed to building strong working relationships with its suppliers, ensuring that they are aligned on quality, delivery, innovation, risk, and compliance. For key operational suppliers, this starts with a rigorous onboarding process, including signing a contract, which involves the completion of an in-depth questionnaire covering financials, conflicts of interest and other relevant information. They are also required to adhere to our security standards, environmental standards, and Anti-corruption and Bribery policy.

Suppliers are required to substantiate their insurances and accreditations where applicable, and the Group is focused on a continuous programme of procurement governance, underpinned by a robust and fully auditable supplier performance management framework. Visits to suppliers' production facilities are also carried out periodically to provide further reassurance.

Payment terms granted to clients are negotiated according to the amount at risk and the financial strength of the client concerned. It is the Group's practice to agree payment terms with all suppliers, which will be adhered to, provided that they perform in accordance with the agreed terms. It is a disciplinary offence for any employee to breach the Group's Anti-corruption and Bribery Policy.

### **How we are performing**

The average creditor days outstanding at 29 July 2016 for the Group was 86 days (2015 – 76 days). The Company Secretary maintains a Bribery Risk Register which is refreshed annually and then reviewed by the Board together with a report from the Head of Internal Audit and the Company Secretary on how the Group's Anti-corruption and Bribery Policy has been applied during the year. The Internal Audit function will follow up on any high risk areas identified from this exercise.

## *Our people*

All our employees are central to the Group's success. As at 29 July 2016, we employed 3,246 people including 2,998 full-time and 248 part-time employees. The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, disability, sex, sexual orientation, marital or civil partner status, race, colour, nationality, religion or belief. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with necessary rehabilitation and retraining. Wherever practicable, the Group will modify procedures or equipment so that full use can be made of an individual's ability.

### **What we are doing**

The Group seeks to pay its employees competitive remuneration packages and incentives. We operate a Dignity at Work Policy to ensure that the Group provides a working environment free from harassment and bullying, and where employees do not behave in a manner which may be offensive to others.

By gender, the Group's employees are made up of 2,217 males and 1,029 females (68% and 32% of employees respectively) (2015 – 2,131 and 957, 69% and 31%); and its senior management is made up of 60 males and 31 females (66% and 34% of senior

management respectively) (2015 – 54 and 32, 63% and 37%). The Board is made up of six males (86%) and one female (14%).

Employees are regularly consulted by local managers and kept informed of matters affecting them and the overall development of the Group. This is supplemented by regular emails and other communications from the Chief Executive Officer on how the Group is performing, plans for the future and how individuals can contribute to achieving the Group's aims. Details of the Group's pension schemes are set out in note 27 to the financial statements.

### **How we are performing**

We measure: gender split, overall, within senior management and at Board level; voluntary employee turnover; sickness absence and absence from work due to accidents or work-related illness. Each subsidiary applies appraisal systems relevant to their business and identifies training needs, as they arise.

## *Charitable donations*

In addition to focusing on one or two themes or projects each year, the Group favours making donations to a broad range of charities. Donations are usually made in cash but may include the provision of time and materials to provide added value services for charities.

### **What we are doing**

The Group supports charities in three ways: by setting and then donating an annual budget to charities serving communities in which the Group operates or to which employees or clients have a particular affinity; matching the total contribution made by the Chairman from foregoing a proportion of his fees and supporting fund-raising events for charities nominated by employees.

### **How we are performing**

During the year the Group made donations of varying sums to a wide spectrum of charities including: the Brain Tumour Charity; the

Pulmonary Vascular Research Institute; SUDEP Action (which is dedicated to raising awareness of epilepsy risks and tackling epilepsy deaths); the British Heart Foundation; Macmillian Cancer Support, Helping the Burmese Delta (a charity which the Company has previously funded and which focuses on improving villagers' quality of life in the Irrawaddy Delta region in Burma); the Back Up Trust (that supports people with spinal cord injury); Children with Cancer and the Lurie Children's Hospital in Chicago.

## *Shareholder relations*

The Board attaches considerable importance to maintaining good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations involving the Chief Executive Officer and the Chief Financial Officer.

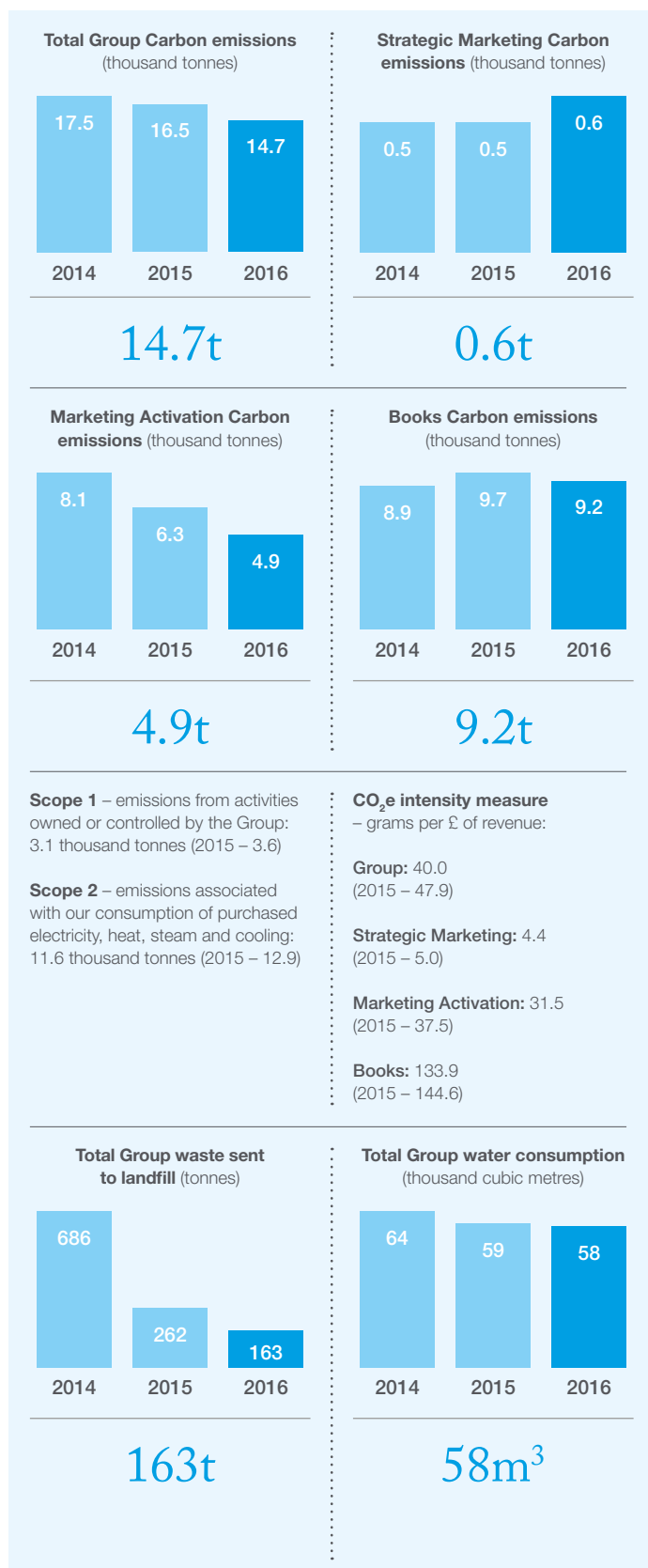
### **What we are doing**

The Board receives an investor relations report at each of its regular meetings. The Chief Executive Officer and the Chief Financial Officer conduct bi-annual analysts' briefings and, where appropriate, meet with the Company's major shareholders to further explain the Group's investment proposition. A number of major shareholders have accepted the opportunities to meet with the Non-Executive Directors.

### **How we are performing**

The Company's top 20 shareholders hold approximately 68% (2015 – 67%) of the Company's issued share capital. Those which have an obligation to notify the Company of their voting interests are shown on page 53.

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



## Environment

St Ives is committed to continuous improvement in its environmental performance and accepts that its responsibilities with regard to environmental protection rank equally in importance with other key business objectives. The Board is responsible for setting the Group's Environmental Policy.

### What we are doing

We continually monitor and work to reduce the Group's carbon emissions, waste sent to landfill and water consumption.

### What we report

We report our CO<sub>2</sub>e emissions in line with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. In doing so we have adopted the following methodology:

- An operational boundary approach has been applied on Scope 1 and Scope 2 emissions in the UK using DEFRA's Standard Set conversion factors for 2015.
- Where actual energy consumption data cannot be obtained we have estimated emissions, pro-rata, based on the data recorded by similar sites in the Group. Using this methodology, the estimated emissions from these sites equate to 0.4% of the Group's total emissions.
- Scope 3 Emissions are not reported on as they are outside our operational control. The Board will, however, keep this under review.
- This reporting year's emissions from The App Business ('TAB') are excluded as we have yet to finalise the processes required to obtain reliable data for this newly acquired subsidiary.

### How we are performing

The charts show the Group's Scope 1 and Scope 2 CO<sub>2</sub>e emissions and our CO<sub>2</sub>e intensity measure (which is grams of CO<sub>2</sub>e per £ of revenue). The CO<sub>2</sub>e emissions performance of each reporting segment – Strategic Marketing, Marketing Activation and Books – are also disclosed.

The Group chart shows improvement, year on year, which is driven by an improved performance in the Marketing Activation segment. This is also due to the exclusion of the Burnley site in the year as it was a vacant property with very minimal consumption (nine months manufacturing consumption data was shown in 2014/2015).

The Books segment shows a reduction in emissions due to change on the DEFRA conversation factors.

The Strategic Marketing segment shows a year on year increase in emissions. This is due to the year on year growth of the division due to acquisitions of new businesses and this year includes Solstice and Fripp, Sandeman and Partners ('FSP') for the first time.

Two further charts show that the Group's waste sent to landfill and water consumption has continued to fall. This is attributable to a better and more accurate data capture of the waste to landfill and the water consumption.

The Group's Environmental Policy and further information about the Group's environmental performance during 2015/2016 can be viewed on the Group's website from 31 October 2016.



## Health and Safety

The Board regards the health and safety of the Group's employees while they are at work as a pre-eminent duty.

### What we are doing

The Board ensures that responsibilities for Health and Safety are properly assigned, accepted and fulfilled within the organisation. A Statement of the Board's approach to Health and Safety is publicised at all of the Group's sites and each subsidiary company's CEO or Managing Director, as appropriate, has formally acknowledged their role in ensuring that managers and employees at each site are adequately conversant with their legal duties under health and safety legislation.

The first item on the agenda for each parent Board meeting is to receive a report on Health and Safety-related KPIs, selected to measure and manage the Group's Health and Safety performance, which are as follows:

- monthly and cumulative statistics on near misses, all accidents, all lost time accidents, total days lost, and Reportable Accidents; the Group's Accident Frequency Rate, the Group's Injury Incidence Rate and a report on employment liability insurance claims;
- the circumstances of any lost time accidents and Reportable Accidents and management action taken as a result are also considered; and
- Group initiatives for improving Health and Safety performance.

The Group operates a bespoke on-line Health and Safety Management System for:

- reporting accidents and near miss incidents;
- hosting a Health and Safety document library; and
- applying standards of accreditation to contractors who apply for consent to work at our sites.

A driver safety awareness programme is in place throughout the Group which is an important part of managing Tactical Solutions' motor vehicles which are driven by its field marketing staff.

### How we are performing

The total number of accidents at the Group's sites for the period ended 29 July 2016 which resulted in at least seven days' absence each was three (2015 – three) and the number of days' work lost from all accidents at work was 472 days (2015 – 282). This increase is attributable to three accidents totalling 427 of the 472 lost days. Two of the accidents occurred at Clays Limited and one of these occurred at Service Graphics Limited. All accidents resulted in a review of the causes and action was taken in order to reduce the likelihood of any further accidents arising. We recorded 1,410 'near miss' events during the year (2015 – 1,347).

A copy of the Group's Health and Safety Policy and performance data for 2015/2016 will be made available on the Group's website from 31 October 2016.

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



**Matt Armitage**  
Chief Executive  
4 October 2016

## FOCUS: HIVE'S PASSIONATE APPROACH TO STAFF WELL-BEING

Healthcare communications consultancy The Hive Group is passionate about helping all of its employees progress through a rigorous training and development programme.

The ultimate objective of the scheme is to make tangible differences for clients, while recognising the diversity of employees, which Hive values greatly. The business' motto is 'great work needs all of us' to ensure the team is proud to hand over all completed activity/output to clients.

Hive has a Charter setting out the behaviour expected from employees on a daily basis, which is also used in its recruitment process and appraisal system.

Each member of staff is encouraged to recognise and bring their key skills to the fore through a strengths-based appraisal system, along with a structured and tailored development plan focussing on their individual requirements and aspirations.

The process is supported with a robust induction procedure, as well as internal training programme offering sessions with inspirational guest speakers, core skills workshops, and specialised training and study support. This helps immerse new employees in Hive's culture and assist with the development of important skills.

Isaac Warshal, a project manager at Hive, commented on the time management module: "The workshop was really eye opening. It was full of practical, useful advice that I have used ever since and also tell other people about. It was excellently run, really engaging and genuinely useful."

Hive's inclusive philosophy is known internally as 'Beapart', which encourages all individual employees to be involved in activity across the business. Monthly all-agency meetings, weekly Friday challenges, regular social events and open-plan meeting spaces add to the culture of collaboration.

As part of measuring and improving the development programme to ensure key requirements are included, Hive runs an annual employee survey to assess staff engagement and satisfaction. This has shown year-on-year improvement, with 91% respondents stating they value the company's internal training offer in the 2016 survey.

Hive is serious about the entire organisation acting in a socially responsible manner. This is showcased through a series of social and community initiatives, which includes supporting Team London by allowing all employees two and a half days' paid leave annually to participate in charity events.

The Team London initiative was created to make it easier for the city's residents to do something positive in the city and increase the value of their efforts to make a difference. It introduces the concept of impact volunteering: volunteer strategies that tackle the most pressing community needs – crime, quality of life and youth opportunities – while setting clear outcomes to measure progress.

Hive continues to seek ways to increase the organisation's corporate social responsibility activities and is committed to involving its employees in the process.

4 October 2016

Dear Shareholder

The Board invests a significant amount of time on maintaining high standards of governance, in recognition of the value that sound corporate governance can add to the success and sustainability of the Group's business. I am pleased, therefore, to introduce our Corporate Governance Report for the 52 weeks ended 29 July 2016 ('the period'), which includes individual reports from the Chair of each of the Audit Committee, Nomination Committee and Remuneration Committee on pages 32 to 37.

### **BOARD OF DIRECTORS AND ITS MEMBERSHIP**

The Board's membership throughout the period and the Directors' attendance at pre-arranged meetings of the Board is set out in the table opposite on page 29.

The Board meets at regular intervals and is responsible to the shareholders for overall Group strategy, acquisitions and divestments, major capital projects, risk and financial matters. Senior executives within the Group make regular presentations to the Board to apprise the Directors on their markets and how they serve them, growth opportunities and future challenges and how they propose to address them. All Directors receive agendas and papers in advance of each meeting. Following the meeting, detailed minutes are recorded and actions followed up.

The Board is satisfied that it has an effective and appropriate balance of skills and experience and that, throughout the period, each of the Company's Non-Executive Directors was independent in character and free from any business or other relationship which could materially interfere with the exercise of his or her judgement. In reaching this opinion, the Board has carefully considered potential conflicts of interest and the balance between applying good practice and what it believes is in the shareholders' best interests. The Non-Executive Directors have a clear understanding of their roles and responsibilities, which are appropriately documented. The Non-Executive Directors met during the period, without any Group executive being present. Mike Butterworth fulfilled the role of Senior Independent Director.

The roles of Chairman and Chief Executive Officer are separate and distinct, and an appropriate division of responsibilities between the two has been set out in writing and approved by the Board. The Chairman has responsibility for the management of the Board and related matters, whilst the Chief Executive Officer has responsibility for executive leadership of the Group, and for strategy implementation and profit.

The Company's articles of association set out detailed provisions for the retirement of Directors and their re-appointment or appointment at the forthcoming Annual General Meeting. Although not required under the UK Corporate Governance Code (September 2014) ('the Code'), all of the Directors have voluntarily agreed to retire at the 2016 Annual General Meeting and seek re-election.

### **BOARD ACTIVITY**

During the period, the Board carried out a review of matters reserved to it for decision. The Executive Directors meet regularly with the chief executive officers and managing directors of the subsidiaries within the Group's business segments to discuss major customers, sales growth (including cross selling opportunities), knowledge sharing, people issues and Group-wide procurement initiatives.

All Directors have full and timely access to all relevant information needed to enable them to properly discharge their responsibilities and have unrestricted access to other executives within the business to discuss any matter of concern to them. A procedure exists for Directors to seek independent professional advice in the furtherance of their duties and to be reimbursed their reasonable legal fees. Each Director also has access to the advice and services of the Company Secretary.

The areas of focus for the Board during the period were: Health and Safety performance; the Group's growth strategy; the acquisitions of Fripp, Sandeman and Partners Limited and The App Business Limited; risk; and governance and Board performance. The Board also held an annual strategic review away-day at which, inter alia, presentations were received from the chief executive officers of two of the Group's Strategic Marketing businesses.

### **BOARD PERFORMANCE**

The Board confirms, following a performance review, that all of the Directors standing for re-election continue to perform effectively and demonstrate commitment to their roles.

Recommendations following the formal evaluation of the effectiveness of the Board with support from a third party consultancy, The People Stuff, in August 2015 were implemented during the year. These included:

- improving the review of strategic risks at board meetings; and
- ensuring there is an item/question relating to strategy covered at every Board meeting to encourage discussion and useful debate.

This year the evaluation was conducted on a less formal basis, having undertaken a formal evaluation in August 2015, taking the form of one-to-one interviews between the Chairman and each Director. The Board is satisfied that the Board is operating effectively and agreed to implement a number of recommendations that arose from the interviews in the forthcoming year. An evaluation of the Chairman was also carried out by the Non-Executive Directors, led by the Senior Independent Director.

On appointment, each Director receives an induction appropriate to their previous experience and their knowledge of the markets in which the Group operates. Nigel Pocklington joined the Company on 1 June 2016 and received induction materials such as company policies, information related to the Company's Directors and Officers' liability insurance and the committees' terms of reference. Meetings with key personnel within the subsidiaries were also arranged in order to provide Nigel with a detailed understanding of the businesses.

### **BOARD COMMITTEES**

The Board is supported by Audit, Nomination and Remuneration Committees. The Company Secretary acts as Secretary to all of the Committees and each Committee has written terms of reference available on the Group's website ([www.st-ives.co.uk](http://www.st-ives.co.uk)).

The Audit Committee Report on pages 32 to 34 discusses the principal activities conducted by the Committee during the period, the significant matters which were considered and how the Committee addressed these issues.

A report on the work of the Nomination Committee is set out on page 35.

A Statement from the Chair of the Remuneration Committee and the Directors' Remuneration Report can be found on pages 36 to 51.

Third party consultancy, the People Stuff, as referred to above, also carried out evaluations of the effectiveness of the Board's Committees during the period and the outcome in each case was that they were deemed effective. Recommendations arising from the evaluations, such as the review of the Nomination Committee's terms of reference, will be implemented.

The membership of each Committee throughout the period under review is set out in the aforementioned reports.



## BOARD AND COMMITTEE ATTENDANCE

In the opinion of the Board, the Board and its committees each met sufficiently frequently to properly discharge the responsibilities set out in their respective terms of reference.

Details of Directors' attendance at Board and committee meetings based on their maximum possible attendance during the period are as follows:

|                                                                                | Board | Audit Committee | Nomination Committee | Remuneration Committee |
|--------------------------------------------------------------------------------|-------|-----------------|----------------------|------------------------|
| Matt Armitage                                                                  | 9/9   | –               | 4/4                  | –                      |
| Mike Butterworth<br>(Senior Non-Executive Director and Chair, Audit Committee) | 9/9   | 3/3             | 4/4                  | 4/4                    |
| Ben Gordon                                                                     | 8/9   | 2/3             | 3/4                  | 4/4                    |
| Brad Gray                                                                      | 9/9   | –               | 4/4                  | –                      |
| Helen Stevenson<br>(Chair, Remuneration Committee)                             | 9/9   | 3/3             | 4/4                  | 4/4                    |
| Richard Stillwell<br>(Chair, Nomination Committee)                             | 9/9   | –               | 4/4                  | –                      |
| Nigel Pocklington (appointed 1 June 2016)                                      | 2/2   | 0/0             | 0/0                  | 2/2                    |

\* This table only shows details of attendance at meetings in the pre-arranged annual meeting calendar. Other ad-hoc meetings were held during the period.

Throughout the period at least three Independent Non-Executive Directors served on each of the Audit, Nomination and Remuneration Committees.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Group has in place a corporate reporting and risk management framework in compliance with Principle C3 of the Code after having due regard to the Financial Reporting Council Guidance.

The Board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. A workable and realistic system can only be designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives, safeguard the Group's assets against material loss and fairly report the Group's performance and position in line with relevant legislation, regulation and best practice. Therefore, the system can only provide a reasonable and not absolute assurance against material misstatement or loss.

As part of the annual budget process, each subsidiary is required to submit an analysis of strengths, weaknesses, opportunities and threats to the Board. The Group Finance Function reviews and consolidates this, and if necessary, findings from this analysis will be elevated to Board level discussion for further consideration.

Risks within the business relating to strategic, market, operational, financial, legislative, regulatory, contractual and reputational matters are referred to the Board as necessary and the Directors consider themselves collectively responsible for ensuring that these risks are suitably managed.

The Group recognises that taking and managing risks is inherent in any business and in delivering its strategy. On pages 20 and 23 we set out the principal risks and uncertainties that have been identified from the reporting and risk management framework; their possible impact on the business; and what mitigating actions the Board has approved.

The Board carries out reviews twice per annum, both from a top-down and bottom-up perspective, and considers the impact that these principal risks might have on the business and on the Group's ability to meet its strategic objectives.

The process by which the Board exercises control is by holding (a) nine scheduled Board meetings per annum; (b) regular meetings of senior management within each of the Strategic Marketing, Marketing Activation and Books segments which are chaired by an Executive Director; and (c) regular management meetings of each operation within these segments. Risk is reported on and monitored with senior management and any new areas of significant risk to the businesses are then raised at the next meeting of the Board if considered appropriate.

The Group's Internal Audit function consists of two accountants who, as necessary, draw on additional resource from professional services firms. The work planned for the Internal Audit team to undertake is linked closely to the risk management framework, with the internal audit plan designed to give assurance around key risk areas.

The Internal Audit function independently reviews the risk identification procedures implemented by management. Internal Audit reviews subsidiary risk registers and ensures they are updated by the heads of finance in each business. Verification of mitigation actions takes place on a cyclical basis as part of the annual audit cycle.

During the period, the Internal Audit function performed work on the Group's internal controls, reviewing the control environment and the testing of those controls. Controls testing of procurement, accounts payable, payroll, accounts receivable and credit control cycles took place at selected sites, including work at the Group's shared services centre which provides centralised accounts payable, credit control and general ledger services to a number of the Group's companies.

Annual internal control questionnaires, supplemented by a half year questionnaire, are completed by all the Group's businesses and are reviewed by the Company Secretary and Head of Internal Audit. Any inconsistencies with the Group's established corporate governance regimes which are identified are disclosed to the Audit Committee.

## COMPLIANCE STATEMENT

The Company is required to comply with the Code to the extent that it applies to 'small-cap' companies or, in the case of its provisions, explain the reasons for non-compliance. The Code can be read in full on the Financial Reporting Council's website ([www.frc.org.uk](http://www.frc.org.uk)).

In the opinion of the Board, the Company has, throughout the period ended 29 July 2016, been in compliance with the Code.

This Corporate Governance Report, together with the reports on pages 32 to 55, describes how the Board has applied the key areas contained in the Code and, where appropriate, where it has adopted elements of corporate governance good practice.

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



**Richard Stillwell**  
Chairman



*Matt Armitage*  
**Chief Executive**

**APPOINTED:** 1 August 2014

**COMMITTEE:**



**EXPERIENCE:** Matt Armitage, ACMA joined the Board on 3 September 2007 as CFO, having previously worked for Tequila London Ltd – a below-the-line marketing services business owned by Omnicom Inc – for five years as their Finance Director. Matt headed up the Group's Marketing Services businesses from March 2012 until his appointment as Chief Executive on 1 August 2014. Prior to joining the Company, Matt had held various financial management positions with companies operating in the telecommunications, technology and fast-moving consumer goods industries, including ten years with Unilever plc.



*Mike Butterworth*  
**Independent Non-Executive Director**

**APPOINTED:** 1 August 2010

**COMMITTEE:**



**EXPERIENCE:** Mike Butterworth, ACA served for eight years as Group Finance Director of Cookson Group plc, a FTSE250 company, until December 2012 when Cookson was de-merged. Previously, Mike was Group Finance Director of Incepta Group plc for five years, an international marketing and communications group, prior to which he spent five years as Group Financial Controller at BBA Group plc, the international aviation and materials technology group. Mike is the senior Non-Executive Director and chairs the Audit Committee.

**OTHER ROLES:** Mike currently holds Non-Executive Directorships with Cambian Group plc and Johnston Press plc.



*Ben Gordon*  
**Independent Non-Executive Director**

**APPOINTED:** 15 July 2013

**COMMITTEE:**



**EXPERIENCE:** Ben spent nine years as Chief Executive of Mothercare plc until 2011 and the previous three years as Senior Vice President and Managing Director of Disney Store, Europe and Asia Pacific. Ben had previously held senior positions within WHSmith Group in the UK and USA and with L'Oreal S.A. in France and the UK.

**OTHER ROLES:** Ben is a Non-Executive Director of Britvic plc and a Trustee of the Canal and River Trust.

- Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee





**Brad Gray**  
Chief Financial Officer

**APPOINTED:** 1 August 2014

**COMMITTEE:** ●

**EXPERIENCE:** Brad Gray, ACA joined the Group from Grant Thornton in 1988, and held a number of finance positions for the following six years. In 1994 he was appointed Finance Director of the Group's Magazine printing business before serving as its Deputy Managing Director until 2007. Brad then continued in general management, as Managing Director of SIMS, and subsequently as the Group's Operations Director. In 2010 he was appointed Corporate Development Director, playing a key role in implementing the Group's acquisition strategy. In 2012 Brad's responsibilities were broadened to include the responsibilities of Deputy Finance Director. He was appointed Chief Financial Officer on 1 August 2014.



**Nigel Pocklington**  
Independent Non-Executive Director

**APPOINTED:** 1 June 2016

**COMMITTEE:** ● ● ●

**EXPERIENCE:** Nigel held a variety of senior management positions within Expedia Inc., including President of eBookers and Chief Marketing Officer of Hotels.com, from 2007 to 2014. He spent a decade of his early career at Pearson plc, including a period leading the digital operations of the Financial Times.

**OTHER ROLES:** Nigel is Managing Director of Travelsupermarket and a member of the management team of Moneysupermarket plc.



**Helen Stevenson**  
Independent Non-Executive Director

**APPOINTED:** 1 May 2012

**COMMITTEE:** ● ● ●

**EXPERIENCE:** Helen Stevenson was Chief Marketing Officer UK at Yell Group PLC from 2006 to 2012 and, prior to this, served as Lloyds TSB Group Marketing Director. Helen started her career with Mars Inc where she spent 19 years, culminating in her role as European Marketing Director, leading category strategy development across Europe. Helen has in the past served as a Non-Executive Director on the main board of the Department of Work and Pensions. Helen chairs the Remuneration Committee.

**OTHER ROLES:** Helen currently holds Non-Executive Directorships with the Skipton Building Society, Trinity Mirror plc and Shirlaws Group, and serves on the Strategic Advisory Board of Henley Business School.



**Richard Stillwell**  
Chairman

**APPOINTED:** 26 April 2011

**COMMITTEE:** ●

**EXPERIENCE:** Richard Stillwell joined the Board on 1 September 2006 and was appointed Chairman of the Company on 26 April 2011. Richard was Executive Vice President of ICI plc, where he had held various posts for 26 years until 2000, before changing career and qualifying as a barrister. More recently Richard has held Non-Executive Directorships at Penna Consulting plc, Scott Bader Ltd, TBI Ltd and Fibreweb plc, as well as Albertis Motorways UK Ltd and Albertis Overseas (UK) Ltd. Richard chairs the Nomination Committee.

**OTHER ROLES:** Richard is currently a Non-Executive Director of Curo Group (Albion) Ltd, a not-for-profit company involved in the provision of housing and community services.

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**The Audit Committee's key role is to gain assurance around processes that support financial reporting, including internal control, risk management and legal and regulatory compliance, together with financial reporting itself.**

4 October 2016

Dear Shareholder

I am pleased to present a report on the role of the Audit Committee and its activities during the period ended 29 July 2016.

#### **CURRENT MEMBERSHIP**

I chair the Committee and bring recent and relevant financial experience to it, having served as Chief Financial Officer of a FTSE250 company for eight years until December 2012. Throughout the period under review and the current financial year to date, the other members of the Committee were Ben Gordon and Helen Stevenson, and Nigel Pocklington joined the Committee on 1 June 2016.

In addition to the Committee members, the Chairman, the Executive Directors of the Board, the Head of Internal Audit and the external audit partner are invited to attend each meeting. The Committee members do, however, meet separately at least once a year with the external auditors and the Head of Internal Audit and I am in frequent contact with the external audit partner and the Head of Internal Audit.

#### **ROLE OF THE COMMITTEE**

The Committee carries out the functions required by DTR 7.1.3R of the UKLA Disclosure and Transparency Rules. The Committee is aware that the guidance under DTR 7.1.3R has changed which will impact the activities of the Committee next year. The principal responsibilities of the Committee are set out in the Committee's terms of reference, which are available from the Group's website ([www.st-ives.co.uk](http://www.st-ives.co.uk)).

#### **MAIN ACTIVITIES OF THE COMMITTEE IN 2015/2016**

The Committee held three scheduled meetings in the period at which it:

- agreed an internal audit plan;
- considered reports from the Group's Head of Internal Audit;
- regularly monitored the quality of work performed by the Internal Audit function;
- considered the appropriateness of the Group's risk management process, including the results of an internal controls questionnaire, completed by management within the Group's operating sites;
- considered the re-appointment of the external auditors, their reports to the Committee, their fees and their independence, including an assessment of the appropriateness to conduct any non-audit work;
- ensured the integrity of the financial reporting process was upheld;
- reviewed the Group's trading updates and Half Year Report prior to release;
- considered significant accounting and reporting issues pertinent to the preparation of the Half Year Report and the Annual Report and Accounts;
- analysed the effectiveness of the external audit by reviewing replies to questionnaires completed by management and Audit Committee members;
- conducted a review of the Committee's effectiveness;
- updated the Group's Whistle Blowing Policy, 'Speak Up,' and reviewed the effectiveness of the Group's Anti-corruption and Bribery Policy;
- assisted the Board with the review of the Company's Business Risk Register;
- considered an assessment of the Group's longer term viability; and
- received a report setting out the Going Concern review undertaken by management.

#### **ANNUAL REPORT AND ACCOUNTS 2016**

The Committee undertook a review and assessment of the Annual Report and Accounts 2016 (the 'Annual Report') in order to determine whether, in its opinion, the Annual Report for the period, taken as a whole is fair, balanced and understandable and provides shareholders with the information they need to assess the Group's position, performance, business model and strategy. To provide additional support to the Board in making this assessment, the Committee approved and monitored an enhanced review and verification process of the Annual Report undertaken by management and provided confirmation to the Board that this process was both followed and effective. In this respect, the Committee:

- received reports on the requirements of Provision C.1.1. of the Code, which were updated as an ongoing part of the year end process;
- reviewed a full draft of the Annual Report, using an evaluation tool to help judge what constitutes 'fair', 'balanced' and 'understandable'; how performance is reported; the explanation of the business model; and the articulation of the Group's strategy and whether the Annual Report, in the opinion of the Committee, complies with Provision C.1.1. of the Code; and
- reviewed the outcomes of reviews performed by the external auditors.



## SIGNIFICANT FINANCIAL MATTERS

The Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in respect of significant financial matters. The Committee considered accounting papers which provided details on the main financial reporting judgements and classifications, which were addressed as follows:

| Significant matters considered                                                                                   | How the Committee addressed these issues                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The assessment of the carrying value of goodwill (£135.6 million) and acquired intangible assets (£52.0 million) | <p>The Committee received reports in relation to the assessment of the carrying value of the goodwill for each cash generating unit ('CGU'). The Committee considered key judgements including the discount rate, long-term growth rate and the projected future cash flows of each CGU to which goodwill and investments are allocated, based upon the projected financial plans approved by the Board. The conclusion of the review and the key assumptions are disclosed in the notes to the consolidated financial statements.</p> <p>The Committee considered reports on the carrying value of intangible assets where there were indicators of impairment, such as loss of clients, maintenance of proprietary techniques and trademarks.</p> <p>During the period, the Committee reviewed the impairment assessment of goodwill for Tactical Solutions UK Ltd and SP Group Ltd that was carried out by management and concluded that an impairment charge, of £2,155,000 and £10,192,000 respectively, existed. An impairment charge of £365,000 was also recognised in respect of Tactical Solutions' customer relationship asset.</p> <p>The above charges have been recorded as Adjusting Items in the Consolidated Income Statement (note 7).</p> |
| The classification of Adjusting Items                                                                            | <p>The classification of Adjusting Items was considered by the Committee due to their nature and value. The Committee reviewed reports outlining the accounting policy on the classification of Adjusting Items and satisfied itself with the treatment applied.</p> <p>The accounting policy on Adjusting Items can be found in note 7 to the consolidated financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| The valuation of the St Ives Defined Benefits Pension Scheme                                                     | The valuation of the St Ives Defined Benefits Pension scheme is judgemental mainly due to underlying assumptions used to determine the scheme's liability. This includes assumptions such as the discount rate, inflation and life expectancy of the scheme members at the balance sheet date. The Committee reviewed reports from management outlining the assumptions used, and agreed with those assumptions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| The key judgements relating to the assumptions used in accounting for acquisitions                               | The judgments largely relate to the assumptions used to derive the value of the acquired intangible assets including proprietary techniques, customer relationships and trademarks. The Committee received and reviewed reports from management outlining the basis of the assumptions used including the discount rate, attrition rate, useful life and valuation of contributory assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## GOING CONCERN

The Committee received a report setting out the Going Concern review undertaken by management that forms the basis of the Board's going concern conclusion on page 52.

## VIABILITY

An overview of the viability process undertaken was provided to the Audit Committee and reviewed for completeness. The viability evaluation was then provided to the Board to assist in its assessment of the Company's longer-term viability in order to make the statement found on page 53.

## EXTERNAL AUDITORS

The external auditor's appointment is reviewed regularly and, in accordance with the Auditing Practices Board standards, the Lead Audit Partner is rotated at least once every five years. A full tender process was last conducted by the Company in 2009 which resulted in Deloitte LLP ('Deloitte') being re-appointed. The current Lead Audit Partner has completed five annual audits, and therefore, there will be a new Lead Audit Partner for the external audit in 2016/2017. The Board continues to monitor any legal or regulatory changes proposed or made in the UK which affect Small Cap companies. There is no present intention to conduct an audit tender.

The Committee's policy, which was reconfirmed during the period, for determining the level of fees for non-audit services that the external auditor can provide, is as follows:

- relevant ethical guidance shall be taken into account regarding any proposal to request the Group's external auditors to perform non-audit services;
- it is inappropriate to set a fixed percentage balance between audit and non-audit fees paid to the Group's external auditors for project work;
- subject to (d) below, the Board shall appoint whoever, in its opinion, will provide the most cost effective and timely service for undertaking a particular project; and
- the Chief Financial Officer is to consult with the Chairman of the Audit Committee in advance of any non-audit work in excess of £25,000 per project that the external auditor may be invited to perform for the Group, so that an agreed view might be taken on whether to put the project out to tender.

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The Committee has satisfied itself that this policy has been appropriately applied. The split between audit and non-audit fees for the period is disclosed in note 5 to the consolidated financial statements. The non-audit fees were £24,000 for the period (for the service of tax compliance and corporate finance) and was not considered by the Committee to compromise the objectivity and independence of Deloitte.

The Committee also considered the robustness of Deloitte's safeguards and procedures to counter threats or perceived threats to their objectivity, the application of their independence policies and their adherence to the Ethical Standards published by the Auditing Practices Board. In all these respects the Committee was satisfied with Deloitte's objectivity and independence. The Committee is satisfied that there are no relationships between the Company and Deloitte, its employees or its affiliates that may reasonably be thought to impair the auditors' objectivity and independence. Private meetings are held with Deloitte to ensure that no restrictions are placed on the scope of their audit and to offer the external auditor opportunities to discuss any items the auditors did not wish to raise with the executives being present.

A review of the effectiveness of the external audit for the 2014/2015 year end was performed during the period which involved the completion of two questionnaires containing assertions of 'best practice' – one by each member of the Audit Committee containing ten assertions – and another completed by the management of each subsidiary containing 15 assertions. The areas covered included: the audit team expertise and experience; the audit planning process; audit execution; communication; adding value; responsiveness; reporting; timeliness; and focus. Participants were requested to score each assertion between one and four to indicate their level of agreement or disagreement. The results were then reviewed by the Audit Committee and Chief Financial Officer before being discussed with the external auditors. The completed questionnaires showed in aggregate that the external audit had achieved a clear majority of the assertions in each area of focus.

The Financial Reporting Council's Audit Quality Review team selected to review the audit of the Company's Annual Report and Accounts 2015 as part of their annual inspection of audit firms. The focus of the review was on identifying areas where improvements were required. A full copy of the findings of the review has been received and discussed with Deloitte. Whilst there were no significant findings, an action plan has been agreed with Deloitte to ensure the matters identified as requiring improvement have been addressed.

In the absence of any adverse findings as to the objectivity and independence and effectiveness of Deloitte, the Committee has recommended to the Board that Deloitte be re-appointed for 2016/2017.



**Mike Butterworth**

Chair of the Audit Committee



**The Nomination Committee's key role is to lead the process for Board appointments and make recommendations to the Board.**

4 October 2016

Dear Shareholder

On behalf of the Nomination Committee, I am pleased to report to you on the work it undertook during the period ended 29 July 2016.

**CURRENT MEMBERSHIP**

The Board has decided that a Nomination Committee, consisting of all the serving Board Directors, is workable given the size of the Board and, indeed, desirable. All Directors are given an equal voice in deciding on the method for reaching a shortlist, nominating and deciding on the selection of new members of the Board. It is important to a small board such as ours that the process of selection is right to suit the particular circumstances and that any decision made to nominate a new member of the Board is unanimous. Directors interview all candidates for appointments to Executive Director and Non-Executive Director positions.

The Board is aware of the increasing focus on the composition of boards and the emphasis on diversity. The Board agrees that diversity within the boardroom is important to the success of the business and the Committee seeks to reflect this view. The Board however does not feel it is appropriate to set numerical targets for diversity in the boardroom or, in particular, to set a percentage of women it aspires to having on the Board.

The Group's policy on affording equal opportunities to all employees and suitable applicants extends to the Board. Anyone appointed to the Board will, however, be selected on merit against objective criteria, taking into account the skills, expertise, and experience of the candidates.

When we look outside the Group to recruit we make clear that we are keen to consider candidates from all parts of the community in terms of gender, ethnicity, nationality, disability, age, sex, sexual orientation, marital or civil partner status, race, colour, religion or belief. We intend to continue with this policy.

Our disclosure on diversity generally can be found on page 25 within the Strategic Report.

**ROLE OF THE COMMITTEE**

The principal role of the Committee is to consider and recommend to the Board candidates who are appropriate for appointment as Executive or Non-Executive Directors, so as to maintain an appropriate balance of skills and experience represented on the Board, and ensure that the Board is refreshed as appropriate.

**MAIN ACTIVITIES OF THE COMMITTEE IN 2015/2016**

During the period, the Committee's main tasks were to consider the composition of the Board and a Board level succession plan.

In considering the composition of the Board, the Committee has recognised the continued focus on the growth of its Strategic Marketing companies, as part of the Group's strategy.

The makeup of the business will continue to develop through further acquisition and, increasingly importantly, from organic growth and investment in the acquired businesses.

The Board already included a wide spectrum of experience and expertise among its Non-Executive Directors. However, given the strategy described above, the Board concluded that it would benefit from the appointment of an additional Non-Executive Director who would add to the knowledge and capabilities of the existing Board members. Following a selection process, conducted by third party search agency, the Up Group, the Committee agreed to recommend the appointment of Nigel Pocklington as Non-Executive Director, who joined the Board on 1 June 2016 and became a member of the Audit Committee, Remuneration Committee and Nomination Committee.

During the period, the Board considered its succession plan in respect of the Executive Directors by reviewing the structure and resources of senior management within Group. Following this review, appropriate senior management roles were created at Group level in order to assist with the delivery of the Group's overall strategy.

The Committee discharged its other principal duties by:

- ensuring that an appropriate review of Board, Committee and Director effectiveness was undertaken during the period;
- considering whether the Non-Executive Directors were sufficiently independent for corporate governance purposes;
- deciding on which Directors should retire at the forthcoming Annual General Meeting; and
- approving the division of responsibilities between the Chairman and the Chief Executive Officer.



**Richard Stillwell**

Chair of the Nomination Committee

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**The Remuneration Committee's key role is to set the broad policy for remunerating the Executive Directors and recommend a remuneration policy which supports the creation of value for shareholders and the delivery of the Group's strategic priorities.**

4 October 2016

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the period ended 29 July 2016 covering the remuneration of Executive and Non-Executive Directors.

As for the last two years, this report is split into three parts: this Annual Statement, a Policy Report and an Annual Report on Remuneration. As our remuneration policy for Directors is unchanged from that approved by shareholders at the November 2014 AGM, we have provided an abbreviated Policy Report to give context to decisions taken by the Committee during the year. The full Policy Report, as approved by shareholders, can be found in our Annual Report and Accounts 2014 available on the Company's website. As required by legislation, we will be submitting this year's Annual Report on Remuneration to an advisory vote at the Annual General Meeting on 1 December 2016.

#### **PERFORMANCE AND REWARD FOR 2015/2016**

During the year, we achieved further progress in executing our strategy with continued growth in our Strategic Marketing segment. Organic growth for the segment continues to run ahead of expectation. The issues highlighted in the April trading update, which materially impacted the year's performance, are considered to be short-term and management remain focused on delivering the Group's strategic objectives.

The targets for the Executive Directors' 2015/2016 bonus award were based on the Adjusted EPS and like-for-like growth in Adjusted Strategic Marketing segment revenues. The EPS target was not achieved, however, the like-for-like growth target was met in full. This would normally have merited a bonus of 25% of basic salary. However, in light of the April trading update, both Executive Directors decided to forego any entitlement to a bonus for the year which was accepted by the Remuneration Committee. A summary of actual performance against the targets set is included on page 44.

The Annual Report on Remuneration also gives details of LTIP awards granted in November 2013. The Company's 2015/2016 Adjusted basic EPS performance, which acts both as a primary performance condition and as an underpin to the Relative Total Shareholder Return element, did not meet the relevant targets and the awards will therefore lapse. Further details are provided on page 45.

#### **IMPLEMENTATION OF REMUNERATION POLICY FOR 2016/2017**

Executive Director salaries remain the same for 2016/2017.

The annual bonus will operate on a similar basis as in 2015/2016. Maximum bonus opportunities remain at 100% of salary, with any amount earned over 50% of salary deferred in shares for 2 years and subject to clawback provisions. 75% of the bonus will be based on Adjusted EPS performance, with the remaining 25% based on the achievement of key strategic/personal objectives.

The LTIP will also operate on a similar basis as in 2015/2016. LTIP grant sizes will be reduced from 100% of salary to 90% of salary in light of the substantial fall in the share price following the April trading update. Vesting will remain subject to a blend of 3-year Adjusted EPS (25%), relative TSR (50%), and percentage of Adjusted operating profit from the Strategic Marketing segment (25%), with overall LTIP vesting underpinned by Committee discretion.

Further details of the implementation of our Remuneration Policy for 2016/2017 are provided on page 48.



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## SHAREHOLDERS' VIEWS

The Committee actively seeks to engage with shareholders and takes close account of developments in 'best practice' guidance. In accordance with section 439A of the Companies Act 2006, the three-year term of the policy will expire at the 2017 AGM and it is therefore our intention to review and revert to shareholders with a new policy next year. Any material changes would be subject to prior consultation with major shareholders.

We continue to value any feedback from shareholders and hope to receive your support at the forthcoming Annual General Meeting.



**Helen Stevenson**

Chair of the Remuneration Committee

This Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report is also in accordance with the requirements of the Listing Rules and the relevant recommendations contained within the UK Corporate Governance Code (September 2014) ('the Code') relating to Directors' remuneration and takes into account the views of our major shareholders. The legislation requires the auditors to report to the Company's members on certain disclosures contained in this Report and to state whether in their opinion that part of the Report has been properly prepared in accordance with the Companies Act 2006. The sections, between pages 38 and 51, which are subject to audit, have been highlighted.

## POLICY REPORT

### SUMMARY OF DIRECTORS' REMUNERATION POLICY

St Ives' remuneration policy was approved by shareholders at the Annual General Meeting on 27 November 2014, and took effect from that date. We republish below the policy table from last year's report, updated as necessary, to give context to decisions taken by the Committee during the year. The full policy report, as approved by shareholders, can be found in the Annual Report and Accounts 2014 available on the Company's website.

### BASIC SALARY

| Purpose and Link to Strategy                                                                                                                                                | Operation                                                                                                                                                                                                                                                                                                                                                                                                                   | Maximum Potential Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Performance Metrics |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| To provide competitive fixed remuneration that will attract and retain key employees of a high calibre and which will reflect their experience and position in the Company. | <p>Normally reviewed annually with increases effective from 1 August; salaries are paid monthly.</p> <p>In setting salaries, the Committee takes into account the following:</p> <ul style="list-style-type: none"> <li>• capability of the individual;</li> <li>• any changes in responsibility;</li> <li>• increases awarded across the workforce; and</li> <li>• external economic factors such as inflation.</li> </ul> | <p>Executive Directors' salaries effective 1 August 2016 are unchanged, as follows:</p> <p>Chief Executive Officer: £400,000 p.a.; and</p> <p>Chief Financial Officer: £230,000 p.a.</p> <p>Increases are generally in line with the range (in percentage of salary terms) awarded across the Group.</p> <p>In accordance with normal practice at all levels in all parts of the Group, increases above this level (in percentage of salary terms) may be made in certain circumstances such as where there is a change in responsibility or a significant increase in the scale of the role or size and complexity of the Group.</p> | Not applicable.     |

### BENEFITS

| Purpose and Link to Strategy                                                                               | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Maximum Potential Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Performance Metrics |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| To provide market competitive, yet cost effective, benefits to attract and retain high calibre executives. | <p>Benefits generally include provision of a car, fuel allowance and private medical and life assurance cover.</p> <p>The Committee may introduce other ancillary benefits which are on similar terms to those offered to the wider workforce or required in order to remain market competitive.</p> <p>Overseas recruitment or an international assignment may require the benefits package to be more tailored to reflect cultural norms and/or local legislation and may include relocation costs and/or tax equalisation arrangements as necessary.</p> | <p>The maximum annual car and fuel allowance is £15,520.</p> <p>The maximum overall cost of total benefit provision (including but not limited to annual car and fuel allowance) may vary each year subject to changes in the Company's insurance premiums or changes to the terms of the benefits provided.</p> <p>The values for the year under review, expressed as a cost to the Company of providing the benefits, are described in the total single figure table on page 44.</p> | Not applicable.     |

## PENSION

| Purpose and Link to Strategy                                                                                              | Operation                                                                                                                                                                                                                                                                                      | Maximum Potential Value | Performance Metrics |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| To provide market competitive, yet cost-effective benefits, to act as a retention mechanism and long-term reward service. | <p>Only basic salary is pensionable.</p> <p>A Company contribution to a defined contribution pension scheme, a personal pension or provision of a cash payment in lieu of a pension contribution (or combination of such) may be provided at the discretion of the Remuneration Committee.</p> | Up to 15% of salary.    | Not applicable.     |

## ANNUAL BONUS

| Purpose and Link to Strategy                                                                                 | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Maximum Potential Value | Performance Metrics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Incentivises achievement of annual objectives which support the short-term performance goals of the Company. | <p>At the start of each year, the Committee determines the choice of annual bonus measures and targets to ensure they reflect the short-term KPIs of the business at that time.</p> <p>Payments under the annual bonus plan are subject to:</p> <ul style="list-style-type: none"> <li>compulsory payment of any bonus earned over 50% of salary (on an after tax basis) in the Company's shares under the Company Deferred Bonus Shares ('DBS') arrangement which are subject to a holding period of two years; and</li> <li>the element of the annual bonus paid in shares is subject to clawback provisions in the event of a material misstatement of the Company's financial position.</li> </ul> <p>Deferred shares will generally be forfeited if a Director leaves the Group (unless in certain good leaver situations or if the Committee determines otherwise).</p> <p>Dividends and/or dividend equivalent are payable on the deferred bonus shares during the two year holding period.</p> | 100% of basic salary.   | <p>Performance is measured over one financial year.</p> <p>Bonus awards are subject to achievement against a sliding scale of challenging financial targets and may also be subject to challenging personal objectives.</p> <p>The majority of any bonus will be earned for achieving challenging financial targets aligned with the Company's key performance indicators (e.g. Adjusted basic EPS). A minority may be subject to achieving pre-set personal objectives which reflect the key priorities of the role at the time.</p> <p>Bonuses become payable once a threshold level of performance is achieved against the targets(s) which triggers a bonus payment of 25% of salary, rising to 100% of salary for meeting (or exceeding) the maximum target(s) set. Measurement of financial metrics is made on the basis of audited figures. Where personal targets are set, it may not always be practicable to set these using a sliding scale.</p> <p>Page 48 of the Annual Report on Remuneration provides details of the performance measures and weightings to apply for the year ending 28 July 2017.</p> |



## LONG-TERM INCENTIVES

| Purpose and Link to Strategy                                                                                                                                                                                                              | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Maximum Potential Value                                                                                                                                                                                                                                          | Performance Metrics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Incentivises executives to achieve superior financial growth and returns to shareholders over the longer-term.</p> <p>Provides alignment with shareholders through awards of shares.</p> <p>Promotes retention of key individuals.</p> | <p>The Long-Term Incentive Plan ('LTIP') was approved by shareholders in 2010.</p> <p>Eligibility to receive awards is at the discretion of the Committee each year.</p> <p>Awards are normally made on an annual basis and vest three years from grant subject to continued employment and the satisfaction of challenging three-year performance targets.</p> <p>The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures.</p> <p>Participants benefit from the value of dividends paid over the vesting period to the extent that awards vest. This benefit is delivered in the form of cash or additional shares at the time that awards are exercised.</p> <p>All Awards granted after November 2013 are subject to clawback in the event of a material misstatement of the Company's financial position.</p> | <p>Awards with a face value of up to 125% of basic salary (or 200% if the Committee believes there are exceptional circumstances) can be made on an annual basis.</p> <p>The Company operates within a 10% in 10 years ABI (new share issue) dilution limit.</p> | <p>Performance is measured over a three-year period.</p> <p>A balanced approach to target setting is taken with at least half of an award subject to challenging financial targets linked to the Group's key performance indicators (e.g. Adjusted basic EPS, targets set to reflect strategic objectives, etc.) with the balance of an award subject to a relative Total Shareholder Return measure ('TSR').</p> <p>25% of an award vests at threshold performance (0% vests below this), increasing pro-rata to 100% for maximum performance.</p> <p>Where TSR performance conditions are set, performance against the condition is monitored independently on the Committee's behalf and where financial targets are set, performance against the condition is tested based on numbers derived from the audited financial statements.</p> <p>Page 48 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ending 28 July 2017.</p> |

## ALL-EMPLOYEE SHARE SCHEMES

| Purpose and Link to Strategy                      | Operation                                                                                                                                                                                                 | Maximum Potential Value                                                                                                  | Performance Metrics |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------|
| Encourages long-term shareholding in the Company. | <p>Invitations made by the Committee under the Approved Sharesave Scheme.</p> <p>Executive Directors may participate in a monthly savings contract on the same terms as other employees of the Group.</p> | As per HMRC limits (e.g. current maximum monthly savings towards share purchases is limited to £500 per calendar month). | Not applicable.     |

## SHARE OWNERSHIP GUIDELINES

| Purpose and Link to Strategy                              | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Maximum Potential Value | Performance Metrics |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
| To provide alignment between executives and shareholders. | <p>A shareholding of 200% of salary for the Chief Executive Officer and 150% of salary for other Executive Directors is expected to be achieved over a period of five years commencing 1 August 2013 or date of appointment, if later.</p> <p>50% of the net of tax number of deferred bonus shares or vested shares under the Company's LTIP will normally be required to be retained until the guideline is met.</p> <p>The Committee may take account of progress towards this target when determining LTIP awards.</p> | Not applicable.         | Not applicable.     |

### Notes:

- While the remuneration policy for Executive Directors is designed having had regard to the policy for employees across the Group as a whole, there are some differences in the structure for senior employees which the Committee believes to be necessary to reflect the different levels of responsibility within the Company. The following key differences exist between the Company's policy for the remuneration of Executive Directors and its approach to the payment of employees generally:
  - there is an increased emphasis on performance related pay and, in particular, for share based incentives at the Executive Director level;
  - eligibility to participate in and the maximum opportunity in relation to annual bonus vary, based on individual role and local practice;
  - participation in the LTIP is limited to the Executive Directors and certain selected senior managers; and
  - benefits offered to other employees vary by subsidiary to take account of relevant market conditions.
- The share ownership guideline levels are detailed above. The shares that an Executive Director may count towards the shareholding guideline include: those held in the name of the Director; those held in the name of the Director's spouse, partner or children; any shares held in a family trust for the benefit of the Director and/or his/her spouse, partner or children; and any shares held in a personal pension plan on behalf of the Director. The Committee may, in its absolute discretion, approve the holding of shares by alternate means (e.g. shares held under a deferred share bonus award) and, if permitted, on such terms determined by the Committee, acting fairly and reasonably.
- For the avoidance of doubt, in approving this Directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting/exercise of past share awards) that have been disclosed to and approved by shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.
- The Committee operates the annual bonus, LTIP and Sharesave plans, in accordance with their rules, HMRC guidance and, where relevant, the Listing Rules. To ensure these incentive plans operate in an efficient manner, the Committee retains a number of standard market practice discretions which include:
  - determining the eligibility to participate in the plans;
  - determining the timing of grant of awards and any payments;
  - the size of awards and payments, although with quantum restricted to those detailed in the table above and the respective plan rules;
  - the determination of whether the performance conditions have been met and the resulting vesting/pay out;
  - dealing with a change of control (for example, the timing of testing performance targets) or restructuring of the Group;
  - determining a good or bad leaver for incentive plan purposes, based on the rules of each plan and the appropriate treatment chosen;
  - adjustments required in certain capital events such as rights issues, corporate restructuring, events and special dividends; and
  - the annual review of performance conditions for the annual bonus plan and LTIP.

In some circumstances, such as a material acquisition/divestment of a Group business, or a change in Accounting Standards and Interpretations, which mean the original performance conditions are no longer appropriate, the Committee can adjust the targets, set different measures and alter weightings as necessary, to ensure the conditions achieve their original purpose and are not materially less difficult to satisfy.

## CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The following sets out the fee policy for the Chairman and Non-Executive Directors:

| Purpose and Link to Strategy                                                                              | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Maximum Potential Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Performance Metrics |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| To attract and retain high calibre individuals without prejudice to the application of independent views. | <p>Non-Executive Directors' remuneration is decided by the Executive Directors and the Chairman; the Chairman's fee is set separately by the Committee.</p> <p>Fees are set periodically by taking account of the time required to fulfil the role and fees payable at similar sized companies. Any increases in fees also take account of any increases payable to Executive Directors and to the general workforce.</p> <p>Non-Executive Directors may not participate in the Group's cash or share-based incentive arrangements.</p> <p>Non-Executive Directors also receive reimbursement of travel and office related expenses.</p> | <p>For 2016/2017, the fees comprise a base fee of £42,500 p.a. plus additional fees of £5,000 p.a. for the Senior Independent Director position and £7,500 p.a. for chairing the Remuneration and Audit Committees. The Chairman's fee is set at £130,000 p.a.</p> <p>These fees may be revised periodically in line with the Company's policy. Given the periodic nature of the review any increases (as a % of total fees) may be greater than that awarded to the wider workforce in any particular year.</p> <p>The maximum aggregate fees are set in accordance with the Company's articles of association.</p> | Not applicable.     |

## ANNUAL REPORT ON REMUNERATION

The following section provides details of how St Ives' remuneration policy was implemented during 2015/2016.

### MEMBERSHIP OF THE COMMITTEE

Mike Butterworth, Ben Gordon and Helen Stevenson, all independent Non-Executive Directors, served on the Committee throughout the year whilst Nigel Pocklington joined the Committee on 1 June 2016. Helen Stevenson chaired the Committee throughout the year. The number of meetings held, attendances and a description of the principal matters considered by the Committee in carrying out its duties during the year are described on pages 29 and 43.

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

### ROLE OF THE COMMITTEE

The Remuneration Committee is responsible for determining and agreeing with the Board the overall remuneration policy and its implementation, including setting the individual remuneration packages and contractual arrangements for the Executive Directors, senior management and the Chairman of the Board which support the creation of value for shareholders and the delivery of the Group's strategic priorities.

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

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

### COMMITTEE'S ADVISERS

During the year, the Committee retained Kepler Associates, a brand of Mercer which is part of the MMC group of companies ('Kepler'), as independent advisers to the Committee. Kepler is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consulting Group's website at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com).

During the year, one of MMC's other companies, Marsh, acted as St Ives' commercial insurance brokers. The fees paid to Kepler in relation to advice provided to the Committee for 2015/2016 were £41,500.

The Committee has reviewed the advice provided by Kepler during the year and is satisfied that it has been objective and independent. The terms of engagement between the Company and Kepler are available from the Company Secretary upon request.



## SUMMARY OF ACTIVITIES

During the period the Committee approved:

- the payment of bonuses to the Executive Directors for 2014/2015;
- the Directors' Remuneration Report for 2014/2015;
- the Executive Directors' salaries and pension provision for 2016/2017; and
- the Chairman's fees for 2016/2017.

Additionally, the Committee concluded its consultation with the Company's major shareholders on introducing a second performance measure to complement EPS for annual bonuses and an additional performance measure for the LTIP to help reinforce and accelerate delivery of the Company's strategy. Following this consultation, the Committee then also approved:

- the structure of the Executive Directors' bonus scheme for 2015/2016; and
- the grant of awards on 12 November 2015 under the Company's 2010 LTIP to certain executives and the performance conditions attached to their vesting.

## SUMMARY OF SHAREHOLDER VOTING AT THE AGM IN NOVEMBER 2015

The following table shows the results of the advisory vote on the 2014/2015 Remuneration Report at the Annual General Meeting in November 2015:

| Resolution          | Votes for<br>(note 1) | % for<br>(note 1) | Votes<br>against | % against | Total<br>votes cast | Votes<br>withheld |
|---------------------|-----------------------|-------------------|------------------|-----------|---------------------|-------------------|
| Remuneration Report | 91,796,252            | 98.9%             | 1,036,571        | 1.1%      | 92,832,823          | 9,350             |

Note:

1. Includes 'Discretionary' votes.

St Ives' Directors' Remuneration Policy was last subject to a binding vote at the 2014 AGM, when 99.5% of shareholders voted in favour of the relevant resolution.

## SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Summaries of the Executive Directors' contracts and Non-Executive Director letters of appointment are disclosed below. These documents are available for inspection in accordance with Provision B.3.2 of the Code.

|                               | Date of contract              | Notice period |
|-------------------------------|-------------------------------|---------------|
| <b>Executive Director</b>     |                               |               |
| Matt Armitage                 | 10 July 2014                  | 12 months     |
| Brad Gray                     | 10 July 2014                  | 12 months     |
|                               |                               |               |
|                               | Date of letter of appointment | Notice period |
| <b>Non-Executive Director</b> |                               |               |
| Mike Butterworth              | 14 July 2010                  | 3 months      |
| Ben Gordon                    | 4 July 2013                   | 3 months      |
| Nigel Pocklington             | 25 May 2016                   | 3 months      |
| Helen Stevenson               | 3 April 2012                  | 3 months      |
| Richard Stillwell             | 11 August 2006                | 6 months      |

## REMUNERATION PAYABLE TO DIRECTORS FOR THE YEAR ENDED 29 JULY 2016

### DIRECTORS' SINGLE FIGURE TABLE (Audited)

Set out below, in a single figure, is the total remuneration of all Directors for the financial year:

|                            | Basic<br>salary/fee<br>2016<br>£'000 | Basic<br>salary/fee<br>2015<br>£'000 | Taxable<br>benefits<br>(note 1)<br>2016<br>£'000 | Taxable<br>benefits<br>(note 1)<br>2015<br>£'000 | Bonus<br>2016<br>£'000 | Bonus<br>2015<br>£'000 | Share<br>plans<br>vesting<br>(note 2)<br>2016<br>£'000 | Share<br>plans<br>vesting<br>(note 2)<br>2015<br>£'000 | Pension<br>benefits<br>(note 3)<br>2016<br>£'000 | Pension<br>benefits<br>(note 3)<br>2015<br>£'000 | <b>Total<br/>2016<br/>£'000</b> | Total<br>2015<br>£'000 |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------------------|--------------------------------------------------|------------------------|------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|---------------------------------|------------------------|
| <b>Executive</b>           |                                      |                                      |                                                  |                                                  |                        |                        |                                                        |                                                        |                                                  |                                                  |                                 |                        |
| Matt Armitage              | 400.0                                | 350.0                                | 17.8                                             | 17.4                                             | –                      | 244.0                  | –                                                      | 469.6                                                  | 60.0                                             | 52.5                                             | <b>477.8</b>                    | 1,133.5                |
| Brad Gray                  | 230.0                                | 200.0                                | 13.8                                             | 13.7                                             | –                      | 139.4                  | –                                                      | –                                                      | 47.8                                             | 46.0                                             | <b>291.6</b>                    | 399.1                  |
| <b>Non-Executive</b>       |                                      |                                      |                                                  |                                                  |                        |                        |                                                        |                                                        |                                                  |                                                  |                                 |                        |
| Mike Butterworth           | 55.0                                 | 45.0                                 | –                                                | –                                                | –                      | –                      | –                                                      | –                                                      | –                                                | –                                                | <b>55.0</b>                     | 45.0                   |
| Ben Gordon                 | 42.5                                 | 35.0                                 | –                                                | –                                                | –                      | –                      | –                                                      | –                                                      | –                                                | –                                                | <b>42.5</b>                     | 35.0                   |
| Nigel Pocklington (note 4) | 7.1                                  | –                                    | –                                                | –                                                | –                      | –                      | –                                                      | –                                                      | –                                                | –                                                | <b>7.1</b>                      | –                      |
| Helen Stevenson            | 50.0                                 | 40.0                                 | –                                                | –                                                | –                      | –                      | –                                                      | –                                                      | –                                                | –                                                | <b>50.0</b>                     | 40.0                   |
| Richard Stillwell (note 5) | 110.0                                | 110.0                                | –                                                | –                                                | –                      | –                      | –                                                      | –                                                      | –                                                | –                                                | <b>110.0</b>                    | 110.0                  |

Notes:

1. Taxable benefits constitute additional payments in lieu of the provision of a company car and fuel benefit and medical expenses insurance cover.
2. Figures for 'share plans vesting' are based on the number of shares vesting for performance periods substantially completed as at year end. The figure for 2014/2015 has been updated to reflect the final vesting outcome under the relative TSR element of the award (100% vesting) and to reflect the mid-market share price on the date of vesting (195 pence on 16 November 2015). The 2013 LTIP award will lapse in full in November 2016.
3. Pension benefits were in part paid into a Group Personal Pension Plan and part paid as a cash supplement for Matt Armitage and Brad Gray. Brad Gray participated in the Group's Defined Benefits scheme until it was discontinued on 1 September 2008 and is entitled to a deferred pension under its rules. This scheme has a normal retirement age of 65. His pension entitlement from the scheme increased during the year to 29 July 2016 by £663 per annum, net of CPI inflation, to £48,633 per annum. £13,260 of the figure shown for Brad Gray relates to the capitalised increase in his defined benefit pension entitlement, calculated in accordance with the reporting requirements.
4. Nigel Pocklington joined the Board on 1 June 2016.
5. Richard Stillwell has elected to forego £20,000 per annum of his fee of £130,000 per annum. Richard Stillwell's fees are shown above after foregoing this proportion of his fees during 2015/2016. The Company donates this sum so withheld, together with a matching sum from the Company, to registered charities.

## INCENTIVE OUTCOMES FOR THE PERIOD ENDED 29 JULY 2016 (Audited)

### ANNUAL BONUS

Executive Directors' bonuses for the year ended 29 July 2016 provided for a payment of up to 100% of salary based 75% on Adjusted EPS performance over the financial year and 25% on like-for-like growth in Adjusted Strategic Marketing segment revenues. All bonuses in excess of 50% of basic salary are deferred into Company shares in line with the overall remuneration policy. Details of the performance of each measure are provided in the table below:

| Measure                                                               | Weighting | Threshold<br>(25% of<br>maximum) | Stretch<br>(100% of<br>maximum) | Actual<br>performance | % of<br>maximum<br>bonus earned | Actual<br>bonus paid<br>(% of maximum) | % of<br>bonus earned<br>deferred in shares |
|-----------------------------------------------------------------------|-----------|----------------------------------|---------------------------------|-----------------------|---------------------------------|----------------------------------------|--------------------------------------------|
| Adjusted EPS                                                          | 75%       | 20.31p                           | 22.31p                          | 17.61p                |                                 |                                        |                                            |
| Like-for-like growth in Adjusted Strategic Marketing segment revenues | 25%       | 4%                               | 7%                              | 11%                   | 25%<br>(see below)              | 0%                                     | n/a                                        |

As shown above, the performance target for like-for-like growth in Adjusted Strategic Marketing segment revenues had been met in full. This would normally have warranted a bonus of up to 25% of salary, however in recognition of the Company's revision of its trading performance during the year, the Executive Directors concluded that it would be inappropriate for them to receive a bonus award for 2015/2016 and asked the Committee that they not be considered for a bonus. The Committee agreed to accept these requests, and accordingly, the Executive Directors received no bonus in respect of the financial year, as reflected in the single figure table above.

## 2012 LTIP

As reported last year, 50% out of 50% of the 2012 LTIP awards subject to the EPS performance condition vested on performance to 31 July 2015. The remaining 50% was based on TSR relative to the constituents of the FTSE All-Share Support Services sector (excluding FTSE100 companies) over the three-year period to 12 November 2015. Having reviewed the Company's relative TSR performance over the three-year period, the Committee concluded that the Company's ranking warranted full vesting of this element, resulting in an overall vesting of 100% out of the potential 100% in respect of this award. The total value of 2012 LTIP awards vesting is included in the single figure table for 2014/2015 above.

## 2013 LTIP

Vesting of the 2013 LTIP awards is dependent on two equally-weighted measures over a three-year period: Adjusted EPS and TSR relative to the FTSE All-Share Support Services sector. Further details, including vesting schedules and performance against each of the metrics, is provided in the table below:

| Measure                                                               | Weighting | Targets                                                                                                                                                                                        | Outcome                                                                | Vesting % |
|-----------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|-----------|
| Adjusted EPS in 2015/2016                                             | 50%       | 0% vesting below 20.0p<br>25% vesting for 20.0p<br>100% vesting for 23.0p or more<br>Straight-line vesting between these points                                                                | 17.61p                                                                 | 0%        |
| TSR relative to the All-Share Support Services sector (excl. FTSE100) | 50%       | 0% vesting below median performance<br>25% vesting for performance in line with median<br>100% vesting for upper quartile performance or greater<br>Straight-line vesting between these points | Performance period ends in November 2016, however EPS underpin not met | 0%        |
| Total vesting                                                         |           |                                                                                                                                                                                                |                                                                        | 0%        |

With regard to the outcome of EPS performance, the Committee, as part of testing the condition, also assessed the potential impact on the targets of the adoption of the amendment to IAS 19 and the impact of the change in accounting policy to treat IAS 19 charges relating to the St Ives defined benefits pension scheme as Adjusting Items. The Adjusted Growth rate in EPS over the three-year performance period was such that the target was not met irrespective of the basis of testing the target (i.e. if the EPS targets had been restated to allow for the impact of IAS 19 and the change in accounting policy, this would not have affected the vesting result and so the Committee was comfortable that the extent of achievement was not impacted by the change in accounting standards and change in policy).

The TSR portion of the award is measured over three years from the date of the award and so is not due to be measured until 12 November 2016. However, the EPS underpin applying to the TSR portion was not met, and accordingly the full award will lapse in November 2016.

## SUMMARY OF LONG-TERM INCENTIVES VESTING IN 2015/2016 (Audited)

The total number of shares which vested in relation to the performance period substantially completed as at year end, and which are reflected in the single figure table on the opposite page, is as follows:

|               | Date of grant | Total number of shares (note 1) | % shares vesting for performance (note 2) | Number of awards vesting | Share price on vesting (pence) | Total value on vesting (£) | Transfer of award/earliest vesting date |
|---------------|---------------|---------------------------------|-------------------------------------------|--------------------------|--------------------------------|----------------------------|-----------------------------------------|
| Matt Armitage | 12 Nov 2013   | 150,000                         | 0%                                        | 0                        | n/a                            | 0                          | 12 Nov 2016                             |

### Notes:

1. Brad Gray holds no awards under either of the 2012 and 2013 LTIP cycles.

2. EPS underpin in respect of 2013 awards was not met and accordingly all shares will lapse in November 2016.



## SCHEME INTERESTS AWARDED DURING THE 2015/2016 FINANCIAL YEAR

In November 2015, Matt Armitage and Brad Gray were granted awards under the Company's LTIP, as follows:

|               | Date of grant | Shares over which awards granted* | Value of shares awarded (£) | % of salary awarded |
|---------------|---------------|-----------------------------------|-----------------------------|---------------------|
| Matt Armitage | 12 Nov 2015   | 216,567                           | £400,000                    | 100%                |
| Brad Gray     | 12 Nov 2015   | 155,657                           | £287,500                    | 125%                |

\* Face value is based on a share price of 184.7 pence.

In recognition of his value to the Company and to support alignment with shareholders' interests, the Committee increased the 2015 LTIP grant to the CFO from 100% to 125% of salary. The CEO's 2015 LTIP grant was made at 100% of salary as in previous years.

Consistent with the change outlined in last year's report, LTIP awards granted in 2015 vest on Adjusted EPS, relative TSR and Adjusted operating profit from the Strategic Marketing segment. This element is based on the percentage of the Group's Adjusted operating profit from the Strategic Marketing segment in the final year of the performance period and, similarly to the relative TSR element, is underpinned by Adjusted EPS performance. The weighting on Adjusted EPS has been reduced to 25% to accommodate the additional measure and the balance (50% of the award) continues to vest on relative TSR.

A summary of the performance conditions is shown in the table below:

| Measure                                                          | Weighting | Targets                                                                                                                                                                                                                                                                                   | Performance measurement period                                                                                       |
|------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Adjusted EPS in 2017/2018                                        | 25%       | 0% vesting below 22.23p<br>25% vesting for 22.23p<br>100% vesting for 25.23p or more<br>Straight-line vesting between these points                                                                                                                                                        | Adjusted EPS in 2017/2018                                                                                            |
| TSR relative to the All-Share Media sector (excl. FTSE100)       | 50%       | 0% vesting below median performance<br>25% vesting for performance in line with median<br>100% vesting for upper quartile performance or greater<br>Straight-line vesting between these points<br><br>Vesting of this element is subject to the satisfaction of an EPS underpin of 21.73p | 3-month average to 27 July 2018 as compared to 3-month average to 31 July 2015                                       |
| Proportion of Adjusted operating profit from Strategic Marketing | 25%       | 0% vesting below 55%<br>25% vesting for 55%<br>100% vesting for 65% or greater<br>Straight-line vesting between these points<br><br>Vesting of this element is subject to the satisfaction of an EPS underpin of 21.73p                                                                   | Adjusted operating profit from Strategic Marketing as compared to total Group Adjusted operating profit in 2017/2018 |

All awards made since 1 October 2013 are subject to a 'clawback' provision, which will enable the Committee to reclaim value that should not have been received in the event that, if within the two-year period following the year of vesting, a material misstatement of the Company's financial results relating to the year of vesting is identified. In such circumstances a clawback would be based on the extent to which the first vesting was overpaid based on new information.

## STATEMENT OF CHANGE IN REMUNERATION OF CHIEF EXECUTIVE COMPARED WITH OTHER EMPLOYEES

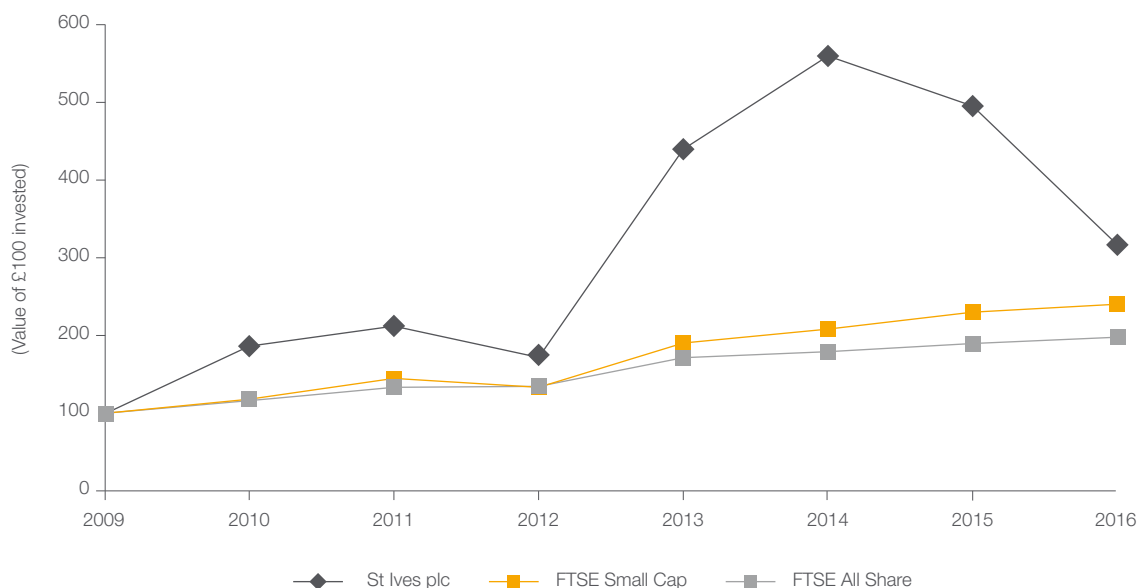
|                  | Chief Executive Officer 2016<br>£'000 | Percentage change vs 2015 | All Employees Percentage change vs 2015 (note 1) |
|------------------|---------------------------------------|---------------------------|--------------------------------------------------|
| Salary           | 400.0                                 | 14.3%                     | 2.15%                                            |
| Benefits in kind | 17.8                                  | 2.3%                      | 1.35%                                            |
| Annual bonus     | 0                                     | -100%                     | -100%                                            |

Note:  
1. Reflects the change in average pay for Group Head Office employees employed in both 2015 and 2016. This subset of employees is felt to be the most appropriate comparator to the Chief Executive Officer as they have a similar remuneration structure.

## REVIEW OF PAST PERFORMANCE

The chart below illustrates the Company's Total Shareholder Return for the seven years ended 29 July 2016, relative to the performance of the FTSE Small Cap Index and FTSE All Share Index. The FTSE Small Cap represents a broad equity index of which the Company is a constituent member.

Source: DataStream



The table below details the Chief Executive Officer's single figure of remuneration over the same seven-year period:

|                                           | 2010<br>Patrick Martell | 2011<br>Patrick Martell | 2012<br>Patrick Martell | 2013<br>Patrick Martell | 2014<br>Patrick Martell | 2015<br>Matt Armitage | 2016<br>Matt Armitage |
|-------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|-----------------------|
| Total remuneration £'000                  | 725.3                   | 802.0                   | 1,246.6                 | 1,335.0                 | 1,648.4                 | 1,133.5               | <b>477.8</b>          |
| Annual bonus as a percentage of maximum   | 100.0                   | 100.0                   | 100.0                   | 96.3                    | 100.0                   | 69.7                  | <b>Nil</b>            |
| Shares vesting as a percentage of maximum | Nil                     | Nil                     | 100.0                   | 93.9                    | 98.5                    | 100.0                 | <b>Nil</b>            |

## RELATIVE IMPORTANCE OF SPEND ON PAY

This table shows overall expenditure on pay, excluding employer's NICs, for all employees; shareholder distributions (payments of dividends); and capital expenditure, with the percentage change in each.

|                            | 2016<br>£'000  | 2015<br>£'000 | Percentage<br>change |
|----------------------------|----------------|---------------|----------------------|
| Overall expenditure on pay | <b>150,717</b> | 124,920       | 20.1%                |
| Dividends paid in the year | <b>10,934</b>  | 9,455         | 15.6%                |
| Capital expenditure        | <b>7,612</b>   | 6,075         | 25.3%                |

## EXIT PAYMENTS MADE IN THE YEAR (Audited)

No exit payments were made in the year.

## PAYMENTS TO PAST DIRECTORS (Audited)

As previously disclosed, a settlement agreement was signed by the Company and Lloyd Wigglesworth on 25 June 2013 setting out the treatment of his entitlements under the Company's LTIP. Under the agreement, one third of his 12 November 2012 LTIP was eligible to vest provided that the relevant performance targets were met and that Mr. Wigglesworth continued to adhere to the terms of the settlement agreement.

As disclosed on page 45, 100% of the November 2012 LTIP awards vested based on the EPS and relative TSR performance conditions, with 80,266 shares released to Mr Wigglesworth on 16 November 2015 as a result. Following this vesting, Mr Wigglesworth has no outstanding LTIP awards in the Company.

## IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2016/2017

### BASIC SALARY

Following the annual review and taking into account business circumstances, it was determined that there would be no increase in salaries of the Chief Executive Officer and Chief Financial Officer for 2016/2017. Salary levels will remain as follows:

|               |                         | From 1 August<br>2016 | From 1 August<br>2015 | % increase |
|---------------|-------------------------|-----------------------|-----------------------|------------|
| Matt Armitage | Chief Executive Officer | £400,000              | £400,000              | 0%         |
| Brad Gray     | Chief Financial Officer | £230,000              | £230,000              | 0%         |

### PENSION AND BENEFITS

No changes in pension contribution rates or benefits provision to the Executive Directors are to be applied during the year.

### ANNUAL BONUS

The annual bonus for the 2016/2017 financial year will operate on broadly the same basis as in 2015/2016. Bonus opportunities for Executive Directors remain at 100% of salary, with any amount earned over 50% of salary deferred in shares for two years and subject to clawback provisions in the event of material misstatement. 75% of the bonus opportunity will be based on Adjusted EPS performance, with the remaining 25% based on the achievement of key strategic/personal objectives. There are no other changes in framework for 2016/2017.

A summary of performance measures and weightings is included in the table below:

| Measure                       | Weighting |
|-------------------------------|-----------|
| Adjusted EPS                  | 75%       |
| Strategic/personal objectives | 25%       |

Whilst actual targets for the annual bonus measures are considered to be commercially sensitive at the current time, it is intended that retrospective disclosure will be provided in next year's Directors' Remuneration Report.

### LONG-TERM INCENTIVES

As a result of the fall in the share price, following the April 2016 Trading Update, LTIP grant sizes will be reduced from 100% of salary to 90% of salary. Performance will continue to be measured over a three-year period and shares will remain subject to clawback for two years after vesting in the event of material misstatement. The Committee intends to base these awards on the same performance measures as used for 2015/2016 awards, namely Adjusted EPS, relative TSR and percentage Adjusted operating profit from the Strategic Marketing segment, with overall vesting of awards underpinned by Committee discretion.

A summary of performance measures, weightings and targets for the forthcoming grant are included in the table below:

| Measure                                                      | Weighting | Targets                                                                                                                                                                                        | Performance measurement period                                                                     |
|--------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Adjusted EPS in 2018/2019                                    | 25%       | 0% vesting below 18.5p<br>25% vesting for 18.5p<br>100% vesting for 20.0p or more<br>Straight-line vesting between these points                                                                | Adjusted EPS in 2018/2019                                                                          |
| TSR relative to the All-Share Media sector (excl. FTSE100)   | 50%       | 0% vesting below median performance<br>25% vesting for performance in line with median<br>100% vesting for upper quartile performance or greater<br>Straight-line vesting between these points | 3-month average to 2 August 2019 as compared to 3-month average to 29 July 2016                    |
| Proportion of operating profit from Strategic Marketing      | 25%       | 0% vesting below 75%<br>25% vesting for 75%<br>100% vesting for 85% or greater<br>Straight-line vesting between these points                                                                   | Operating profit from Strategic Marketing as compared to total Group operating profit in 2018/2019 |
| Vesting of awards is subject to overall Committee discretion |           |                                                                                                                                                                                                |                                                                                                    |



### SAVE AS YOUR EARN SHARE OPTION PLAN ('SHARESAVE SCHEME')

The Company operates a standard HMRC-approved all-employee Sharesave Scheme under which Executive Directors may from time to time participate on the same terms as any other eligible employee. The Directors' interests arising from the award of options under the Sharesave Plan are disclosed on page 51.

### IMPLEMENTATION OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2016/2017

During the prior year, the Committee reviewed the Chairman's fee in light of the time commitment and fees payable at companies of similar size and increased this from £120,000 p.a. to £130,000 from 1 August 2015. With effect from the same date the Committee implemented a decision made by the Board to pay the Non-Executive Directors a base fee of £42,500 p.a. (2014/2015 – £35,000) with an additional fee for the Audit and Remuneration Committee chairs of £7,500 p.a. (2014/2015 – £5,000). The fee for acting as the Senior Independent Director remains at £5,000 p.a. The Chairman has elected to forego his £10,000 p.a. increase, which the Company shall donate, together with a matching sum from the Company, to registered charities.

### SHARE OWNERSHIP GUIDELINES AND DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY (Audited)

Shareholding guidelines are in place that require Executive Directors to acquire a holding equivalent to 200% of basic salary for the Chief Executive Officer and 150% of basic salary for the Chief Financial Officer. These levels are considered appropriate to ensure that there is robust long-term alignment achieved between Executive Directors and shareholders. It is expected that the guidelines will be met by the Executive Directors within five years from the date of their respective appointments. Directors' share dealings must be conducted in accordance with the Company's Share Dealing Policy.

Interests of Directors and their connected persons in 10 pence ordinary shares (fully paid) of the Company at 29 July 2016 were as follows:

|                      | Unvested<br>share options | Unvested LTIP<br>awards (subject<br>to performance<br>conditions) | Unvested<br>deferred bonus<br>share awards | <b>Beneficial<br/>holding<br/>29 July 2016</b> | Beneficial<br>holding<br>1 August 2015 | Expressed as a<br>percentage of<br>annual basic<br>salary (note) |
|----------------------|---------------------------|-------------------------------------------------------------------|--------------------------------------------|------------------------------------------------|----------------------------------------|------------------------------------------------------------------|
| <b>Executive</b>     |                           |                                                                   |                                            |                                                |                                        |                                                                  |
| Matt Armitage        | –                         | 546,285                                                           | 57,440                                     | <b>466,931</b>                                 | 286,149                                | 197%                                                             |
| Brad Gray            | –                         | 258,353                                                           | 11,231                                     | <b>59,767</b>                                  | 47,235                                 | 46%                                                              |
| <b>Non-Executive</b> |                           |                                                                   |                                            |                                                |                                        |                                                                  |
| Mike Butterworth     | –                         | –                                                                 | –                                          | <b>26,000</b>                                  | 11,000                                 | –                                                                |
| Ben Gordon           | –                         | –                                                                 | –                                          | <b>25,000</b>                                  | 10,000                                 | –                                                                |
| Helen Stevenson      | –                         | –                                                                 | –                                          | <b>22,000</b>                                  | 7,000                                  | –                                                                |
| Richard Stillwell    | –                         | –                                                                 | –                                          | <b>90,000</b>                                  | 52,000                                 | –                                                                |
| Nigel Pocklington    | –                         | –                                                                 | –                                          | <b>10,000</b>                                  | –                                      | –                                                                |

Note: Calculated by reference to: the number of unvested deferred bonus share awards added to beneficial holdings; the mid-market closing price of the Company's ordinary shares on 4 October 2016 (150.0 pence); and the Director's annual rate of basic salary.

## DIRECTORS' OUTSTANDING SHARE INCENTIVE AWARDS

Details of the share options held by Directors who served during the year are shown below. All options were granted under the LTIP for Nil consideration.

|               | Date of award | Market price<br>per share<br>at date<br>of award | 1 August<br>2015 | Exercised<br>during year | Lapsed<br>during year | Awarded<br>during year | 29 July<br>2016 | Vesting<br>date | Expiry<br>date |
|---------------|---------------|--------------------------------------------------|------------------|--------------------------|-----------------------|------------------------|-----------------|-----------------|----------------|
| Matt Armitage | 12 Nov 2012   | 104.00p                                          | 240,800          | 240,800                  | –                     | –                      | –               | 12 Nov 2015     | 12 Nov 2022    |
|               | 12 Nov 2013   | 184.25p                                          | 150,000          | –                        | –                     | –                      | 150,000         | 12 Nov 2016     | 12 Nov 2023    |
|               | 12 Nov 2014   | 192.00p                                          | 179,718          | –                        | –                     | –                      | 179,718         | 12 Nov 2017     | 12 Nov 2024    |
|               | 12 Nov 2015   | 184.70p                                          | –                | –                        | –                     | 216,567                | 216,567         | 12 Nov 2018     | 12 Nov 2025    |
|               |               |                                                  | 570,518          | 240,800                  | –                     | 216,567                | 546,285         |                 |                |
| Brad Gray     | 12 Nov 2014   | 192.00p                                          | 102,696          | –                        | –                     | –                      | 102,696         | 12 Nov 2017     | 12 Nov 2024    |
|               | 12 Nov 2015   | 184.70p                                          | –                | –                        | –                     | 155,657                | 155,657         | 12 Nov 2018     | 12 Nov 2025    |
|               |               |                                                  | 102,696          | –                        | –                     | 155,657                | 258,353         |                 |                |

Details of the qualifying performance conditions in relation to outstanding share incentive awards are summarised below:

### ABSOLUTE ADJUSTED BASIC EPS

|                                | 12 November 2013 Award           | 12 November 2014 Award           | 12 November 2015 Award           |
|--------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Performance measurement period | EPS for 2015/2016 financial year | EPS for 2016/2017 financial year | EPS for 2017/2018 financial year |
| Weighing (% of award)          | 50%                              | 50%                              | 25%                              |
| 100% vesting                   | 23.0p or more                    | 24.0p or more                    | 25.23p or more                   |
| Between 25% and 100% vesting   | From 20.0p to 23.0p              | From 21.0p to 24.0p              | From 22.23p to 25.23p            |

### RELATIVE TSR

|                                | 12 November 2013 Award                                      | 12 November 2014 Award                           | 12 November 2015 Award                           |
|--------------------------------|-------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Performance measurement period | 12 Nov 2013 to 12 Nov 2016                                  | 1 Aug 2014 to 28 Jul 2017                        | 1 Aug 2015 to 27 Jul 2018                        |
| Comparator group               | FTSE AllShare Support Services<br>(excl. FTSE100 companies) | FTSE AllShare Media<br>(excl. FTSE100 companies) | FTSE AllShare Media<br>(excl. FTSE100 companies) |
| Weighing (% of award)          | 50%                                                         | 50%                                              | 50%                                              |
| 100% vesting                   | Upper quartile or above                                     | Upper quartile or above                          | Upper quartile or above                          |
| Between 25% and 100% vesting   | Between median and<br>upper quartile                        | Between median and<br>upper quartile             | Between median and<br>upper quartile             |
| EPS underpin                   | 19.0p in the<br>2015/2016 financial year                    | 20.0p in the<br>2016/2017 financial year         | 21.73p in the<br>2017/2018 financial year        |

### PROPORTION OF ADJUSTED OPERATING PROFIT FROM STRATEGIC MARKETING

|                                | 12 November 2013 Award | 12 November 2014 Award | 12 November 2015 Award                                                                                      |
|--------------------------------|------------------------|------------------------|-------------------------------------------------------------------------------------------------------------|
| Performance measurement period | –                      | –                      | Operating profit from Strategic<br>Marketing as compared to total<br>Group operating profit in<br>2017/2018 |
| Weighing (% of award)          | –                      | –                      | 25%                                                                                                         |
| 100% vesting                   | –                      | –                      | 65% or more                                                                                                 |
| Between 25% and 100% vesting   | –                      | –                      | Between 55% and 65%                                                                                         |
| EPS underpin                   | –                      | –                      | 21.73p in the 2017/2018<br>financial year                                                                   |

The market price of St Ives plc ordinary shares of 10 pence each at 29 July 2016 was 109.75 pence and the range during the financial year was 70.75 pence to 244.47 pence.

## SHARE OPTIONS – SHARES SAVE SCHEME

|               | Date of grant | 1 August 2015 | Exercised during year | Lapsed during year | Granted during year | 29 July 2016 | Exercise price pence | Date from which exercisable | Expiry date |
|---------------|---------------|---------------|-----------------------|--------------------|---------------------|--------------|----------------------|-----------------------------|-------------|
| Matt Armitage | 23 Apr 2013   | 6,596         | –                     | –                  | –                   | <b>6,596</b> | 108.60               | 1 Jun 2016                  | 1 Dec 2016  |
| Brad Gray     | 23 Apr 2013   | 6,596         | –                     | –                  | –                   | <b>6,596</b> | 108.60               | 1 Jun 2016                  | 1 Dec 2016  |

## DILUTION

Under the ESOS 2001, LTIP and the Sharesave Scheme, awards of options over no more than an aggregate 10% of the Company's issued share capital may be granted over new issue shares in any rolling ten-year period (with awards made under any other share plans also being counted).

As at 29 July 2016, excluding lapsed options and options exercised and satisfied from utilising existing issued shares, options over 7,071,853 shares (5.0% of the Company's issued share capital) have been exercised through new issue shares or remain outstanding under all share plans and so count towards this limit.

Approved by the Board and signed on its behalf by



**Helen Stevenson**

Chair of the Remuneration Committee  
4 October 2016



The Directors present their Directors' Report and the audited financial statements for the period ended 29 July 2016. The Corporate Governance Report set out on pages 28 to 29 also forms part of this report.

Details of significant events since the balance sheet date are contained in note 37 to the financial statements. An indication of likely future developments in the business of the Company and its subsidiaries are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 28 to the financial statements.

### STRATEGIC REPORT, FUTURE DEVELOPMENT AND GREENHOUSE GAS EMISSIONS

The Strategic Report which the Company is required under law to prepare can be found on pages 2 to 27. The Strategic Report includes disclosures regarding likely future developments in the business of the Group, greenhouse gas emissions and information on the Group's employment policies.

Certain sections of this Annual Report contains forward-looking statements with respect to the strategy, financial condition, results, operations and businesses of the Group or markets in which the Group operates. These statements and forecasts involve risk and uncertainty because they depend on circumstances that occur in the future and relate to specific events, not all of which are within the Group's control. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable, there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statement. Nothing in the Annual Report should be construed as a profit forecast or an invitation to deal in the ordinary shares of St Ives plc.

### DIRECTORS AND THEIR SHARE INTERESTS

The present membership of the Board is set out on pages 30 and 31. Nigel Pocklington was appointed as a Non-Executive Director on 1 June 2016.

The Directors' interests in ordinary shares of the Company are set out in table on page 49 within the Directors' Remuneration Report.

### RESULTS AND DIVIDENDS

The Group loss before taxation for the year amounted to £5,714,000 (2015 – profit of £8,729,000). The Directors propose a final dividend of 5.45 pence for each ordinary share payable on 19 December 2016 to holders on the register as at 25 November 2016. If approved, the final dividend will make total dividends for the year of 7.80 pence per ordinary share:

|                           | £'000 |
|---------------------------|-------|
| <b>Ordinary dividends</b> |       |
| Interim                   | 3,419 |
| Proposed final            | 7,758 |

### EMPLOYMENT POLICIES, EQUAL OPPORTUNITIES, EMPLOYEE COMMUNICATION AND DIVERSITY

The Group is committed to providing equal opportunities with regard to employment, free from discrimination and harassment and in a healthy and safe working environment. Details of how we deliver on these commitments and communicate with our employees are provided in the Corporate and Social Responsibility Report on pages 24 to 27.

### HUMAN RIGHTS

The Company does not have a specific human rights policy, however ethical values and integrity are central to our businesses both in the UK and abroad. As a socially responsible business, we believe that we must operate legally, ethically and to approved policies at all times in order to deliver our customers the best service, consistent quality and confidence that the people who make and sell our products are not being exploited or exposed. Our Ethical Trading Policy establishes the principles which we expect our employees, contractors, agents, suppliers, consultants and other third parties with whom the Group trades to comply.

### GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 28 to the financial statements includes the Group's objectives, policies and processes for managing its interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk. The Strategic Report is to be found on pages 2 to 27.

As highlighted in note 23 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft facility of £15 million that is part of an overall bank facility of £125 million which falls due for renewal on 23 March 2019 with the ability to extend the term for a further year. Subsequent to the period end, the Group has reduced its revolving credit facility to £95 million supplemented by a term loan of £30 million and increased its maximum leverage covenant condition (net debt to Adjusted EBITDA) for the remaining duration of the facility.

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

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

## VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the Company's viability over a three-year period, having taken account of the Company's current situation and principal risks. A three-year assessment period was selected as this gives management and the Board sufficient visibility of the future, is consistent with the duration of a number of contracts with clients and aligns with the Company's bank facility (with the ability to extend for one more year).

The analysis was performed by running a number of extreme, yet plausible, scenarios against a high level financial forecast over the three-year period, starting from the end of the 2015/2016 financial year. The scenarios reflected the estimated financial impact of the events associated with the principal risks outlined in the Risk Report from pages 20 to 23. Examples included competitive pressure resulting in the loss of a key client or a decline in sales due to challenging or uncertain economic conditions.

In addition to an assessment of the impact the individual risks could have on the Company's debt leverage and level of debt, a combination of the risks' impacts occurring simultaneously was also modelled to test the results of a particularly high stress, combined scenario. To support the final conclusion on viability, the assessment also took account of potential mitigations available to the business in the event of a combined scenario.

Based on this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due up to July 2019.

In making this statement, the Directors have also made key assumptions which they consider to be reasonable, for example on volumes, pricing, cost increases and currency movements.

## ACQUISITION OF THE COMPANY'S OWN SHARES

At the 2015 Annual General Meeting, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 13,201,847 shares. This authority ends on the date of the next Annual General Meeting. During the year the Company transferred 362,095 shares out of treasury to the vendors of Fripp, Sandeman and Partners Limited. Since the year end, no further ordinary shares have been purchased. Therefore, at the date of this Report, 90,637 ordinary shares are held in treasury.

## MAJOR INTERESTS IN SHARES

As at 4 October 2016, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company:

|                                        | Number of<br>voting rights | Percentage of<br>issue share<br>capital carrying<br>voting rights* |
|----------------------------------------|----------------------------|--------------------------------------------------------------------|
| Standard Life Investments Limited      | 11,820,074                 | 8.30                                                               |
| RWC Asset Management                   | 7,276,608                  | 5.11                                                               |
| Miton Group plc                        | 6,543,660                  | 4.60                                                               |
| Silchester International Investors LLP | 6,499,556                  | 4.56                                                               |

\* The percentage based on ordinary shares in issue, excluding treasury shares, as at 4 October 2016.

## AUDITOR

A resolution to re-appoint Deloitte LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting to be held on 1 December 2016. Details about this proposal are set out in the Notice of Meeting accompanying the Annual Report and Accounts. In proposing this resolution, the Board has taken into account the view of the Audit Committee on Auditor independence, discussed by the Chair of the Committee on pages 33 and 34.

Each of the Directors of the Company as at 3 October 2016 has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

## POLITICAL DONATIONS

The Company made no political donations during the year (2015 – £Nil) and the Board has no intention to seek shareholders' approval to permit the Board to make political donations.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors (on identical terms) who served during the year, to the extent permitted by law and the Company's articles of association, in respect of liabilities incurred by virtue of their office. Qualifying third party provisions for the benefit of its Directors (as defined by Section 234 of the Companies Act 2006) were in force during the period ended 29 July 2016 and continue to be in force at the date of this Report.

## DIRECTORS' CONFLICT OF INTEREST

In accordance with the provisions of Section 175 of the Companies Act 2006, the Company has procedures in place to deal with the situation where a Director has a conflict of interest and the Nomination Committee regularly reviews conflict authorisation. No conflicts of interest were identified during the period. Directors do not take part in discussions on matters in which they are interested and they may be requested to leave a meeting at which a matter in which they are interested is to be discussed.

## ADDITIONAL INFORMATION

The Company's share capital consists of ordinary shares, as set out in note 29 to the financial statements on page 99. The shares carry no rights to fixed income. All members who hold ordinary shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting, every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The Notice of Meeting specifies deadlines for exercising voting rights and each share carries the right to one vote at general meetings. All shares are fully paid. There are no specific restrictions on the size of a shareholding nor on the transfer of shares, which are both covered by the provisions of the articles of association and prevailing. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

Details of employee share schemes are set out in note 34. Shares held by the Employee Benefit Trust abstain from voting.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Company's articles of association may only be amended by a special resolution of shareholders at a general meeting. Directors are elected or re-elected by ordinary resolution at a general meeting of shareholders. The Board may appoint a Director, but anyone so appointed must be elected by ordinary resolution at the next general meeting. Under the articles of association, Directors retire and may offer themselves for re-election at a general meeting at least every three years.

## ANNUAL GENERAL MEETING

The thirty-fifth Annual General Meeting of the Company will be held on Thursday, 1 December 2016. The Notice of Meeting is included in a separate document sent to shareholders.

## CORPORATE GOVERNANCE

The Corporate Governance Statement as required by the UK Financial Conduct Authority's Disclosure and Transparency Rules (DTR 7.2) comprises the Additional Information section of the Directors' Report, above, and the Corporate Governance Report on pages 28 and 29 of this Annual Report.

## DIRECTORS' REPORT

The following information is also incorporated into the Directors' Report:

| Listing Rule requirement                                                                                                                                                                                                                                                                                                                   | Location in Annual Report                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Details of any long-term incentive schemes as required by LR 9.4.3 R.                                                                                                                                                                                                                                                                      | Directors' remuneration report/pages 38 to 51 |
| Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking. Where a Director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review. | No such waivers                               |
| Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the Company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders.                           | No such share allotments                      |
| The information required under this paragraph (LR 9.8.4 paragraph 7) must be given for any unlisted major subsidiary undertaking of the Company.                                                                                                                                                                                           |                                               |

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



**Daniel Fattal**  
Company Secretary  
4 October 2016



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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework' (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

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

In preparing the Parent Company financial statements, the Directors are required to:

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

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

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

Directors' responsibility statement:

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development, position and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 4 October 2016 and is signed on its behalf by



**Matt Armitage**  
Chief Executive  
4 October 2016



**Brad Gray**  
Chief Financial Officer

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**Opinion on financial statements  
of St Ives plc**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 July 2016 and of the Group's loss for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes 1 to 37 of the Consolidated Financial Statements and notes 1 to 19 of the Company Financial Statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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**Going concern and the Directors'  
assessment of the principal risks  
that would threaten the solvency  
or liquidity of the group**

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Directors' Report on page 52.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 55 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 20 to 23 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on pages 52 and 53 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

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**Independence**

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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**Our assessment of risks  
of material misstatement**

The assessed risks of material misstatement described below, which are the same risks as identified in the prior year, are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

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| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | How the scope of our audit responded to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>The assessment of the carrying value of goodwill and intangible assets</b></p> <p>The assessment of the carrying value of goodwill (£126.6 million) and intangible assets (£37.7 million), (both excluding the amounts recognised related to The App Business Limited ('TAB') and Fripp, Sandeman and Partners Limited ('FSP') acquisitions, assessed separately, as described below) as described in note 11 to the consolidated financial statements, involves considerable judgement due to the challenges in accurately forecasting future cash flows in the changing market environment.</p> <p>Impairments of £2.5 million and £10.2 million have been recognised in relation to the goodwill and intangibles within Tactical Solutions UK Ltd and SP Group Ltd respectively in the year, as the value in use of the CGUs were unable to support the assets held within them.</p> <p>Key assumptions in management's analysis include short and long-term growth rates and the discount rate applied to the future cash flows. Management disclose this as a critical accounting judgement in note 2 to the consolidated financial statements.</p> | <p>We challenged management's assumptions used in their impairment assessment of the Group's goodwill and intangible assets. Our procedures included:</p> <ul style="list-style-type: none"> <li>• assessing the short-term cash flow projections against recent performance, historical forecasting accuracy and gaining an understanding and challenging the key assumptions involved in the forecasts from management, including finance and those outside of finance;</li> <li>• comparing the long-term forecasts against long-term economic growth rates from external data;</li> <li>• comparing the discount rate applied against a broad comparator group as well as involving our internal valuation specialists to assess the key components of the discount rate calculation;</li> <li>• considering the reasonableness of, and recalculating, the sensitivity assessment applied by management, and reviewing the sensitivity disclosure included in the Annual Report and Accounts;</li> <li>• performing further sensitivity analysis of our own on the impairment model; and</li> <li>• assessing the carrying value of the intangibles with specific focus on the ongoing use of the proprietary techniques and corroborating that the customer relationships remained in place.</li> </ul> |
| <p><b>Accounting for business combinations</b></p> <p>St Ives plc has acquired two businesses in the year, for total consideration of £28.2 million, recognising £15.5 million of intangible assets and £9.0 million of goodwill on acquisition. Specific focus has been on the acquisition of TAB given that this represents 96% of goodwill and intangibles acquired in the year.</p> <p>With regards to TAB in particular, the purchase price allocation prepared by management to determine these values contains judgements such as the identification and valuation of intangible assets and an estimation of contingent consideration as set out in note 11 to the accounts. Management acknowledge the judgemental nature of this by including it as a critical accounting judgement in the accounting policies note 2.</p>                                                                                                                                                                                                                                                                                                                            | <p>We have reviewed management's provisional purchase price allocation for both acquisitions and challenged the key inputs. Our procedures included:</p> <ul style="list-style-type: none"> <li>• engaging internal valuations specialists to assist in our review of the underlying assumptions supporting the model, including the methodology used to calculate the value of proprietary techniques, customer relationships and trademarks, the value of the assembled workforce, the internal rate of return and the royalty rate used in valuing the trademark; and</li> <li>• reviewing the accounting for contingent amounts payable to the previous owners of the businesses, particularly the division between consideration and deemed remuneration for both cash and shares.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

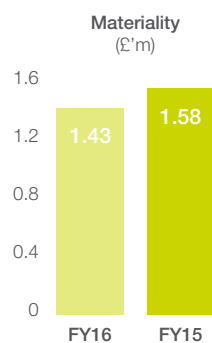


| Risk (Continued)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How the scope of our audit responded to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>The classification of Adjusting Items</b></p> <p>Adjusting Items amount to £36.1 million (pre-tax) For the Period ended 29 July 2016, which consists of the items disclosed in note 7. Management has maintained the same accounting policy year on year. There is a risk that costs relating to the trading operations are being disclosed as Adjusting Items and that items are not being split out in line with St Ives plc accounting policy, which could distort the information presented to shareholders. Further, in light of the European Securities and Markets Authority ('ESMA') Alternative Performance Measures ('APM') guidance, there is increased focus on the balance of GAAP and non-GAAP measures disclosed in the Annual Report.</p> | <p>We challenged the appropriateness of the classification of Adjusting Items. Our procedures included:</p> <ul style="list-style-type: none"> <li>• assessing whether there is sufficient justification for items to be classed as adjusting, particularly in the context of management's accounting policy, as described in note 2;</li> <li>• challenging management on how they have complied with the guidelines issued by ESMA on the APMs discussed within the Annual Report; and</li> <li>• reviewing the Adjusting Items disclosure in note 7 of the accounts in line with IAS 1 'Presentation of financial statements'.</li> </ul> |
| <p><b>Accounting for retirement benefit obligations</b></p> <p>The net pension deficit on the Consolidated Balance Sheet is £26.4 million. There is significant judgement involved in the valuation of the retirement benefit obligations, particularly in relation to determining the assumptions, including discount rate, inflation rates, mortality assumptions (disclosed in note 27) underlying the valuation of the liabilities of the Scheme, with management acknowledging this through its inclusion as a critical accounting judgement in the accounting policies note 2.</p>                                                                                                                                                                        | <p>The audit procedures we performed in respect of this risk included;</p> <ul style="list-style-type: none"> <li>• meeting with the Group's pensions advisors and management to discuss the valuation approach used and the assumptions used in the valuation;</li> <li>• using internal specialists to consider and challenge the actuarial assumptions adopted by the Group for the valuation of its retirement benefit obligations. This includes benchmarking the assumptions against a relevant comparator group.</li> </ul>                                                                                                           |
| <p><b>The valuation of Strategic Marketing revenue recognised</b></p> <p>In the Strategic Marketing businesses there are projects where revenue is recognised on a percentage completion basis as noted in the revenue recognition policy in note 2 to the consolidated financial statements. There is a risk that revenue may be misstated due to the degree of judgement exercised by management in estimating future costs.</p>                                                                                                                                                                                                                                                                                                                              | <p>We have considered management's application of revenue recognition policies to assess compliance with IAS 18 'Revenue'. In particular, this involved:</p> <ul style="list-style-type: none"> <li>• reviewing the underlying contracts to assess whether revenue was correctly recognised in line with the contract; and</li> <li>• selecting a sample of projects spanning the year end and understanding and challenging the judgements used by management in determining which period to recognise revenue and corroborating the judgements made to supporting information.</li> </ul>                                                  |

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 32.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Our application of materiality



We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1,430,000 (2015 – £1,580,000), which is below 5% (2015 – 5%) of Adjusted pre-tax profit, and approximately 1% (2015 – 1%) of equity. We have used Adjusted pre-tax profit, adjusted for certain recurring items, as this is a key measure used by investors and is the measure which is focused on in the front half of the Annual Report as this is how management monitor the business.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £70,000 (2015 – £31,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, and at the request of management and the Audit Committee, other than Solstice and FSP, all active entities were subject to full scope audit, with holding companies, dormant entities and start-up operations in the US and China excluded. In addition, we performed specific audit procedures at Solstice (2015 – No specific audit procedures). These locations represent the principal business units and account for 95% (2015 – 99%) of the Group's net assets, 98% (2015 – 97%) of the Group's revenue and 100% (2015 – 96%) of the Group's Adjusted pre-tax profit. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £114,000 to £715,000 (2015 – £113,000 to £943,000).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team have ensured that they have maintained oversight of the work performed at the components by involving key component team members in our planning briefing, including a discussion of risk assessment, to ensure an integrated approach was followed. We have maintained regular communications with each component throughout the audit, attended closing meetings for each component, and reviewed documentation of the findings from their work.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial period 2016 for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception***Adequacy of explanations received and accounting records*

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

*Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

*Corporate Governance Statement*

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

*Our duty to read other information in the Annual Report*

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report and Accounts is fair, balanced and understandable and whether the Annual Report and Accounts appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

**Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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



## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Kate J. Houldsworth FCA (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, United Kingdom  
4 October 2016

|                                         |      | 52 weeks to 29 July 2016  |                                      |                            | 52 weeks to 31 July 2015  |                                      |                            |
|-----------------------------------------|------|---------------------------|--------------------------------------|----------------------------|---------------------------|--------------------------------------|----------------------------|
|                                         | Note | Adjusted Results<br>£'000 | Adjusting Items<br>(note 7)<br>£'000 | Statutory Results<br>£'000 | Adjusted Results<br>£'000 | Adjusting Items<br>(note 7)<br>£'000 | Statutory Results<br>£'000 |
| <b>Revenue</b>                          | 3    | <b>367,546</b>            | –                                    | <b>367,546</b>             | 344,553                   | –                                    | 344,553                    |
| Cost of sales                           |      | <b>(249,730)</b>          | –                                    | <b>(249,730)</b>           | (229,654)                 | –                                    | (229,654)                  |
| <b>Gross profit</b>                     |      | <b>117,816</b>            | –                                    | <b>117,816</b>             | 114,899                   | –                                    | 114,899                    |
| Selling costs                           |      | <b>(25,011)</b>           | –                                    | <b>(25,011)</b>            | (23,569)                  | (210)                                | (23,779)                   |
| Administrative expenses                 |      | <b>(59,570)</b>           | <b>(33,472)</b>                      | <b>(93,042)</b>            | (56,047)                  | (23,993)                             | (80,040)                   |
| Share of results of joint arrangement   |      | <b>(122)</b>              | –                                    | <b>(122)</b>               | (88)                      | –                                    | (88)                       |
| Other operating income/(expense)        |      | <b>167</b>                | <b>(1,651)</b>                       | <b>(1,484)</b>             | 180                       | 541                                  | 721                        |
| <b>Profit/(loss) from operations</b>    | 5    | <b>33,280</b>             | <b>(35,123)</b>                      | <b>(1,843)</b>             | 35,375                    | (23,662)                             | 11,713                     |
| Pension finance charge                  | 8    | –                         | <b>(972)</b>                         | <b>(972)</b>               | –                         | (373)                                | (373)                      |
| Other finance costs                     | 9    | <b>(2,899)</b>            | –                                    | <b>(2,899)</b>             | (2,398)                   | (213)                                | (2,611)                    |
| <b>Profit/(loss) before tax</b>         |      | <b>30,381</b>             | <b>(36,095)</b>                      | <b>(5,714)</b>             | 32,977                    | (24,248)                             | 8,729                      |
| Income tax (charge)/credit              | 10   | <b>(6,322)</b>            | <b>3,931</b>                         | <b>(2,391)</b>             | (7,014)                   | 3,841                                | (3,173)                    |
| <b>Net profit/(loss) for the period</b> |      | <b>24,059</b>             | <b>(32,164)</b>                      | <b>(8,105)</b>             | 25,963                    | (20,407)                             | 5,556                      |
| <b>Attributable to:</b>                 |      |                           |                                      |                            |                           |                                      |                            |
| Shareholders of the Parent Company      |      | <b>24,059</b>             | <b>(32,164)</b>                      | <b>(8,105)</b>             | 25,963                    | (20,407)                             | 5,556                      |
| Basic earnings/(loss) per share (p)     | 13   | <b>17.61</b>              | <b>(23.54)</b>                       | <b>(5.93)</b>              | 20.32                     | (15.97)                              | 4.35                       |
| Diluted earnings/(loss) per share (p)   | 13   | <b>17.49</b>              | <b>(23.38)</b>                       | <b>(5.89)</b>              | 19.82                     | (15.58)                              | 4.24                       |

|                                                                                                                    | 52 weeks to<br>29 July<br>2016<br>£'000 | 52 weeks to<br>31 July<br>2015<br>£'000 |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>(Loss)/profit for the period</b>                                                                                | <b>(8,105)</b>                          | 5,556                                   |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>                                         |                                         |                                         |
| Actuarial profit/(loss) on defined benefits pension scheme                                                         | 83                                      | (19,691)                                |
| Tax (charge)/credit on items taken directly to equity                                                              | (545)                                   | 3,925                                   |
|                                                                                                                    | <b>(462)</b>                            | (15,766)                                |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                                              |                                         |                                         |
| Transfer of losses on available for sale financial asset – items reclassified to the Consolidated Income Statement | –                                       | 1,540                                   |
| Transfers of losses on cash flow hedges to hedged items                                                            | 127                                     | 60                                      |
| Losses on cash flow hedges                                                                                         | (302)                                   | (127)                                   |
| Profit on foreign exchange                                                                                         | 409                                     | –                                       |
|                                                                                                                    | <b>234</b>                              | 1,473                                   |
| <b>Other comprehensive expense for the period</b>                                                                  | <b>(228)</b>                            | (14,293)                                |
| <b>Total comprehensive expense for the period</b>                                                                  | <b>(8,333)</b>                          | (8,737)                                 |
| <b>Attributable to shareholders of the Parent Company</b>                                                          | <b>(8,333)</b>                          | (8,737)                                 |

|                                                                            | Share capital<br>£'000 | Additional paid-in capital<br>£'000* | ESOP reserve<br>£'000 | Treasury shares<br>£'000 | Share option reserve<br>£'000 | Hedging and translation reserve<br>£'000 | Other reserves<br>£'000 | Retained earnings<br>£'000 | Total<br>£'000 |
|----------------------------------------------------------------------------|------------------------|--------------------------------------|-----------------------|--------------------------|-------------------------------|------------------------------------------|-------------------------|----------------------------|----------------|
| Balance at 2 August 2014                                                   | 12,517                 | 53,234                               | (11)                  | (163)                    | 7,199                         | (34)                                     | 60,225                  | 71,575                     | 144,317        |
| Profit for the period                                                      | –                      | –                                    | –                     | –                        | –                             | –                                        | –                       | 5,556                      | 5,556          |
| Other comprehensive expense                                                | –                      | –                                    | –                     | –                        | –                             | (67)                                     | (67)                    | (14,226)                   | (14,293)       |
| Comprehensive expense                                                      | –                      | –                                    | –                     | –                        | –                             | (67)                                     | (67)                    | (8,670)                    | (8,737)        |
| Dividends                                                                  | –                      | –                                    | –                     | –                        | –                             | –                                        | –                       | (9,455)                    | (9,455)        |
| Acquisitions                                                               | 213                    | 1,731                                | –                     | 845                      | –                             | –                                        | 2,576                   | (917)                      | 1,872          |
| Transfer of share-based contingent consideration deemed as remuneration    | 144                    | 249                                  | –                     | 956                      | (4,437)                       | –                                        | (3,232)                 | 3,810                      | 722            |
| Exchange differences                                                       | –                      | –                                    | –                     | –                        | –                             | 528                                      | 528                     | –                          | 528            |
| Purchase of own shares                                                     | 160                    | –                                    | (382)                 | (2,458)                  | –                             | –                                        | (2,840)                 | –                          | (2,680)        |
| Recognition of share-based payments                                        | 55                     | 307                                  | 393                   | –                        | 4,467                         | –                                        | 5,167                   | 1,204                      | 6,426          |
| Tax on share-based payments                                                | –                      | –                                    | –                     | –                        | (456)                         | –                                        | (456)                   | 345                        | (111)          |
| Balance at 31 July 2015                                                    | 13,089                 | 55,521                               | –                     | (820)                    | 6,773                         | 427                                      | 61,901                  | 57,892                     | 132,882        |
| Loss for the period                                                        | –                      | –                                    | –                     | –                        | –                             | –                                        | –                       | (8,105)                    | (8,105)        |
| Other comprehensive expense                                                | –                      | –                                    | –                     | –                        | –                             | 234                                      | 234                     | (462)                      | (228)          |
| Comprehensive expense                                                      | –                      | –                                    | –                     | –                        | –                             | 234                                      | 234                     | (8,567)                    | (8,333)        |
| Dividends                                                                  | –                      | –                                    | –                     | –                        | –                             | –                                        | –                       | (10,934)                   | (10,934)       |
| Issue of shares                                                            | 775                    | 12,716                               | (135)                 | –                        | –                             | –                                        | 12,581                  | –                          | 13,356         |
| Acquisitions                                                               | 365                    | 1,334                                | –                     | 657                      | –                             | –                                        | 1,991                   | (528)                      | 1,828          |
| Recognition of share-based contingent consideration deemed as remuneration | –                      | –                                    | –                     | –                        | 5,143                         | –                                        | 5,143                   | –                          | 5,143          |
| Transfer of share-based contingent consideration deemed as remuneration    | –                      | 97                                   | –                     | –                        | (3,295)                       | –                                        | (3,198)                 | 3,382                      | 184            |
| Purchase of own shares                                                     | –                      | –                                    | (395)                 | –                        | –                             | –                                        | (395)                   | –                          | (395)          |
| Recognition of share-based payments                                        | –                      | –                                    | –                     | –                        | (236)                         | –                                        | (236)                   | –                          | (236)          |
| Settlement of share-based payments                                         | 15                     | 127                                  | 530                   | –                        | (1,431)                       | –                                        | (774)                   | 868                        | 109            |
| Tax on share-based payments                                                | –                      | –                                    | –                     | –                        | (231)                         | –                                        | (231)                   | 255                        | 24             |
| <b>Balance at 29 July 2016</b>                                             | <b>14,244</b>          | <b>69,795</b>                        | <b>–</b>              | <b>(163)</b>             | <b>6,723</b>                  | <b>661</b>                               | <b>77,016</b>           | <b>42,368</b>              | <b>133,628</b> |

\* Additional paid-in capital includes share premium, merger reserve and capital redemption reserve (note 30).



|                                  | Note | 29 July<br>2016<br>£'000 | 31 July<br>2015<br>£'000 |
|----------------------------------|------|--------------------------|--------------------------|
| <b>Assets</b>                    |      |                          |                          |
| <b>Non-current assets</b>        |      |                          |                          |
| Property, plant and equipment    | 14   | 35,559                   | 48,242                   |
| Investment property              | 15   | 6,203                    | –                        |
| Goodwill                         | 16   | 135,633                  | 137,488                  |
| Other intangible assets          | 16   | 53,234                   | 45,652                   |
| Available for sale               | 17   | 3                        | 3                        |
| Investment in joint arrangement  | 18   | 94                       | 109                      |
| Deferred tax assets              | 26   | 232                      | 139                      |
| Other non-current assets         | 20   | 374                      | 1,086                    |
|                                  |      | <b>231,332</b>           | <b>232,719</b>           |
| <b>Current assets</b>            |      |                          |                          |
| Inventories                      | 19   | 7,482                    | 6,579                    |
| Trade and other receivables      | 20   | 90,761                   | 75,945                   |
| Derivative financial instruments | 21   | –                        | 165                      |
| Income tax receivable            |      | 1,246                    | –                        |
| Asset held for sale              | 15   | 1,481                    | 412                      |
| Cash and cash equivalents        | 20   | 11,835                   | 16,392                   |
|                                  |      | <b>112,805</b>           | <b>99,493</b>            |
| <b>Total assets</b>              |      | <b>344,137</b>           | <b>332,212</b>           |
| <b>Liabilities</b>               |      |                          |                          |
| <b>Current liabilities</b>       |      |                          |                          |
| Trade and other payables         | 22   | 76,486                   | 71,070                   |
| Derivative financial instruments | 21   | 535                      | 4                        |
| Income tax payable               |      | –                        | 355                      |
| Deferred consideration payable   |      | 1,772                    | 4,879                    |
| Deferred income                  | 24   | 6,206                    | 6,976                    |
| Provisions                       | 25   | 31                       | 408                      |
|                                  |      | <b>85,030</b>            | <b>83,692</b>            |
| <b>Non-current liabilities</b>   |      |                          |                          |
| Loans                            | 23   | 92,595                   | 79,225                   |
| Retirement benefits obligations  | 27   | 26,394                   | 27,597                   |
| Deferred consideration payable   |      | –                        | 3,487                    |
| Other non-current liabilities    |      | 814                      | 698                      |
| Provisions                       | 25   | 2,185                    | 1,732                    |
| Deferred income                  | 24   | –                        | 81                       |
| Deferred tax liabilities         | 26   | 3,491                    | 2,818                    |
|                                  |      | <b>125,479</b>           | <b>115,638</b>           |
| <b>Total liabilities</b>         |      | <b>210,509</b>           | <b>199,330</b>           |
| <b>Net assets</b>                |      | <b>133,628</b>           | <b>132,882</b>           |
| <b>Equity</b>                    |      |                          |                          |
| <b>Capital and reserves</b>      |      |                          |                          |
| Share capital                    | 29   | 14,244                   | 13,089                   |
| Other reserves                   |      | 77,016                   | 61,901                   |
| Retained earnings                |      | 42,368                   | 57,892                   |
| <b>Total equity</b>              |      | <b>133,628</b>           | <b>132,882</b>           |

These financial statements were approved by the Board of Directors on 4 October 2016 and signed on its behalf by

  
**Matt Armitage**  
Chief Executive

  
**Brad Gray**  
Chief Financial Officer

|                                                                    | Note | 52 weeks to<br>29 July<br>2016<br>£'000 | 52 weeks to<br>31 July<br>2015<br>£'000 |
|--------------------------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
| <b>Operating activities</b>                                        |      |                                         |                                         |
| Cash generated from operations                                     | 32   | 23,650                                  | 35,510                                  |
| Interest paid                                                      |      | (2,899)                                 | (2,398)                                 |
| Income taxes paid                                                  |      | (6,286)                                 | (6,595)                                 |
| <b>Net cash generated from operating activities</b>                |      | <b>14,465</b>                           | <b>26,517</b>                           |
| <b>Investing activities</b>                                        |      |                                         |                                         |
| Purchase of property, plant and equipment                          |      | (7,124)                                 | (5,542)                                 |
| Purchase of other intangibles                                      |      | (488)                                   | (533)                                   |
| Proceeds on disposal of property, plant and equipment              |      | 3,315                                   | 4,751                                   |
| Acquisition of subsidiaries, net of cash acquired                  | 11   | (20,937)                                | (19,854)                                |
| Deferred consideration paid for acquisitions made in prior periods | 11   | (5,790)                                 | (14,626)                                |
| <b>Net cash used in investing activities</b>                       |      | <b>(31,024)</b>                         | <b>(35,804)</b>                         |
| <b>Financing activities</b>                                        |      |                                         |                                         |
| Proceeds on issue of shares                                        |      | 13,356                                  | –                                       |
| Dividends paid                                                     | 12   | (10,934)                                | (9,455)                                 |
| Purchase of treasury shares                                        |      | (395)                                   | (2,680)                                 |
| Decrease in finance lease obligations                              |      | –                                       | (28)                                    |
| Increase in bank loans                                             |      | 10,000                                  | 24,225                                  |
| <b>Net cash generated from financing activities</b>                |      | <b>12,027</b>                           | <b>12,062</b>                           |
| <b>Net (decrease)/increase in cash and cash equivalents</b>        |      | <b>(4,532)</b>                          | <b>2,775</b>                            |
| <b>Cash and cash equivalents at beginning of the period</b>        |      | <b>16,392</b>                           | <b>12,336</b>                           |
| Effect of foreign exchange rate changes                            |      | (25)                                    | 1,281                                   |
| <b>Cash and cash equivalents at end of the period</b>              | 32   | <b>11,835</b>                           | <b>16,392</b>                           |

**1. GENERAL INFORMATION**

St Ives plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is One Tudor Street, London, EC4Y 0AH. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Performance Review, pages 6 to 9.

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

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

|                                                                                                     |                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| IAS 1 (amendments)                                                                                  | Disclosure Initiative effective after 1 January 2016                                                                              |
| IFRS 12 (amendments)                                                                                | Disclosure of Interest in Other Entities effective after 1 January 2016                                                           |
| IAS 28 (amendments)                                                                                 | Investment in Associates effective after 1 January 2016                                                                           |
| IAS 16 (amendments)                                                                                 | Property, Plant and Equipment; this amendment is mandatory for accounting periods effective after 1 January 2016                  |
| IAS 27 (amendments)                                                                                 | Equity Method in Separate Financial Statements; this amendment is mandatory for accounting periods effective after 1 January 2016 |
| IFRS 11 (amendments)                                                                                | Joint Arrangements; this amendment is mandatory for accounting periods effective after 1 January 2016                             |
| IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation |                                                                                                                                   |

In addition, 'Annual Improvements 2012-2014 Cycle' includes amendments to a number of Standards and Interpretations including IFRS 5, IFRS 7, IAS 19 and IAS 34. The effective date of all the amendments is for annual periods beginning on or after 1 January 2016.

At the date of authorisation of these financial statements, the following Standards, Amendments and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Group has not applied these standards in the preparation of the consolidated financial statements:

|                     |                                                                                                                         |
|---------------------|-------------------------------------------------------------------------------------------------------------------------|
| IFRS 9              | Financial Instruments; this standard is mandatory for accounting periods effective after 1 January 2018                 |
| IFRS 15             | Revenue from Contracts with Customers; this standard is mandatory for accounting periods effective after 1 January 2018 |
| IFRS 16             | Leases; this standard is mandatory for accounting periods effective after 1 January 2019                                |
| IFRS 2 (amendments) | Share-based Payment Transactions; this amendment is mandatory for accounting periods effective after 1 January 2018     |
| IAS 7 (amendments)  | Disclosure initiative; this standard is mandatory for accounting periods effective after 1 January 2017                 |
| IAS 12 (amendments) | Deferred Tax; this standard is mandatory for accounting periods effective after 1 January 2017                          |

It is not practicable to provide a reasonable estimate of the effects of the above standards until a detailed review has been completed.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB') and Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The significant accounting policies adopted are set out below.

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

**Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on pages 52 to 54.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

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

The results of subsidiaries acquired during the period are included in the Consolidated Income Statement from the effective date of acquisition.

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

### (b) Columnar classification in the Consolidated Income Statement

'Statutory Results' presented in the Consolidated Income Statement include Adjusting Items.

Income statement items are presented in the middle column under the heading 'Adjusting Items' where they are significant in size and either they do not form part of the trading activities of the Group or, in the opinion of the Directors, their separate presentation enhances understanding of the financial performance of the Group.

Items classified as Adjusting Items are as follows:

- redundancies and restructuring costs;
- operating results of a site arising after a formal decision on its closure has been taken where that site does not meet the definition of a discontinued operation under IFRS 5 – Assets held for sale and discontinued operations (in which case the site and its activities are referred to as a 'non-continuing operation');
- gain or loss on disposal of properties related to businesses that were closed or disposed of by the Group;
- costs related to the acquisition of businesses or setting up new subsidiaries;
- non-cash impairment or amortisation charges related to goodwill and intangible assets identified through acquisition accounting;
- non-cash charges related to contingent consideration required to be treated as remuneration for acquired businesses;
- movements in deferred consideration in respect of acquisitions; and
- administrative costs, curtailments and the net pension finance charge related to the St Ives Defined Benefits Pension Scheme which was closed to new entrants from 6 April 2002 and closed to future benefit accruals with effect from 31 August 2008.

When reviewing these items, the Directors considered the guidance recently issued by the European Securities and Markets Authority ('ESMA').

The results, excluding Adjusting Items, are presented in the Consolidated Income Statement under the heading 'Adjusted Results', in order to provide a consistent and comparable view of the performance of the Group's ongoing business.

A reconciliation of Statutory Results to Adjusted Results can be found in the Consolidated Income Statement. Further details relating to the Adjusting Items are available in note 7.

### (c) Revenue recognition

#### Revenue

Revenue is measured at the fair value of consideration received or receivable and comprises amounts receivable for goods and services, net of trade discounts, up-front payments, VAT and other sales-related taxes.

Revenue for goods is recognised in the Consolidated Income Statement when all the following conditions are satisfied:

- the significant risks and rewards of ownership are transferred to the customer, normally on shipment of the product;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue for service is recognised as services are delivered or in proportion to the level of services performed. Revenue for the level of services performed is recognised using the stage of completion method when the outcome can be measured reliably. The stage of completion is determined using relevant criteria including service performed as a percentage of total services.

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

#### Interest income

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



#### (d) Intangible assets

##### Goodwill

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

##### Other intangible assets – computer software

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

##### Other intangible assets – customer relationships

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

##### Other intangible assets – proprietary techniques

Proprietary techniques identified as separable intangible assets in the context of business combinations are capitalised at their fair value at the date of acquisition. They are fully amortised over their estimated useful life which is generally three to ten years.

##### Other intangible assets – trademarks

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

All intangible assets with finite lives are amortised on a straight-line basis.

#### (e) Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED****(f) Impairment of property, plant, equipment and intangible assets excluding goodwill**

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

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

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

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

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

A reversal of an impairment loss is recognised as income immediately in the Consolidated Income Statement.

**(g) Impairment of goodwill**

Goodwill arising on acquisition is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level at which goodwill is monitored by the Group's Board of Directors for internal management purposes. The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial period, or more frequently when such events or changes in circumstances indicate that it may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Any impairment is recognised immediately in the Consolidated Income Statement. Impairments of goodwill are not subsequently reversed.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**(h) Inventories**

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

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

**(i) Tax**

The tax expense in the Consolidated Income Statement comprises tax currently payable and deferred tax.

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in the Consolidated Statement of Comprehensive Income.

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

#### **Current tax and deferred tax for the year**

Current tax and deferred tax are recognised in the Consolidated Income Statement, except when they relate to items that are recognised in the Consolidated Statement of Comprehensive Income or directly to the Consolidated Statement of Changes in Equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **(j) Provisions**

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

#### **Provisions for repairs**

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

#### **Provisions for restructuring costs**

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

#### **(k) Foreign currencies**

The individual statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

Exchange differences are recognised in the Consolidated Income Statement in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in the Consolidated Statement of Comprehensive Income and reclassified to the Consolidated Income Statement on disposal or partial disposal of the net investment.

Foreign currency differences arising on translation or settlement of monetary items are recognised in the Consolidated Income Statement.

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED****(I) Financial instruments**

Financial assets and financial liabilities are recognised in the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its investments in the following categories:

| Financial instrument category    | Note | Classification                      | Measurement                        | Fair value measurement hierarchy* |
|----------------------------------|------|-------------------------------------|------------------------------------|-----------------------------------|
| Trade and other receivables      | 20   | Loans and receivables               | Amortised cost                     | N/A                               |
| Cash and cash equivalents        | 20   | Loans and receivables               | Amortised cost                     | N/A                               |
| Bank borrowings                  | 23   | Other financial liabilities         | Amortised cost                     | N/A                               |
| Available for sale investments   | 17   | Available-for-sale financial assets | Fair value through profit and loss | 3                                 |
| Trade and other payables         | 22   | Other financial liabilities         | Amortised cost                     | N/A                               |
| Derivative financial instruments | 21   | Derivative instrument               | Fair value through profit and loss | 2                                 |
| Deferred consideration payable   | –    | Other financial liabilities         | Fair value through profit and loss | 3                                 |
| Investment property              | 15   | Investment property                 | Amortised cost                     | 2                                 |

\* The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

Fair value measurements, where applicable, are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group's primary categories of financial instruments are listed below:

**Trade and other receivables**

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

**Cash and cash equivalents**

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

**Bank borrowings**

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

**Available for sale investments**

Unlisted shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair values of unlisted shares are calculated with reference to exit price. All available-for-sale investments carried at fair value have been fair valued using a level 3 measurement as per the fair value hierarchy defined in IFRS 7. Gains or losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period.

**Trade and other payables**

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

**Investment properties**

Investment properties are properties which are held to earn rental income and are stated at cost less accumulated depreciation.

Depreciation is charged between 2% to 4% so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Income Statement in the period in which the property is derecognised.



### Derivative financial instruments and hedge accounting

The Group is exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses derivative financial instruments to hedge its exposure to foreign exchange for the purchase of capital equipment denominated in foreign currencies and the sale of goods similarly denominated.

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

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in the Statement of Other Comprehensive Income and the ineffective portion is recognised immediately in the Consolidated Income Statement.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in the Statement of Other Comprehensive Income are included in the initial measurements of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the Consolidated Income Statement in the same period as gains or losses are recognised on the hedged item.

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

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

At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Consolidated Income Statement.

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

### Deferred consideration payable

Deferred consideration payable and consideration required to be treated as remuneration are dependent on a multiple of future EBITDA and the related amounts are based on forecasts that have been derived from the most recent budgets and forecasts. Any change in the fair value of the outcome is recognised in the Consolidated Income Statement as an Adjusting Item. The deferred consideration payable is recognised as a financial liability.

The Directors consider that the carrying value of all financial assets and liabilities is approximately equal to their fair value, except for investment property, which are recorded at amortised cost. The fair value of these assets is disclosed in note 15.

### (m) Retirement benefits

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

For the St Ives Defined Benefits Pension Scheme ('the Scheme') full actuarial calculations are carried out every three years using the projected unit credit method and updates are performed for each financial period end. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and presented in the Consolidated Statement of Comprehensive Income.

The retirement benefits obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefits obligations and unrecognised past service costs, and as reduced by the fair value of the Scheme's assets.

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

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

The Scheme was closed to new entrants in 2002 and to the future accrual of benefits in 2008. The composition of the Group has changed significantly since 2008 with a number of Companies sold or closed and from June 2010 to date the Group has made twelve acquisitions. Given the closure of the Scheme and the change in the composition of the Group, the Board has concluded that the Scheme's income and expenses do not relate to the underlying trading activities of the Group. Furthermore the underlying assumptions used in the Scheme's valuation are determined by reference to external market data (notably discount and inflation rates) that are outside the Group's control and can vary significantly between periods. The Group's accounting policy is to record the income and expenses related to the Scheme as an Adjusting Item.

## 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (m) Retirement benefits continued

Defined benefit income and expenses are split into three categories:

- gains and losses on curtailments and settlements and costs incurred in the running of the Scheme;
- net pension finance charge; and
- remeasurement of gains and losses.

The Group presents the first two components of the Scheme's costs within Adjusting Items in its Consolidated Income Statement and the re-measurement costs within the Consolidated Statement of Comprehensive Income.

### (n) Share-based payments

The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. The fair value of share options issued is measured using the Black Scholes model, for the effects of non-transferability, exercise restrictions and behavioural considerations.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

The cumulative expense is reversed when an employee in receipt of the share options terminates service prior to the completion of vesting period. Where the terms of an equity-settled award are modified on termination of the employment, the total fair value of the share-based payments is recorded in the Consolidated Income Statement.

### (o) Leases

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

Rental costs under operating leases are charged to the Consolidated Income Statement in equal amounts over the terms of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

### (p) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed by the Group together with the equity instruments equivalent to the mid-market share price on the date of completion, in exchange for control of the acquiree. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

Contingent consideration payable to selling shareholders who continue to be employed by the Group, but which is automatically forfeited upon termination of employment, is classified as remuneration for post-combination services and is recorded in the Consolidated Income Statement.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the Statement of Comprehensive Income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

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

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

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

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

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

#### (q) Joint arrangements

Joint arrangements are entities where no one party is able to exercise overall control in which the Group has an interest. The Group's share of the post-tax results of its joint arrangements is included in the Consolidated Income Statement using the equity method of accounting. Where the Group transacts with a joint arrangement, profits and losses are eliminated to the extent of the Group's interest in the joint arrangement.

Investments in joint arrangements are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity, less any provision for impairment.

#### (r) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of amortised cost and fair value less costs of disposal. Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be completed within one year from the date of classification as an asset held for sale.

#### (s) Critical accounting judgements

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

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value in use the forecast of future cash flows of cash-generating units and selection of appropriate discount rates is required to calculate present values, a process which involves estimation. The recoverability analysis indicates that, other than as indicated in note 16, the carrying amount of goodwill will be recovered in full. The situation will be monitored closely should future developments indicate that adjustments are appropriate. The carrying value of goodwill at the balance sheet date was £135.6 million (2015 – £137.5 million).

#### Impairment of acquired intangibles and property, plant and equipment

The Group considers the recoverability of acquired intangibles and property, plant and equipment which is included within the Consolidated Balance Sheet at £52.0 million and £35.6 million respectively. The key areas of judgement when assessing the recoverability of these assets are in relation to the discount rates, terminal growth rates, budgets and outlook years to be applied to forecast cash flows.

#### Acquisition accounting

Purchase price allocation related to acquisitions requires judgements to be made regarding the assumptions used to derive the value of the acquired intangible assets including proprietary techniques, customer relationships and trademarks. During the period, the Group acquired Fripp, Sandeman and Partners Limited and The App Business Limited. Goodwill amounts on the acquisition of these businesses were £0.7 million and £8.4 million respectively.

#### Retirement benefits obligations

The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net deficit in the Consolidated Balance Sheet for the retirement benefits scheme was £26.4 million (2015 – £27.6 million).

### 3. REVENUE

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

|                                                          | 2016<br>£'000 | 2015<br>£'000 |
|----------------------------------------------------------|---------------|---------------|
| Sale of goods                                            | 223,391       | 233,863       |
| Rendering of services                                    | 144,155       | 110,690       |
| Revenue from the sale of goods and rendering of services | 367,546       | 344,553       |

**4. SEGMENT REPORTING**

The Group manages its business on a market segment basis, based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer as they are primarily responsible for the allocation of resources to the segments and the assessment of performance of the segments.

The Strategic Marketing segment comprises of the Group's Data, Digital and Insight businesses. The Marketing Activation segment includes businesses which deliver marketing communications through a combination of print and in-store marketing services. The Books segment comprises of Clays.

Corporate costs are allocated to revenue-generating segments as this presentation better reflects their profitability.

**Business segments**

|                                                | 52 weeks to 29 July 2016        |                                  |                |                |
|------------------------------------------------|---------------------------------|----------------------------------|----------------|----------------|
|                                                | Strategic<br>Marketing<br>£'000 | Marketing<br>Activation<br>£'000 | Books<br>£'000 | Total<br>£'000 |
| <b>Revenue</b>                                 |                                 |                                  |                |                |
| External sales                                 | 138,745                         | 159,694                          | 69,107         | 367,546        |
| Group sales                                    | 6,987                           | 10,411                           | 17             | 17,415         |
| Intercompany eliminations                      | (1,577)                         | (15,298)                         | (540)          | (17,415)       |
| <b>Total revenue</b>                           | <b>144,155</b>                  | <b>154,807</b>                   | <b>68,584</b>  | <b>367,546</b> |
| <b>Results</b>                                 |                                 |                                  |                |                |
| Operating profit before Adjusting Items        | 19,354                          | 8,084                            | 5,842          | 33,280         |
| Adjusting Items                                | (18,140)                        | (15,752)                         | (1,231)        | (35,123)       |
| <b>Statutory profit/(loss) from operations</b> | <b>1,214</b>                    | <b>(7,668)</b>                   | <b>4,611</b>   | <b>(1,843)</b> |
| Pension finance charge                         |                                 |                                  |                | (972)          |
| Other finance costs                            |                                 |                                  |                | (2,899)        |
| <b>Statutory loss before tax</b>               |                                 |                                  |                | <b>(5,714)</b> |
| Income tax charge                              |                                 |                                  |                | (2,391)        |
| <b>Statutory net loss for the period</b>       |                                 |                                  |                | <b>(8,105)</b> |

|                                                | 52 weeks to 31 July 2015        |                                  |                |                |
|------------------------------------------------|---------------------------------|----------------------------------|----------------|----------------|
|                                                | Strategic<br>Marketing<br>£'000 | Marketing<br>Activation<br>£'000 | Books<br>£'000 | Total<br>£'000 |
| <b>Revenue</b>                                 |                                 |                                  |                |                |
| External sales                                 | 107,084                         | 170,494                          | 66,975         | 344,553        |
| Group sales                                    | 4,639                           | 9,822                            | 28             | 14,489         |
| Intercompany eliminations                      | (1,033)                         | (13,346)                         | (110)          | (14,489)       |
| <b>Total revenue</b>                           | <b>110,690</b>                  | <b>166,970</b>                   | <b>66,893</b>  | <b>344,553</b> |
| <b>Results</b>                                 |                                 |                                  |                |                |
| Operating profit before Adjusting Items        | 16,340                          | 10,947                           | 8,088          | 35,375         |
| Adjusting Items                                | (16,983)                        | (4,719)                          | (1,960)        | (23,662)       |
| <b>Statutory (loss)/profit from operations</b> | <b>(643)</b>                    | <b>6,228</b>                     | <b>6,128</b>   | <b>11,713</b>  |
| Pension finance charge                         |                                 |                                  |                | (373)          |
| Other finance costs                            |                                 |                                  |                | (2,611)        |
| <b>Statutory profit before tax</b>             |                                 |                                  |                | <b>8,729</b>   |
| Income tax charge                              |                                 |                                  |                | (3,173)        |
| <b>Statutory net profit for the period</b>     |                                 |                                  |                | <b>5,556</b>   |



**Other information**

52 weeks to 29 July 2016

|                                       | Strategic<br>Marketing<br>£'000 | Marketing<br>Activation<br>£'000 | Books<br>£'000 | Total<br>£'000 |
|---------------------------------------|---------------------------------|----------------------------------|----------------|----------------|
| Capital additions                     | 3,161                           | 1,358                            | 2,244          | 6,763          |
| Depreciation and amortisation charges | 10,928                          | 3,130                            | 3,159          | 17,217         |
| Impairment charges                    | –                               | 12,712                           | –              | 12,712         |

52 weeks to 31 July 2015

|                                       | Strategic<br>Marketing<br>£'000 | Marketing<br>Activation<br>£'000 | Books<br>£'000 | Total<br>£'000 |
|---------------------------------------|---------------------------------|----------------------------------|----------------|----------------|
| Capital additions                     | 1,280                           | 1,233                            | 4,262          | 6,775          |
| Depreciation and amortisation charges | 8,484                           | 4,095                            | 3,311          | 15,890         |
| Impairment charges                    | –                               | 1,470                            | –              | 1,470          |

**Balance sheet**

29 July 2016

|                                       | Strategic<br>Marketing<br>£'000 | Marketing<br>Activation<br>£'000 | Books<br>£'000 | Total<br>£'000 |
|---------------------------------------|---------------------------------|----------------------------------|----------------|----------------|
| <b>Assets</b>                         |                                 |                                  |                |                |
| Segment assets                        | 199,813                         | 87,041                           | 44,199         | 331,053        |
| Unallocated corporate assets          |                                 |                                  |                | 13,084         |
| <b>Consolidated total assets</b>      |                                 |                                  |                | <b>344,137</b> |
| <b>Liabilities</b>                    |                                 |                                  |                |                |
| Segment liabilities                   | 32,209                          | 41,188                           | 14,632         | 88,029         |
| Unallocated corporate liabilities     |                                 |                                  |                | 122,480        |
| <b>Consolidated total liabilities</b> |                                 |                                  |                | <b>210,509</b> |

31 July 2015

|                                       | Strategic<br>Marketing<br>£'000 | Marketing<br>Activation<br>£'000 | Books<br>£'000 | Total<br>£'000 |
|---------------------------------------|---------------------------------|----------------------------------|----------------|----------------|
| <b>Assets</b>                         |                                 |                                  |                |                |
| Segment assets                        | 162,249                         | 103,674                          | 49,894         | 315,817        |
| Unallocated corporate assets          |                                 |                                  |                | 16,395         |
| <b>Consolidated total assets</b>      |                                 |                                  |                | <b>332,212</b> |
| <b>Liabilities</b>                    |                                 |                                  |                |                |
| Segment liabilities                   | 33,872                          | 39,179                           | 16,284         | 89,335         |
| Unallocated corporate liabilities     |                                 |                                  |                | 109,995        |
| <b>Consolidated total liabilities</b> |                                 |                                  |                | <b>199,330</b> |

**4. SEGMENT REPORTING CONTINUED****Geographical segments**

The Strategic Marketing, Marketing Activation and Books segments operate primarily in the UK, deriving more than 85% of the total revenue from customers located in the UK and 10% of the total revenue from customers located in the US.

The largest customer of the Group accounted for £25.9 million (2015 – £30.9 million) of revenue in the current period.

**Reconciliation of segment assets and liabilities**

|                                                     | 29 July<br>2016<br>£'000 | 31 July<br>2015<br>£'000 |
|-----------------------------------------------------|--------------------------|--------------------------|
| Unallocated corporate assets comprise:              |                          |                          |
| Financial assets                                    | 3                        | 3                        |
| Income tax receivable                               | 1,246                    | –                        |
| Cash and cash equivalents                           | 11,835                   | 16,392                   |
| <b>Unallocated assets as per balance sheet</b>      | <b>13,084</b>            | <b>16,395</b>            |
| Unallocated corporate liabilities comprise:         |                          |                          |
| Deferred tax liabilities                            | 3,491                    | 2,818                    |
| Current tax payable                                 | –                        | 355                      |
| Loans and bank overdrafts (non-current)             | 92,595                   | 79,225                   |
| Retirement benefits obligations                     | 26,394                   | 27,597                   |
| <b>Unallocated liabilities as per balance sheet</b> | <b>122,480</b>           | <b>109,995</b>           |

**5. PROFIT/(LOSS) FROM OPERATIONS**

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

|                                                            | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------------------------------|---------------|---------------|
| <b>Auditors' remuneration</b>                              |               |               |
| Audit fees:                                                |               |               |
| – Audit of the Company accounts                            | 135           | 130           |
| – Audit of the accounts of the Company's subsidiaries      | 312           | 263           |
| Other assurance                                            | 37            | 28            |
| <b>Non-audit fees:</b>                                     |               |               |
| Tax compliance services                                    | 19            | 16            |
| Corporate finance services                                 | 5             | –             |
|                                                            | <b>508</b>    | <b>437</b>    |
| Staff costs (note 6)                                       | 155,624       | 130,806       |
| Depreciation of property, plant and equipment (note 14)    | 7,003         | 7,201         |
| Depreciation of investment property (note 15)              | 198           | –             |
| Impairment of goodwill and intangible assets (note 16)     | 12,712        | 1,470         |
| Amortisation of intangible assets (note 16)                | 10,016        | 8,689         |
| <b>Operating lease rentals</b>                             |               |               |
| – land and buildings                                       | 4,954         | 2,579         |
| – plant and equipment                                      | 107           | 85            |
| – other                                                    | 1,805         | 1,311         |
| Loss/(profit) on disposal of property, plant and equipment | 1,484         | (721)         |

## 6. STAFF COSTS

The average monthly number of employees (including Executive Directors) was:

|                | 2016<br>Number | 2015<br>Number |
|----------------|----------------|----------------|
| Operations     | 2,546          | 1,970          |
| Sales          | 396            | 607            |
| Administration | 476            | 564            |
|                | <b>3,418</b>   | <b>3,141</b>   |

Their aggregate remuneration comprised:

|                       | 2016<br>£'000  | 2015<br>£'000  |
|-----------------------|----------------|----------------|
| Wages and salaries    | 134,149        | 109,616        |
| Social security costs | 12,660         | 10,705         |
| Other pension costs   | 3,908          | 4,599          |
|                       | <b>150,717</b> | <b>124,920</b> |
| Share-based payment   | 4,907          | 5,886          |
|                       | <b>155,624</b> | <b>130,806</b> |

## 7. ADJUSTING ITEMS

Adjusting Items disclosed on the face of the Consolidated Income Statement included in respect of continuing operations are as follows:

| Expense/(income)                                                         | 2016<br>£'000 | 2016<br>£'000 | 2015<br>£'000 | 2015<br>£'000 |
|--------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Restructuring items</b>                                               |               |               |               |               |
| Redundancies and other charges                                           | 1,612         |               | 2,408         |               |
| Costs associated with empty properties                                   | 976           |               | 671           |               |
|                                                                          |               | <b>2,588</b>  |               | <b>3,079</b>  |
| <b>St Ives Defined Benefits Pension Scheme costs</b>                     |               |               |               |               |
| Administrative costs                                                     | 582           |               | 562           |               |
| Curtailment credit                                                       | (198)         |               | –             |               |
| Other                                                                    | 327           |               | 268           |               |
|                                                                          |               | <b>711</b>    |               | <b>830</b>    |
| <b>Costs related to acquisitions made in current and prior periods</b>   |               |               |               |               |
| Amortisation of acquired intangibles                                     | 9,237         |               | 7,827         |               |
| Impairment of available for sale asset                                   | –             |               | 1,540         |               |
| Impairment of goodwill and acquired intangible assets                    | 12,712        |               | 1,470         |               |
| Costs associated with the acquisition and setup of subsidiaries          | 785           |               | 686           |               |
| Contingent consideration required to be treated as remuneration          | 8,220         |               | 6,233         |               |
| (Decrease)/increase in deferred consideration                            | (781)         |               | 2,538         |               |
|                                                                          |               | <b>30,173</b> |               | <b>20,294</b> |
| <b>Adjusting Items in administrative expenses</b>                        |               | <b>33,472</b> |               | <b>24,203</b> |
| Loss/(profit) on disposal of property, plant and equipment               |               | 1,651         |               | (541)         |
| <b>Adjusting Items before interest and tax</b>                           |               | <b>35,123</b> |               | <b>23,662</b> |
| Net pension finance charge in respect of defined benefits pension scheme | 972           |               | 373           |               |
| Accelerated amortisation of bank arrangement fees                        | –             |               | 213           |               |
|                                                                          |               | <b>972</b>    |               | <b>586</b>    |
| <b>Adjusting Items before tax</b>                                        |               | <b>36,095</b> |               | <b>24,248</b> |
| Income tax credit                                                        |               | (3,931)       |               | (3,841)       |
| <b>Adjusted results</b>                                                  |               | <b>32,164</b> |               | <b>20,407</b> |

**7. ADJUSTING ITEMS CONTINUED****Restructuring items****Current period**

The restructuring items in the current period include redundancy costs of £521,000 relating to the Books segment, £574,000 relating to the restructure of the former Print Services segment to Marketing Activation segment and £31,000 of costs related to subsidiaries disposed of in prior periods. During the period, redundancy costs of £486,000 were recorded in the Strategic Marketing segment.

Costs relating to empty properties of £976,000 relate to business that the Group disposed or closed in prior periods and are recorded in the Marketing Activation segment.

The loss on disposal of property, plant and equipment of £1,651,000 relates to the sale of the Group's properties in Bradford and Birmingham. These items are recorded in the Marketing Activation segment.

**Prior period**

The restructuring items in the prior period include costs relating to the closure of the Burnley site of £1,297,000, redundancy costs of £764,000 relating to the restructuring of the former Print Services segment to the Marketing Activation segment and costs relating to empty properties of £671,000. These costs were recorded within the Marketing Activation segment. Redundancy costs of £347,000 were recorded in the Strategic Marketing segment.

Profit on disposal of property, plant and equipment includes £411,000 relating to the sale of a property recorded within the Books segment, and a net gain of £159,000 from the sale of properties in Blackburn, Leeds and Plymouth relating to the Marketing Activation segment. A loss of £29,000 on disposal of assets related to the closure of Burnley site was recorded within the Marketing Activation segment.

**St Ives Defined Benefit Pension Scheme costs****Current period**

The Scheme charges include service costs of £582,000, a net pension finance charge of £972,000 and other costs of £327,000, partially offset by a curtailment credit of £198,000. These items are recorded in the Books segment.

**Prior period**

In the prior period, the St Ives defined benefits pension scheme charges include service costs of £562,000, net pension finance charge of £373,000 and other costs of £268,000 related to the St Ives defined benefits pension scheme. These items were recorded in the Books segment.

**Costs related to acquisitions made in current and prior periods****Current period**

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and software intangibles of £9,031,000 and £206,000 are recorded in the Strategic Marketing and Marketing Activation segments respectively. Contingent consideration of £8,220,000 in respect of acquisitions required to be treated as remuneration rather than consideration and a credit of £781,000 related to the decrease in consideration in respect of past acquisitions are recorded within the Strategic Marketing segment.

The impairment charge of £12,712,000 includes an impairment to SP Group's goodwill of £10,192,000, Tactical Solutions' goodwill of £2,155,000; and to the customer relationship assets of £365,000. This is due to the decline in revenue from the grocery retail sector and the loss of a customer, resulting in a decline in operating profit. These items are recorded in the Marketing Activation segment.

The Group incurred costs related to the acquisitions of FSP and TAB of £135,000 and £496,000 respectively, together with costs of £60,000 related to acquisitions made in the period. Setup costs of £94,000 relate to new subsidiaries in Shanghai and Dubai. These items are recorded in the Strategic Marketing Segment.

**Prior period**

In the prior period, charges related to the amortisation of acquired customer relationships, proprietary techniques, trademarks and software intangibles of £7,143,000 and £684,000 recorded in the Strategic Marketing and Marketing Activation segments respectively. Contingent consideration of £6,233,000 in respect of acquisitions required to be treated as remuneration rather than consideration, and additional deferred consideration in respect of past acquisitions of £2,538,000 were recorded within the Strategic Marketing segment.

The impairment charge of £1,470,000, comprise of an impairment of goodwill of £296,000 and of customer relationship assets of £1,174,000, where there has been a higher level of customer churn in the Field Marketing business. These were recorded in the Marketing Activation segment. An impairment charge of £1,540,000 was recorded on the disposal of the Group's investment in Easypress Limited, for a nominal amount in July 2015, and was included within the Books Segment.

**Tax**

In the current period, the tax credit of £3,931,000 (2015 – £3,841,000) relates to the items discussed above.



**8. PENSION FINANCE CHARGE**

|                                                                        | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------------------------------------------|---------------|---------------|
| Investment income on defined benefit pension scheme assets (note 27)   | (11,348)      | (12,336)      |
| Interest costs on defined benefit pension scheme obligations (note 27) | 12,320        | 12,709        |
|                                                                        | 972           | 373           |

**9. OTHER FINANCE COSTS**

|                                       | 2016<br>£'000 | 2015<br>£'000 |
|---------------------------------------|---------------|---------------|
| Interest on bank overdrafts and loans | (2,899)       | (2,611)       |

**10. TAX**

Income tax on the (loss)/profit as shown in the Consolidated Income Statement is as follows:

|                                                                    | 2016<br>£'000  | 2015<br>£'000  |
|--------------------------------------------------------------------|----------------|----------------|
| Total current tax charge:                                          |                |                |
| Current period                                                     | 5,468          | 6,114          |
| Adjustments in respect of prior periods                            | 27             | (19)           |
| <b>Total current tax charge</b>                                    | <b>5,495</b>   | <b>6,095</b>   |
| Deferred tax on origination and reversal of temporary differences: |                |                |
| Deferred tax credit                                                | (3,181)        | (2,411)        |
| Adjustments in respect of prior periods                            | 77             | (511)          |
| <b>Total deferred tax credit (note 26)</b>                         | <b>(3,104)</b> | <b>(2,922)</b> |
| <b>Total income tax charge</b>                                     | <b>2,391</b>   | <b>3,173</b>   |

Income tax on the (loss)/profit before and after Adjusting Items is as follows:

|                                          | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------------|---------------|---------------|
| Tax charge on Adjusted profit before tax | 6,322         | 7,014         |
| Tax credit on Adjusting Items            | (3,931)       | (3,841)       |
| <b>Total income tax charge</b>           | <b>2,391</b>  | <b>3,173</b>  |

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge can be reconciled to the (loss)/profit before tax shown in the Consolidated Income Statement as follows:

|                                                     | 2016<br>£'000  | 2015<br>£'000 |
|-----------------------------------------------------|----------------|---------------|
| <b>(Loss)/profit before tax</b>                     | <b>(5,714)</b> | <b>8,729</b>  |
| Tax calculated at a rate of 22.66% (2015 – 19.86%)  | (1,295)        | 1,734         |
| Non-deductible charges on impairment of assets      | 2,469          | 664           |
| Expenses not deductible for tax purposes            | 2,675          | 2,564         |
| Effect of tax deductible goodwill                   | (423)          | –             |
| Non-taxable income                                  | –              | (363)         |
| Effect of change in UK corporate tax rate           | (538)          | 80            |
| Credit on research and development activities       | (214)          | –             |
| Other foreign taxes                                 | 150            | –             |
| Movement in deferred tax on industrial buildings    | (430)          | (976)         |
| Utilisation of tax losses not previously recognised | (107)          | –             |
| Adjustments in respect of prior periods             | 104            | (530)         |
| <b>Total income tax charge</b>                      | <b>2,391</b>   | <b>3,173</b>  |

**10. TAX CONTINUED**

Income tax as shown in the Consolidated Statement of Comprehensive Income is as follows:

|                                                                             | 2016<br>£'000 | 2015<br>£'000  |
|-----------------------------------------------------------------------------|---------------|----------------|
| United Kingdom income tax credit at 20% (2015 – 20.67%)                     | (415)         | (479)          |
| Deferred tax on origination and reversal of temporary differences (note 26) | 960           | (3,446)        |
| <b>Total income tax charge/(credit)</b>                                     | <b>545</b>    | <b>(3,925)</b> |

Income tax as shown in the Consolidated Statement of Changes in Equity is as follows:

|                                                                             | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------------------------------------------------------|---------------|---------------|
| United Kingdom income tax credit at 20% (2015 – 20.67%)                     | 255           | 345           |
| Deferred tax on origination and reversal of temporary differences (note 26) | (231)         | (456)         |
| <b>Total income tax credit/(charge)</b>                                     | <b>24</b>     | <b>(111)</b>  |

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

In the Finance Act 2016, the Government announced further reductions in the main tax rate down to 17% effective from 1 April 2020, which had not been substantively enacted at the balance sheet date.

**11. ACQUISITIONS****Fripp, Sandeman and Partners Limited**

On 13 August 2015, the Group acquired the entire share capital of Fripp, Sandeman and Partners Limited ('FSP'), a UK-based retail consultancy. The consideration was satisfied in cash and St Ives plc shares.

**Provisional purchase price allocation**

|                                             | Historical<br>net assets<br>£'000 | Fair value<br>adjustments<br>£'000 | Fair value of<br>net assets<br>£'000 |
|---------------------------------------------|-----------------------------------|------------------------------------|--------------------------------------|
| Proprietary techniques                      | –                                 | 893                                | 893                                  |
| Property, plant and equipment               | 44                                | –                                  | 44                                   |
| Software                                    | 125                               | –                                  | 125                                  |
| Trade and other receivables                 | 466                               | –                                  | 466                                  |
| Bank balances and cash                      | 943                               | –                                  | 943                                  |
| Trade and other payables                    | (477)                             | –                                  | (477)                                |
| Provision for repairs on leasehold premises | –                                 | (21)                               | (21)                                 |
| Deferred tax liabilities                    | (3)                               | (179)                              | (182)                                |
| <b>Net assets acquired</b>                  | <b>1,098</b>                      | <b>693</b>                         | <b>1,791</b>                         |
| Goodwill arising on acquisition             |                                   |                                    | 668                                  |
| <b>Total consideration</b>                  |                                   |                                    | <b>2,459</b>                         |

At the acquisition date, it was estimated that all the trade and other receivables were collectible.

Goodwill of £668,000 arising on acquisition reflects future growth opportunities. Goodwill related to FSP is not deductible for tax purposes.

The fair value of the components of the total consideration payable are as follows:

|                                                                                                       | £'000        |
|-------------------------------------------------------------------------------------------------------|--------------|
| Cash consideration paid in the current period                                                         | 1,521        |
| Working capital paid in the current period                                                            | 779          |
| Total cash paid in the period                                                                         | 2,300        |
| Fair value of 362,095 St Ives plc ordinary shares allocated from treasury shares as at 13 August 2015 | 652          |
| Less consideration treated as deemed remuneration                                                     | (493)        |
| <b>Total consideration</b>                                                                            | <b>2,459</b> |

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

|                         | £'000        |
|-------------------------|--------------|
| Cash paid               | 2,300        |
| Less cash acquired      | (943)        |
| <b>Net cash outflow</b> | <b>1,357</b> |

The post-acquisition impact of FSP on the Group's revenue and operating profit in the period is as follows:

|                  | 2016<br>£'000 |
|------------------|---------------|
| Revenue          | 2,173         |
| Operating profit | 402           |

### The App Business Limited

The Group acquired 82.16% of total share capital of The App Business Limited ('TAB') on 29 January 2016, and the remaining 17.84% of the total share capital on 8 February 2016. TAB is a UK-based mobile consultancy business.

### Provisional purchase price allocation

|                                             | Historical<br>net assets<br>£'000 | Fair value<br>adjustments<br>£'000 | Fair value of<br>net assets<br>£'000 |
|---------------------------------------------|-----------------------------------|------------------------------------|--------------------------------------|
| Proprietary techniques                      | –                                 | 12,294                             | 12,294                               |
| Customer relationships                      | –                                 | 1,192                              | 1,192                                |
| Trademark                                   | –                                 | 1,073                              | 1,073                                |
| Property, plant and equipment               | 324                               | –                                  | 324                                  |
| Trade and other receivables                 | 2,494                             | –                                  | 2,494                                |
| Bank balances and cash                      | 3,665                             | –                                  | 3,665                                |
| Trade and other payables                    | (1,614)                           | 623                                | (991)                                |
| Provision for repairs on leasehold premises | –                                 | (195)                              | (195)                                |
| Deferred tax liabilities                    | (62)                              | (2,440)                            | (2,502)                              |
| <b>Net assets acquired</b>                  | <b>4,807</b>                      | <b>12,547</b>                      | <b>17,354</b>                        |
| Goodwill arising on acquisition             |                                   |                                    | 8,378                                |
| <b>Total consideration</b>                  |                                   |                                    | <b>25,732</b>                        |

At the acquisition date, it was estimated that all the trade and other receivables were collectible.

Goodwill of £8,378,000 arising on acquisition reflects future growth opportunities. Goodwill related to TAB is not deductible for tax purposes.

The fair value of the components of the total consideration payable are as follows:

|                                                                                  | £'000         |
|----------------------------------------------------------------------------------|---------------|
| Cash consideration paid in the current period                                    | 20,402        |
| Working capital paid in the current period                                       | 2,843         |
| Total cash paid in the period                                                    | 23,245        |
| Fair value of 3,167,493 St Ives plc ordinary shares issued as at 8 February 2016 | 6,801         |
| Working capital payment payable                                                  | 873           |
| Less consideration treated as deemed remuneration                                | (5,187)       |
| <b>Total consideration</b>                                                       | <b>25,732</b> |

Estimated contingent consideration is payable in three tranches and is dependent upon the level of EBITDA achieved by TAB for the years ending 30 April 2016, 30 April 2017 and 30 April 2018. The total consideration payable is capped at £55,000,000 excluding a working capital adjustment of £3,717,000.

**11. ACQUISITIONS CONTINUED****The App Business Limited** continued

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

|                         | £'000         |
|-------------------------|---------------|
| Cash paid               | 23,245        |
| Less cash acquired      | (3,665)       |
| <b>Net cash outflow</b> | <b>19,580</b> |

The post-acquisition impact of TAB on the Group's revenue and operating profit in the period is as follows:

|                  | 2016<br>£'000 |
|------------------|---------------|
| Revenue          | 6,532         |
| Operating profit | 1,495         |

Had TAB been acquired at the beginning of the current period, it would have had the following incremental impact on the Group's revenue and operating profit in the current period:

|                  | 2016<br>£'000 |
|------------------|---------------|
| Revenue          | 6,317         |
| Operating profit | 1,688         |

**Cash outflow related to FSP and TAB**

The total impact on investing cash outflows in the current period related to FSP and TAB is as follows:

|     | 2016<br>£'000 |
|-----|---------------|
| FSP | 1,357         |
| TAB | 19,580        |
|     | <b>20,937</b> |

**Cash outflow related to acquisitions made in prior periods**

The total impact on investing cash outflows in the current period related to acquisitions made in prior periods is as follows:

|          | 2016<br>£'000 |
|----------|---------------|
| Solstice | 7,601         |
| Hive     | 657           |
| Realise  | 1,112         |
|          | <b>9,370</b>  |

The followings relates to cash flows accounted for under operating and investing activities:

|                                                                                                                  | 2016<br>£'000 |
|------------------------------------------------------------------------------------------------------------------|---------------|
| Contingent consideration required to be treated as remuneration in respect of acquisitions made in prior periods | 3,580         |
| Deferred consideration paid for acquisitions made in prior periods                                               | 5,790         |
|                                                                                                                  | <b>9,370</b>  |



## 12. DIVIDENDS

|                                                                                              | Per share | 2016<br>£'000 | 2015<br>£'000 |
|----------------------------------------------------------------------------------------------|-----------|---------------|---------------|
| Final dividend paid for the 52 weeks ended 1 August 2014                                     | 5.00p     | –             | 6,590         |
| Interim dividend paid for the 26 weeks ended 30 January 2015                                 | 2.25p     | –             | 2,865         |
| Final dividend paid for the 52 weeks ended 31 July 2015                                      | 5.55p     | <b>7,515</b>  | –             |
| Interim dividend paid for the 26 weeks ended 29 January 2016                                 | 2.35p     | <b>3,419</b>  | –             |
| <b>Dividends paid during the period</b>                                                      |           | <b>10,934</b> | 9,455         |
| <b>Proposed final dividend at the period end of 5.45p per share (2015 – 5.55p per share)</b> | 5.45p     | <b>7,758</b>  | –             |

The proposed final dividend is subject to the approval by shareholders at the 2016 Annual General Meeting and has not been included as a liability in these financial statements.

## 13. EARNINGS PER SHARE

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

### Number of shares

|                                                                                                  | 2016<br>'000   | 2015<br>'000 |
|--------------------------------------------------------------------------------------------------|----------------|--------------|
| <b>Weighted average number of ordinary shares for the purposes of basic earnings per share</b>   | <b>136,633</b> | 127,784      |
| Effect of dilutive potential ordinary shares:                                                    |                |              |
| Share options                                                                                    | <b>930</b>     | 3,232        |
| <b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b> | <b>137,563</b> | 131,016      |

### Earnings per share

|                                                           | 2016              |                                | 2015              |                                |
|-----------------------------------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|
|                                                           | Earnings<br>£'000 | Earnings<br>per share<br>pence | Earnings<br>£'000 | Earnings<br>per share<br>pence |
| <b>Earnings and basic earnings per share</b>              |                   |                                |                   |                                |
| Adjusted earnings and Adjusted basic earnings per share   | <b>24,059</b>     | <b>17.61</b>                   | 25,963            | 20.32                          |
| Adjusting Items                                           | <b>(32,164)</b>   | <b>(23.54)</b>                 | (20,407)          | (15.97)                        |
| <b>(Loss)/earnings and basic earnings per share</b>       | <b>(8,105)</b>    | <b>(5.93)</b>                  | 5,556             | 4.35                           |
| <b>Earnings and diluted earnings per share</b>            |                   |                                |                   |                                |
| Adjusted earnings and Adjusted diluted earnings per share | <b>24,059</b>     | <b>17.49</b>                   | 25,963            | 19.82                          |
| Adjusting Items                                           | <b>(32,164)</b>   | <b>(23.38)</b>                 | (20,407)          | (15.58)                        |
| <b>(Loss)/earnings and diluted earnings per share</b>     | <b>(8,105)</b>    | <b>(5.89)</b>                  | 5,556             | 4.24                           |

**14. PROPERTY, PLANT AND EQUIPMENT**

|                                          | Land and<br>buildings<br>Freehold<br>£'000 | Land and<br>buildings<br>Long leases<br>£'000 | Plant and<br>machinery<br>£'000 | Fixtures, fittings,<br>equipment and<br>motor vehicles<br>£'000 | Total<br>£'000 |
|------------------------------------------|--------------------------------------------|-----------------------------------------------|---------------------------------|-----------------------------------------------------------------|----------------|
| <b>Cost or valuation:</b>                |                                            |                                               |                                 |                                                                 |                |
| At 2 August 2014                         | 41,117                                     | 8,319                                         | 79,762                          | 8,422                                                           | 137,620        |
| Acquisitions                             | –                                          | –                                             | 34                              | 251                                                             | 285            |
| Additions                                | –                                          | 74                                            | 5,406                           | 761                                                             | 6,241          |
| Disposals                                | (3,571)                                    | (6,238)                                       | (4,456)                         | (204)                                                           | (14,469)       |
| Reclassification to assets held for sale | (713)                                      | –                                             | –                               | –                                                               | (713)          |
| Reclassification – non-current assets    | (115)                                      | 2,270                                         | 7,546                           | (873)                                                           | 8,828          |
| At 31 July 2015                          | 36,718                                     | 4,425                                         | 88,292                          | 8,357                                                           | 137,792        |
| Acquisitions                             | –                                          | 216                                           | 87                              | 65                                                              | 368            |
| Additions                                | 134                                        | 1,150                                         | 3,800                           | 1,193                                                           | 6,277          |
| Disposals                                | (6,367)                                    | (150)                                         | (2,886)                         | (731)                                                           | (10,134)       |
| Reclassification – investment property   | (13,241)                                   | –                                             | –                               | 0                                                               | (13,241)       |
| Reclassification – software              | –                                          | –                                             | –                               | (222)                                                           | (222)          |
| Foreign exchange                         | –                                          | 30                                            | 47                              | 105                                                             | 182            |
| <b>At 29 July 2016</b>                   | <b>17,244</b>                              | <b>5,671</b>                                  | <b>89,340</b>                   | <b>8,767</b>                                                    | <b>121,022</b> |
| <b>Accumulated depreciation:</b>         |                                            |                                               |                                 |                                                                 |                |
| At 2 August 2014                         | 12,034                                     | 4,825                                         | 61,978                          | 5,423                                                           | 84,260         |
| Charge for the period                    | 719                                        | 530                                           | 5,060                           | 892                                                             | 7,201          |
| Reclassification to assets held for sale | (301)                                      | –                                             | –                               | –                                                               | (301)          |
| Disposals                                | (1,810)                                    | (4,056)                                       | (4,368)                         | (191)                                                           | (10,425)       |
| Reclassification – non-current assets    | 409                                        | 993                                           | 7,437                           | (24)                                                            | 8,815          |
| At 31 July 2015                          | 11,051                                     | 2,292                                         | 70,107                          | 6,100                                                           | 89,550         |
| Charge for the period                    | 411                                        | 627                                           | 5,195                           | 770                                                             | 7,003          |
| Disposals                                | (2,122)                                    | (145)                                         | (2,788)                         | (729)                                                           | (5,784)        |
| Reclassification – investment property   | (5,359)                                    | –                                             | –                               | –                                                               | (5,359)        |
| Foreign exchange                         | –                                          | (7)                                           | 17                              | 43                                                              | 53             |
| <b>At 29 July 2016</b>                   | <b>3,982</b>                               | <b>2,767</b>                                  | <b>72,531</b>                   | <b>6,184</b>                                                    | <b>85,463</b>  |
| <b>Net book value:</b>                   |                                            |                                               |                                 |                                                                 |                |
| <b>At 29 July 2016</b>                   | <b>13,262</b>                              | <b>2,904</b>                                  | <b>16,809</b>                   | <b>2,584</b>                                                    | <b>35,559</b>  |
| At 31 July 2015                          | 25,667                                     | 2,133                                         | 18,185                          | 2,257                                                           | 48,242         |

The Group has freehold land, included within property, plant and equipment, with a net book value of £3,934,000 (2015 – £4,392,000), which has not been depreciated. The amount of fully depreciated property, plant and equipment is £47,772,000 (2015 – £46,482,000).

## 15. INVESTMENT PROPERTY

|                                                   | Investment<br>property<br>£'000 |
|---------------------------------------------------|---------------------------------|
| <b>Cost or valuation:</b>                         |                                 |
| At 1 August 2015                                  | –                               |
| Reclassification from freehold land and buildings | 13,241                          |
| Reclassification to assets held for sale          | (1,895)                         |
| <b>At 29 July 2016</b>                            | <b>11,346</b>                   |
| <b>Accumulated depreciation:</b>                  |                                 |
| At 1 August 2015                                  | –                               |
| Reclassification from freehold land and buildings | 5,359                           |
| Charge                                            | 198                             |
| Reclassification to assets held for sale          | (414)                           |
| <b>At 29 July 2016</b>                            | <b>5,143</b>                    |
| <b>Net book value:</b>                            |                                 |
| <b>At 29 July 2016</b>                            | <b>6,203</b>                    |
| At 31 July 2015                                   | –                               |

The fair value of investment properties as at 29 July 2016 was £9,550,000. This has been arrived at on the basis of a valuation carried out at that date by Matthews & Goodman, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards.

The following amounts have been recognised in the profit or loss account: £909,000 (2015 – £1,020,000) in relation to rental income from investment property; there were no direct operating expenses arising from investment property that generated rental income in current or prior period.

At 29 July 2016, the total of future minimum lease payments to be received under non-cancellable operating leases on investment properties was £4,303,500. Of this total, £906,000 was due within one year and £3,397,500 was due between two and five years.

## 16. GOODWILL AND OTHER INTANGIBLE ASSETS

|                                              | £'000          |
|----------------------------------------------|----------------|
| <b>Cost and carrying amount of goodwill:</b> |                |
| At 2 August 2014                             | 123,254        |
| Acquisitions                                 | 12,830         |
| Additions                                    | 1,699          |
| Impairment                                   | (295)          |
| At 31 July 2015                              | 137,488        |
| Acquisitions (note 11)                       | 9,046          |
| Impairment                                   | (12,347)       |
| Exchange rate                                | 1,446          |
| <b>At 29 July 2016</b>                       | <b>135,633</b> |

The impairment charge in the current year comprises £10,192,000 in respect of SP Group and £2,155,000 in respect of Tactical Solutions. The impairment charge of £295,000 in the prior year relates to Tactical Solutions. The exchange rate movement is related to Solstice's goodwill, which is denominated in US Dollars.

**16. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED**

Goodwill is allocated amongst the following cash-generating units ("CGUs") or groups of CGUs:

|                             | £'000          |
|-----------------------------|----------------|
| Amaze                       | 11,551         |
| Branded3                    | 7,774          |
| Data Marketing              | 15,748         |
| Fripp Sandeman and Partners | 668            |
| Hive                        | 15,062         |
| Incite                      | 601            |
| Pragma                      | 218            |
| Realise                     | 19,743         |
| Service Graphics            | 14,952         |
| SP Group                    | 21,130         |
| Solstice                    | 14,276         |
| The App Business            | 8,378          |
| Tactical Solutions          | 5,532          |
|                             | <b>135,633</b> |

SP Group, Service Graphics and Tactical Solutions are reported within the Marketing Activation segment. All other CGUs are reported within the Strategic Marketing segment. The Data Marketing CGU represents Occam and Response One.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. As Fripp, Sandeman and Partners and The App Business were acquired in the period, total consideration payable has been used as the value-in-use. The recoverable amount of the Fripp, Sandeman and Partners and The App Business CGUs were tested by reference to the market value at 29 July 2016.

The recoverable amounts of the other CGUs are determined using a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding discount rates, terminal growth rates and cash flow forecasts in the medium term. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares cashflow forecasts derived from five year forecasts. These include Board approved three-year forecasts for the financial periods 2017, 2018 and 2019 and forecasts based on expected growth rates for the financial periods 2020 and 2021. In addition, a terminal value has been included in the value-in-use calculation for each CGU.

The key assumptions used in the value-in-use calculations and the sensitivities to the short-term growth, key revenue growth and pre-tax discount rate assumptions are detailed below.

|                                                                                            | Amaze  | Branded3 | Data Marketing | Hive   | Incite | Pragma | Realise | Service Graphics | Solstice | SP Group | Tactical Solutions |
|--------------------------------------------------------------------------------------------|--------|----------|----------------|--------|--------|--------|---------|------------------|----------|----------|--------------------|
| <b>Value-in-use assumptions:</b>                                                           |        |          |                |        |        |        |         |                  |          |          |                    |
| Pre-tax discount rate                                                                      | 10.23% | 10.23%   | 10.23%         | 10.23% | 10.23% | 10.23% | 10.23%  | 10.23%           | 10.01%   | 10.23%   | 10.23%             |
| Excess of value-in-use over carrying value (£'000)                                         | 21,815 | 13,334   | 20,143         | 8,945  | 23,151 | 10,371 | 4,428   | 16,276           | 49,548   | –        | 1,367              |
| <b>Sensitivity of value-in-use to changes in key growth assumption:</b>                    |        |          |                |        |        |        |         |                  |          |          |                    |
| Annual revenue decline in five year forecast calculation resulting in potential impairment | 14.4%  | 14.9%    | 11.3%          | 9.1%   | 42.3%  | 47.0%  | 3.4%    | 9.7%             | 18.8%    | –        | 3.0%               |
| Increase to pre-tax discount rate resulting in potential impairment                        | 12.3%  | 13.2%    | 7.1%           | 3.9%   | 42.8%  | 50.8%  | 1.6%    | 6.6%             | 15.6%    | –        | 1.6%               |

The terminal growth rate used for each entity was 2.6%, except for SP Group, where nil terminal growth was assumed.



**Other intangible assets**

|                                                 | Computer<br>software<br>£'000 | Customer<br>relationships<br>£'000 | Proprietary<br>techniques<br>£'000 | Trademarks<br>£'000 | Total<br>£'000 |
|-------------------------------------------------|-------------------------------|------------------------------------|------------------------------------|---------------------|----------------|
| <b>Cost:</b>                                    |                               |                                    |                                    |                     |                |
| At 2 August 2014                                | 9,771                         | 33,389                             | 22,722                             | 1,089               | 66,971         |
| Acquisitions                                    | –                             | 1,694                              | 8,992                              | 961                 | 11,647         |
| Additions                                       | 534                           | –                                  | –                                  | –                   | 534            |
| Reclassifications                               | 301                           | –                                  | –                                  | –                   | 301            |
| Disposals                                       | (139)                         | –                                  | –                                  | –                   | (139)          |
| Foreign exchange                                | (2)                           | (90)                               | (479)                              | (51)                | (622)          |
| At 31 July 2015                                 | 10,465                        | 34,993                             | 31,235                             | 1,999               | 78,692         |
| Acquisitions                                    | 125                           | 1,192                              | 13,187                             | 1,073               | 15,577         |
| Additions                                       | 486                           | –                                  | –                                  | –                   | 486            |
| Reclassifications                               | 222                           | –                                  | –                                  | –                   | 222            |
| Disposals                                       | (290)                         | –                                  | –                                  | –                   | (290)          |
| Foreign exchange                                | 38                            | 281                                | 1,493                              | 159                 | 1,971          |
| <b>At 29 July 2016</b>                          | <b>11,046</b>                 | <b>36,466</b>                      | <b>45,915</b>                      | <b>3,231</b>        | <b>96,658</b>  |
| <b>Accumulated amortisation and impairment:</b> |                               |                                    |                                    |                     |                |
| At 2 August 2014                                | 7,762                         | 13,145                             | 2,051                              | 32                  | 22,990         |
| Charge for the period                           | 1,190                         | 3,442                              | 3,938                              | 119                 | 8,689          |
| Impairment                                      | –                             | 1,174                              | –                                  | –                   | 1,174          |
| Reclassifications                               | 314                           | –                                  | –                                  | –                   | 314            |
| Disposals                                       | (132)                         | –                                  | –                                  | –                   | (132)          |
| Foreign exchange                                | 14                            | (9)                                | –                                  | –                   | 5              |
| At 31 July 2015                                 | 9,148                         | 17,752                             | 5,989                              | 151                 | 33,040         |
| Charge for the period                           | 847                           | 3,938                              | 4,954                              | 277                 | 10,016         |
| Impairment (note 7)                             | –                             | 365                                | –                                  | –                   | 365            |
| Disposals                                       | (253)                         | –                                  | –                                  | –                   | (253)          |
| Foreign exchange                                | 25                            | 70                                 | 147                                | 14                  | 256            |
| <b>At 29 July 2016</b>                          | <b>9,767</b>                  | <b>22,125</b>                      | <b>11,090</b>                      | <b>442</b>          | <b>43,424</b>  |
| <b>Net book value:</b>                          |                               |                                    |                                    |                     |                |
| <b>At 29 July 2016</b>                          | <b>1,279</b>                  | <b>14,341</b>                      | <b>34,825</b>                      | <b>2,789</b>        | <b>53,234</b>  |
| At 31 July 2015                                 | 1,317                         | 17,241                             | 25,246                             | 1,848               | 45,652         |

Customer relationship assets include customer contracts, order backlogs and non-contractual customer relationships. Proprietary techniques include models, algorithms and processes that are used to generate revenue from customers. These assets are recorded at fair value at the date of acquisition and are amortised over their estimated useful lives.

Material customer relationships and proprietary techniques are disclosed below.

|                                | Remaining<br>Useful Life at<br>29 July<br>2016<br>(Months) | Net book value |               |
|--------------------------------|------------------------------------------------------------|----------------|---------------|
|                                |                                                            | 2016<br>£'000  | 2015<br>£'000 |
| <b>Customer relationships:</b> |                                                            |                |               |
| Amaze                          | 68                                                         | <b>2,730</b>   | 3,212         |
| Incite                         | 43                                                         | <b>3,541</b>   | 4,529         |
| Response One                   | 61                                                         | <b>5,476</b>   | 6,706         |
| Solstice                       | 31                                                         | <b>1,217</b>   | 1,436         |
| TAB                            | 114                                                        | <b>1,192</b>   | –             |
| <b>Proprietary techniques:</b> |                                                            |                |               |
| Hive                           | 33                                                         | <b>4,754</b>   | 6,483         |
| Pragma                         | 74                                                         | <b>1,485</b>   | 1,726         |
| Realise                        | 91                                                         | <b>6,644</b>   | 7,426         |
| Solstice                       | 96                                                         | <b>8,588</b>   | 8,158         |
| TAB                            | 114                                                        | <b>12,294</b>  | –             |

**17. AVAILABLE FOR SALE ASSETS**

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| Carried at fair value:             |               |               |
| Unlisted shares                    | 3             | 3             |
| Total non-current financial assets | 3             | 3             |

As at 29 July 2016, the Group held non-controlling interests of 10.0% in Wiforia Limited and 9.0% in Ebeltoft Corporation Limited. These shares are not held for trading and accordingly are classified as available for sale.

**18. INVESTMENT IN JOINT ARRANGEMENT**

|                                       | Net assets of<br>joint arrangement<br>£'000 |
|---------------------------------------|---------------------------------------------|
| Balance at 1 August 2015              | 109                                         |
| Additions                             | 125                                         |
| Share of results of joint arrangement | (122)                                       |
| Foreign exchange                      | (18)                                        |
| <b>Balance at 29 July 2016</b>        | <b>94</b>                                   |

The Group holds a 50% interest in Loop LLC, incorporated in Chicago, USA. During the period, the Group loaned additional funds to Loop LLC. The principal operation of the Company is a commerce consultancy specialising in Hybris software integration.

**19. INVENTORIES**

|                   | 2016<br>£'000 | 2015<br>£'000 |
|-------------------|---------------|---------------|
| Raw materials     | 5,170         | 4,766         |
| Work-in-progress  | 2,235         | 1,794         |
| Finished products | 77            | 19            |
|                   | <b>7,482</b>  | <b>6,579</b>  |

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

**20. OTHER FINANCIAL ASSETS****Trade and other receivables**

|                                                       | 2016<br>£'000 | 2015<br>£'000 |
|-------------------------------------------------------|---------------|---------------|
| Amounts receivable for the sale of goods and services | 70,153        | 63,956        |
| Allowance for doubtful debts                          | (1,326)       | (1,408)       |
| Trade receivables                                     | 68,827        | 62,548        |
| Accrued income                                        | 11,374        | 3,465         |
| Other receivables                                     | 4,103         | 3,006         |
| Prepayments and other assets                          | 6,457         | 6,926         |
|                                                       | <b>90,761</b> | <b>75,945</b> |

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

**Non-current assets**

|                   | 2016<br>£'000 | 2015<br>£'000 |
|-------------------|---------------|---------------|
| Other receivables | 374           | 1,086         |

**Cash and cash equivalents**

|                           | 2016<br>£'000 | 2015<br>£'000 |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 11,835        | 16,392        |

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

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

### Derivative financial assets

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| Forward foreign currency contracts | –             | 165           |

### Derivative financial liabilities

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| Forward foreign currency contracts | 535           | 4             |

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

## 22. TRADE AND OTHER PAYABLES

|                                                               | 2016<br>£'000 | 2015<br>£'000 |
|---------------------------------------------------------------|---------------|---------------|
| Trade payables                                                | 40,259        | 37,975        |
| Accruals for goods and services                               | 16,048        | 13,306        |
| Other taxes, social security and employee related liabilities | 13,078        | 13,706        |
| Other payables                                                | 7,101         | 6,083         |
|                                                               | 76,486        | 71,070        |

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

## 23. LOANS

|                                                       | 2016<br>£'000 | 2015<br>£'000 |
|-------------------------------------------------------|---------------|---------------|
| Bank loans (all repayable between two and five years) | 92,595        | 79,225        |

### Bank Facility

During the year the Group increased its revolving multicurrency bank facility, which expires on 23 March 2019, from £115 million to £125 million. The Group has the ability to extend the term for a further year. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.55% and 2.15%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

Subsequent to the period end the Group has reduced its revolving credit facility to £95 million supplemented by a term loan of £30 million and increased its maximum leverage covenant condition (net debt to Adjusted EBITDA) for the remaining duration of the facility.

As at 29 July 2016, the Group's outstanding loans within this facility were £92.5 million (2015 – £79.2 million). The undrawn portion of this facility at 29 July 2016 was £32.4 million (2015 – £35.8 million).

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

## 24. DEFERRED INCOME

|                                            | 2016<br>£'000 | 2015<br>£'000 |
|--------------------------------------------|---------------|---------------|
| Advance billings and other deferred income |               |               |
| Current                                    | 6,206         | 6,976         |
| Non-current                                | –             | 81            |

**25. PROVISIONS**

|                                               | Provision for<br>repairs<br>£'000 | Provision for<br>reorganisation<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|-----------------------------------------------|-----------------------------------|------------------------------------------|----------------|----------------|
| Balance at 2 August 2014                      | 1,888                             | 561                                      | 100            | 2,549          |
| Charged to the Consolidated Income Statement  | 313                               | 688                                      | 100            | 1,101          |
| Credited to the Consolidated Income Statement | (189)                             | –                                        | –              | (189)          |
| Utilised during the period                    | (43)                              | (1,178)                                  | (100)          | (1,321)        |
| Balance at 31 July 2015                       | 1,969                             | 71                                       | 100            | 2,140          |
| Charged to the Consolidated Income Statement  | 93                                | –                                        | 38             | 131            |
| Acquisitions                                  | 216                               | –                                        | –              | 216            |
| Utilised during the period                    | (93)                              | (40)                                     | (138)          | (271)          |
| <b>Balance at 29 July 2016</b>                | <b>2,185</b>                      | <b>31</b>                                | <b>–</b>       | <b>2,216</b>   |
| Current                                       | –                                 | 31                                       | –              | 31             |
| Non-current                                   | 2,185                             | –                                        | –              | 2,185          |
|                                               | <b>2,185</b>                      | <b>31</b>                                | <b>–</b>       | <b>2,216</b>   |

**Provision for repairs**

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, a provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2018 and 2020.

**Provision for reorganisation**

The provision for reorganisation relates primarily to the remaining costs in respect of plant closures and reorganisation and comprises redundancy payments, plant relocation, onerous property and other costs, which are expected to be settled by the end of the 2017 financial period.

**26. DEFERRED TAX**

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 18% for UK operations (2015 – 20%) and 40% for US operations (2015 – 40%).

The total movement in the deferred tax liability is as follows:

|                                                       | 2016<br>£'000 | 2015<br>£'000 |
|-------------------------------------------------------|---------------|---------------|
| At the beginning of the period                        | 2,679         | 8,587         |
| Acquisitions                                          | 2,683         | 4             |
| Credit to the Consolidated Income Statement (note 10) | (3,104)       | (2,922)       |
| Items taken to Other Comprehensive Income             | 960           | (3,446)       |
| Items taken directly to equity                        | 231           | 456           |
| Foreign exchange movement                             | (190)         | –             |
| <b>At the end of the period</b>                       | <b>3,259</b>  | <b>2,679</b>  |



The individual movements in deferred tax liabilities/(assets) are as follows:

|                                                         | Accelerated<br>tax<br>depreciation<br>£'000 | Retirement<br>benefits<br>obligations<br>£'000 | Rolled over<br>capital gains<br>£'000 | Short-term<br>timing<br>differences<br>£'000 | Share<br>options<br>£'000 | Acquired<br>intangible<br>assets<br>£'000 | Total<br>£'000 |
|---------------------------------------------------------|---------------------------------------------|------------------------------------------------|---------------------------------------|----------------------------------------------|---------------------------|-------------------------------------------|----------------|
| Balance at 2 August 2014                                | 3,817                                       | (1,967)                                        | 80                                    | (562)                                        | (1,235)                   | 8,454                                     | 8,587          |
| Acquisitions                                            | –                                           | –                                              | –                                     | 4                                            | –                         | –                                         | 4              |
| (Credit)/charge to the Consolidated<br>Income Statement | (1,157)                                     | (107)                                          | –                                     | (257)                                        | 30                        | (1,431)                                   | (2,922)        |
| Items taken directly to<br>Other Comprehensive Income   | –                                           | (3,446)                                        | –                                     | –                                            | –                         | –                                         | (3,446)        |
| Items taken directly to equity                          | –                                           | –                                              | –                                     | –                                            | 456                       | –                                         | 456            |
| Balance at 31 July 2015                                 | 2,660                                       | (5,520)                                        | 80                                    | (815)                                        | (749)                     | 7,023                                     | 2,679          |
| Acquisitions                                            | 65                                          | –                                              | –                                     | –                                            | –                         | 2,619                                     | 2,684          |
| (Credit)/charge to the Consolidated<br>Income Statement | (820)                                       | (191)                                          | 1                                     | (3)                                          | 411                       | (2,502)                                   | (3,104)        |
| Items taken directly to<br>Other Comprehensive Income   | –                                           | 960                                            | –                                     | –                                            | –                         | –                                         | 960            |
| Items taken directly to equity                          | –                                           | –                                              | –                                     | –                                            | 231                       | –                                         | 231            |
| Foreign Exchange                                        | (30)                                        | –                                              | –                                     | –                                            | –                         | (161)                                     | (191)          |
| <b>Balance at 29 July 2016</b>                          | <b>1,875</b>                                | <b>(4,751)</b>                                 | <b>81</b>                             | <b>(818)</b>                                 | <b>(107)</b>              | <b>6,979</b>                              | <b>3,259</b>   |

Deferred tax assets and liabilities are classified in the Consolidated Balance Sheet as follows:

|                          | 2016<br>£'000 | 2015<br>£'000 |
|--------------------------|---------------|---------------|
| Deferred tax assets      | (232)         | (139)         |
| Deferred tax liabilities | 3,491         | 2,818         |
|                          | <b>3,259</b>  | 2,679         |

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

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

|                                                        | 2016<br>£'000 | 2015<br>£'000 |
|--------------------------------------------------------|---------------|---------------|
| Unrecognised deferred tax in respect of trading losses | 401           | 395           |
| Unrecognised deferred tax in respect of capital losses | 1,643         | 598           |
|                                                        | <b>2,044</b>  | 993           |

**27. RETIREMENT BENEFITS****Defined contribution schemes**

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under control of the trustees. Payments to the schemes are expensed to the Consolidated Income Statement as they fall due. The total expense recognised in the Consolidated Income Statement for continuing operations of £3,859,000 (2015 – £3,766,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 29 July 2016, contributions of £615,000 (2015 – £363,000) due in respect of the 2016 reporting period had not been paid over to the schemes. The amounts were paid over subsequent to the balance sheet date, within the requisite time limits.

**St Ives Defined Benefits Pension Scheme**

The Group operates the St Ives Defined Benefits Pension Scheme ('the Scheme') with assets held in separate trustee administered funds. Pension benefits are linked to a member's final salary at retirement and their length of services. The Scheme was closed to new entrants from 6 April 2002, and closed to future benefit accruals with effect from 31 August 2008.

The Scheme is a registered scheme under UK legislation and is contracted out of State Second Pension. The Scheme has two current participating employers, St Ives plc and Clays Limited.

The Scheme was established from 30 September 1988 under trust and is governed by the Scheme's trust deed and rules dated 23 April 1991 and subsequent amendments. The Directors of St Ives Pension Scheme Trustees Limited ('the Trustees') are responsible for the operation and the governance of the Scheme, including making decisions regarding the defined benefits pension scheme's funding and investment strategy in conjunction with the Company.

The most recent full actuarial valuations of the scheme assets and the present value of the defined benefits obligations were carried out as at April 2013 by Jonathan Punter, Fellow of the Institute of Actuaries, of Punter Southall & Co Limited, who is independent of the Group. The valuation was updated as at 29 July 2016, and has been calculated on the method and principles agreed for the 6 April 2013 valuation but allowing for the market prices and yields at 6 April 2016 and updated membership data as at 6 April 2016.

The present value of the defined benefits obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations are as follows:

|                                   | 2016<br>Per annum | 2015<br>Per annum |
|-----------------------------------|-------------------|-------------------|
| Discount rate                     | 2.50%             | 3.70%             |
| Expected rate of inflation        | 2.60%             | 3.10%             |
| Expected rate of salary increases | Nil               | Nil               |
| Future pension increases          | 2.55%             | 2.95%             |

Assumed life expectancies for retirement at age of 65 are as follows:

|                                  | 2016 |        | 2015 |        |
|----------------------------------|------|--------|------|--------|
|                                  | Male | Female | Male | Female |
| Members retiring immediately     | 21.7 | 23.5   | 21.7 | 23.4   |
| Member retiring in 20 years time | 23.2 | 25.1   | 23.1 | 25.0   |

The amount recognised in the Consolidated Balance Sheet in respect of the Scheme liabilities is as follows:

|                                     | 2016<br>£'000 | 2015<br>£'000 |
|-------------------------------------|---------------|---------------|
| Present value of funded obligations | 370,472       | 338,634       |
| Fair value of scheme assets         | (344,078)     | (311,037)     |
| Retirement benefits obligation      | 26,394        | 27,597        |

Amounts recognised in the Consolidated Income Statement in respect of the Scheme as Adjusting Items are as follows:

|                                                                       | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------------------------------------------------|---------------|---------------|
| Scheme administrative costs                                           | 582           | 562           |
| Settlement credits                                                    | (198)         | (75)          |
| Interest costs on defined benefit pension scheme obligations (note 8) | 12,320        | 12,709        |
| Interest income on defined benefit pension scheme assets (note 8)     | (11,348)      | (12,336)      |
|                                                                       | <b>1,356</b>  | <b>860</b>    |

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the Scheme are as follows:

|                                                                                               | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------------------------------------------------------------------------|---------------|---------------|
| Net measurement – losses – financial                                                          | 52,091        | 42,911        |
| Net measurement – losses – experience                                                         | (21,129)      | 1,455         |
| Return on assets, in excess of interest income, recorded in the Consolidated Income Statement | (31,045)      | (24,675)      |
|                                                                                               | <b>(83)</b>   | <b>19,691</b> |

Changes in the present value of the Scheme obligations are as follows:

|                                       | 2016<br>£'000  | 2015<br>£'000  |
|---------------------------------------|----------------|----------------|
| Opening Scheme obligation             | 338,634        | 295,993        |
| Interest cost                         | 12,320         | 12,709         |
| Age-related rebates                   | –              | 4              |
| Net measurement – losses – financial  | 52,091         | 42,911         |
| Net measurement – losses – experience | (21,129)       | 1,455          |
| Settlement adjustments                | (1,333)        | (4,892)        |
| Benefits paid                         | (10,111)       | (9,546)        |
| <b>Closing Scheme obligation</b>      | <b>370,472</b> | <b>338,634</b> |

No additional liability is recognised in respect of the recovery plan as the Group has an unconditional right to a refund of any surplus in the defined benefits pension scheme at the end of the Scheme's duration.

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

|                                                                                              | 2016<br>£'000  | 2015<br>£'000  |
|----------------------------------------------------------------------------------------------|----------------|----------------|
| Opening fair value of Scheme assets                                                          | 311,037        | 286,160        |
| Interest income on Scheme assets                                                             | 11,348         | 12,336         |
| Return on asset, in excess of interest income, recorded in the Consolidated Income Statement | 31,045         | 24,675         |
| Contributions by employer                                                                    | 2,476          | 2,648          |
| Age-related rebates                                                                          | –              | 4              |
| Benefits paid                                                                                | (10,111)       | (9,407)        |
| Settlement adjustments                                                                       | (1,135)        | (4,817)        |
| Scheme administrative cost                                                                   | (582)          | (562)          |
| <b>Closing fair value of Scheme assets</b>                                                   | <b>344,078</b> | <b>311,037</b> |

**27. RETIREMENT BENEFITS CONTINUED****St Ives Defined Benefits Pension Scheme** continued

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

|                    | <b>Value at<br/>29 July<br/>2016<br/>£'000</b> | Value at<br>31 July<br>2015<br>£'000 |
|--------------------|------------------------------------------------|--------------------------------------|
| Equity instruments | <b>183,789</b>                                 | 138,789                              |
| Bonds              | <b>151,948</b>                                 | 166,420                              |
| Other              | <b>8,341</b>                                   | 5,828                                |
|                    | <b>344,078</b>                                 | 311,037                              |

The Scheme's assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The Scheme exposes the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk and longevity risk. The Scheme does not expose the Group to any unusual scheme-specific or company-specific risk.

Investment risk: the Scheme holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long-term, any short-term volatility could cause additional funding to be required. Derivative contracts are used from time to time which would limit losses in the event of a fall in equity markets.

Interest rate risk: the Scheme's liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised as an Adjusting Item in the Consolidated Income Statement is also calculated using the market rate of interest. The Scheme's swap investments are expected to provide a degree of protection from any movement in the market rate of interest.

Inflation risk: a significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a hedge against inflation over the long-term, rising inflation over the short-term could lead to an increase in the deficit. The Scheme's swap investments are expected to provide a degree of protection from any short-term inflationary movements.

Mortality risk: in the event that members live longer than assumed the liabilities may be understated, and thus increasing any deficit.

A sensitivity analysis of the principal assumptions used to measure the Scheme obligation as at 29 July 2016 is analysed as follows:

|                                   | <b>Change in<br/>assumption</b> | Impact on the defined<br>benefits pension obligation |
|-----------------------------------|---------------------------------|------------------------------------------------------|
| Discount rate                     | <b>Increase by 0.5%</b>         | Decrease by 9%                                       |
| Rate of Inflation (RPI)           | <b>Increase by 0.5%</b>         | Increase by 7%                                       |
| Assumed life expectancy at age 65 | <b>Increase by 1 year</b>       | Increase by 3%                                       |

The Scheme's investment strategy is to invest broadly 65% in return-seeking assets and 35% in matching assets (mainly government bonds). The strategy reflects the Scheme's liability profile and the Trustees' and Group's attitude to risk.

The last funding valuation of the Scheme was as at 6 April 2013 and revealed a funding deficit of £36,698,000. The Company currently pays £2,000,000 per year with a view to eliminating the shortfall by August 2019, and £400,000 per year towards the cost of running the scheme.

The Scheme's latest triennial valuation was as at April 2016 and discussions are underway with the Scheme trustee for future funding levels.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme over the next 75 years. The average duration of the liabilities is approximately 19 years.

The Scheme has two current participating employers; St Ives plc and Clays Limited. St Ives plc is responsible for paying all contributions to the Scheme. Each participating employer is liable for its share of the liabilities on wind-up or withdrawal from the Scheme in accordance with the Scheme's trust deed and rules.

## 28. FINANCIAL RISK MANAGEMENT

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

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### Interest rate risk

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

### Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk by currency is set out below:

#### Financial assets subject to interest rate risk

|                  | 2016<br>£'000 | 2015<br>£'000 |
|------------------|---------------|---------------|
| Sterling         | 5,262         | 6,867         |
| US Dollar        | 3,716         | 4,912         |
| Euro             | 2,734         | 4,489         |
| Singapore Dollar | 50            | 92            |
| Argentine Peso   | 72            | 27            |
| Chinese Yuan     | 1             | 5             |
|                  | <b>11,835</b> | <b>16,392</b> |

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

#### Financial liabilities subject to interest rate risk

|                       | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------|---------------|---------------|
| Sterling bank loans   | 70,000        | 60,000        |
| US Dollars bank loans | 22,595        | 19,225        |

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

### Interest rate sensitivity analysis

The analysis shows the additional charge to the Consolidated Income Statement assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period.

|                                 | 2016<br>£'000 | 2015<br>£'000 |
|---------------------------------|---------------|---------------|
| 100% movement in Sterling LIBOR | 457           | 461           |

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

### Foreign exchange risk

From time to time the Group enters into contracts to supply goods and services to customers trading in following regions:

- USA at prices denominated in US Dollars;
- Europe at prices denominated in Euros;
- Singapore at prices denominated in Singapore Dollars;
- Argentina at prices denominated in Argentine Peso; and
- China at prices denominated in Chinese Yuan.



**28. FINANCIAL RISK MANAGEMENT CONTINUED****Forward foreign exchange contracts**

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

The following table details the forward currency contracts outstanding at the period end:

|                                   | Average<br>exchange rate<br>Sterling : foreign<br>currency | Foreign<br>currency<br>'000 | Contract<br>value<br>£'000 | Fair value<br>£'000 |
|-----------------------------------|------------------------------------------------------------|-----------------------------|----------------------------|---------------------|
| Sell US Dollars (up to 12 months) | 1.44                                                       | 2,239                       | 1,552                      | 1,686               |
| Sell Euros (up to 12 months)      | 1.30                                                       | 5,590                       | 4,309                      | 4,710               |

Forward foreign exchange contracts have been used to hedge the exchange rate risk arising from these commitments which are designated as cash flow hedges. As at 29 July 2016, the aggregate amount of unrealised profits under forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on trade receivables and anticipated sale transactions amounted to £175,000. It is anticipated that the sales receipts will occur in the twelve months following the balance sheet date.

**Credit risk**

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk is relatively low as the Group maintains credit insurance for the majority of its UK operations up to a maximum aggregate claim in any one year of £15.5 million. In addition, its UK subsidiaries' sales are principally with a large number of counterparties and customers in the UK, and are denominated in Sterling.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

Included in the Group's trade receivables balance are debtors with a carrying amount of £7.2 million (2015 – £7.6 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

**Ageing of impaired receivables**

|                         | 2016<br>£'000 | 2015<br>£'000 |
|-------------------------|---------------|---------------|
| Between 0 and 59 days   | 85            | 122           |
| Between 60 and 89 days  | 662           | –             |
| Between 90 and 119 days | 161           | 981           |
| 120 days and above      | 418           | 305           |
|                         | <b>1,326</b>  | <b>1,408</b>  |

**Movement in the allowance for doubtful debts**

|                                         | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------------------|---------------|---------------|
| Balance at the beginning of the period  | <b>1,408</b>  | 1,716         |
| Impairment losses recognised            | <b>208</b>    | 191           |
| Amounts written-off as uncollectible    | <b>(205)</b>  | (291)         |
| Impairment losses reversed              | <b>(85)</b>   | (208)         |
| <b>Balance at the end of the period</b> | <b>1,326</b>  | <b>1,408</b>  |

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

**Ageing of past due but not impaired receivables**

|                                      | 2016<br>£'000 | 2015<br>£'000 |
|--------------------------------------|---------------|---------------|
| Ageing of past due but not impaired: |               |               |
| Between 0 and 59 days                | 6,353         | 6,667         |
| Between 60 and 89 days               | 885           | 892           |
| Between 90 and 119 days              | –             | 90            |
|                                      | <b>7,238</b>  | <b>7,649</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 working capital and longer-term borrowings for capital expenditure requirements. The Group renegotiated its revolving multicurrency facility from £115 million to £125 million in the current period. The agreement includes an overdraft facility of £15 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 23.

**Capital risk management**

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

**29. SHARE CAPITAL**

|                        | Number<br>of shares | Ordinary shares<br>of 10p each<br>£'000 |
|------------------------|---------------------|-----------------------------------------|
| Issued and fully paid: |                     |                                         |
| At 1 August 2015       | 130,889,412         | 13,089                                  |
| Issued in the period   | 11,551,511          | 1,155                                   |
| <b>At 29 July 2016</b> | <b>142,440,923</b>  | <b>14,244</b>                           |

All authorised and issued share capital is represented by equity shareholdings. The number of issued St Ives plc ordinary shares as at 4 October 2016 was 142,469,027.

The shares issued during the period are analysed as follows:

|                        | Number of<br>shares issued | Consideration<br>received<br>£'000 |
|------------------------|----------------------------|------------------------------------|
| <b>On acquisition:</b> |                            |                                    |
| The App Business       | 3,167,493                  | 1,360                              |
| Solstice               | 488,438                    | 382                                |
|                        | <b>3,655,931</b>           | <b>1,742</b>                       |
| <b>Other:</b>          |                            |                                    |
| LTIPs                  | 1,495,580                  | 51                                 |
| Placement              | 6,400,000                  | 13,356                             |
|                        | <b>7,895,580</b>           | <b>13,407</b>                      |
|                        | <b>11,551,511</b>          | <b>15,149</b>                      |

Equity based consideration in the period for FSP was settled using treasury shares.

The expenses related to treasury share operations were £97,909, which were recorded in retained earnings.

During the year, the Company made a placement of 6,400,000 shares, which incurred transaction costs of £403,711.

**30. ADDITIONAL PAID-IN CAPITAL**

|                                                             | Share premium<br>£'000 | Merger reserve<br>£'000 | Capital redemption reserve<br>£'000 | Total<br>£'000 |
|-------------------------------------------------------------|------------------------|-------------------------|-------------------------------------|----------------|
| Balance at 2 August 2014                                    | 46,689                 | 5,307                   | 1,238                               | 53,234         |
| Issue of share capital                                      | –                      | 1,731                   | –                                   | 1,731          |
| Transfer of contingent consideration deemed as remuneration | –                      | 249                     | –                                   | 249            |
| Recognition of share-based payments                         | 307                    | –                       | –                                   | 307            |
| Balance at 31 July 2015                                     | 46,996                 | 7,287                   | 1,238                               | 55,521         |
| Issue of shares                                             | 12,716                 | –                       | –                                   | 12,716         |
| Acquisitions                                                | –                      | 1,334                   | –                                   | 1,334          |
| Transfer of contingent consideration deemed as remuneration | –                      | 97                      | –                                   | 97             |
| Settlement of share-based payments                          | 127                    | –                       | –                                   | 127            |
| <b>Balance at 29 July 2016</b>                              | <b>59,839</b>          | <b>8,718</b>            | <b>1,238</b>                        | <b>69,795</b>  |

**31. OTHER RESERVES**

During the current period, the Group's employee benefit trust acquired 208,869 shares in the Company at the market value and 1,350,000 shares at nominal value.

As at 29 July 2016, the Company held a portfolio of treasury shares consisting of 90,637 ordinary shares.

**32. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT****Reconciliation of cash generated from operations**

|                                                                            | 2016<br>£'000  | 2015<br>£'000 |
|----------------------------------------------------------------------------|----------------|---------------|
| <b>(Loss)/profit from continuing operations</b>                            | <b>(1,843)</b> | 11,713        |
| Adjustments for:                                                           |                |               |
| Depreciation of property, plant and equipment and investment properties    | 7,201          | 7,201         |
| Share of losses from joint arrangement                                     | 122            | 88            |
| Impairment losses                                                          | 12,712         | 3,009         |
| Amortisation of intangible assets                                          | 10,016         | 8,690         |
| (Loss)/profit on disposal of property, plant and equipment                 | 1,484          | (721)         |
| Share-based payment (credit)/charge                                        | (238)          | 908           |
| Settlement of share based payments                                         | 108            | 541           |
| Net increase in derivative liabilities                                     | (175)          | (67)          |
| Decrease in defined benefits pension scheme obligations                    | (2,278)        | (2,325)       |
| Re-measurement of deferred consideration                                   | (781)          | 2,538         |
| Charge for contingent consideration required to be treated as remuneration | 8,220          | 6,233         |
| Increase/(decrease) in provisions                                          | 55             | (409)         |
| <b>Operating cash inflows before movements in working capital</b>          | <b>34,603</b>  | 37,399        |
| Increase in inventories                                                    | (880)          | (833)         |
| (Increase)/decrease in receivables                                         | (9,572)        | 6,864         |
| Increase/(decrease) in payables                                            | 3,992          | (8,077)       |
| (Decrease)/increase in deferred income                                     | (906)          | 1,132         |
| Net decrease in provision for deemed remuneration                          | (3,580)        | (975)         |
| <b>Cash generated from operations</b>                                      | <b>23,650</b>  | 35,510        |

## Analysis of net debt

|                           | 31 July<br>2015<br>£'000 | Cash flow<br>£'000 | Foreign<br>exchange<br>losses<br>£'000 | 29 July<br>2016<br>£'000 |
|---------------------------|--------------------------|--------------------|----------------------------------------|--------------------------|
| Cash and cash equivalents | 16,392                   | (4,532)            | (25)                                   | <b>11,835</b>            |
| Bank loans                | (79,225)                 | (10,000)           | (3,370)                                | <b>(92,595)</b>          |
|                           | (62,833)                 | (14,532)           | (3,395)                                | <b>(80,760)</b>          |

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

## 33. CAPITAL AND OTHER COMMITMENTS

|                                                 | 2016<br>£'000 | 2015<br>£'000 |
|-------------------------------------------------|---------------|---------------|
| Capital expenditure contracted but not provided | –             | 689           |

At 29 July 2016, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

|                            | Land and<br>buildings<br>2016<br>£'000 | Other<br>2016<br>£'000 | Land and<br>buildings<br>2015<br>£'000 | Other<br>2015<br>£'000 |
|----------------------------|----------------------------------------|------------------------|----------------------------------------|------------------------|
| Within one year            | <b>6,124</b>                           | <b>1,116</b>           | 2,902                                  | 1,101                  |
| Between two and five years | <b>16,945</b>                          | <b>1,593</b>           | 8,985                                  | 1,412                  |
| After five years           | <b>2,543</b>                           | –                      | 553                                    | –                      |
|                            | <b>25,613</b>                          | <b>2,709</b>           | 12,440                                 | 2,513                  |

## 34. SHARE-BASED PAYMENTS

The Company operates a number of share-based payment schemes for certain employees of the Group. IFRS 2 Share-based Payment has been applied to all share-based rewards made after 11 November 2013 that did not vest before 31 July 2004 as detailed below:

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

Executive Directors and certain members of senior management have been granted share options under the Company's discretionary share option schemes.

A reconciliation of the movement is shown below:

|                                             | Number of options |              | Weighted average<br>exercise price |           |
|---------------------------------------------|-------------------|--------------|------------------------------------|-----------|
|                                             | 2016<br>'000      | 2015<br>'000 | 2016<br>£                          | 2015<br>£ |
| Outstanding at the beginning of the period  | <b>100</b>        | 100          | <b>0.66</b>                        | 0.66      |
| Exercised during the period                 | <b>(100)</b>      | –            | <b>0.66</b>                        | –         |
| <b>Outstanding at the end of the period</b> | –                 | 100          | –                                  | 0.66      |
| <b>Exercisable at the end of the period</b> | –                 | 100          | –                                  | 0.66      |

**34. SHARE-BASED PAYMENTS CONTINUED****Long-term Incentive Plan 2010 ('LTIP')**

Executive Directors and certain members of senior management have been granted nil-cost share options under the Company's long-term incentive plan. Details of the LTIP are included on page 40 of the Directors' Remuneration Report.

|                                                             | 2016<br>'000 | 2015<br>'000 |
|-------------------------------------------------------------|--------------|--------------|
| <b>Number of options</b>                                    |              |              |
| Outstanding at the beginning of the period                  | 2,961        | 3,866        |
| Granted during the period                                   | 1,208        | 909          |
| Lapsed during the period                                    | (92)         | (171)        |
| Exercised during the period                                 | (1,434)      | (1,643)      |
| <b>Outstanding at the end of the period</b>                 | <b>2,643</b> | <b>2,961</b> |
| <b>Exercisable at the end of the period</b>                 | <b>–</b>     | <b>122</b>   |
| <b>Estimated % of options vesting over next three years</b> | <b>0%</b>    | <b>78%</b>   |

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

|                                            | LTIP    |
|--------------------------------------------|---------|
| Weighted average mid-market share price    | £1.89   |
| Weighted average exercise price            | £Nil    |
| Expected life                              | 3 years |
| Expected volatility                        | 28.31%  |
| Risk free rate                             | 2.00%   |
| Dividend yield                             | 5.00%   |
| Weighted average fair value of the options | £1.63   |

**Save As You Earn Share Option Plan ('Sharesave Plan')**

The Company has granted share options to eligible employees under an HMRC-approved all-employee Sharesave Plan. Details of the plan are included on page 40 of the Directors' Remuneration Report.

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

|                                             | Number of options |              | Weighted average exercise price |             |
|---------------------------------------------|-------------------|--------------|---------------------------------|-------------|
|                                             | 2016<br>'000      | 2015<br>'000 | 2016<br>£                       | 2015<br>£   |
| Outstanding at the beginning of the period  | 835               | 1,475        | 1.03                            | 0.88        |
| Lapsed during the period                    | (48)              | (74)         | 1.05                            | 0.90        |
| Exercised during the period                 | (107)             | (566)        | 0.69                            | 0.66        |
| <b>Outstanding at the end of the period</b> | <b>680</b>        | <b>835</b>   | <b>1.09</b>                     | <b>1.03</b> |
| <b>Exercisable at the end of the period</b> | <b>680</b>        | <b>103</b>   | <b>1.09</b>                     | <b>0.65</b> |

**Share-based contingent consideration required to be treated as remuneration**

The Group recognised a share-based charge of £5,143,000 (2015 – £4,978,000) relating to contingent consideration for the acquisition of Digital Marketing and Insight businesses, which is recorded as part of deemed remuneration in Adjusting Items (note 7).

In addition, the Group recognised a credit of £236,000 (2015 – charge of £1,448,000) relating to equity-settled share-based payments other than in context of acquisitions. The exercise price of options outstanding at 29 July 2016 ranges between £Nil and £1.09.

**Annual Bonus Scheme**

On 2 November 2015, pursuant to the Directors and Senior Executives Deferred Bonus Scheme outlined on page 39 of the Directors' Remuneration Report, a portion of the net bonus payable to Executive Directors of St Ives plc in respect of the 2015 financial period was used to purchase 30,885 ordinary shares in the Company from the Group's Employee Benefit Trust ("EBT") on behalf of these Directors at 185.55 pence per share.



### 35. HEDGING AND TRANSLATION RESERVES

#### Hedging reserve and translation reserve

The reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges and the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Sterling.

Gains and losses transferred from the hedging and translation reserves into profit or loss during the period are included in the following line items in the Consolidated Income Statement:

|         | 2016<br>£'000 | 2015<br>£'000 |
|---------|---------------|---------------|
| Revenue | 127           | 60            |

### 36. RELATED PARTY TRANSACTIONS

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

On 2 November 2015, shares in the Company were purchased from the Group's Employee Benefit Trust on behalf of Matt Armitage and Brad Gray as outlined in note 34.

No other executive officers of the Company or their associates had material transactions with the Group during the period.

The Group traded with Loop Integration LLC. The Group earned revenue of £216,608 and the Group incurred charges for services received of £202,168. At the reporting date, Loop Integration LLC owed the Group £103,829.

#### Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

|                              | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------|---------------|---------------|
| Short-term employee benefits | 926           | 1,195         |
| Post-employment benefits     | 108           | 83            |
| Share-based payment          | –             | 430           |
|                              | 1,034         | 1,708         |

### 37. POST BALANCE SHEET EVENTS

On 28 September 2016, the Company sold the freehold land and building of its Burnley site which, at the balance sheet date, was recorded as an asset held for sale.

**37. LIST OF UNDERTAKINGS**

The principal trading subsidiaries of the Company, held directly or indirectly, as at 29 July 2016 are shown below:

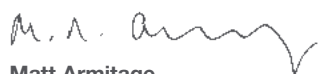
|                                              | Nature of Business   | Location                    | Place of incorporation   |
|----------------------------------------------|----------------------|-----------------------------|--------------------------|
| Amaze Limited                                | Strategic Marketing  | Manchester & other UK sites | England and Wales        |
| Amaze Europe Limited                         | Strategic Marketing  | Manchester & other UK sites | England and Wales        |
| Amaze Communication Services Limited         | Strategic Marketing  | Manchester & other UK sites | England and Wales        |
| Branded3 Search Limited                      | Strategic Marketing  | Leeds                       | England and Wales        |
| Clays Limited                                | Books                | Bungay                      | England and Wales        |
| eBee Limited                                 | Strategic Marketing  | London                      | England and Wales        |
| Flare Limited                                | Strategic Marketing  | Flintshire                  | England and Wales        |
| Fripp, Sandeman and Partners Limited         | Strategic Marketing  | High Wycombe                | England and Wales        |
| Incite Marketing Planning Limited            | Strategic Marketing  | London                      | England and Wales        |
| Incite Marketing Planning (Shanghai) Co. Ltd | Strategic Marketing  | Shanghai                    | China                    |
| Incite Marketing Planning Singapore PTE. LTD | Strategic Marketing  | Singapore                   | Singapore                |
| Incite New York LLC                          | Strategic Marketing  | New York                    | United States of America |
| My Bench Limited                             | Strategic Marketing  | Chilcompton                 | England and Wales        |
| Occam DM Limited                             | Strategic Marketing  | Chilcompton                 | England and Wales        |
| Pollen Health Limited                        | Strategic Marketing  | London                      | England and Wales        |
| Pragma Consulting Limited                    | Strategic Marketing  | London                      | England and Wales        |
| Realise Limited                              | Strategic Marketing  | Edinburgh                   | Scotland                 |
| Response One Limited                         | Strategic Marketing  | Bath                        | England and Wales        |
| Service Graphics Limited                     | Marketing Activation | London & other UK sites     | England and Wales        |
| Solstice Mobile LLC                          | Strategic Marketing  | Illinois                    | United States of America |
| Solstice Mobile Argentina Srl                | Strategic Marketing  | Buenos Aires                | Argentina                |
| SP Group Limited                             | Marketing Activation | Redditch                    | England and Wales        |
| St Ives Management Services Limited          | Marketing Activation | London                      | England and Wales        |
| The App Business Limited                     | Strategic Marketing  | London                      | England and Wales        |
| The Health Hive Limited                      | Strategic Marketing  | London                      | England and Wales        |
| Tactical Solutions UK Limited                | Marketing Activation | Flintshire                  | England and Wales        |

In addition, the Company held, directly or indirectly, a number of non-trading companies as at 29 July 2016:

|                                                 |                                           |
|-------------------------------------------------|-------------------------------------------|
| Amaze (Holdings) Limited                        | St Ives Direct Limited                    |
| Amaze Communication Services (Holdings) Limited | St Ives Direct Edenbridge Limited         |
| Amaze Technology Limited                        | St Ives Direct Leeds Limited              |
| Okana Systems Limited                           | St Ives Financial Limited                 |
| Pragma Holdings Limited                         | St Ives Holdings Limited                  |
| Realise Holdings Limited                        | St Ives Illinois LLC                      |
| Response One Holdings Limited                   | St Ives Marketing Services (Delaware) LLC |
| Solstice Consulting Argentina LLC               | St Ives Marketing Services Limited        |
| Solstice Consulting Latin America LLC           | St Ives Pension Scheme Trustees Limited   |
| SouthWest Mailing Limited                       | St Ives Westerham Press Limited           |
| St Ives Blackburn Limited                       | The Health Hive (US) LLC                  |
| St Ives Crocus BV                               | The Health Hive Group Limited             |

|                                                                | Note | 29 July<br>2016<br>£'000 | 31 July<br>2015<br>£'000 |
|----------------------------------------------------------------|------|--------------------------|--------------------------|
| <b>Fixed assets</b>                                            |      |                          |                          |
| Tangible assets                                                | 5    | 673                      | 871                      |
| Intangible assets                                              | 6    | 425                      | 293                      |
| Investment property                                            | 7    | 19,265                   | 25,537                   |
| Investments                                                    | 8    | 291,834                  | 250,895                  |
|                                                                |      | <b>312,197</b>           | 277,596                  |
| <b>Current assets</b>                                          |      |                          |                          |
| Debtors                                                        |      |                          |                          |
| Due within one year                                            | 9    | 9,667                    | 9,330                    |
| Due after more than one year                                   | 9    | 2,642                    | 3,424                    |
| Derivative financial instruments                               | 10   | –                        | 165                      |
| Assets held for sale                                           |      | 1,481                    | 412                      |
|                                                                |      | <b>13,790</b>            | 13,331                   |
| <b>Creditors: Amounts falling due within one year</b>          |      |                          |                          |
| Trade and other creditors                                      | 11   | (52,492)                 | (50,017)                 |
| Derivate financial instruments                                 | 10   | (522)                    | –                        |
| Net current liabilities                                        |      | <b>(39,224)</b>          | (36,686)                 |
| <b>Total assets less current liabilities</b>                   |      | <b>272,973</b>           | 240,910                  |
| <b>Creditors: Amounts falling due after more than one year</b> |      |                          |                          |
| Bank loans and overdrafts                                      | 11   | (92,595)                 | (79,225)                 |
| <b>Provision for liabilities</b>                               | 13   | <b>(85)</b>              | (337)                    |
| Retirement benefits obligations                                | 13   | (26,394)                 | (27,597)                 |
| <b>Net assets</b>                                              |      | <b>153,899</b>           | 133,751                  |
| <b>Capital and reserves</b>                                    |      |                          |                          |
| Share capital                                                  | 14   | 14,244                   | 13,089                   |
| Share premium account                                          | 14   | 59,839                   | 46,996                   |
| Other reserves                                                 |      | 16,148                   | 14,424                   |
| Profit and loss account                                        |      | 63,668                   | 59,242                   |
| <b>Total equity</b>                                            |      | <b>153,899</b>           | 133,751                  |

These financial statements were approved by the Board of Directors on 4 October 2016 and signed on its behalf by



**Matt Armitage**  
Chief Executive



**Brad Gray**  
Chief Financial Officer

## OUR FIGURES

## STATEMENT OF CHANGES IN EQUITY

|                                                                               | Share capital<br>£'000 | Share premium<br>account<br>£'000 | Merger<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | ESOP<br>reserve<br>£'000 | Treasury<br>shares<br>£'000 | Share<br>option<br>reserve<br>£'000 | Hedging<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>£'000  |
|-------------------------------------------------------------------------------|------------------------|-----------------------------------|----------------------------|-------------------------------------------|--------------------------|-----------------------------|-------------------------------------|-----------------------------|----------------------------------------|-----------------|
| Balance at 2 August 2014                                                      | 12,517                 | 46,689                            | 5,307                      | 1,238                                     | (11)                     | (163)                       | 7,199                               | 14                          | 69,330                                 | <b>142,120</b>  |
| Profit for the period                                                         | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | 10,691                                 | <b>10,691</b>   |
| Other comprehensive expense                                                   |                        |                                   |                            |                                           |                          |                             |                                     |                             |                                        |                 |
| Items that will not be reclassified<br>subsequently to profit or loss:        |                        |                                   |                            |                                           |                          |                             |                                     |                             |                                        |                 |
| Actuarial loss on defined benefits<br>pension scheme                          | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | (19,691)                               | <b>(19,691)</b> |
| Tax credit on items taken directly to equity                                  | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | 3,925                                  | <b>3,925</b>    |
| Total comprehensive expense                                                   | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | (5,075)                                | <b>(5,075)</b>  |
| Issue of shares                                                               | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | –                                      | <b>–</b>        |
| Dividends                                                                     | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | (9,455)                                | <b>(9,455)</b>  |
| Acquisitions                                                                  | 213                    | –                                 | 1,731                      | –                                         | –                        | 845                         | –                                   | –                           | (917)                                  | <b>1,872</b>    |
| Transfer of share-based contingent<br>consideration deemed as remuneration    | 144                    | –                                 | 249                        | –                                         | –                        | 956                         | (4,437)                             | –                           | 3,810                                  | <b>722</b>      |
| Purchase of own shares                                                        | 160                    | –                                 | –                          | –                                         | (382)                    | (2,458)                     | –                                   | –                           | –                                      | <b>(2,680)</b>  |
| Recognition of share-based payments                                           | 55                     | 307                               | –                          | –                                         | 393                      | –                           | 4,467                               | –                           | 1,204                                  | <b>6,426</b>    |
| Tax on share-based payments                                                   | –                      | –                                 | –                          | –                                         | –                        | –                           | (456)                               | –                           | 345                                    | <b>(111)</b>    |
| Gains on cash flow hedges:                                                    |                        |                                   |                            |                                           |                          |                             |                                     |                             |                                        |                 |
| Transferred to underlying hedged items                                        | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | (14)                        | –                                      | <b>(14)</b>     |
| Arising on forward currency contracts                                         | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | (54)                        | –                                      | <b>(54)</b>     |
| Balance at 31 July 2015                                                       | 13,089                 | 46,996                            | 7,287                      | 1,238                                     | –                        | (820)                       | 6,773                               | (54)                        | 59,242                                 | <b>133,751</b>  |
| Profit for the period                                                         | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | 11,477                                 | <b>11,477</b>   |
| Other comprehensive expense                                                   |                        |                                   |                            |                                           |                          |                             |                                     |                             |                                        |                 |
| Items that will not be reclassified<br>subsequently to profit or loss:        |                        |                                   |                            |                                           |                          |                             |                                     |                             |                                        |                 |
| Actuarial loss on defined benefits<br>pension scheme                          | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | 83                                     | <b>83</b>       |
| Tax credit on items taken directly to equity                                  | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | (545)                                  | <b>(545)</b>    |
| Total comprehensive expense                                                   | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | 11,015                                 | <b>11,015</b>   |
| Issue of shares                                                               | 775                    | 12,716                            | –                          | –                                         | (135)                    | –                           | –                                   | –                           | –                                      | <b>13,356</b>   |
| Share-based payment                                                           | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | –                                      | <b>–</b>        |
| Dividends                                                                     | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | –                           | (10,934)                               | <b>(10,934)</b> |
| Acquisitions                                                                  | 365                    | –                                 | 1,334                      | –                                         | –                        | 657                         | –                                   | –                           | (528)                                  | <b>1,828</b>    |
| Recognition of share-based contingent<br>consideration deemed as remuneration | –                      | –                                 | –                          | –                                         | –                        | –                           | 5,143                               | –                           | –                                      | <b>5,143</b>    |
| Transfer of share-based contingent<br>consideration deemed as remuneration    | –                      | –                                 | 97                         | –                                         | –                        | –                           | (3,295)                             | –                           | 3,382                                  | <b>184</b>      |
| Purchase of own shares                                                        | –                      | –                                 | –                          | –                                         | (395)                    | –                           | –                                   | –                           | –                                      | <b>(395)</b>    |
| Recognition of share-based payments                                           | –                      | –                                 | –                          | –                                         | –                        | –                           | (236)                               | –                           | –                                      | <b>(236)</b>    |
| Settlement of share-based payments                                            | 15                     | 127                               | –                          | –                                         | 530                      | –                           | (1,431)                             | –                           | 868                                    | <b>109</b>      |
| Tax on share-based payments                                                   | –                      | –                                 | –                          | –                                         | –                        | –                           | (231)                               | –                           | 255                                    | <b>24</b>       |
| Cash flow hedge revaluation                                                   | –                      | –                                 | –                          | –                                         | –                        | –                           | –                                   | 54                          | –                                      | <b>54</b>       |
| <b>Balance at 29 July 2016</b>                                                | <b>14,244</b>          | <b>59,839</b>                     | <b>8,718</b>               | <b>1,238</b>                              | <b>–</b>                 | <b>(163)</b>                | <b>6,723</b>                        | <b>–</b>                    | <b>63,300</b>                          | <b>153,899</b>  |

## 1. ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard ('FRS') 100 issued by the Financial Reporting Council. Accordingly, in the year ended 29 July 2016 the Company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The transition effect has been disclosed in the transition note.

### Financial Reporting Standard 1 – reduced disclosure exemptions

The change in basis of preparation has enabled the Company to take advantage of the applicable disclosure exemptions permitted by FRS 101 in its financial statements, which are summarised below:

| Standard                                                                 | Disclosure exemption                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 2, 'Share-based Payment'                                            | <ul style="list-style-type: none"> <li>• Para 45(b) – number and weighted average exercise prices of share options</li> <li>• Para 46-52 – fair value disclosures for share options</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| IFRS 7, 'Financial Instruments: Disclosures'                             | <ul style="list-style-type: none"> <li>• Full exemption</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| IFRS 13, 'Fair Value Measurement'                                        | <ul style="list-style-type: none"> <li>• Para 91-99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| IAS 1, 'Presentation of the Financial Statements'                        | <ul style="list-style-type: none"> <li>• Para 10(d) – statement of cash flows</li> <li>• Para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements</li> <li>• Para 16 – statement of compliance with all IFRS</li> <li>• Para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1</li> <li>• Para 38A – requirement for minimum of two primary statements, including cash flow statements</li> <li>• Para 38B-D – additional comparative information</li> <li>• Para 40A-D – requirements for a third statement of financial position</li> <li>• Para 111 – cash flow statement information</li> <li>• Para 134-136 – capital management disclosures</li> </ul> |
| IAS 7, 'Statement of Cash Flows'                                         | <ul style="list-style-type: none"> <li>• Full exemption</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' | <ul style="list-style-type: none"> <li>• Para 30 &amp; 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| IAS 24, 'Related Party Disclosures'                                      | <ul style="list-style-type: none"> <li>• Para 17 and 18A – key management compensation</li> <li>• The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

The disclosures are given in the Consolidated Financial Statements on pages 62 to 104 and notes 1 to 37.

The principal accounting policies adopted are the same as those set out in note 2 to the Consolidated Financial Statements except as noted below.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 52.

#### (a) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

## 2. PROFIT FROM OPERATIONS

As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The profit for the financial period for the Company was £11.5 million (2015 – £10.7 million).

## 3. AUDITORS' REMUNERATION

Fees paid to the auditors in respect of their audit of the Company were £135,000 (2015 – £130,000).



**4. EMPLOYEE INFORMATION**

The average monthly number of employees (including Executive Directors) was:

|                | 2016<br>Number | 2015<br>Number |
|----------------|----------------|----------------|
| Sales          | 1              | 1              |
| Administration | 66             | 62             |
|                | 67             | 63             |

Their aggregate remuneration comprised:

|                       | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 3,107         | 3,850         |
| Social security costs | 366           | 371           |
| Other pension costs   | 103           | 115           |
| Share-based payment   | (236)         | 5,886         |
|                       | 3,340         | 10,222        |

Disclosure of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Directors' Remuneration Report on pages 38 to 51 and form part of these Parent Company financial statements. Further details of share-based payments are contained in note 34 in the notes to the consolidated financial statements.

**5. TANGIBLE FIXED ASSETS**

|                                        | Land and<br>buildings<br>Short leases<br>£'000 | Plant and<br>machinery<br>£'000 | Asset under<br>construction<br>£'000 | Fixtures, fittings,<br>equipment and<br>motor vehicles<br>£'000 | Total<br>£'000 |
|----------------------------------------|------------------------------------------------|---------------------------------|--------------------------------------|-----------------------------------------------------------------|----------------|
| <b>Cost or valuation:</b>              |                                                |                                 |                                      |                                                                 |                |
| At 2 August 2014                       | 660                                            | 3,135                           | –                                    | 304                                                             | 4,099          |
| Additions                              | –                                              | 41                              | 75                                   | 26                                                              | 142            |
| Disposals                              | –                                              | (875)                           | –                                    | (23)                                                            | (898)          |
| At 31 July 2015                        | 660                                            | 2,301                           | 75                                   | 307                                                             | 3,343          |
| Additions                              | –                                              | 1                               | 219                                  | 28                                                              | 248            |
| Disposals                              | (1)                                            | (19)                            | –                                    | –                                                               | (20)           |
| Transfer to software                   | –                                              | –                               | (220)                                | –                                                               | (220)          |
| Transfer from asset under construction | –                                              | 74                              | (74)                                 | –                                                               | –              |
| Transfers from subsidiaries            | –                                              | –                               | –                                    | (16)                                                            | (16)           |
| <b>At 29 July 2016</b>                 | <b>659</b>                                     | <b>2,357</b>                    | <b>–</b>                             | <b>319</b>                                                      | <b>3,335</b>   |
| <b>Accumulated depreciation:</b>       |                                                |                                 |                                      |                                                                 |                |
| At 2 August 2014                       | 196                                            | 2,735                           | –                                    | 143                                                             | 3,074          |
| Charge                                 | 66                                             | 191                             | –                                    | 38                                                              | 295            |
| Disposals                              | 1                                              | (875)                           | –                                    | (23)                                                            | (897)          |
| At 31 July 2015                        | 263                                            | 2,051                           | –                                    | 158                                                             | 2,472          |
| Charge                                 | 66                                             | 87                              | –                                    | 40                                                              | 193            |
| Disposals                              | –                                              | (3)                             | –                                    | –                                                               | (3)            |
| <b>At 29 July 2016</b>                 | <b>329</b>                                     | <b>2,135</b>                    | <b>–</b>                             | <b>198</b>                                                      | <b>2,662</b>   |
| <b>Net book value:</b>                 |                                                |                                 |                                      |                                                                 |                |
| <b>At 29 July 2016</b>                 | <b>330</b>                                     | <b>222</b>                      | <b>–</b>                             | <b>121</b>                                                      | <b>673</b>     |
| At 31 July 2015                        | 397                                            | 250                             | 75                                   | 149                                                             | 871            |

## 6. INTANGIBLE ASSETS

|                                     | Software<br>£'000 |
|-------------------------------------|-------------------|
| <b>Cost or valuation:</b>           |                   |
| At 2 August 2014                    | 2,151             |
| Disposals                           | (58)              |
| At 31 July 2015                     | 2,093             |
| Additions                           | 155               |
| Transfer from tangible fixed assets | 220               |
| <b>At 29 July 2016</b>              | <b>2,468</b>      |
| <b>Accumulated depreciation:</b>    |                   |
| At 2 August 2014                    | 1,488             |
| Charge                              | 312               |
| At 31 July 2015                     | 1,800             |
| Charge                              | 243               |
| <b>At 29 July 2016</b>              | <b>2,043</b>      |
| <b>Net book value:</b>              |                   |
| <b>At 29 July 2016</b>              | <b>425</b>        |
| At 31 July 2015                     | 293               |

## 7. INVESTMENT PROPERTY

|                                          | Investment<br>property<br>£'000 |
|------------------------------------------|---------------------------------|
| <b>Cost or valuation:</b>                |                                 |
| At 2 August 2014                         | 46,631                          |
| Additions                                | 44                              |
| Disposals                                | (9,721)                         |
| Reclassification to assets held for sale | (713)                           |
| At 31 July 2015                          | 36,241                          |
| Disposals                                | (6,367)                         |
| Transfers from subsidiaries              | 50                              |
| Reclassification to assets held for sale | (1,895)                         |
| <b>At 29 July 2016</b>                   | <b>28,029</b>                   |
| <b>Accumulated depreciation:</b>         |                                 |
| At 2 August 2014                         | 16,105                          |
| Charge                                   | 738                             |
| Disposals                                | (5,838)                         |
| Reclassification to assets held for sale | (301)                           |
| At 31 July 2015                          | 10,704                          |
| Charge                                   | 596                             |
| Disposals                                | (2,122)                         |
| Reclassification to assets held for sale | (414)                           |
| <b>At 29 July 2016</b>                   | <b>8,764</b>                    |
| <b>Net book value:</b>                   |                                 |
| <b>At 29 July 2016</b>                   | <b>19,265</b>                   |
| At 31 July 2015                          | 25,537                          |

The Company has freehold land with a book value of £3,862,291 (2015 – £4,320,000) which has not been depreciated.

**7. INVESTMENT PROPERTY CONTINUED**

The fair value of investment property as at 29 July 2016 was £26,124,295. Of this, £9,150,000 has been arrived at on the basis of a valuation carried out at that date by Matthews & Goodman, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards. This valuation relates to two investment properties which are owned by the Company, and they have been categorised as a level 2 fair value based on the inputs to the valuation technique used.

The Company leases a factory site to a subsidiary for which an up to date fair value cannot be measured reliably, as there are no other comparable properties due to size and location. A valuation was carried out in 2006 which valued the site at £9,000,000.

The remaining investment properties with a total fair value of £7,574,295 have been categorised as level 2 fair value based on the inputs to the valuation technique used, which were observable in the market.

There were non-current assets held for sale of £1,481,305 as at 29 July 2016, relating to the Burnley factory, which was closed in 2015. In the prior period, the Birmingham property was classified as held for sale, because the sale was highly probable to occur within twelve months.

The investment properties are leased out to Group subsidiaries and parties external to Group.

The following amounts have been recognised in the profit or loss account: £2,164,408 (2015 – £2,491,686) in relation to rental income from investment properties and £293,883 (2015 – £544,792) in relation to direct operating expenses arising from investment properties that did not generate rental income.

At 29 July 2016, the total of future minimum lease payments to be received under non-cancellable operating leases on investment properties was £4,303,500. Of this total, £906,000 was due within one year and £3,397,500 was due between two and five years.

**8. INVESTMENTS HELD AS FIXED ASSETS**

|                              | Shares in<br>subsidiaries<br>at cost<br>£'000 | Loans to<br>subsidiaries<br>£'000 | Total<br>£'000 |
|------------------------------|-----------------------------------------------|-----------------------------------|----------------|
| At 1 August 2015             | 73,971                                        | 176,924                           | 250,895        |
| Acquisitions                 | 28,191                                        | –                                 | 28,191         |
| Loan advances                | –                                             | 23,127                            | 23,127         |
| Loan repayments              | –                                             | (12,069)                          | (12,069)       |
| Loan re-classification       | –                                             | (1,675)                           | (1,675)        |
| Foreign exchange revaluation | –                                             | 3,365                             | 3,365          |
| <b>At 29 July 2016</b>       | <b>102,162</b>                                | <b>189,672</b>                    | <b>291,834</b> |

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 37 of the consolidated financial statements.

The Company's investment in and loan to St Ives Crocus BV was impaired to £Nil in the prior period, resulting in a charge of £199,000, as the entity was dormant.

The loan has been re-classified as trade payables.

**9. DEBTORS**

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| <b>Within one year</b>             |               |               |
| Amounts owed by Group undertakings | 2,876         | 1,491         |
| Other debtors                      | 2,075         | 995           |
| Corporation tax recoverable        | 3,440         | 5,259         |
| Prepayments and accrued income     | 1,276         | 1,585         |
|                                    | <b>9,667</b>  | 9,330         |
| <b>After more than one year</b>    |               |               |
| Deferred tax                       | 2,642         | 3,424         |

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

|                                              | 2016<br>£'000 | 2015<br>£'000 |
|----------------------------------------------|---------------|---------------|
| Capital allowances in excess of depreciation | (2,243)       | (2,979)       |
| Temporary differences on share options       | 108           | 749           |
| Other timing differences                     | 26            | 134           |
| Retirement benefits obligations              | 4,751         | 5,520         |
|                                              | <b>2,642</b>  | <b>3,424</b>  |

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

In the Finance Act 2016, the Government announced further reductions in the main tax rate down to 17% effective from 1 April 2020, which had not been substantively enacted at the balance sheet date.

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

### Derivative financial assets

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| Forward foreign currency contracts | –             | 165           |

### Derivative financial liabilities

|                                    | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------|---------------|---------------|
| Forward foreign currency contracts | 522           | –             |

## 11. CREDITORS

|                                                   | 2016<br>£'000 | 2015<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| <b>Amounts falling due within one year</b>        |               |               |
| Amounts owing to Group undertakings               | 9,174         | 10,364        |
| Bank loans and overdrafts (note 12)               | 37,063        | 31,284        |
| Consideration payable on purchase of subsidiaries | 1,577         | 1,032         |
| Trade creditors                                   | 636           | 550           |
| Other creditors including tax and social security | 2,529         | 4,125         |
| Accruals and deferred income                      | 1,513         | 2,662         |
|                                                   | <b>52,492</b> | <b>50,017</b> |

|                                                     | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------------------------------|---------------|---------------|
| <b>Amounts falling due after more than one year</b> |               |               |
| Bank loans and overdrafts (note 12)                 | 92,595        | 79,225        |
|                                                     | <b>92,595</b> | <b>79,225</b> |

**12. BORROWINGS AND FINANCE OBLIGATIONS**

|                                                     | 2016<br>£'000         | 2015<br>£'000         |
|-----------------------------------------------------|-----------------------|-----------------------|
| <b>Amounts falling due within one year</b>          |                       |                       |
| Bank overdrafts                                     | <b>37,063</b>         | 31,284                |
|                                                     | <b>2016<br/>£'000</b> | <b>2015<br/>£'000</b> |
| <b>Amounts falling due after more than one year</b> |                       |                       |
| Bank loans                                          | <b>92,595</b>         | 79,225                |

**Bank overdrafts and loans**

In January 2016, the Group renegotiated the revolving multicurrency bank facility increasing the previous facility from £115 million to £125 million expiring on 23 March 2019 and with the ability to extend the term for a further year. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.55% and 2.15%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

As at 29 July 2016, the Group's outstanding loans within this facility were £93 million (2015 – £79 million). The undrawn portion of this facility at 29 July 2016 was £32 million (2015 – £36 million).

The Company's overdraft is guaranteed by certain United Kingdom subsidiary undertakings and the Company guarantees the loans and overdrafts of those United Kingdom subsidiary undertakings. At 29 July 2016, the aggregate liability for the Company under this guarantee amounted to £130,637,801 (2015 – £101,336,000). The aggregate value of overdraft liabilities belonging to these subsidiaries which are guaranteed by the Company amounted to £985,223 (2015 – £4,808,000).

As at 29 July 2016, there was no loan or overdraft secured against the assets of the Company (2015 – £Nil). The Directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company has guaranteed amounts payable to certain property landlords and specific financial guarantees for obligations to suppliers and customers of its trading subsidiaries. The maximum aggregate liability under these financial guarantees is £19,796,000 (2015 – £12,173,000).

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

|                               | 2016<br>£'000 | 2015<br>£'000 |
|-------------------------------|---------------|---------------|
| Provision for repairs         | 54            | 266           |
| Provision for reorganisation  | 31            | 71            |
| Retirement benefit obligation | 26,394        | 27,597        |
|                               | 26,479        | 27,934        |

|                            | Provision for<br>repairs<br>£'000 | Provision for<br>reorganisation<br>£'000 | Total<br>£'000 |
|----------------------------|-----------------------------------|------------------------------------------|----------------|
| At 1 August 2015           | 266                               | 71                                       | 337            |
| Credit to income statement | (212)                             | –                                        | (212)          |
| Utilised                   | –                                 | (40)                                     | (40)           |
| <b>At 29 July 2016</b>     | <b>54</b>                         | <b>31</b>                                | <b>85</b>      |

The remaining provision for repairs at 29 July 2016 relates to the dilapidation of Tudor Street, the Group's London headquarters. The release of £212,000 during the year relates to the Burnley site which was re-classified as an asset held for sale as at 29 July 2016. Provisions held as at 29 July 2016 are estimated to be utilised within the next twelve months of the Company's balance sheet date.

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

The Group is required to account for the defined benefits scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures are included in note 27 of the notes to the consolidated financial statements.



#### 14. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

|                          | Number<br>of shares | Ordinary shares<br>of 10p each<br>£'000 | Share premium<br>account<br>£'000 |
|--------------------------|---------------------|-----------------------------------------|-----------------------------------|
| Allotted and fully paid: |                     |                                         |                                   |
| At 1 August 2015         | 130,889,412         | 13,089                                  | 46,996                            |
| Issue of share capital   | 11,551,511          | 1,155                                   | 12,716                            |
| Share based payment      | –                   | –                                       | 127                               |
| <b>At 29 July 2016</b>   | <b>142,440,923</b>  | <b>14,244</b>                           | <b>59,839</b>                     |

All authorised and issued share capital is represented by equity shareholdings. Further information on equity can be found in note 29 of the consolidated financial statements.

The following shares were issued as partial consideration in respect of acquisitions made during the current and prior period.

The share issued are analysed as follows:

|                       | Number of<br>shares issued | Consideration<br>received<br>£'000 |
|-----------------------|----------------------------|------------------------------------|
| <b>On acquisition</b> |                            |                                    |
| The App Business      | 3,167,493                  | 1,360                              |
| Solstice              | 488,438                    | 382                                |
|                       | 3,655,931                  | 1,742                              |
| <b>On placement</b>   |                            |                                    |
| LTIPs                 | 1,495,580                  | 51                                 |
| Placement             | 6,400,000                  | 13,356                             |
|                       | 7,895,580                  | 13,407                             |
|                       | <b>11,551,511</b>          | <b>15,149</b>                      |

Further details of these acquisitions and LTIPs are contained in note 34 to the consolidated financial statements.

The expenses related to treasury share operations were £97,909, which were recorded in retained earnings.

During the current period the Company issued 6,400,000 shares via a placement and incurred costs of £403,711, which is recorded in the share premium account.

Equity based consideration in the period for FSP was settled using treasury shares.

#### 15. OTHER RESERVES

The movements in reserves are disclosed in the Company's Statement of Changes in Equity.

During the current year period, the Group's employee benefit trust acquired 208,869 shares in the Company at the market value and 1,350,000 shares at nominal value.

On 2 November 2015, pursuant to the Directors and Senior Executives Annual Bonus Scheme outlined on page 39 of the Directors' Remuneration Report, a portion of the net bonus payable to Matt Armitage and Brad Gray in respect of the 2015 financial period was used to purchase 30,885 ordinary shares in the Company from the Group's Employee Benefit Trust ('EBT') on behalf of these Directors at 185.55 pence per share.

As at 29 July 2016, the Company held a portfolio of treasury shares consisting of 90,637 ordinary shares.

Details of dividends can be found in note 12 to the Consolidated Financial Statements.

**16. OPERATING LEASE COMMITMENTS**

At 29 July 2016, the Company had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

|                            | 2016<br>Land and<br>buildings<br>£'000 | 2016<br>Other<br>£'000 | 2015<br>Land and<br>buildings<br>£'000 | 2015<br>Other<br>£'000 |
|----------------------------|----------------------------------------|------------------------|----------------------------------------|------------------------|
| Within one year            | 414                                    | 12                     | 414                                    | 5                      |
| Between two and five years | 1,344                                  | 16                     | 1,654                                  | 5                      |
| After five years           | –                                      | –                      | 103                                    | –                      |
|                            | <b>1,758</b>                           | <b>28</b>              | 2,171                                  | 10                     |

**17. RELATED PARTY TRANSACTIONS**

Details on related party transactions can be found in note 36 to the Consolidated Financial Statements.

**18. TRANSITION NOTE**

As stated in the accounting policies in note 1, the Company has undergone transition from reporting under UK GAAP to FRS 101, as issued by the Financial Reporting Council. Accordingly, the Parent Company financial Statements have therefore been prepared in accordance with FRS 101 ('Financial Reporting Standard 101') 'Reduced Disclosure Framework.'

The impact of the transition is as follows:

**Company Balance Sheet as at 31 July 2015**

|                                                                | UK GAAP<br>31 July<br>2015<br>£'000 | Deferred<br>tax on<br>IBA<br>£'000 | Pensions and<br>related deferred<br>tax adjustment<br>£'000 | Fixed asset<br>reclassifications<br>£'000 | Arrangement<br>fee<br>£'000 | FRS 101<br>31 July<br>2015<br>£'000 |
|----------------------------------------------------------------|-------------------------------------|------------------------------------|-------------------------------------------------------------|-------------------------------------------|-----------------------------|-------------------------------------|
| <b>Fixed assets</b>                                            |                                     |                                    |                                                             |                                           |                             |                                     |
| Tangible assets                                                | 26,701                              | –                                  | –                                                           | (25,830)                                  | –                           | 871                                 |
| Intangible assets                                              | –                                   | –                                  | –                                                           | 293                                       | –                           | 293                                 |
| Investment property                                            | –                                   | –                                  | –                                                           | 25,537                                    | –                           | 25,537                              |
| Investments                                                    | 250,895                             | –                                  | –                                                           | –                                         | –                           | 250,895                             |
|                                                                | <b>277,596</b>                      | <b>–</b>                           | <b>–</b>                                                    | <b>–</b>                                  | <b>–</b>                    | <b>277,596</b>                      |
| <b>Current assets</b>                                          |                                     |                                    |                                                             |                                           |                             |                                     |
| Debtors                                                        |                                     |                                    |                                                             |                                           |                             |                                     |
| Due within one year                                            | 8,351                               | –                                  | –                                                           | –                                         | 979                         | 9,330                               |
| Due after more than one year                                   | 392                                 | (2,488)                            | 5,520                                                       | –                                         | –                           | 3,424                               |
| Derivative financial instruments                               | 165                                 | –                                  | –                                                           | –                                         | –                           | 165                                 |
| Assets held for sale                                           | 412                                 | –                                  | –                                                           | –                                         | –                           | 412                                 |
|                                                                | 9,320                               | (2,488)                            | 5,520                                                       | –                                         | 979                         | 13,331                              |
| <b>Creditors: Amounts falling due within one year</b>          |                                     |                                    |                                                             |                                           |                             |                                     |
| Trade and other creditors                                      | (49,630)                            | –                                  | (387)                                                       | –                                         | –                           | (50,017)                            |
| Net current liabilities                                        | (40,310)                            | (2,488)                            | 5,133                                                       | –                                         | 979                         | (36,686)                            |
| Total assets less current liabilities                          | 237,286                             | (2,488)                            | 5,133                                                       | –                                         | 979                         | 240,910                             |
| <b>Creditors: Amounts falling due after more than one year</b> |                                     |                                    |                                                             |                                           |                             |                                     |
| Bank loans and overdrafts                                      | (78,246)                            | –                                  | –                                                           | –                                         | (979)                       | (79,225)                            |
| <b>Provisions for liabilities</b>                              | (337)                               | –                                  | –                                                           | –                                         | –                           | (337)                               |
| Provision for retirement benefit obligation                    | –                                   | –                                  | (27,597)                                                    | –                                         | –                           | (27,597)                            |
| <b>Net assets</b>                                              | <b>158,703</b>                      | <b>(2,488)</b>                     | <b>(22,464)</b>                                             | <b>–</b>                                  | <b>–</b>                    | <b>133,751</b>                      |
| <b>Capital and reserves</b>                                    |                                     |                                    |                                                             |                                           |                             |                                     |
| Share capital                                                  | 13,089                              | –                                  | –                                                           | –                                         | –                           | 13,089                              |
| Share premium account                                          | 46,996                              | –                                  | –                                                           | –                                         | –                           | 46,996                              |
| Other reserves                                                 | 14,424                              | –                                  | –                                                           | –                                         | –                           | 14,424                              |
| Profit and loss account                                        | 84,194                              | (2,488)                            | (22,464)                                                    | –                                         | –                           | 59,242                              |
| <b>Total equity</b>                                            | <b>158,703</b>                      | <b>(2,488)</b>                     | <b>(22,464)</b>                                             | <b>–</b>                                  | <b>–</b>                    | <b>133,751</b>                      |

**(a) Industrial building allowances**

Deferred tax has been recognised on industrial buildings ('IBAs') in accordance with IAS 12.

**(b) Defined benefit pension scheme**

The deficit has been recognised in St Ives plc's accounts, as the plan sponsor, in addition to the related deferred tax obligations in accordance with FRS 101. Further information related to the 2015 financial period has been disclosed in note 27 to the consolidated financial statements.

**(c) Investment property**

Properties which have been leased to group companies or external parties have been recognised separately as investment properties in accordance with IAS 40.

**(d) Software**

Software has been re-classified from property, plant and equipment to intangible assets in accordance with IAS 38.

**(e) Arrangement fees**

Fees related to the Group's multi-currency revolving facility have been included in other current assets in accordance with IAS 39.

**19. STATEMENT OF GUARANTEE**

The Company has signed a statement of guarantee in respect of a number of subsidiary companies under section 479C of the Companies Act 2006. As a result, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts by virtue of s479A of that Act:

| Company                                         | Company registration number |
|-------------------------------------------------|-----------------------------|
| Amaze (Holdings) Limited                        | 06417738                    |
| Amaze Communication Services (Holdings) Limited | 02670935                    |
| Amaze Communication Services Limited            | 02051287                    |
| eBee Limited                                    | 06844490                    |
| Fripp, Sandeman and Partners Limited            | 01284879                    |
| My Bench Limited                                | 09569438                    |
| Okana Systems Limited                           | 03877530                    |
| Pollen Health Limited                           | 07839170                    |
| Realise Holdings Limited                        | SC306420                    |
| Response One Holdings Limited                   | 06724581                    |
| St Ives Blackburn Limited                       | 01396772                    |
| St Ives Burnley Limited                         | 05464477                    |
| St Ives Direct Leeds Limited                    | 03067683                    |
| St Ives Direct Limited                          | 02451966                    |
| St Ives Holdings Limited                        | 00190460                    |
| St Ives Marketing Services Limited              | 08417677                    |
| St Ives Westerham Press Limited                 | 00483880                    |

**FINANCIAL CALENDAR****Financial year ended 31 July 2015**

|                                                             |                  |
|-------------------------------------------------------------|------------------|
| Annual General Meeting 2015                                 | 26 November 2015 |
| Record date for final dividend                              | 27 November 2015 |
| Payment date for final dividend of 5.55p per ordinary share | 22 December 2015 |

**Financial year ended 29 July 2016**

|                                                                      |                   |
|----------------------------------------------------------------------|-------------------|
| Half year end                                                        | 29 January 2016   |
| Announcement of Half year results                                    | 8 March 2016      |
| Record date for interim dividend                                     | 8 April 2016      |
| Payment date for interim dividend of 2.35p per ordinary share        | 6 May 2016        |
| Financial year end                                                   | 29 July 2016      |
| Announcement of Full year results                                    | 4 October 2016    |
| Annual General Meeting 2016                                          | 1 December 2016   |
| Ex-dividend date                                                     | 24 November 2016  |
| Record date for proposed final dividend                              | 25 November 2016  |
| Payment date for proposed final dividend of 5.45p per ordinary share | 19 December 2016* |

**Financial year ending 28 July 2017**

|                                   |                 |
|-----------------------------------|-----------------|
| Half year end                     | 27 January 2017 |
| Announcement of Half year results | March 2017      |
| Financial year end                | 28 July 2017    |

\* If approved by shareholders at the 2016 Annual General Meeting the proposed final dividend will be paid on 19 December 2016.

**Dividend Reinvestment Plan**

The Dividend Reinvestment plan can be a convenient and easy way to build up your shareholding by using your cash dividends to buy more shares in the Company. The Plan is provided by Capita Asset Services ('Capita'), a trading name of Capita IRG Trustees Limited, which is authorised and regulated by the Financial Conduct Authority.

Should you require any further information, please do not hesitate to contact Capita Asset Services on 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m, Monday to Friday excluding, public holidays in England and Wales. Alternatively please email [shares@capita.co.uk](mailto:shares@capita.co.uk) or log on to [www.capitashareportal.com](http://www.capitashareportal.com)

**Unauthorised brokers ('Boiler Room Scams')**

It is very unlikely that a reputable authorised firm that a shareholder has had no relationship with would make contact of the blue offering to buy St Ives' shares or offer other investment opportunities.

Therefore, shareholders are advised to be wary of anyone offering to give unsolicited advice, buy shares at a discount or give free company reports. These calls are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what are often worthless or high risk shares in US or UK investments. This sharp practice is commonly known as a 'boiler room scam'. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person or organisation;
- check that they are properly authorised by the FCA before taking any action by visiting: [www.fsa.gov.uk/register/home.do](http://www.fsa.gov.uk/register/home.do);
- report the matter to the FCA either by calling their Consumer Helpline (0800 111 6768) or by completing an on-line form at: [www.fca.org.uk/scams](http://www.fca.org.uk/scams); and
- if calls persist, hang up.

## Corporate information

Further information about the Group can be found on our website: [www.st-ives.co.uk](http://www.st-ives.co.uk)

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

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

## Shares

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

Share price information and our latest regulatory announcements can be obtained from the Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com).

## Shareholding enquiries

St Ives plc's register is maintained by Capita Asset Services, who are able to deal with shareholders' queries, including in respect of any of the following matters:

- transfer of shares;
- change of name or address;
- registering the death of a shareholder;
- lost share certificates;
- lost or out of date dividend warrants; and
- the payment of dividends directly into a bank or building society accounts.

Their contact details are: St Ives plc Shareholder Services, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU.

Capita's shareholder helpline telephone number is 0871 664 0300 (calls cost 12 pence per minute plus network extras). If calling from overseas, please telephone + 44 (0) 37 1664 0300. Lines are open from 9.00 a.m. to 5.30 p.m., Monday to Friday.

Alternatively, you can email your query to our registrars at [shareholder.services@capitaregistrars.com](mailto:shareholder.services@capitaregistrars.com) although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

## Our Principal Advisers

### Stockbrokers

Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT

### Financial Advisers

N.M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4N 8AL

### Bankers

HSBC Bank plc, 60 Queen Victoria Street, London EC4N 4TR

The Royal Bank of Scotland plc, 280 Bishopsgate, London EC2M 4RB

### Solicitors

Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG





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