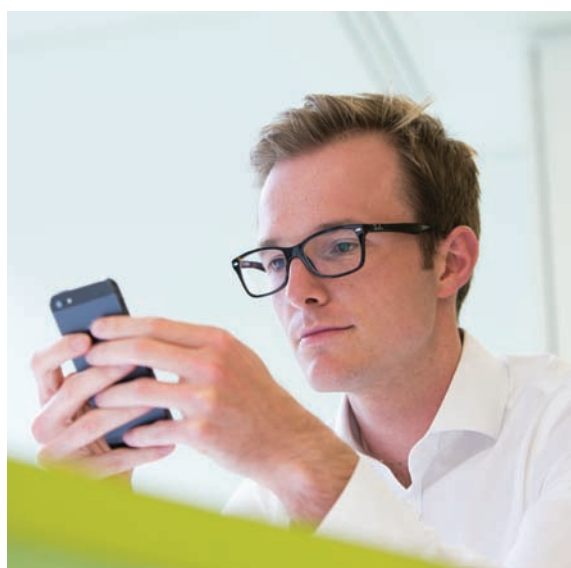


ST IVES PLC ANNUAL REPORT AND ACCOUNTS 2014




INTEGRATED CAPABILITIES

We manage our business in two distinct segments:

Our Marketing Services segment is organised around four key pillars: Data Marketing, Digital Marketing, Consultancy Services and Field Marketing.

Our Print Services segment comprises two customer offerings: Marketing Print, comprising of our Exhibitions and Events business, our Point-of-Sale (POS) specialist and our Print Management business and Books.

Marketing Services

<i>Businesses</i>	<i>Services</i>	<i>Underlying revenue*</i>	<i>% of Group total underlying revenue*</i>
<i>Data Marketing</i>			
Occam	Data insight & marketing	£35.5m	11%
RESPONSE ONE	Data-driven direct marketing		
<i>Digital Marketing</i>			
amaze	Digital marketing, commerce & technology	£28.1m	9%
BRANDED3	Online search & digital marketing		
	Digital marketing**		
<i>Consultancy Services</i>			
	Consumer insights & market research	£22.9m	7%
	Retail & consumer markets consultancy		
	Healthcare strategic consulting and communications***		
<i>Field Marketing</i>			
	Field sales & marketing	£11.6m	4%





** Acquired in March 2014.

*** Acquired in May 2014.

“

Marketing Services now accounts for 38% of Group underlying operating profit. Over the next two years we aim to grow this to greater than 50%.

Print Services

<i>Businesses</i>	<i>Services</i>	<i>Underlying revenue*</i>	<i>% of Group total underlying revenue*</i>
<i>Exhibitions & Events</i>			
 Service Graphics	● High impact visual communications	£36.7m	11%
<i>Point-of-Sale</i>			
 SP	● Point-of-sale & retail communications	£82.4m	25%
<i>Print Management</i>			
 SIMS	● Print & process management	£43.0m	13%
<i>Books</i>			
 Clays	● Book production services	£67.4m	20%

* Non-underlying items comprise: acquisition costs; restructuring costs; provision releases; operating results of non-continuing sites; net profit on disposal of property, plant and equipment; profit on disposal of subsidiary; consideration required to be treated as remuneration; amortisation or impairment of acquired intangibles; and other one-off items.

WELCOME TO ST IVES PLC

02

Our business model

Read about our business model and strategy for growth.

04

Chairman's statement

Richard Stillwell reports on the success of the Group's strategy and repositioning of the business.

06

Chief Executive's performance review

Our new CEO Matt Armitage discusses the expansion and strengthening of the Marketing Services proposition.

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Strategy in action

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

Welcome to St Ives plc

IFC Group at a Glance
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Strategic Report

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The Strategic Report on pages 2 to 29 has been approved by the Board of Directors and signed on its behalf by



Matt Armitage
Chief Executive Officer

7 October 2014

Financial Highlights

Underlying* revenue	Underlying* profit before tax	Underlying* basic earnings per share
£327.6m	£29.4m	18.30p
(2013 – £317.0m)	(2013 – £25.2m)	(2013 – 15.90p)
Total dividend per share	Profit before tax	Basic earnings per share
7.15p	£11.9m	8.60p
(2013 – 6.50p)	(2013** – £5.5m)	(2013** – 3.71p)

* Non-underlying items comprise: acquisition costs; restructuring costs; provision releases; operating results of non-continuing sites; net profit on disposal of property, plant and equipment; profit on disposal of subsidiary; consideration required to be treated as remuneration; amortisation or impairment of acquired intangibles; and other one-off items.

** The results for the prior period have been restated for the change in accounting policy on the adoption of IAS 19 (revised) Employment Benefits.

Operational Highlights

Like-for-like*** revenue increased in both segments – Marketing Services up 12%; Print Services up 1%.

Marketing Services now accounts for 46% of Group underlying operating profit, including profit from acquisitions in the year on an annualised basis.

Acquisitions of Realise and Hive further enhance our Marketing Services offering and integration going as planned.

Overseas expansion progressing as planned, in response to existing client demand, with a growing number of Group businesses now servicing clients on an international basis.

Continued progress in collaboration across our businesses – more than 80 of our clients used the services of more than one business within the Group.

*** Like-for-like revenue excludes revenue from non-continuing sites and removes the effect of acquisitions and print sectors that have been exited on 30 September 2013.

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*Financial
review*

Brad Gray reports on the year's financial performance.

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*Corporate and social
responsibility*

Matt Armitage reports on how the Group seeks to meet its responsibilities to a broad range of stakeholders.

Our Group today

St Ives plc is a group of 13 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.

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INDUSTRY LEADING APPROACH

“

We strongly believe the business model we have created is working well and represents an excellent platform for future growth. St Ives plc brings together successful and dynamic marketing and print services businesses.



Group Businesses:

Operate as individual brands
Offer complementary services
Share common attributes
– culture, business ethos
and growth potential

**A dynamic group
of leading marketing
and print services
companies**

St Ives:

Provides investment
to accelerate growth
Supports and facilitates
collaboration
Offers autonomy

Business model

St Ives is a group of 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 companies offer complementary services and collaborate closely with each other when this adds value to clients.

With our broad range of marketing and print services, we have built strong capabilities in key growth disciplines, including data, digital and customer insight; our focus

is acquiring and retaining ambitious and growing businesses that will continue to flourish as part of the Group.

We ensure that these 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. We actively support an internal commitment to cross thinking, not just cross-selling, but only where it is in the interests of the overall client relationship.

Our strategy since 2009 has been to restructure our print businesses while repositioning St Ives so that it can take advantage of new growth markets within the marketing services sector. We will continue to grow our business both organically and through acquisition.



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 the businesses themselves rather than imposed by the Group. This strategy is gaining significant traction; in 2014 more than 80 of our clients used the services of more than one business within the Group.

Go to pages [10 to 11](#) to read about how we use our integrated capabilities for our clients.

Internationalisation

International operations have made a growing contribution to Group revenues during the past 12 months. A number of our businesses deliver international solutions for clients and we plan to open additional overseas offices where we identify client-led opportunities. These opportunities must be in large markets or in markets with the potential for significant and sustainable growth. We believe that this provides a firm foundation for continued overseas expansion.

Go to pages [12 to 15](#) to read about our international expansion progress.

Acquisitions

An important strength going forward will be our ability to acquire further complementary marketing services businesses which operate in the growth areas we have identified and add value to our existing portfolio. Our acquisition strategy adopts very stringent quantitative and qualitative criteria. We aim to acquire non-competing businesses that support our business model.

Go to pages [16 to 19](#) to read about the acquisitions of Realise and Hive.

A YEAR OF GREAT OPPORTUNITY



Under the leadership of our new Chief Executive, the Group is well placed to continue its growth in line with its stated strategic objectives.

Our business model delivers success

Since 2009, we have consistently executed our strategy to restructure our print businesses while repositioning the Group so that it can take advantage of new growth markets focused on marketing services.

The restructuring of our print operations is now complete following the sale of St Ives Direct Bradford Limited in September 2013. St Ives remains a leader in its chosen print market sectors. Our remaining Print Services businesses constitute a robust and cash-generative platform for developing our Marketing Services segment as well as being complementary with it.

Our repositioning programme has made excellent progress and our acquisitions have created a set of dynamic marketing services businesses that specialise in data marketing, digital marketing, consultancy and field marketing.

The success of our strategy is plainly evident. In 2014, our Marketing Services segment contributed over three times the underlying operating profit that the entire Group delivered in 2009. For the year ended 1 August 2014, Marketing Services delivered 38% of the Group's underlying operating profit. Equally, our Print Services segment continues to be significantly more profitable than in 2009.

New acquisitions

During the year, we continued to grow our Marketing Services portfolio. We once again demonstrated our ability to identify and acquire strong businesses offering an excellent strategic fit with our business model. In March 2014, we expanded our Digital Marketing portfolio by acquiring Realise Holdings Limited, a full-service digital marketing agency. In May, we strengthened our Consultancy Services offering with the acquisition of The Health Hive Group Limited, which provides strategic consulting and communications services to the healthcare and pharmaceuticals industries.

Our acquisitions to date have been very successful in terms of the nature of the businesses and of the people running them. They have aligned closely with our decentralised operating model and the Group's values.

We continue to monitor acquisition opportunities in marketing services that complement our existing portfolio and support our business model.

There are good reasons for successful marketing services businesses to join the Group. We are an established business and can provide the resources that companies need for future development. The Group's overriding desire is to ensure that the companies we acquire retain their own identities and thrive. That's why we allow Group businesses to operate



autonomously, within a sound Group's corporate governance framework, as this best supports their continued growth. Having spent many years developing a successful business, the owners of the companies we have acquired know that as part of St Ives their legacy is in good hands.

Another year of strong performance

We delivered another strong set of results for the financial year ended 1 August 2014, with the Group continuing to improve profitability and margins and further progress in creating a strong Marketing Services business.

The strength of our business model

We strongly believe the business model we have created is working well and represents an excellent platform for future growth. The Group brings together successful and dynamic marketing and print services businesses. A key component of our business model is that all our companies operate as separate brands, each with its own unique value proposition. They have the freedom to develop their own intellectual property and we believe this will allow them to become leading players within their markets. The Group's role at the centre is to provide investment for growth in line with Group strategy and to facilitate collaboration and cross-selling between our businesses. In this way, our combined offering creates maximum synergy and value for our clients and for our shareholders.

Future growth will be organic and through acquisition

Our growth strategy will now focus on organic growth within Marketing Services alongside maintaining the profitability of our Print Services businesses, combined with further acquisitions of marketing services

businesses in high growth areas that complement our existing portfolio.

In terms of organic growth, we will actively facilitate our culture of collaboration and cross-selling. So that we can continue to deliver global solutions when our clients require them, we will also seek to continue expanding overseas but only where we see strong client-led opportunities and can demonstrate there is a strong business case for entering a new geographic market.

Regarding acquisitions, we will adhere to stringent quantitative, qualitative and financial criteria at all times.

Sound corporate governance

As it continued to focus on the strategic development of the business, the Board maintained high standards of corporate governance. We continue to have a clear division of responsibilities with my role as Chairman of the Board focusing on managing the Board and setting strategy and the Chief Executive holding responsibility for implementation and profit.

The Board invests a significant amount of time on governance issues and its Audit, Nomination and Remuneration Committees performed well, ensuring that we are compliant with all statutory requirements. It also looks critically at its own performance with a view to finding opportunities for improvement. During the year, I once again met with the Group's Directors individually to discuss our operations and performance.

At the end of the year under review, we implemented a smooth change in our leadership team. In July Patrick Martell, Chief Executive Officer, informed the Board of his intention to step down as CEO. He was immediately succeeded by Matt Armitage, who was previously Chief Financial Officer & Group Managing Director – Marketing Services. Matt has been with the Group since 2007 and has been instrumental in developing and implementing the marketing services strategy, including leading

on our acquisitions to date and overseeing their integration and growth within the Group.

Brad Gray, who joined the Group in 1988 from Grant Thornton (London) and who was previously Deputy Finance Director, succeeded Matt Armitage as Chief Financial Officer. The Directors had already spent time considering succession in the event of the Group's Chief Executive stepping down and this allowed us to respond quickly with the appointment of Matt Armitage. This preparation has ensured continuity of our operations and the Directors will continue to devote significant time and effort to senior management succession planning.

Patrick Martell was with St Ives for over 35 years and has served as CEO since 2009. His leadership helped the Group achieve a fundamental realignment of its business, exiting commoditised printing and adding complementary marketing services capabilities. Patrick will remain on the Board until the Group's Annual General Meeting on 27 November 2014. We thank him for his exemplary contribution to the Group over the years and wish him every success in his future endeavours.

Our employees and our focus on health and safety

The strategic realignment of the Group has created a business that is more people-based than in the past. Our business model requires people that demonstrate entrepreneurial talent and who have experience of our growth disciplines, including data, digital and customer insight. We recognise that a key requirement for the future is to attract and retain talented people across all of our businesses.

While we retain fewer print businesses than before, and are therefore responsible for fewer manufacturing sites, we still carefully manage the health and safety of our employees and visitors to our sites. We also believe health and safety is an important issue for our office-based Marketing Services professionals and so our standards

of Health and Safety are applied equally across all businesses.

As we look back on another successful year, the Board would like to thank all of the Group's employees for their hard work and dedication. In addition, I would like to thank our Board members for their continuing commitment to the success and development of the Group.

Outlook

Under the leadership of our new Chief Executive, the Group is well placed to continue its growth in line with its stated strategic objectives.

We have a profitable and cash-generative Print Services segment and an exciting Marketing Services portfolio. Together these provide the right platform for future growth. We expect future contributions to come from a balance of organic growth and from further acquisitions that fulfil the criteria we have already successfully adopted. We will consider expanding internationally whenever our customers want us to follow them. At all times, we will invest in a measured way and with the aim of generating revenue in a timely manner so that there is no significant disruption to profit growth.

We are in the beneficial position of having strong exposure to the recovering UK economy and our Marketing Services businesses are all operating in growth-oriented business environments. We also have the benefit of a strong balance sheet that allows us to acquire further marketing services business. With the more favourable economic climate, and no immediate prospect of a slowdown, businesses are increasing their marketing spend and we have good reason to expect our record of improving revenue and operating profit to continue.



Richard Stillwell
Chairman

7 October 2014

A STRONG FOUNDATION FOR FUTURE GROWTH



We now have a profitable and cash-generative Print Services business, and a substantial Marketing Services proposition which has been successfully expanded and strengthened through acquisition over the past year.

Performance highlights

The Group once again recorded a strong financial performance during the year.

Underlying Group revenue of £327.6 million was 3% higher than the previous year. On a like-for-like basis, removing the effect of acquisitions and the print sectors that we have exited, the revenue from Marketing Services and Print Services segments grew by 12% and 1% respectively.

Group underlying profit before tax grew to £29.4 million (2013 – £25.2 million) with underlying basic earnings per share increasing by 15% to 18.30 pence (2013 – 15.90 pence).

The improvements reflect the stabilisation of our Print Services segment and further growth in our Marketing Services segment, which contributed 38% of the Group's underlying operating profit during the financial year.

Net debt rose to £42.7 million (2013 – £15.2 million) as a result of the acquisitions and investment made during the year, but remains at a very manageable level of 1.1 times EBITDA.

Once again there was clear evidence of our ability to collaborate across our individual businesses to serve our clients with the level and quality of internal referrals again increasing

during the year. In 2014 more than 80 of our clients used the services of more than one business within the Group.

In line with our strategy, we successfully acquired two very strong businesses during the year – Realise Holdings Limited, a digital marketing agency, and The Health Hive Group Limited, a leading healthcare consulting and communications business – and these are integrating well into the Group.

The past year also saw a growing contribution from our international operations. Approximately 15% of Incite's revenue now comes from overseas offices. Amaze started trading from its Chicago office in February 2014 and many of our businesses – including Incite, Amaze, Realise, The Health Hive Group and Pragma – are servicing clients on an international basis. We believe this provides a firm foundation for continued growth overseas, in line with our business model.

The Board is recommending a final dividend of 5.00 pence, making a full year dividend of 7.15 pence (2013 – 6.50 pence) to be paid on 18 December 2014 to shareholders on the register at 21 November 2014, with an ex-dividend date of 20 November 2014.



Our strategy

Our strategy since 2009 has been to restructure our print businesses while repositioning the Group so that it can take advantage of new growth markets within the marketing services sector.

In our Print Services segment, we have successfully exited commoditised print operations with the final part of our restructuring coming with the sale of St Ives Direct Bradford Limited in September 2013. The restructuring is therefore now complete, with significantly lower related costs in the financial year.

Our remaining Print Services businesses now provide a profitable and cash-generative base from which we can grow our Marketing Services segment.

At the same time we have built, through acquisition, a compelling portfolio of Marketing Services businesses, specialising in data marketing, digital marketing, consultancy services and field marketing.

Demonstrating the success of our strategy, during the financial year just ended, our Marketing Services segment delivered three times more underlying operating profit than the entire Group did in 2009, while the Print Services segment continued to be significantly more profitable than in 2009.

Marketing Services now accounts for 46% of Group underlying operating profit, including profit from acquisitions in the year on an annualised basis. Over the next two years we aim to grow the proportion of underlying operating profit generated from the Marketing Services segment to greater than 50% of the total, while still continuing to increase the Group's revenue and operating profit overall.

Going forward, our growth strategy will focus on:

- organic growth within Marketing Services, leveraging on the profitable and cash-generative platform provided by our Print Services businesses; and
- further acquisitions of complementary marketing services businesses in high growth areas.

Organic growth

Our organic growth strategy comprises two main elements:

Collaboration:

facilitating our culture of collaboration through regular knowledge sharing sessions and initiatives focused on specific client-led opportunities. Our experience is that such a culture is most successful when it is driven from within the businesses themselves rather than imposed by the Group. This strategy is gaining significant traction across the Group.

Internationalisation:

internationalisation through overseas expansion. Many of our businesses deliver international solutions for clients and we plan to open additional overseas offices where we identify client-led opportunities. These opportunities must be in large markets or in markets with the potential for significant and sustainable growth. For example, our customer insight consultancy, Incite, now has operations in the United States and Singapore and is planning to open an office in Shanghai. One of our Digital Marketing businesses, Amaze, has expanded to Chicago to service clients in North America.

In addition to the above initiatives, the Group will continue to invest in sophisticated and targeted lead generation. This approach to business development is working well. In 2014, we delivered 12% like-for-like revenue growth in our Marketing Services segment, excluding the impact of acquisitions.

Growth via acquisition

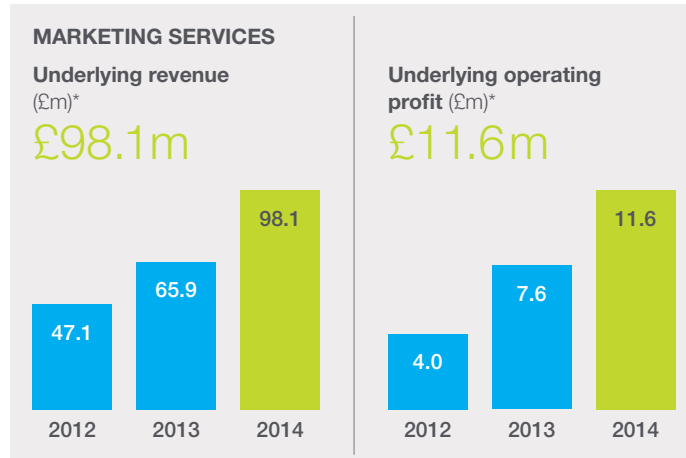
An important strength going forward will be our ability to acquire further complementary marketing services businesses which operate in the growth areas we have identified and add value to our existing portfolio. Our acquisition strategy adopts very stringent quantitative, qualitative and financial criteria. We aim to acquire non-competing businesses that support our business model. In addition, any companies we acquire must already enjoy reasonable scale and have management teams looking to create the next phase of growth to the benefit of their colleagues and clients, as well as an entrepreneurial and collaborative culture that fits well with our own. Once acquired, we transition the businesses into the Group using our well-established integration process. We then work with the management teams to identify and implement the most appropriate initiatives for driving organic growth within the business.

The Group's total revenue for the period increased from £322.7 million to £330.7 million, an increase of 3%. Profit before tax increased from £5.5 million to £11.9 million with basic earnings per share increasing from 3.71 pence to 8.60 pence.

SEGMENT OVERVIEW

Our Marketing Services businesses are organised around four pillars: Data Marketing, Digital Marketing, Consultancy Services and Field Marketing.

Underlying revenue*	2014 £m	2013 £m
Data Marketing	35.5	28.7
Digital Marketing	28.1	7.7
Consultancy Services	22.9	16.8
Field Marketing	11.6	12.7



Marketing Services

Data Marketing

Our Data Marketing businesses – Occam and Response One – represented 36% of Marketing Services revenue at £35.5 million (2013 – £28.7 million) with both businesses delivering strong growth for the year.

Within Occam we developed and launched an enterprise level data solution which we subsequently sold to new clients within the leisure, media and automotive sectors. We see such product-led solutions (in addition to our current service-led propositions) as a key area of future growth and we are therefore investing significantly in further product-led development.

The growth within Response One was driven by a combination of new client wins and existing client growth. The business migrated and introduced new data services for a number of clients including Sainsbury's, The Conservative Party, Royal Mail and HSBC.

In addition, the two businesses collaborated in a successful joint pitch to Guide Dogs, one of the largest charities in the direct marketing sector.

Digital Marketing

This sector also had a good year and contributed £28.1 million (2013 – £7.7 million), 29% of Marketing Services revenue.

At the start of the financial year our Digital Marketing businesses comprised the digital marketing, commerce and technology company, Amaze, and online search and digital marketing agency, Branded3. In March 2014, we acquired Realise Holdings Limited, a full-service digital marketing agency. With offices in Edinburgh and London, Realise is run by an experienced management team and has a long-standing and well-known client base across a range of sectors, including media & entertainment and finance. With the acquisition of Realise, we have added depth to our digital offering and enhanced the range of marketing services we can provide.

Amaze saw clear evidence of strong growth in demand for its e-commerce services during the year with continuing work on a global e-commerce solution for ASICS and new business wins including Waacool Eveden. Recognising that e-commerce provides a significant opportunity for future growth at Amaze, we are committing to specific investment in this business to grow and develop a dedicated e-commerce practice.

Branded3 continued to perform well, completing a significant project for Virgin Holidays and a pan-European campaign for Norton and Symantec. Branded3 also won a contract with the leading motor dealer, Inchcape, to deliver nine manufacturer websites focusing on the UK, with the potential for wider global implementation.

Our three complementary digital businesses – Amaze, Branded3 and Realise – represent a powerful force in the market. Combined, they would rank as a top 10 digital business in the UK.

Consultancy Services

Our Consultancy Services businesses – Incite, Pragma and Hive – represented 23% of the Marketing Services segment revenue at £22.9 million (2013 – £16.8 million).

In May 2014, we enhanced our consultancy capabilities with the acquisition of The Health Hive Group Limited, a business providing strategic consulting and communications services to the healthcare and pharmaceutical industries. Based in London, Hive's offering of consultancy services and digital solutions complements St Ives' existing Marketing Services businesses. The acquisition takes the Group into an exciting new and fast-growing sector and fits well with our strategic market research business, Incite.

We recorded strong growth during the year, partly due to the effect of the acquisition of Hive but also due to the successful expansion of Incite into New York and Singapore. Approximately 15% of Incite's overall revenue is now generated from overseas offices. We are planning to open an office in Shanghai shortly and this is expected to commence trading by the end of the first quarter of the current financial year.

In addition, Pragma, one of the fastest-growing brands in retail and consumer markets consulting, continued to see strong demand for its services. Through the course of the year, the business delivered successful engagements to support a number of retail businesses including Maplin and Bench as well as further developing its airports and commercial spaces offering.

Field Marketing

Our Field Marketing business – Tactical Solutions – contributed 12% of the Marketing Services segment revenue at £11.6 million (2013 – £12.7 million). Despite a difficult year, due to increased competitive pressure within the grocery retail market, this business remains one of the UK's leading field marketing companies providing outsourced in-store marketing for leading brands. We are investing in new data and technology capabilities to enhance Tactical Solutions' offering and a new management team is expected to strengthen the business further.

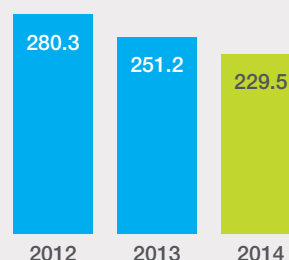
Our Print Services segment represented 70% (2013 – 79%) of Group revenue for the year. This segment comprises two customer offerings: Marketing Print and Books.

	2014 £m	2013 £m
Underlying revenue*		
Exhibitions and Events	36.7	33.3
Point-of-Sale	82.4	73.9
Print Management	43.0	73.2
Marketing Print	162.1	180.4
Books	67.4	70.8

PRINT SERVICES

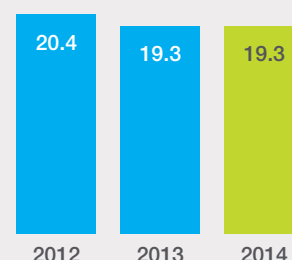
Underlying revenue
(£m)*

£229.5m



Underlying operating
profit (£m)*

£19.3m



Print Services

Marketing Print

Our Marketing Print businesses comprise our Exhibitions and Events business, Service Graphics, our Point-of-Sale (POS) specialist, SP Group, and our Print Management business, St Ives Management Services (SIMS) (formerly known as Direct Response).

As reported previously, the Group disposed of its direct mail business, St Ives Direct Bradford Limited, in September 2013. Excluding the impact on revenue associated with the sale of this business, Marketing Print grew by 3% on a like-for-like basis (excluding St Ives Direct Bradford Limited) to £162.1 million. Marketing Print accounted for 71% of the overall Print Services segment revenue and experienced strong growth in new business, particularly in the second half of the financial year.

The Group has appointed the current Managing Director of SP Group as joint Managing Director of both SP Group and Service Graphics to enhance operational effectiveness and efficiencies across the two businesses. SP Group continues to provide POS services for major retail clients such as Sainsbury's, Marks & Spencer and Holland & Barrett and during the year added New Look to its client list. Service Graphics won exhibitions and events work from clients including the Rugby Football

Union, Network Rail, Strada Restaurants, Wilko, Cotswold Outdoor and Bentley, as well as delivering a significant amount of work for the Glasgow 2014 Commonwealth Games.

Our SIMS team continues to provide print management solutions to a range of clients, including HSBC, Royal Mail Group, the Conservative Party and Digital Mobile Spectrum's consumer brand, *at800*.

Books

The Group's Books business, Clays, accounted for 29% of the Print Services segment's revenue. Books revenue was down by 5% compared to 2013, at £67.4 million (2013 – £70.8 million) although market share was maintained.

Clays is the market leader in UK monochrome book production services and continues to extend its range of added-value services to the publishing market through digital and supply chain related investment.

Clays has increased market share in the academic market by producing large format books, paperback, cased, and short-run cased books, as well as the distribution and print model it has built through international print partnerships. It now works with a number of academic publishers including Pearson, Oxford University Press and Cambridge University Press.

The business has also extended its services into self-publishing, a fast-growing sector where Clays' added-value and supply chain services come to the fore.

Outlook

We now have a profitable and cash-generative Print Services business, and a substantial, exciting and growing Marketing Services proposition which has been successfully expanded and strengthened through acquisition over the past year. Our strong balance sheet gives us the ability to acquire further marketing services businesses that meet our stringent criteria. Taken together, these create an excellent platform from which to pursue our strategy for future growth.

The current year has started well and in line with our expectations, with our Marketing Services segment benefiting from the UK economic recovery, from increasing marketing spend by our UK and international clients, and from our own organic growth initiatives.

Overall we are confident that St Ives will make further strategic and financial progress this year.

Matt Armitage
Chief Executive

7 October 2014

* Before non-underlying items.
See note 8 on page 83.

1 COLLABORATION

Driving success

Part of our organic growth strategy is to facilitate a culture of collaboration through regular knowledge-sharing sessions and initiatives that are focused on specific client-led opportunities.

We believe that such a culture is most successful when driven from within the businesses rather than imposed by the Group.

This strategy is gaining significant traction across the Group with examples of significant successes. In 2014, more than 50% of our sales came from clients using more than one business within St Ives. In fact, more than 80 clients now work with multiple companies owned by the Group, an increase from 50 in 2013.



Ian Busby
Founder,
Hive



Roger Banks
Group Managing
Director,
Incite



Paul Hulley
Managing Director,
Clays



Natalie Gross
CEO,
Amaze



Tony Murphy
CEO,
Realise



Vin Chinnaraja
CEO,
Branded3



Patrick Woodall
CEO,
Pragma



Nick Cole
Managing Director,
SP & Service Graphics



Cathy Evans
Managing Director,
Tactical Solutions



Damian Coverdale
Managing Director,
Response One

“

More than 80 clients now work with more than one Group company.

GUIDE DOGS

Case study

In March 2014, Guide Dogs appointed the Group to drive insight and optimise new revenue streams from its donor database. Occam and Response One are working in partnership to provide a complete data marketing service to the client.

Having won the five-year contract, Occam is providing management of the Apteco FastStats solution, data enhancement and a stream of insight work which is allowing the charity to identify and target important customers.

Response One is providing cold acquisition planning ensuring maximum efficiency and performance from acquisition campaigns in combination with de-duplication and data cleansing services across both warm and cold data.

We will continue to work with Guide Dogs to help them improve the efficiency of acquisition activity and to introduce more donor-centric retention marketing programmes.



RESPONSE ONE
Occam



Angus Campbell
Managing Director,
SIMS



Neil Evans
Managing Director,
Occam

2 INTERNATIONALISATION

P R A G M A

43%

43% of Pragma's sales came from international projects in 2014

amaze

50%

Almost 50% of Amaze's revenue comes from clients based outside of the UK

International operations

International operations have made a growing contribution to Group revenues during the past 12 months. Approximately 24% of our Marketing Services revenue now comes from clients situated outside the UK.

During 2014, consumer insight and research business, Incite, successfully expanded into New York and Singapore, and is planning to open an office in Shanghai. Almost 15% of Incite's revenue is now generated from its overseas offices.

Amaze, a key component of the Group's digital offering, has started trading from its Chicago office.

The agency continues to deliver global digital and e-commerce solutions for clients including Unilever and ASICS. Almost 50% of Amaze's revenue comes from clients based abroad.

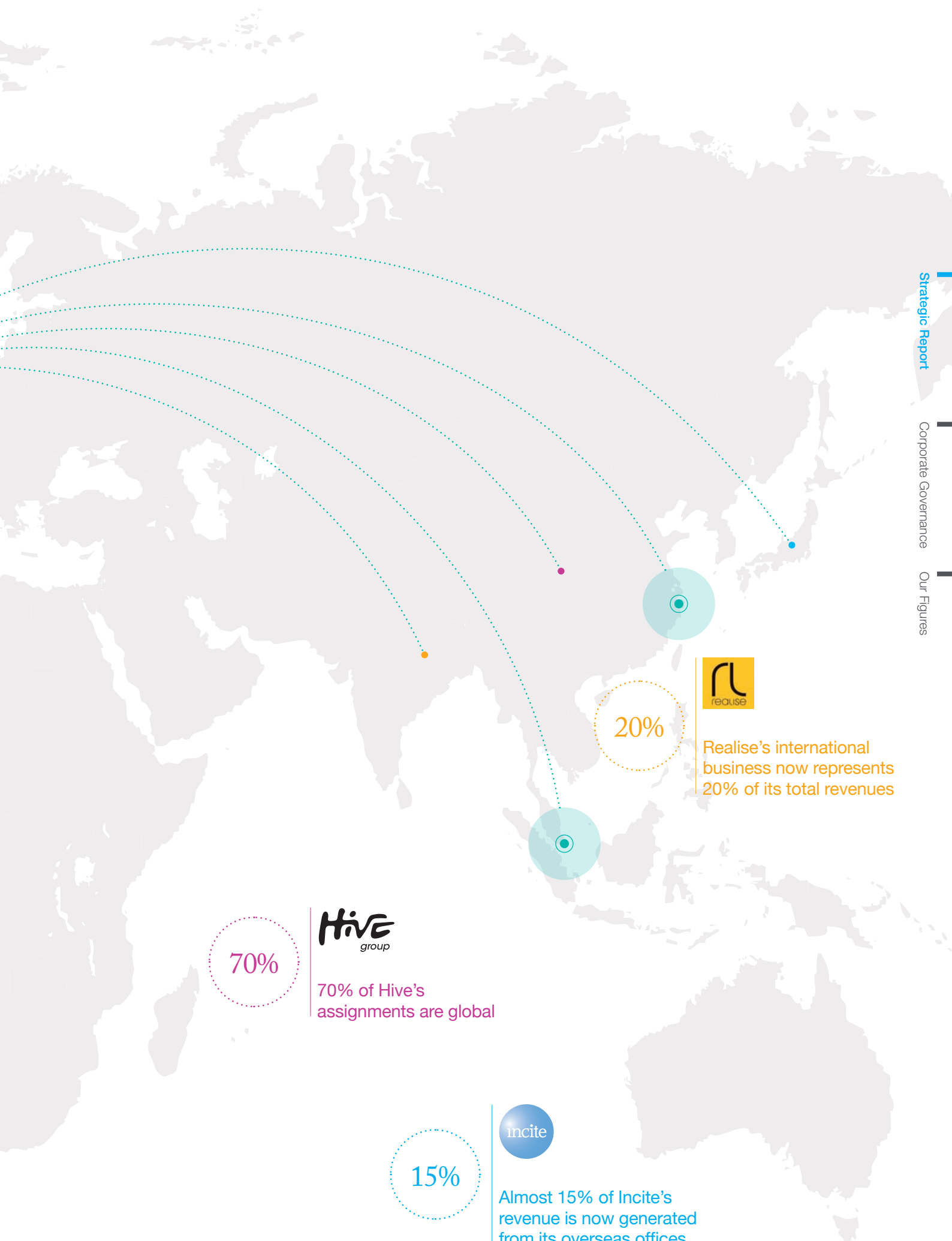
Many of our other businesses – including Realise, Hive and Pragma – service clients around the world. We believe this provides a firm foundation for continued overseas expansion, in line with our business model.

Realise's international business in Europe and the US increased during 2014, and currently represents 20% of its total revenues. The digital agency secured major web content management implementations in the financial services and healthcare sectors. Other projects extending

outside the UK included a design and build initiative for a global leader in technology, and a digital transformation strategy for a major bus operator.

70% of Hive's assignments are global; the agency is now working with more than half of the top 15 pharmaceutical companies worldwide.

With more than 25 years' international expertise, 43% of Pragma's sales in 2014 came from international projects in its retail and airport practice.



2 INTERNATIONALISATION



COMMERCIAL IMPLEMENTATION

Case study

Pragma was initially engaged as pre-acquisition Commercial Due Diligence Advisor for Airports Worldwide on the portfolio of Orlando Sanford International Airport, Belfast International Airport and Stockholm Skavsta Airport.

Post-acquisition, the consultancy was asked to complete a commercial strategy and implementation study, planning and executing various initiatives to enhance commercial performance.

Pragma assessed passenger profiles and requirements, and evaluated existing commercial facilities. Revenue forecasts were also developed for duty free, speciality retail, and food & beverage outlets. Finally, areas of commercial improvement were identified and an operational plan agreed.

Pragma's work provided clients with deep insight of performance and detailed recommendations to boost performance, ranging from short-term quick wins to longer-term strategic changes.



GROWING INTERNATIONAL REPUTATION



Case study

Incite is building its international research portfolio by following a central agency, local partner and respondent triangle.

A consumer insight specialist, Incite, has offices in London, New York, Singapore and Shanghai – using each to select the best local agencies and researchers to harness cultural understanding in delivering great insights and direction to its clients.

Incite sent a tough brief to local partners in 10 markets for a project it had already successfully delivered. Without sharing its programme design, Incite asked for recommendations on the best approach, from the US to Africa and Asia. Fostering effective interactions between central agency and local partner, and between local partner and respondent, was found to be crucial in designing the best research and delivering the best insight.

There are three key steps to exploiting the central agency, local partner and respondent triangle:

Contextual partnerships:

Understanding how partnerships actually operate in each market, how relationships between the central agency and local partner need to be flexed to suit each party and the effective implementation of the research.

Linguistic and cultural translation:

Sensitivity to local cultural nuances, and respondent/researcher interaction are significant. Giving local partners the flexibility and trust to review and adapt local guidelines and research material.

Local collaboration:

Researchers are immersed into the local market for planning, fieldwork, review and analysis. This applies first hand cultural context to the behaviours experienced.

Being proactive about working with international partners results in more robust, meaningful insights that our clients can rely on.

3 ACQUISITIONS

Acquisition of Realise

The acquisition of Realise, a full-service digital marketing agency, in March 2014, continued the strategic growth of the Group and added another dimension to its digital stable – which also includes Amaze and Branded3 – enhancing the overall range of digital services the Group can provide.

Realise delivers insightful strategy and creative execution, backed by technical excellence from its strong and growing account management team.

The agency is overseen by an experienced management team, led by CEO Tony Murphy, and has offices in Edinburgh and London servicing clients both in the UK and internationally. Financial services and media & entertainment are among its key market sectors, and it enjoys long-term client relationships, working in close collaboration with them to implement strategies.

Highlights during the last 12 months include:

- building a digital marketing campaign around Standard Life Investments' Ryder Cup sponsorship;
- full digital marketing strategy for Tottenham Hotspur F.C.; and
- delivery of a brand refresh across Lloyds Bank's suite of websites.

Realise has also won business from a raft of blue-chip clients in that period, such as Universal Films, the BBC, ScotRail and OVO Energy. The agency prides itself on scrutinising client feedback to evolve its service offering. This approach has led to the addition of dedicated analytics, content and strategy teams in the past year.

“

With the support of St Ives Group, we can continue to grow both in the UK and internationally by being part of a larger group.

Tony Murphy
CEO, Realise



REALISE AND ROYAL LONDON

Case study

In 2013, Realise was appointed to redesign and redevelop Royal London's corporate and customer-facing websites, and rebrand a number of others. The insurer was embarking on an ambitious rebranding programme and needed to ensure customer-focused digital excellence was at the heart of a brand that was established in 1861.

Keeping it simple, Realise built on Royal London's modern mutuality with a mobile-first experience that was engaging, interactive and consistent across all touchpoints. The user interface placed the site's contents at visitors' fingertips, scalable from smartphone screens to desktop monitors. The new look and feel incorporated Gilbert, Royal London's pelican, and quirky photography.

With several brands being incorporated into one new site, information architecture, user experience, content and tools were vital, so these were developed from scratch as part of a customer-centric design process.

Innovations included customer quote-and-buy functionality for Royal London's life assurance products based on minimal questions and form-filling, with dynamic validation and contextual help provided at every step.

Realise's close collaboration with Royal London ensured smooth deployment of the new site, and a rebranding of the client's Asset Management site followed in 2014. The client commented: "I wanted to pass on the comments on a job well done from the project steering group, including all executive stakeholders. There was a very positive reaction to the digital delivery from everyone."

Supported by TV and outdoor work (through VCCP), site traffic and the number of mobile visitors have increased significantly, and Realise's work with Royal London continues.

“

I wanted to pass on the comments on a job well done from the project steering group, including all executive stakeholders. There was a very positive reaction from everyone.

Royal London



3 ACQUISITIONS

Acquisition of The Hive Health Group

The Hive Health Group became part of the Group in May 2014. The healthcare strategic consulting and communications business brings additional consultative power to the Group's offering. It also bolsters the Group's presence in the burgeoning global healthcare and pharmaceutical sectors.

Hive's business model is pinned to the philosophy of improving patient outcomes by identifying, understanding and creating change in healthcare communications. The Hive Health Group was founded in 2008 and now employs more than 75 people. They are engaged in creating and delivering innovative and strategic solutions and high-quality products for their clients, which include more than half of the world's top 15 pharmaceutical companies.

Structuring the business around three distinct divisions has allowed Hive to maintain focus in specific disciplines and continue to deliver cutting-edge and successful solutions for its clients. The three divisions are:

- **Hive**, a strategic consultancy and communications business, which brings patients to the heart of medical brand-building. Hive seeks to understand how patients' relationships with their conditions affects the way they engage with health professionals and the medicines prescribed to them. This allows brand messaging to be aligned with patient needs, resulting in more effective communication, treating patients as a 'customer' and making the brand revolve around them.

- **eBee** creates bespoke strategies for effective digital communication on behalf of healthcare brands. It does this by analysing user behaviour and targeting end users, accurately profiling how people interact with the entire digital landscape. Powering this approach is Spyder, eBee's database of user surveys, which contains profiles of more than 1,200 medical professionals across 10 countries, which is available for analysis against 1,700 individuals.
- **Pollen**, the newest division of The Hive Health Group, uses specialist storytelling techniques to create narratives for clients to deliver scientific messages to targeted audiences.



HIVE'S PATIENT PROFILER



We are delighted to be a part of St Ives, which has a track record of supporting differentiated, rapidly growing and entrepreneurial companies.

Ian Busby
Founder, Hive

Case study

Every patient is different, but promotional campaign managers for healthcare products and services often overlook the critical importance of targeting the individual. Citing the likes of Toptable and Beerintheevening as inspiration, Hive designed an App that holds a wealth of data on specific patient types and uses algorithms to build appropriate and relevant content from all the clinical papers. This allows a medical practitioner to personalise the data in the context of their patient population.

For example, if they want to know what a particular drug would mean for an Asian patient, they don't receive clinical data that is available for Caucasian patients. The data is also delivered in a 'virtual clinic' setting to increase resonance and memorability for the user. After use at two successful conferences attended by more than 5,000 healthcare delegates, the App is due for multi-language roll-out.

Ian Busby, Founder of Hive Health Group, said: "We are delighted to be a part of St Ives, which has a track record of supporting differentiated, rapidly growing and entrepreneurial companies. We have ambitious plans to further develop our business footprint and look forward to realising these plans as part of St Ives."

PROGRESSION AND PERFORMANCE

£ FINANCIAL

KPI

Group underlying revenue (£m)*

Group underlying revenue has increased over the year to £327.6m.

£327.6m

Group underlying revenue growth (%)*

Underlying revenue growth of 3% compared to a 3% decline in the previous year.

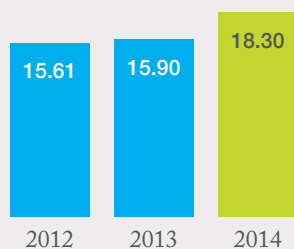
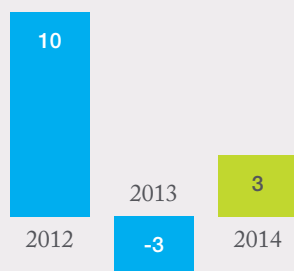
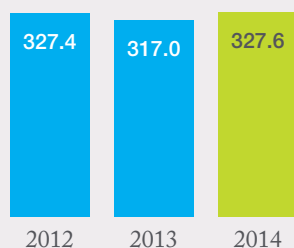
3%

Group underlying earnings per share (p)*

Underlying earnings per share have increased by 15% to 18.30p.

18.30p

Performance



KPI

Group underlying operating profit (£m)*

Group operating profit has increased by £4.1m to £31.0m.

£31.0m

Group underlying operating margin (%)*

Underlying operating profit margin has increased to 10%, a 1% increase on the previous year.

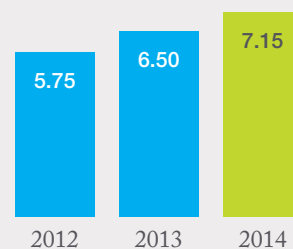
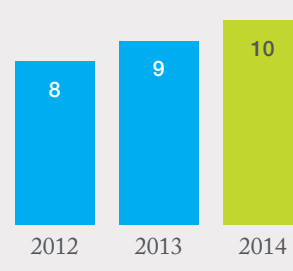
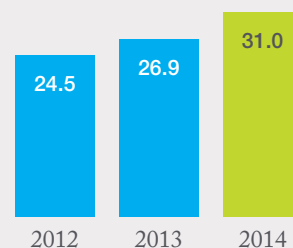
10%

Group total dividends per share (p)

Total dividends per share have increased 10% to 7.15p.

7.15p

Performance



* Before non-underlying items (note 8).

FINANCIAL

KPI

Marketing Services underlying revenue (£m)*

Underlying revenue in Marketing Services grew to £98.1m, as a result of acquisitions and organic growth.

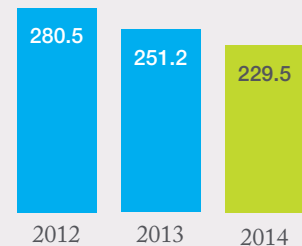
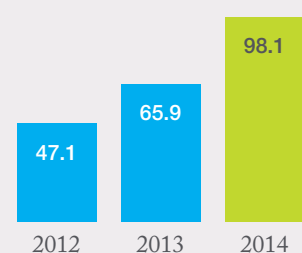
£98.1m

Print Services underlying revenue (£m)*

Underlying revenue in Print Services decreased to £229.5m, primarily due to the sale of St Ives Direct Bradford Limited.

£229.5m

Performance



KPI

Marketing Services underlying operating profit (£m)*

Underlying operating profit in Marketing Services has increased by £3.9m to £11.7m.

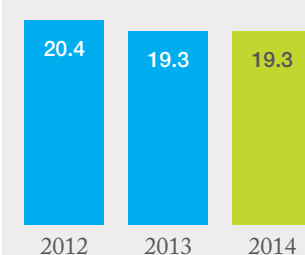
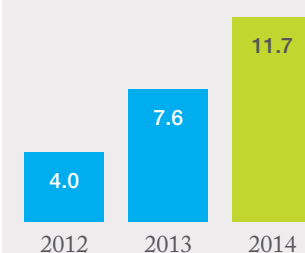
£11.7m

Print Services underlying operating profit (£m)*

Despite a decline in revenue, our Print Services operating profit has been maintained at £19.3m.

£19.3m

Performance



OPERATIONAL

KPI

Collaboration

Collaboration within the Group is a key pillar of our organic growth strategy. The number of clients working with more than one business in the Group rose from 50 to 82 over the course of the year.

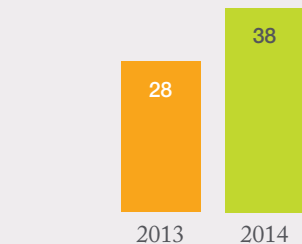
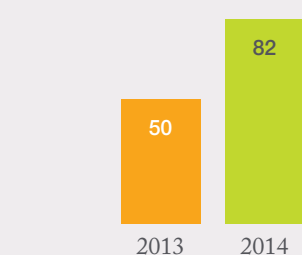
82

Market Services growth (%)

Our Marketing Services segment grew to 38% of underlying operating profit, representing progress towards our 50% target.

38%

Performance



KPI

Internationalisation

We have seen a growing contribution from our international operations over the past year, with 24% of Marketing Services revenue coming from clients based outside of the UK.

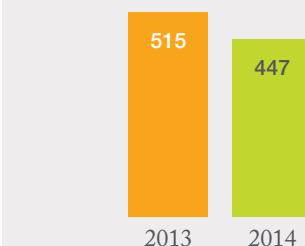
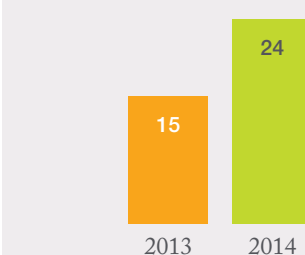
24%

Health and Safety

We have seen a reduction in the total number of days staff were unable to work due to a work related accident from 515 to 447.

447

Performance



CONTINUED PROGRESS



The Group has delivered a strong set of results with revenue and profit growth. Our recent acquisitions have made a significant contribution to the Group's performance.

Overview

The Group has delivered a strong set of results with revenue and profit growth. Our recent acquisitions have made a significant contribution to the Group's performance.

The Group's total revenue for the period increased from £322.7 million to £330.7 million, an increase of 3%. Profit before tax increased from £5.5 million to £11.9 million with basic earnings per share increasing from 3.71 pence to 8.60 pence.

The following Financial Review focuses on the underlying results* of the Group which in management's view reflect, how the business is managed and show the performance in a consistent manner. The underlying results remove the impact of non-underlying items which include restructuring costs, provision releases, operating results of non-continuing sites, net profit on disposal of property, plant and equipment, acquisition costs, consideration required to be treated as remuneration, amortisation or impairment of acquired intangibles and other one-off items*.

Revenue

Revenue increased by £10.6 million (3%) to £327.6 million. On a like-for-like basis, eliminating the impact of acquisitions and

disposals, revenue increased by 3%; the Marketing Services segment increased by 12% and the Print Services segment increased by 1%.

Revenue from the Marketing Services segment increased from £65.9 million to £98.1 million as a result of the acquisitions and organic growth. Revenue from the Print Services segment decreased from £251.2 million to £229.5 million primarily due to the disposal of St Ives Direct Bradford Limited.

Gross profit margin and underlying profitability

The gross margin percentage has increased from 29% to 31%. This improvement has been generated by the higher margins achieved in the Marketing Services segment compared to the Print Services segment and the increased proportion of Marketing Services, as a total of the Group's margin.

Selling and administration overheads increased by £7.1 million primarily due to the acquisitions of Realise and Hive and the full year impact of prior period acquisitions; continued investment within the Marketing Services segment; and offset by the disposal of St Ives Direct Bradford Limited.

Profit from operations increased from £26.9 million (8.5% of revenue) to £31.0 million (9.5% of revenue).



* See note 8 on page 83.

Acquisitions

The Group invested £42.7 million in acquiring two businesses. Both of these businesses were aligned to our strategic priorities, increasing our exposure to Digital Marketing and developing the Group's healthcare and pharmaceutical offering.

On 2 March 2014 the Group acquired Realise Holdings Limited, a digital marketing agency. The initial consideration of £21.7 million was payable in the form of cash and St Ives plc shares.

On 1 May 2014 the Group acquired The Health Hive Group Limited, an agency providing strategic consulting and communications services to the healthcare and pharmaceuticals industries. The initial consideration of £21.0 million was payable in the form of cash and St Ives plc shares.

The deferred consideration paid for acquisitions made in prior years totalled £4.8 million (2013 - £2.4 million).

Disposal

On 30 September 2013, the Group sold St Ives Direct Bradford Limited. The total consideration received was £3.8 million.

The consideration agreed at the time of the sale was £8.0 million comprising £3.0 million payable immediately and £5.0 million of deferred consideration. The renamed business, Global MP Limited, appointed an administrator on 1 July 2014 and deferred consideration of £4.2 million remains unpaid and is not expected to be received.

Tax

The Group's tax rate on the underlying profit before tax was 24% compared to the standard rate of tax of 22% (2013 – 24%). The total tax charge is £7.0 million (2013 – £6.2 million).

The corporation tax of £3.7 million (2013 – £3.6 million) was paid in the United Kingdom.

Dividend

The Board is recommending a final dividend of 5.00 pence per ordinary share (2013 – 4.50 pence) giving a total dividend of 7.15 pence (2013 – 6.50 pence), an increase of 10% on 2013. The dividend, on an underlying basis, is covered 2.6 times by earnings.

Pensions

The Trustees of the Group's Defined Benefits Pension Scheme completed an actuarial valuation of the Scheme as at 30 April 2013 that was updated to 1 August 2014. The Group will continue to make deficit funding contributions of £2.0 million per annum and a contribution of £0.4 million per annum (2013 – £0.2 million) towards the costs of administration.

The IAS 19 deficit on the Scheme at 1 August 2014 was £9.8 million (2013 – £0.1 million surplus). The deficit arose as a result of an increase in the liabilities of the Scheme caused by the decrease in the discount rate used to value the liabilities, partially offset by a reduction in the inflation rate.

The adoption of IAS 19 (revised) from 1 January 2013 has reduced the return on plan assets included in the Scheme's finance income. The effect of this revision has resulted in a pension interest charge of £0.8 million compared to a pension interest credit of £0.4 million reported under the previous standard in 2013. The Scheme's operating costs have

increased to £0.5 million in 2014 (2013 – £0.2 million under the previous standard). Administration expenses are now reported within operating costs rather than in other comprehensive income. The 2013 figures have been restated to reflect IAS 19 (revised).

Debt

Net debt increased during the year from £15.2 million to £42.7 million. At 1 August 2014, St Ives had drawn £55.0 million on its bank credit facility, leaving an unutilised commitment of £35.0 million. The Group had cash in hand of £12.3 million. Our bank credit facility was extended from £70.0 million to £90.0 million during the financial year. The Group is expecting to commence the renegotiation of its existing banking facility, that expires on 31 October 2015, before the calendar year end.

Our policy is to maintain prudent debt capital ratios. At 1 August 2014 the ratio of net debt to EBITDA was 1.1 times as shown below:

	2014 £m	2013 £m
Net debt	42.7	15.2
EBITDA*	38.8	33.4
	1.1	0.5

* Before non-underlying items.

Cashflow

Cash generated from operations was £31.2 million (2013 – £35.9 million). Capital expenditure of £11.7 million (2013 – £6.5 million) was spent mainly on digital printing equipment for Clays, SP Group and Service Graphics and the purchase of the office occupied by Response One.



Brad Gray
Chief Financial Officer

7 October 2014

IDENTIFYING AND MANAGING OUR RISKS

The Group may be affected by a number of risks and uncertainties, some of which are beyond its control. The following table sets out the principal risks and uncertainties which could have a material adverse effect on the Group, identified through the risk management framework discussed on page 31.

A Group Risk Register is reviewed by the Audit Committee and the Board twice-yearly. It includes risks which are specific to the Group and risks escalated from the risk registers of individual subsidiaries where they might have a material effect on the Group as a whole.

The following table summarises the principal risks included in the Group's Risk Register that could potentially have a significant impact on our business. These fall into the following categories – strategic, market, operational, financial and legislative, regulatory, contractual and reputational risk. The possible consequences of each and examples of mitigating actions are set out below.

During the year, the processes put in place to mitigate the potential impact of these risks and uncertainties on the Group were effective, and none of them had a material unplanned effect on the Group's results for the period under review.

GROUP

Risk

- Acquisitions not fitting in to the Group's strategic direction.
- Inability to successfully integrate and grow the newly acquired Marketing Services businesses.

Mitigation

- Follow stringent selection criteria for pursuing acquisitions that fit the Group's strategy and fits well with the Group's culture. Undertake detailed due diligence. Hold Board strategic reviews annually to monitor progress against the business model to, as necessary, refresh and adapt the Group's strategy for delivering growth.
- Suitable incentives to key management and implementation of succession plans. Regular discussion of strategy at Board meetings and meetings of representatives from the Marketing Services businesses to develop the Group's proposition and cross-selling opportunities and collaborative behaviour. Review trading performance of acquisitions against the original acquisition justification.

MARKET

Risk

- A market decline in revenue from Books, due to emergence of eBooks; reduced print run lengths; and consolidation of the UK's book publishing market.
- Challenging economic conditions inhibit growth and create uncertainty.
- Competitive pressure, resulting in the loss of a key client.

Mitigation

- Extend the range of pre- and post-production added value services to book publishers, including minimising customers' risk arising from holding stock. Increase market share and invest in digital book production to accommodate more numerous, shorter, book production runs. Secure long-term client relationships.
- Diversify into marketing services that are capable of delivering profit growth. Pursue opportunities to open overseas offices, where client demand warrants it. Invest in a wider range of services to enable clients to improve their return on spend. Continually review the Group's cost base. Secure long-term client relationships. Seek to increase market share by investing in sophisticated and targeted sales lead generation. Regularly review performance of all businesses against their budgets and implement timely remedial action, where needed.
- 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.

OPERATIONAL

Risk

- Increases in the cost of materials, consumables or utilities; or the failure of a key supplier.
- A loss of a facility due to catastrophe.
- A failure to attract, develop and retain employees with the necessary talent for our businesses.

Mitigation

- Avoid dependence on any key supplier and continually monitor their financial strength. Conduct arms length procurement tendering processes; enter into long-term agreements where appropriate. Monthly reports from Group commercial director to the Chief Financial Officer on procurement matters. Reduce the risk through implementing the realignment of the Group's business.
- Have in place business continuity planning and maintain a comprehensive Insurance programme, including business interruption cover.
- Implement appraisals and fulfil training needs where identified. Develop a collaborative culture across the Group's businesses. Operate all-employee and discretionary LTIP share-based incentive schemes, and other benefits. Pay part of consideration in shares to vendor directors of acquired businesses, with 'lock-in' obligations.

FINANCE & TREASURY

Risk

- The Group's trading position suffers as a result from an unplanned liquidity, interest or foreign exchange risk.
- The Group's ability to trade is compromised by a lack of cash funds.
- A material unrecoverable debt arises from the Group's practice of trading with the majority of its clients on credit.
- The volatility of the Defined Benefits Pension Scheme deficit.

Mitigation

- Meet the Group's funding requirement through a multi-currency facility of £90 million which runs to October 2015 (as disclosed in note 24 to the Consolidated Financial Statements). Commence discussions with banks well in advance of the expiry of the current facility. Ensure interest as a proportion of profit before tax is relatively small and so limit the impact of changes in interest rates on profit. Conduct the Group's trading, including purchases of property, plant and equipment, principally in Sterling. Use foreign currency forward contracts to manage foreign exchange risk relating to material transactional business. Ensure the Group's treasury function keeps these matters under review.
- Conduct 'going concern' reviews on a twice yearly basis; 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.
- Grant credit only to clients who agree to follow the Group's credit verification procedures. Apply a rigorous system of credit control and payments monitoring. Maintain credit insurance covering the Group's larger trade debtors. Bad debt provisions represented 2.6% (2013 – 2.4%) of gross trade debtors at the period end.
- 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.

LEGISLATIVE, REGULATORY, CONTRACTUAL & REPUTATIONAL

Risk

- Changes in legislation affect the ability of the Group to operate effectively.
- Contractual liabilities assumed under contracts with its clients or suppliers.
- Exposure to reputational or financial damage due to accident, unethical trading, non-compliance with legislation or regulation or disputes.

Mitigation

- Identify the principal laws and regulations that affect the Group's day-to-day business and markets it serves covering: Employment; Health and Safety; the Environment; Planning; Data Protection; Taxation; Defamation; Bribery & Corruption; and Competition Law. Maintain systems to comply with these and keep developments under review.
- Where appropriate, involve the Group's in-house legal team or take external legal advice. Require Board approval of major contracts (of more than three years' duration and/or of a value in excess of £5.0 million) and contracts with potentially significant risks arising.
- 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 dealings, Equal Opportunities, Dignity at Work and Whistle-blowing. Have in place business continuity plans and a procedure for dealing with 'leaks' of Insider Information.

FOCUS: BURMESE DELTA

Burmese Delta: metrics

Total population: 3,000,000

State education: Once the government has adopted or sanctioned a school, it is required to provide paid, trained teachers (although often not enough), but there is usually little budget to renew or rebuild the schools themselves.

Medical care: Most delta villages have no health care, not even traditional midwives.

Environmental issues: On 2 May 2008, the Delta suffered a major disaster, devastated by Cyclone Nargis, which reportedly killed over at least 77,000 people with over 55,900 missing, and left about 2.5 million homeless.

Helping The Burmese Delta (HTBD) marked some major landmarks in 2013/2014. One was the opening of its High School, remote from the nearest large town, giving children a brighter future which was previously beyond their reach.

The school accepted 45 Grade 10, and 35 Grade 11, students in May 2013, who took their exams in March 2014 in a small town some hours away by boat. The students' results were outstanding by any standard, but truly remarkable considering the impoverished villages from which the students came.

The Grade 10 students achieved a pass rate of 98%. The Grade 11 exams are an extremely demanding test which has a national pass rate of 22%. After struggling through the crowds at the announcement location in Rangoon, the HTBD Project Director was able to establish that these students had either passed or, at worst, had only narrowly failed.

The overall pass rate for the school's Grade 11 students was 48%, which so impressed the exam officials that the headmaster was awarded a commendation for exceptional performance.



These successes are built on the bedrock of good primary and middle school education, which is the goal of HTBD's community school building programme, supported by St Ives.

The charity also began its second training of young villagers as Community Health Workers, providing front-line medical care where none currently existed. Additionally, school children and teachers in the villages are being taught basic hygiene and nutrition – to help prevent many health problems.

This year another four schools have been completed, making twenty in total. Helping The Burmese Delta hopes to complete at least another six schools later this year.

Our relationships with stakeholders

The Board recognises that, in managing the Group's activities, it has responsibilities to a broad range of stakeholders.

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

Clients and suppliers

We aim to utilise our resources, the skills of our employees and suppliers to benefit our clients. In its dealings with clients, the Group adheres to an Ethical Trading Policy. The Group's approach for retaining clients is to deliver consistency and reliability of service and quality: no client is tied in to an agreement that cannot be terminated in the event of under-performance.

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.

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 deals with its clients and suppliers on an arm's length, commercial, basis. It is a disciplinary offence for any employee to breach the Group's Anti-corruption and Bribery Policy. Payment terms granted to clients are negotiated according to the amount at risk and the financial strength of the client concerned.

How we are performing

The average creditor days outstanding at 1 August 2014 for the Group was 73 days, (2013 – 69 days).

The Company Secretary maintains a 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.

Employees

The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, race, colour, religion or belief. Individuals with disabilities, whether registered disabled or not, receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with 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 Company and its subsidiaries provide a working environment free from harassment and bullying and in which employees do not behave in a manner which may be offensive to others.

Employees of the Company and its subsidiaries are regularly consulted by local managers and kept informed of matters affecting them and the overall development of the Group. This is supplemented by regular email and other communications to staff from the Board 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 29 to the financial statements.

How we are performing

We measure voluntary employee turnover, sickness absence and absence from work due to accidents or work-related illness. Each subsidiary applies appraisal systems appropriate to their business and identifies training needs, as they arise.

Charitable donations

The Group favours making donations to smaller charities, where even a modest sum can make a big difference to them. These donations can be financial or the provision of time and materials to provide added value services for charities.

What we are doing

The Group supports charities in four 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 contributions made by the Chairman to registered charities from foregoing a proportion of his fees; arranging fun fund-raising events during the year for charities nominated by employees, and, finally, adopting a particular charitable project each year. This year we again adopted 'Help the Burmese Delta' (see opposite).

How we are performing

The Group made charitable donations of £54,920 during the year (2013 – £49,080) directly to a wide spectrum of charities, the most prominent being numerous cancer research, treatment and support charities, including Teenage Cancer Trust; support was also given to, amongst many others, BLESMA (the national charity for all limbless serving and ex-Service men and women and their dependants), Back up (featured on page 29) and the Stroke Association.

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 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 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 69% (2013 – 67%) of the Company's issued share capital. Those in the top 20 which have an obligation to notify the Company of their voting interests are shown on page 59.

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 attempt to reduce the Group's overall energy consumption, emissions from energy, waste sent to landfill and water consumption.

We are reporting for the first time this year on the new CO₂e emissions measurement, introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We have adopted an operational boundary approach on Scope 1 and Scope 2 emissions in the UK using DEFRA's Standard Set conversion factors for 2014.

We are not reporting on Scope 3 Emissions on the basis that they are outside our operational control. The Board will, however, keep this under review. Our Scope 1 and Scope 2 CO₂e emissions and our CO₂e intensity measure (which is grams of CO₂e per £ of revenue) are shown in the chart above.

The Group's overseas offices have been excluded from the report on the basis that they are not material. We have also excluded emissions from Realise and Hive as we are have yet to finalise the processes required to obtain reliable data for these new subsidiaries. We will include them in next year's report.

How we are performing

The Group's environmental KPIs set out in the charts above show improvements, year on year, in waste to landfill and water consumption – KPI's which the Group has reported on for many years.

We do not have directly comparable data for prior years' CO₂e emissions, but we can report a reduction in the Group's total emissions in 2014 (despite the inclusion for the first time of the Group's motor vehicle fleet and other fuel consumption).

The Chart also includes the relative performance of the Marketing Services and Print Services segments against the foregoing KPI's. The apparent increase in CO₂e emissions year-on-year by the Marketing Services segment is due to the inclusion of the Group's motor vehicle fleet, referred to above, which constitutes 69% of the total for this segment. This is primarily derived from the substantial fleet operated by the Tactical Solutions business for its field marketing personnel. The improvement in the performance of the Print Services segment is primarily driven by the disposal of St Ives Direct Bradford Limited and a reduction in the volume of waste sent to landfill.

Further details on the Group's Environmental Performance for 2013/2014 are included in the annual Environmental Report which can be viewed on the Group's website from 30 October 2014.

For our Annual Report and Accounts this year we have used paper produced using pulp sourced from sustainable forests independently certified according to the rules of the FSC. The paper is produced at a mill accredited to the Environment Management System ISO14001 using Elemental Chlorine Free (ECF) pulp. The inks used in printing the document as a whole are all vegetable-based.

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 lost time accidents 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 Reportable Accidents and management action taken as a result are also considered; and
- Group initiatives for improving health and safety performance.

The Group has implemented 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.

We have rolled out a driver safety awareness programme throughout the Group which will be 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 year ended 1 August 2014 which resulted in at least seven days' absence each was 11 (2013 – 11) and the number of days' work lost from all accidents at work was 447 days (2013 – 515). We recorded 1,250 'near miss' events during the year (2013 – 1,906). This data excludes St Ives Direct Bradford Limited which was sold during the year.

A copy of the Group's Health and Safety Policy and performance data for 2013/2014 will be made available on the Group's website from 30 October 2014.

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



Matt Armitage
Chief Executive

7 October 2014



In the UK an estimated 40,000 people live with the devastating effects of spinal cord injury. The most common causes of injury arise from every-day activities: road traffic accidents; falls in the home; and sporting activities. Spinal cord injury does not discriminate, nor does it have a cure. It affects every major organ of the body and paralysis is permanent.

The impact is catastrophic and affects the whole family. Return to work rates are appallingly low, at just 17%, and children are less likely to do as well at school or go on to live independently compared to their able-bodied peers. Victims are at high risk of depression or even suicide.

It is possible, however, to live a full and active life and to have fun again. The Back Up Trust ('Back Up') is a national charity that supports people with spinal cord injury of all ages and backgrounds, to rebuild their confidence and independence. Its wheelchair skills training, mentoring service and courses are all run by people who have a spinal cord injury themselves to support people to overcome the challenges getting their life back on track.

Patrick Woodall, Pragma's CEO, helps Back Up to run its ski courses in Sweden and the USA. The opportunity to experience independent travel and take part in an extreme sport is very rare for someone with such a complex disability and can have

a transformative impact on the spinal cord injured participants, as Jane (above) says:

"The course helped me realise I wasn't alone. It helped me forget my disability and I remembered the person I was before my injury."

After her ski course in 2005, Jane went on to compete at the Vancouver 2010 Winter Paralympics and now volunteers her time with Back Up to support others coming to terms with their injury.

Patrick Woodall says:

"Having been involved with Back Up for 26 years I have seen the life – transforming work this wonderful charity does for hundreds of people each year.

For most of the 1,200 people who suffer a severe spinal cord injury in the UK each year, this will mean a dramatic change in mobility – often becoming a wheelchair user. But change in mobility is just one of the challenges – change in dreams, career aspirations, and confidence are just some of the others.

At the point when many people are at their lowest, Back Up is there to provide practical help, support and mentoring.

St Ives also supports Back Up by allowing me to give time to the charity for pro bono work: a good example of how St Ives helps make a difference to a charity in which I passionately believe."

7 October 2014

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, which includes individual reports from the Chair of each of the Audit, Nomination and Remuneration Committees on pages 34 to 38.

COMPLIANCE STATEMENT

The Company is required to comply with the UK Corporate Governance Code (September 2012) ('the Code'), to the extent that it applies to 'small-cap' companies, or explain the reasons for non-compliance. The Code is the corporate governance code to which the Company is subject and can be read in full on the Financial Reporting Council's website (www.frc.org.uk).

In the opinion of the Board throughout the fifty two weeks ended 1 August 2014 ('the period') the Company has been in compliance with the Code.

The following section, together with the reports on pages 34 to 61, describes how the Board has applied the Main and Supporting Principles contained in the Code and, where appropriate, where it has adopted elements of corporate governance good practice.

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 Table 1 opposite.

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 and future challenges and how they propose to address them. All Directors receive agendas and papers in advance of each meeting, detailed minutes are recorded and actions followed up.

It is the opinion of the Board that, throughout the period, each of the Company's Non-Executive Directors was independent for corporate governance purposes and free from any business or other relationship which could materially interfere with the exercise of his or her judgement. In reaching this opinion, the Board has carefully considered the balance between applying good practice and what it believes is in the shareholders' best interests. 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 and the Chief Executive Officer has responsibility for overall executive leadership of the Group, and overall responsibility 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 Code, all of the Directors have, however, voluntarily agreed to retire at the 2014 Annual General Meeting and, where appropriate, 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 properly to 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 and each has access to the advice and services of the Company Secretary.

The areas of focus for the Board during the year were: Health and Safety performance; the Group's growth strategy; the appraisal of potential acquisitions; the sale of St Ives Direct Bradford Limited; the appointment of a new Chief Executive Officer; and Governance and Board performance.

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.

The annual evaluation of the effectiveness of the Board and of individual Directors focused on actions which arose from the previous year's evaluation which had been facilitated by The People Stuff, a third party consultancy. The Chairman interviewed Directors individually and the Senior Non-Executive Director interviewed the Chairman. Key points arising from the evaluations were then debated by the full Board. The review resulted in the conclusion that the Board was effective in carrying out its duties and responsibilities.

On appointment, each Director receives an induction appropriate to their previous experience as a Director and their knowledge of the markets in which the Group operates.

BOARD COMMITTEES

Audit, Nomination and Remuneration Committees of the Board existed throughout the period, each with written terms of reference. Copies of the terms of reference for these Committees can be obtained from the Company Secretary or may be viewed on the Group's corporate website (www.st-ives.co.uk).

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

The Audit Committee carries out the functions required by DTR 7.1.3R of the UKLA Disclosure and Transparency Rules.

The Audit Committee Report on pages 34 and 35 discusses the role of the Committee, what principal activities were conducted by the Committee and significant matters which were considered by the Committee and actions taken in respect of these.

The main role of the Nomination Committee is to lead the process for Board appointments and make recommendations to the Board. A report on the work of the Nomination Committee is set out on page 36.

A Statement from the Chair of the Remuneration Committee summarising the major decisions made on Directors' remuneration, during the period and the context in which these changes occurred, is set out on pages 37 and 38 followed by the Remuneration Policy Report (pages 39 to 46) and the Annual Remuneration Report on pages 47 to 57.

Evaluations of the effectiveness of the Board's Committees were carried out during the period and the outcome in each case was that they were deemed effective in carrying out their terms of reference.

The membership of each committee throughout the period under review is commented on 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:

Table 1	Board	Audit Committee	Nomination Committee	Remuneration Committee
Matt Armitage	9/9	–	2/2	–
Mike Butterworth (Senior Non-Executive Director and Chair, Audit Committee)	9/9	3/3	2/2	4/4
Ben Gordon	9/9	3/3	2/2	4/4
Patrick Martell	9/9	–	2/2	–
Helen Stevenson (Chair, Remuneration Committee)	9/9	3/3	2/2	4/4
Richard Stillwell (Chair, Nomination Committee)	9/9	–	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, including an annual strategic review away day at which, inter alia, the Board discussed senior management succession and undertook an analysis of the strengths and weaknesses of, opportunities for and threats to, the Group's businesses.

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 and, therefore, can only provide a reasonable and not absolute assurance against material misstatement or loss.

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

The Group recognises that taking and managing risks is inherent in any business and in delivering its strategy. On pages 24 and 25 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 implemented.

The Board twice per annum reviews, both from a top-down and bottom-up perspective, the impact that these principal risks might have on the business.

The process by which the Board exercises control is by holding (a) nine scheduled Board meetings per annum; (b) regular meetings of senior management drawn from each of the Marketing and Print Services 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 qualified accountants who, as necessary, draw on additional resource from BDO LLP. 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.

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 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 businesses.

Annual internal control questionnaires are completed by all the Group's businesses and 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.

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



Richard Stillwell
Chairman

RESPONSIBLE STEWARDSHIP

EXECUTIVE DIRECTORS



Matt Armitage
Chief Executive

3

Matt Armitage, ACMA joined the Board on 3 September 2007, having previously worked for Tequila London Ltd – a below-the-line marketing services business owned by Omnicom Inc – for 5 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.



Brad Gray
Chief Financial Officer

3

Brad Gray, ACA joined the Group from Grant Thornton in 1988, and held a number of finance positions for the following 6 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.



Patrick Martell
Former Chief Executive

3

Patrick Martell joined the Board on 2 August 2003. Patrick started with the Group in 1980, was appointed a Director of Clays in 1994 and became its Managing Director in 2000. Since 2003 Patrick has held the positions of Managing Director – Media Products, then Managing Director – UK Operations and served as Chief Executive from April 2009 until July 2014. Patrick will step down as a Director at the forthcoming AGM on 27 November 2014, to take up a senior management position at Informa plc. Patrick is a Non-Executive Director of RM plc.

NON-EXECUTIVE DIRECTORS



Mike Butterworth

Independent Non-Executive Director

1 2 3

Mike Butterworth, ACA joined the Board on 1 August 2010. Mike had served for 8 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 5 years, an international marketing and communications group, prior to which he spent 5 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 meetings of the Audit Committee.

- 1 Member of the Audit Committee
- 2 Member of the Remuneration Committee
- 3 Member of the Nomination Committee



Ben Gordon

Independent Non-Executive Director

1 2 3

Ben Gordon joined the Board on 15 July 2013. Ben spent nine years as Chief Executive of Mothercare Plc until 2011 and the previous three years as Senior Vice President and Managing Director, 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. Ben is a Non-Executive Director of Britvic plc, a Senior Partner and Non-Executive Director of Powerleague Group Ltd and a Trustee of the Canal and River Trust.



Helen Stevenson

Independent Non-Executive Director

1 2 3

Helen Stevenson joined the Board on 1 May 2012. Helen 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 currently holds Non-Executive Directorships with the Skipton Building Society and Trinity Mirror plc; serves on the Strategic Advisory Board of Henley Business School; and is a partner in Shirlaws Group. Helen chairs the Remuneration Committee.



Richard Stillwell

Chairman

3

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. Richard is currently a Non-Executive Director of Albertis Motorways UK Ltd and Albertis Overseas (UK) Ltd. Richard chairs meetings of the Nomination Committee.

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.

7 October 2014

Dear Shareholder

I am pleased to present a report on the role of the Audit Committee and its activity during the period ended 1 August 2014.

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 8 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. More information on the Committee members and their attendance at the three scheduled meetings that were held can be found on pages 31 to 33.

In addition to the Committee members, the Chairman and the Executive Directors of the Board and the Head of Internal Audit 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 principal responsibilities of the Committee are to:

- review the reporting of financial and other information to shareholders and monitor the integrity of the financial statements;
- advise the Board on whether the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides shareholders with the information they need to assess the Group's performance, business model and strategy as required by provision C.1.1. of the Code;
- review significant financial reporting issues;
- review and assess the effectiveness of the systems of internal control and risk management;
- recommend to the Board the appointment of the external auditors and approve their remuneration and terms of engagement;
- assess the independence and objectivity of the external auditors and the effectiveness of the external audit;
- monitor and review the effectiveness of the Internal Audit function and its resource;
- develop and implement policy on non-audit services from the external auditors;
- agree the scope of the internal and external audit plans;
- approve the remit of the internal audit function, ensure it has the necessary resources and is suitably monitored as to its effectiveness;
- review the external audit process and post-audit findings; and
- periodically review the Group's Anti-corruption and Bribery Policy and Whistle-blowing Policy.

MAIN ACTIVITIES OF THE COMMITTEE IN 2013/2014

The Committee held three scheduled meetings in the period. The main activities performed in the period were:

- agreed an internal audit plan;
- considered reports from the Group's Head of Internal Audit;
- considered the results of an internal controls questionnaire, completed by management within the Group's operating sites;
- received a report at the half year end from Deloitte on agreed procedures they had undertaken;
- reviewed the Group's Interim Management Statements and Half Year Report prior to release;
- agreed the nature and scope of the external annual audit;
- considered significant accounting and reporting issues pertinent to the preparation of the Half Year Report and the Annual Report and Accounts;
- monitored and reviewed the independence and objectivity of the external auditors and the effectiveness of the external audit;
- recommended the re-appointment of Deloitte as external auditors at the 2014 Annual General Meeting;
- approved Deloitte's fees for services provided in respect of the period ended 1 August 2014;
- conducted a review of the Committee's effectiveness;
- regularly monitored the quality of work performed by the Internal Audit function;
- reviewed the Group's Whistle-blowing Policy and the effectiveness of the Group's Anti-corruption and Bribery Policy; and
- reviewed the findings of the external audit for the period ended 1 August 2014.

ANNUAL REPORT 2013/2014

In addition, the Committee has undertaken a review and assessment of the Annual Report in order to determine whether, in its opinion, the Annual Report and Accounts 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 performance, business model and strategy. To provide additional support to the Board in making this statement, the Committee approved and monitored an enhanced review and verification process of the Annual Report and Accounts 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 and Accounts, using an evaluation tool to help in judging 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 and Accounts, 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 issues. The Committee considered accounting papers which provided details on the main financial reporting judgements, which were addressed as follows:

Significant matters considered	How the Committee addressed these matters
The assessment of the carrying value of goodwill and intangible assets	<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>During the year, the Committee reviewed the impairment assessment of the acquired intangible assets for Response One and Tactical Solutions that was carried out by management and concluded that an impairment charge of £1.2 million should be recorded in relation to the customer relationship asset. The charge has been recorded as a non-underlying item in the Consolidated Income Statement.</p>
The classification of non-underlying items	The Committee reviewed reports from management outlining the nature and size of each non-underlying item, and concluded that the items conformed to the Group's accounting policy.
The valuation of the Group's Defined Benefits Pension Scheme	The valuation of the Group's Defined Benefits Pension Scheme is judgemental due to underlying assumptions in determining the discount rate, inflation and mortality for the Scheme as at the balance sheet date. The Committee reviewed reports from the management and the Company's and the Scheme's actuaries outlining the assumptions used, and agreed with those assumptions.
The key judgements relating to the assumptions used in valuing the proprietary techniques and trademarks (intangible assets) for acquisitions.	The judgments largely relate to the assumptions used to derive the value of the acquired intangible assets. The Committee received 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 59.

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 three annual audits. The Committee is aware that the new Audit Directive and Regulations have now been published in the Official Journal of the European Union. As a result they are now a part of EU law which came into force date of 16 June 2014. The Board will monitor any resultant 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 has an established policy, which was reconfirmed during the period, for determining the fee for non-audit services that the external auditor can provide and the procedure for pre-approving such an engagement. 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 of a type and level that they are 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 the auditor, 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 in the presence of executives.

In examining the effectiveness of the external auditor the Committee also considered the audit planning process, audit approach and delivery, audit team expertise and experience, resources, internal quality control procedures, responsiveness and communication. A questionnaire will be completed after the conclusion of the 2013/2014 annual audit to facilitate a structured review of the effectiveness of the external audit process. The content of the questionnaire and the outcome of the review will be disclosed next year.

In the absence of any adverse findings as to objectivity and independence and effectiveness of Deloitte, the Committee has recommended to the Board that Deloitte be re-appointed for 2014/2015.



Mike Butterworth

Chair of the Audit Committee

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

7 October 2014

Dear Shareholder

On behalf of the Nomination Committee, I am pleased to report to you on the work it undertook during the period ended 1 August 2014.

CURRENT MEMBERSHIP

St Ives' Board is small, consisting of six Directors: two Executive and four Non-Executive Directors. For a short period, from 1 August to 27 November 2014, the Executive Directors will number three, to accommodate a hand-over between the incoming and outgoing Chief Executive Officers.

The Board has decided that a Nomination Committee, consisting of all the serving Board Directors, is therefore workable and, indeed, desirable: all Directors should be given an equal voice in deciding on the method for reaching a short list, 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, based on giving the Directors an equal opportunity to interview the candidates for a particular role.

The Board is aware of the increasing focus on the composition of boards and the emphasis on diversity and does not feel it appropriate to set targets for diversity in the boardroom or, in particular, to set a percentage of women it aspires to having on the Board. It is recognised, however, that diversity is important to the success of the business and the Board will look for opportunities to address this.

The Group's policy on affording equal opportunities to all employees and suitable applicants extends to the Board. Anyone appointed to the Board will, therefore, 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, disability, age and so on. We intend continuing with this policy.

When we recruited our last two Non-Executive Directors we appointed Helen Stevenson and Ben Gordon. They were appointed because they were the strongest candidates who could make the best contribution to the Board.

Our disclosure on diversity generally can be found on page 58 within the Directors' Report.

ROLE OF THE COMMITTEE

The principal role of the Committee is to:

- review the structure, size, composition and balance of skills of the Board and its Committees;
- identify and nominate candidates to fill Board vacancies as they arise;
- review the time commitment expected of and given by the Non-Executive Directors;
- put in place a plan for Board succession;
- determine the rotation of Directors; and
- consider Directors' possible conflicts of interest and make recommendations.

MAIN ACTIVITIES OF THE COMMITTEE IN 2013/2014

During the period the Committee's main task was to select and appoint a Chief Executive Officer to succeed Patrick Martell. Having selected Matt Armitage, an internal appointee, the Committee's next task was to decide on the selection of a Chief Financial Officer to succeed him. After considering the matter, the Committee agreed to recommend the appointment of Brad Gray, an internal appointee, as Chief Financial Officer. In both instances the appointments reflected the implementation of the Board's previously agreed succession plan.

Both were appointed by the Board with effect from 1 August 2014 and their biographical details are provided on page 32.

The Committee discharged its other principal duties by:

- ensuring that an appropriate review of Board, Committee and Director effectiveness was undertaken during the year;
- 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.

The Committee's priority for 2014/2015 will be to facilitate the formulation of a new Board succession plan.



Richard Stillwell

Chair of the Nomination Committee

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.

7 October 2014

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the period ended 1 August 2014 covering the remuneration of Executive and Non-Executive Directors.

This is our first report since the introduction of new reporting regulations that apply to Official List companies and, as required by these new regulations, we have split the report that follows this Annual Statement into two sections:

- a Directors' Remuneration Policy Report ('Policy Report'), which sets out the Group's remuneration policy for Executive and Non-Executive Directors; and
- an Annual Report on Remuneration, which discloses how we applied our remuneration policy in the period ended 1 August 2014.

As required by the new legislation, we will be seeking your support at the Annual General Meeting on 27 November 2014 for both parts of the report, through a binding vote on the Policy Report and an advisory vote on the Annual Report on Remuneration.

PERFORMANCE AND REWARD FOR 2013/2014

During the period we continued to make significant progress in executing our strategy of building a broad-based marketing services business while exiting commoditised print markets. The successful acquisitions of Realise (a digital marketing business) and Hive (a healthcare communications business) are good examples of this strategy in action. Management are successfully integrating Realise and Hive into the Group.

Management completed the restructuring of the Print Services segment during the period and the investment programme made in the remaining Print Services segment businesses has further improved the range and quality of services offered to the Group's clients.

Against this background of successful strategic realignment of the business, the Group made good progress against each of its financial key performance indicators (KPIs), with underlying Group revenue increasing by 3%, underlying PBT increasing by 17% and underlying basic EPS increasing by 15%.

In line with this strong performance, the annual bonus target was fully achieved, resulting in bonuses being payable at 100% of the maximum opportunity. Consistent with the policy operated in prior years, any bonus earned which exceeds 50% of basic salary will be paid in shares which will be held in trust for two years.

With regard to long-term performance, the underlying basic EPS target and the underlying operating profit target from Marketing Services as a percentage of the Group's total operating profit, measured in the final year of the three-year period ended 1 August 2014, set for the LTIP award made on 11 November 2011, will vest at 73.5% (from a possible 75%). Further details, together with comments on the Total Shareholder Return performance to the start of September 2014 on which vesting of the remaining 25% of the award is dependent, are given on page 52.

REMUNERATION POLICY FOR 2014/2015

Following the review of remuneration policy undertaken in 2012/2013 that took place in light of restructuring of the Board, no changes to remuneration policy are proposed for the current financial year. Our current remuneration policy will continue for a three-year period commencing from our November 2014 Annual General Meeting under the new reporting regulations.

However, as a result of the promotions of Matt Armitage and Brad Gray to the positions of Chief Executive Officer and Chief Financial Officer respectively, following the resignation of Patrick Martell, the Committee has increased their current base salaries to reflect their revised roles and responsibilities with effect from 1 August 2014. These increases following promotion are consistent with the policy we have previously operated and which it is intended to operate in future years, subject to shareholder approval.

The basic salary of the Chief Executive has been set at £350,000 per annum, which is the level of the previous Chief Executive. It is the Committee's intention following a salary review, subject to satisfactory performance, to increase his base salary to £400,000 per annum with effect from 1 August 2015. The Committee wants to ensure that the Chief Executive is remunerated in accordance with the market rate for the role he is fulfilling to minimise any potential retention risks during a period of leadership team transition.

The Chief Financial Officer's base salary has similarly been set at a small discount to the prevailing market rate on appointment, at £200,000 per annum. The Committee intends, subject to satisfactory performance, to increase this to £230,000 per annum with effect from 1 August 2015 in the belief that this reflects the market rate for the role.

With regard to our overall remuneration policy, the Committee remains comfortable that it does not encourage undue risk taking. In particular, performance metrics are fully aligned with targeted improvements in the Group's KPIs, incentive pay is subject to clawback provisions and part of the annual bonus is subject to mandatory deferral into the Company's shares. These features of current policy, allied to the operation of robust share ownership guidelines, ensure that risk is mitigated and that remuneration policy is aligned with long-term shareholders' interests.

A full summary of each of the key decisions taken by the Committee during the period under review is included on page 47.

SHAREHOLDERS' VIEWS

The Committee actively seeks to engage with shareholders and takes close account of developments in 'best practice' guidance. For example, following the promotions of the Executive Directors noted above, the Company's major shareholders were consulted both on the overall remuneration policy and on the proposed approach to phasing the Executive Directors' salaries to market rates.

On behalf of the Board, I would like to thank shareholders for their continued contribution and I hope we can rely on the support of our shareholders for our Directors' Remuneration Policy Report at the 2014 Annual General Meeting.



Helen Stevenson

Chair of the Remuneration Committee

POLICY REPORT

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 2012) ('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 50 and 56, which are subject to audit have been highlighted.

In accordance with the legislation, two resolutions to approve the Directors' Remuneration Report will be proposed at the Company's Annual General Meeting on Thursday, 27 November 2014. The Annual Report on Remuneration will be subject to an advisory vote, whilst the Policy Report will be subject to a binding vote. Details of the resolution may be found in the Notice accompanying this Annual Report and Accounts.

The remuneration policy set out in the Policy Report will be effective from the date of shareholder approval for a period of three years until the 2017 Annual General Meeting. In practice the policy will also be applied from the start of the current financial year.

REMUNERATION POLICY

The Role of the Remuneration Committee is to set the broad policy for remunerating the Executive Directors and certain members of the executive team, and recommend a remuneration policy which supports the creation of value for shareholders and the delivery of the Group's strategic priorities. This part of the Directors' Remuneration Report sets the remuneration policy for the Directors of the Company that is being put to a binding vote at the 2014 Annual General Meeting. Subject to receiving majority shareholder support, this Policy Report will normally be effective from the date of approval at the Annual General Meeting on 27 November 2014 and apply until shareholders meet in November 2017.

OVERVIEW OF REMUNERATION POLICY

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

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

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

Table 2 below, sets out on pages 40 to 43 the key aspects of the Company's remuneration policy for Executive Directors that is intended to operate during the current financial year and in future years. A description of how the Company intends to implement the policy for the year ending 31 July 2015 is set out in the Annual Report on Remuneration on pages 47 to 57.

Table 2
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.</p> <p>Salaries are paid monthly.</p> <p>In setting salaries, the Committee takes into account the following:</p> <ul style="list-style-type: none"> • capability of the individual; • any changes in responsibility; • increases awarded across the workforce; and • external economic factors such as inflation. 	<p>Salaries for 2014/2015 are as follows:</p> <p>Chief Executive: £350,000; and Chief Financial Officer: £200,000.</p> <p>From 1 August 2015 salaries are expected to increase to:</p> <p>Chief Executive: £400,000; and Chief Financial Officer: £230,000.</p> <p>Increases thereafter will generally be 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 (Table 3 on page 50).</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 pension (or combination of such) may be provided at the discretion of the Remuneration Committee.</p>	Up to 15% of basic salary.	Not applicable.

ANNUAL BONUS

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics and Period
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"> 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 the element of the annual bonus paid in shares is subject to clawback in the event of a material misstatement of the Company's financial position. <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 KPIs (e.g. underlying 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 49 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ending 31 July 2015.</p>

LONG-TERM INCENTIVES

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics and Period
<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 KPIs (e.g. underlying basic EPS, targets set to reflect strategic objectives, etc) with the balance of an award subject to a relative Total Shareholder Return ('TSR') measure.</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 49 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ending 31 July 2015.</p>

ALL EMPLOYEE SHARE PLANS

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

SHARE OWNERSHIP GUIDELINES

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics and Period
To provide alignment between executives and shareholders.	<p>A shareholding of:</p> <ul style="list-style-type: none"> • 200% of salary for the Chief Executive Officer; and • 150% of salary for other Executive Directors <p>is expected to be achieved over a period of 5 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

1. 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. Executive Directors and other employees are all eligible to participate in the Company's Sharesave Plan, details of which are provided on page 57; and
- benefits offered to other employees vary by subsidiary to take account of relevant market conditions.

2. The choice of the performance metrics and range of targets applicable to the annual bonus plan for Executive Directors reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of robust performance relating to the Group's financial KPIs and, where appropriate, specific individual objectives. The choice of performance metrics applicable to the LTIP EPS and relative TSR for awards to be granted from 2013/2014, further details of which are provided in the notes on page 56, have been selected on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders.

3. 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.

4. 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.

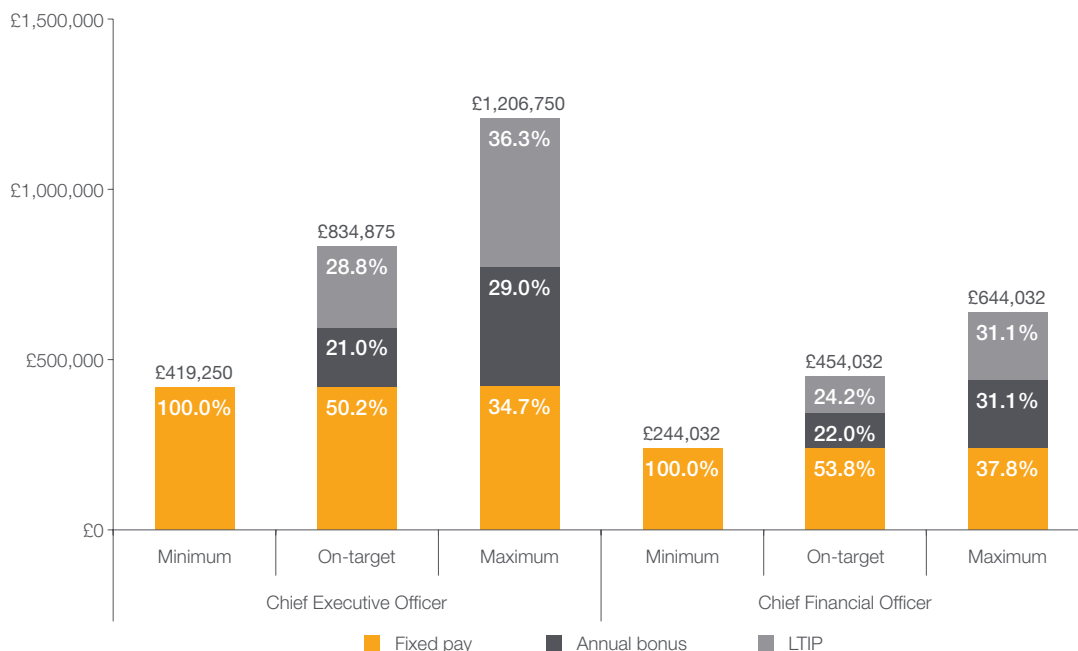
5. The Committee operates the annual bonus, LTIP and Sharesave plans, in accordance with their rules, HMRC guidance and, where relevant, the Listing Rules. To ensure these incentive plans operate in an efficient manner, the Committee retains a number of standard market practice discretions which include:

- 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 Table 2 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 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.

REWARD SCENARIOS

The chart below shows how the composition of each of the Executive Director's remuneration packages varies at different levels of performance under the policy set out above, as a percentage of total remuneration opportunity and as a total value:



Fixed pay comprises the 2014/2015 basic salary and expected pension contributions, and a value for benefits (using the value for the year ended 1 August 2014 value as a proxy).

The assumptions used in the above at the 'on-target' performance level are (i) half of maximum bonus is earned and (ii) 55% of the LTIP award vests which is based on an assessment of the likelihood of meeting the performance targets at the date of grant based on standard option/long-term share award pricing models. No share price growth is included at the point of vesting under any scenario for the LTIP to ensure the above provides a simplistic overview of the current value of remuneration payable under the different performance scenarios.

APPROACH TO RECRUITMENT AND PROMOTIONS

Basic salary levels will be set on appointment after having had due regard to the Company's general remuneration policy but adjusted, as appropriate, to reflect the experience and calibre of the individual and the market rates for similar roles in comparable organisations. If it is considered appropriate to appoint a new Director on a below market salary (e.g. in the event of an internal promotion), they may be the subject of a series of increases to a desired salary positioning over an appropriate time frame, subject to performance in post.

Should it be appropriate to recruit an executive from overseas or for the individual to relocate, then reasonable expenses and payments may be paid in relation to such a relocation which would then be subject to disclosure in due course. Benefits and pension arrangements would generally be in line with those offered to current executives but it may be necessary to tailor these to reflect local market norms and/or local legislation.

The annual bonus maximum will be in line with current Executive Directors (i.e. 100% of basic salary), pro-rated for the period of service. Depending on the timing of the appointment the Committee may use different performance measures, targets and weightings to that of the current executives for the first year of service.

An LTIP award may be made shortly after an appointment (subject to the Company not being in a prohibited period) subject to the permitted maximum.

The Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. The Committee would seek to ensure, where possible, that these awards replicate the potential value forfeited/lost in joining the Company and in terms of time horizons, vesting periods, expected values and that the potential impact of performance conditions was recognised in determining the quantum of such compensation. This award would be facilitated under the existing incentive plans where possible, but also using Rule 9.4.2. of the Listing Rules if necessary.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

SERVICE CONTRACTS AND LOSS OF OFFICE PAYMENTS

Summaries of the Executive Directors' contracts are disclosed below. These contracts are available for inspection in accordance with Provision A.4.4 of the Code.

	Date of contract	Notice period
Executive		
Matt Armitage	10 July 2014	12 months
Brad Gray	10 July 2014	12 months
Patrick Martell	1 August 2003	12 months*

* Patrick Martell has resigned with effect from 27 November 2014.

It is the Company's policy that Executive Directors should serve under rolling service contracts of 12 months' duration or less and that there should be no special provisions for compensation in the event of termination (neither in the normal course nor following a change in control of the Company) and that any compensation payments made should take account of the Director's duty to mitigate his loss. The Executive Directors' current service contracts all comply with this policy.

The Remuneration Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice.

In summary, the contractual provisions are as follows:

Provision	Detailed Terms
Notice Period:	12 months
Termination Payment:	Limited to a maximum of basic salary and benefits, paid monthly and subject to mitigation
Change of Control:	No Executive Director's contract contains additional provisions in respect of a change of control

The service contract for any new appointment would be made on similar terms to those described above.

In a leaver event, the following payments may also be made to departing Executive Directors:

1. Any share-based entitlements granted to an Executive Director under a Company share plan will be determined based on the relevant plan rules. In certain prescribed circumstances, however, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. Under the LTIP, for good leavers awards will normally become eligible to vest on cessation, subject to the satisfaction of the relevant performance conditions and be reduced pro-rata to reflect the proportion of the performance period actually served, rounded-up to the next complete financial year. In such circumstances, the Remuneration Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating. Under the DBS, in certain prescribed circumstances, awards will be retained in connection with a leaver event (such as death or permanent disability or any other reason permitted by the Remuneration Committee);
2. A pro-rata bonus may be payable for the period of active service in certain prescribed good leaver circumstances and in other circumstances at the discretion of the Committee and subject to the achievement of the relevant performance targets;
3. At the discretion of the Remuneration Committee, a contribution to reasonable outplacement costs in the event of termination of employment due to redundancy. The Committee also retains the ability to reimburse reasonable legal costs incurred in connection with a termination of employment; and
4. Any payment for statutory entitlements or to settle or compromise claims in connection with a termination of any existing or future Executive Director as necessary.

EXTERNAL NON-EXECUTIVE APPOINTMENTS

Executive Directors may accept appointments outside the Company with the permission of the Board. The extent to which any fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis.

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
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.</p> <p>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 2014/2015, the fees comprise a base fee of £35,000 p.a. plus additional fees of £5,000 p.a. for the Senior Independent Director position and £5,000 p.a. for chairing the Remuneration and Audit Committees.</p> <p>The Chairman's fee is set at £120,000 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>

The policy on Non-Executive Directors' letters of appointment is that they shall be for an initial period of no more than three years. The letters of appointment are summarised below and are available for inspection in accordance with Provision A.4.4 of the Code.

	Date of letter of appointment	Notice period
Non-Executive		
Mike Butterworth	14 July 2010	3 months
Ben Gordon	4 July 2013	3 months
Helen Stevenson	3 April 2012	3 months
Richard Stillwell	11 August 2006	6 months

No other remuneration is payable to a Non-Executive Director on termination of an appointment.

CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee considers shareholder feedback received in relation to the Annual General Meeting each year at a meeting immediately following the meeting. This feedback, plus any additional feedback received from time to time, is then considered as part of an annual review of remuneration policy.

In addition, the Remuneration Committee seeks to proactively engage directly with major shareholders and their representative bodies and takes seriously their views. In the event that the Committee makes material changes to the remuneration policy, appropriate dialogue will take place with the Company's major shareholders.

Details of votes cast for and against the resolution to approve last year's remuneration report are set out in the Annual Report on Remuneration on page 47.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

Whilst the Company does not formally consult with employees on matters of executive remuneration, it does consider the general basic salary increase for the broader UK employee population when determining the annual salary review for the Executive Directors. The Committee is also made aware of employment conditions within the wider group, including a general overview of variable pay plan outcomes. The Committee also considers environmental, social and governance issues, and risk when reviewing executive pay quantum and structure.

ANNUAL REPORT ON REMUNERATION

MEMBERSHIP OF THE COMMITTEE

Mike Butterworth, Ben Gordon and Helen Stevenson, all Independent Non-Executive Directors, served on the Committee throughout the year. Helen Stevenson chaired the Committee throughout the period. 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 page 31 and below.

RESPONSIBILITY 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 supports 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.

INTERNAL ADVISORS TO THE COMMITTEE

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, the Chief Executive Officer and the Chief Financial Officer and Group Managing Director – Marketing Services in connection with carrying out its duties. None of these persons took part in decisions relating specifically to their own remuneration.

COMMITTEE'S ADVISORS

To assist in fulfilling its responsibilities, throughout the year the Committee was advised by New Bridge Street (NBS), an Aon plc company. Other than in relation to advice on remuneration, neither NBS, nor any other part of Aon plc provided other services to the Company. The terms of engagement between the Company and NBS are available from the Company Secretary on request. NBS is also a member of the Remuneration Consultants Group and abides by its Code of Conduct.

During the year fees of £70,107 were paid to NBS.

SUMMARY OF ACTIVITIES

During the year the Committee:

- approved the payment of bonuses to the Executive Directors for 2012/2013;
- approved the Directors' Remuneration Report for 2012/2013;
- approved the structure of the Executive Directors' bonus scheme for 2013/2014 and, subsequently, agreed to adjust the EPS target on the adoption by the Company of International Accounting Standard 19 (revised) – Employee Benefits ('IAS 19');
- approved the grant of awards in November 2013 under the Company's Long-Term Incentive Plan 2010 to certain executives and the performance conditions attached to their vesting;
- approved an adjustment to the EPS performance condition originally set for the 11 November 2012 LTIP Award, following the adoption of IAS 19;
- approved the Executive Directors' salaries and pension provision for 2014/2015; and
- reaffirmed the Company's policy that Directors' service contracts should make no specific provision for the payment of compensation in the event of termination.

VOTING OUTCOME AT THE 2013 ANNUAL GENERAL MEETING

	2013 AGM	
Votes cast in favour	83,142,307	99.41%
Votes cast against	492,144	0.59%
Total votes cast	83,634,451	100.00%
Abstentions	485,818	

IMPLEMENTATION OF REMUNERATION POLICY FOR 2014/2015

This Annual Report on Remuneration shows how the Company's policies and practices on Directors' remuneration will be applied in 2014/2015 and how they were applied in relation to payments made in respect of the financial year 2013/2014. This report will be put to an advisory shareholder vote at the 2014 Annual General Meeting.

BASIC SALARY

Matt Armitage's basic salary was increased to £350,000 following his appointment as Chief Executive with effect from 1 August 2014 which is the same level as the previous Chief Executive's base salary. It is the Committee's intention following a salary review, subject to satisfactory performance and development in role, to increase his basic salary to £400,000 per annum with effect from 1 August 2015. The Committee wants to ensure that the Chief Executive is remunerated in accordance with the market rate for the role he is fulfilling to minimise any potential retention risks during a period of leadership team transition at the Company.

Brad Gray's basic salary on his appointment to the Board as Chief Financial Officer on 1 August 2014 has similarly been set at a small discount to the prevailing market rate at £200,000 per annum. The Committee intends, subject to satisfactory performance and development in role, to increase this to £230,000 per annum with effect from 1 August 2015 in the belief that this reflects the market rate for the role.

The implementation of both the salary increases noted above from 1 August 2015 will be detailed in next year's Annual Report on Remuneration.

Patrick Martell will continue to be paid an unchanged basic salary, pro-rated for the four months of his notice period to be worked to 27 November 2014. No further compensation will be paid for the balance of his notice period.

Current basic salary levels are as follows:

		From 1 August 2014	From 1 August 2013	% increase
Matt Armitage	Chief Executive Officer (note 1)	£350,000	£275,650	27.0
Brad Gray	Chief Financial Officer (note 2)	£200,000	—	—
Patrick Martell	Executive Director (note 3)	£350,000	£350,000	Nil

Notes

1. Appointed Chief Executive Officer with effect from 1 August 2014. Previously Chief Financial Officer & Group Managing Director – Marketing Services.

2. Appointed Chief Financial Officer with effect from 1 August 2014.

3. Resigned with effect from 27 November 2014.

In setting the salaries of Matt Armitage and Brad Gray for 2014/2015 the Committee considered external benchmarking data on the remuneration of CEOs and CFOs in similar sized companies with comparable business operations. This data was considered as part of a broader assessment of the executives' experience, current responsibilities and performance in their roles to date.

BENEFITS, PENSION AND LIFE ASSURANCE

Each Executive Director will be provided with a company car, or cash equivalent, and private medical insurance. Life assurance is provided in accordance with the Group's generally applied policy for employees.

A company contribution, either to a defined contribution pension scheme or as cash in lieu of such a contribution, or a combination of both, totalling 15% of basic salary shall be made. Matt Armitage and Brad Gray each participate in the Group's defined contribution personal pension plan, which has a normal retirement age of 65. The Company will make a contribution of 15% of basic salary pursuant to this arrangement in the 2014/2015 financial year.

Patrick Martell will receive salary in lieu of pension at a rate of 15% of salary until the cessation of employment.

ANNUAL BONUS

The Committee will operate an annual bonus plan for Executive Directors during 2014/2015 similar to that which operated in 2013/2014.

Payments under the bonus plan will be determined solely against a sliding scale of EPS growth targets (25% is payable for meeting the threshold performance target, through to 100% for achieving a stretch target with bonus earned on a straight line basis between performance points) for both Matt Armitage and Brad Gray. Patrick Martell will not be entitled to any bonus for 2014/2015. While the actual targets are considered to be commercially sensitive at the current time, full retrospective disclosure will be provided in next year's Directors' Remuneration Report.

Bonuses earned in excess of 50% of basic salary will be the subject of deferral through payment by way of Company's shares which need to be held by the Director for a period of two years. Other than in certain good leaver circumstances, deferred share awards would lapse in the event that a Director ceased employment. The net of tax value of deferred shares shall form part of the Director's shareholding qualification under the Committee's share ownership guideline for Executive Directors. Part, or all, of the deferred portion of the bonus, however, would be forfeit if it became apparent during the holding period that the bonus had been paid by reference to materially misstated results.

LONG-TERM INCENTIVES

The 2010 Long-Term Incentive Plan ('LTIP') is the Group's primary long-term incentive arrangement. Awards in relation to the year ended 31 July 2015 are expected to be at 100% of basic salary in the case of both the ongoing Executive Directors. Patrick Martell will not be granted an award. It is also currently intended that these awards will be subject to EPS and TSR performance conditions as follows:

- half of awards are subject to an absolute underlying basic EPS target. For these purposes the EPS target will be calculated by reference to the underlying basic EPS as set out in the Company's Annual Report and Accounts for 2016/2017 (subject to such further adjustments as the Committee considers fair and reasonable). 25% of this part of an award vests for an EPS in 2016/2017 of 21.0 pence, with full vesting of this part of an award for 24.0 pence. A straight-line sliding scale operates between these points; and
- half of the awards are based on a target measuring the relative TSR of the Company against an appropriate comparator group with vesting of this part of the award also subject to the satisfaction of an EPS underpin of 20.0 pence. The constituents of the TSR comparator group are in the process of being reviewed and will be detailed in next year's Annual Report on Remuneration. The overall structure of the TSR condition, however, will mirror that operated in prior years (i.e. the condition will be measured over a fixed three-year period, the performance period will run from the start of the financial year in which the award is granted, the start and end TSR values will be based on a three month average value and vesting will run from 25% at median performance through to 100% vesting at upper quartile performance with a sliding scale operating between performance points).

The Committee has agreed to apply a 'clawback' provision to LTIP awards made after 1 October 2013, 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 testing was overpaid based on new information.

SAVE AS YOU EARN SHARE OPTION PLAN ('SHARESAVE PLAN')

The Company operates a standard HMRC-approved all-employee Sharesave Plan 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 in Table 11 on page 57.

NON-EXECUTIVE DIRECTORS

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees.

The base responsibility fee for Non-Executive Directors is £35,000 per annum plus additional fees of £5,000 per annum for the post of Senior Independent Director and £5,000 per annum for chairing the Audit or Remuneration Committee.

The fee paid to the Chairman is set separately by the Committee and has been £120,000 per annum since the date of his appointment in April 2011.

REMUNERATION PAYABLE TO DIRECTORS FOR THE YEAR ENDING 1 AUGUST 2014

DIRECTORS' SINGLE FIGURE TABLE (Audited)

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

Table 3

	Basic salary/fee 2014 £'000	Basic salary/fee 2013 £'000	Taxable benefits (note 1) 2014 £'000	Taxable benefits (note 1) 2013 £'000	Bonus (note 2) 2014 £'000	Bonus 2013 £'000	Share plans vesting (note 3) 2014 £'000	Share plans vesting 2013 £'000	Pension benefits (note 4) 2014 £'000	Pension benefits 2013 £'000	Other payments 2014 £'000	Other payments 2013 £'000	Total 2014 £'000	Total 2013 £'000
Executive														
Matt Armitage	275.7	248.0	14.4	14.2	275.7	298.4	493.1	309.9	41.4	9.7	—	—	1,100.3	880.2
Brad Gray (note 5)	0.8	—	—	—	—	—	96.9	—	—	—	—	—	97.7	—
Patrick Martell (note 6)	350.0	350.0	17.2	16.9	350.0	421.2	870.2	546.9	52.5	—	—	—	1,639.9	1,335.0
Non-Executive														
Mike Butterworth	45.0	40.4	—	—	—	—	—	—	—	—	—	—	45.0	40.4
Ben Gordon	35.0	1.7	—	—	—	—	—	—	—	—	—	—	35.0	1.7
Helen Stevenson	40.0	33.3	—	—	—	—	—	—	—	—	—	—	40.0	33.3
Richard Stillwell (note 7)	110.0	110.0	—	—	—	—	—	—	—	—	—	—	110.0	110.0
Past Directors														
Simon Marquis (note 8)	—	12.3	—	—	—	—	—	—	—	—	—	—	—	12.3
Tony Stuart (note 9)	—	34.2	—	—	—	—	—	—	—	—	—	—	—	34.2
Lloyd Wigglesworth (note 10)	227.3	248.0	—	13.9	—	124.0	354.8	309.9	2.4	8.9	30.0	2.8	614.5	707.5

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. In respect of Matt Armitage and Patrick Martell, bonus earned in excess of 50% of basic salary shall be satisfied with Deferred Bonus Share Awards equivalent to the value, after deduction of income tax and employees' national insurance contributions, of £73,047 and £92,750 (gross pay of £137,825 and £175,000) respectively, which will be held under the terms of the DBS. A description of the DBS is given on page 41.
3. The value of share incentives which vested in relation to performance ending on 1 August 2014 are set out on page 52.
4. Pension benefits were paid into a Group Personal Pension Plan for Matt Armitage and as a cash supplement to Patrick Martell. 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 1 August 2014 by £478 per annum, net of CPI inflation, to £46,613 per annum.
5. Brad Gray was appointed on 1 August 2014.
6. Patrick Martell is the highest paid Director.
7. Richard Stillwell has elected to forego £10,000 per annum of his fee of £120,000 per annum. Richard Stillwell's fees are shown above after foregoing this proportion of his fees during 2013/2014. The Company donates this sum so withheld, together with a matching sum from the Company, to registered charities.
8. Simon Marquis retired from the Board on 1 December 2012.
9. Tony Stuart resigned as a Director on 30 June 2013.
10. Lloyd Wigglesworth resigned as a Director on 30 June 2013. The details of Lloyd Wigglesworth termination payment were disclosed in the 2012/2013 Director' Remuneration Report and are summarised on page 51.

During the year Patrick Martell received a fee of £22,104 from RM plc for his services as a Non-Executive Director.

PAYMENTS FOR LOSS OF OFFICE (Audited)

Patrick Martell resigned as Chief Executive on 10 July 2014. He remains a Director until 27 November 2014. The remuneration paid and payable in relation to his resignation is outlined below:

1. Mr Martell will continue to be employed on his existing salary and benefits until 27 November 2014;
2. No payment in lieu of notice for the remainder of his 12 months' notice period (commencing on 10 July 2014) shall be paid;
3. LTIP awards over 470,800 ordinary shares, awarded on 11 November 2011, will remain capable of vesting on 11 November 2014 in accordance with their terms;
4. LTIP awards, made on 12 November 2012 (over 339,900 ordinary shares) and 12 November 2013 (over 190,400 ordinary shares), will lapse in full on 27 November 2014;
5. Deferred Bonus Share awards ('DBS shares') over 123,580 ordinary shares, currently held by the Company's EBT under a holding period that will expire on 1 November 2014, will vest in full upon the expiry of the holding period whereupon the full legal and beneficial ownership to the DBS shares will be transferred to Mr Martell;
6. In relation to the DBS shares totalling 71,688 ordinary shares, awarded on 1 November 2013, the Committee resolved that they will remain eligible to vest as a result of these shares being deferred from a previously earned bonus and these shares will continue to remain subject to the two-year holding period to 1 November 2015 upon the expiry of which the DBS shares will vest in full;
7. In relation to the bonus payable for 2013/2014, the Committee resolved that Mr Martell will remain eligible to receive an annual bonus award (part of which will be deferred) as a result of his being in employment for the complete financial year ending 1 August 2014 based on the criteria set at the start of the financial year. To the extent the bonus award exceeds 50% of Mr Martell's basic salary, the bonus will be delivered to him in shares, to be held for a two-year holding period as DBS shares until 1 November 2016. He will not be entitled to any bonus in respect of the part of the current financial year for which he will have been employed; and
8. Mr Martell's entitlement of up to 9,172 shares under the Company's Sharesave Plan was to lapse no later than 27 November 2014.

The details of any payments to Patrick Martell will be detailed in subsequent Annual Remuneration Reports as appropriate.

PAYMENTS TO PAST DIRECTORS (Audited)

As disclosed in the prior year Directors' Remuneration Report, a compromise agreement was signed by the Company and Lloyd Wigglesworth on 25 June 2013. This provided, inter alia, for Mr Wigglesworth to resign from his directorship of the Company with effect from 30 June 2013, although continuing to work for four months of his notice period until 30 October 2013. Mr Wigglesworth was then to be paid a salary in lieu of his remaining notice period, by eight equal instalments which were subject to mitigation. These were paid in full during the year.

Pursuant to the compromise agreement, a statutory redundancy payment of £2,700 and £100 as consideration for certain confidentiality and related obligations was made at the time. The Company has also made payments totalling £30,000 to providers of outplacement advice to Mr Wigglesworth.

INCENTIVE OUTCOMES FOR THE PERIOD ENDED 1 AUGUST 2014 (Audited)

ANNUAL BONUS

The Committee decided at the beginning of the year that delivering growth in adjusted EPS should be the sole determinant of Executive Directors' bonus earnings potential for 2013/2014 which operated with a maximum potential of 100% of basic salary.

The targets set, restated for the adoption of the amendments to IAS 19 – International Accounting Standard 19: Employee Benefits, were such that 25% of basic salary could become payable on the attainment of EPS of 16.20 pence and thereafter a further bonus, subject to a maximum of 100% of basic salary, could become payable on the attainment of EPS of 18.20 pence. Actual performance was 18.30 pence, resulting in a maximum bonus becoming payable at 100% of basic salary for both Patrick Martell and Matt Armitage. All bonus in excess of 50% of basic salary is deferred into Company shares in line with the overall remuneration policy.

In the opinion of the Committee, the restatement of the targets ensured that the targets were no more or less challenging to achieve, based on the underlying growth rate required for bonus to be earned from the 2012/2013 EPS result, after allowing for the impact of revised accounting standards.

The Committee, in deciding to restate the EPS target, did so in order to preserve the underlying growth rate that was intended when the target was first set.

Details of the 2013/2014 bonuses paid to Directors are disclosed in the Table 3 on page 50.

DETERMINATION OF LONG-TERM INCENTIVES VESTING IN 2013/2014 (Audited)

Vesting, on 5 January 2014, of an LTIP award granted on 5 January 2011 was based on growth in EPS (50% of the overall award), an increase in non-print added value (25% of the overall award) for the period ended 2 August 2013, and on a relative TSR condition measured over the three years from the date of award (25% of the overall award). It was reported last year that the EPS and non-print added value conditions had been achieved in full (75% of the overall award) but that the outcome of the Relative TSR target (up to 25% of the overall award) would be reported on in the subsequent year. The Committee, having reviewed the Company's performance against relative TSR concluded that the Company's ranking warranted vesting of 18.9%, resulting in an overall vesting of 93.9% out of the potential 100%. This value is recorded in the Total Single Figure table for the financial year (Table 3 on page 50).

An LTIP award granted on 11 November 2011 was based on growth in EPS (50% of the overall award), Marketing Services operating profit as a percentage of the Group's total operating profit (25% of the overall award) for the period ending 1 August 2014, and on a relative TSR condition measured over the three years from the date of award (25% of the overall award). The notes on page 56 set out the full terms of the performance conditions referred to above.

The Committee, having reviewed the Group's results for 2013/2014 has decided that EPS and the Marketing Services operating profit conditions have been met to the extent set out below:

- the EPS range set on grant for the achievement of EPS was 16.0 to 17.8 pence, and the actual underlying basic EPS was 18.3 pence. This condition has therefore been met in full, resulting in 50% vesting. 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 (as noted above in relation to annual bonus). However, the underlying growth rate in EPS over the three-year performance period was such that the targets were exceeded irrespective of the basis of testing the target (i.e. if the targets were restated to allow for the impact of IAS 19 this did not impact the vesting result and so the Committee was comfortable that the extent of achievement was not impacted by the change in accounting standards); and
- the Marketing Services operating profit range set on grant for 2013/2014 was 25 to 40% of the Group's operating profit, and the actual outcome was 38%, resulting in 23.5% of the possible 25% vesting.

Therefore, on 11 November 2014, 73.5% out of the potential 75% of the awards subject to these two conditions granted on 11 November 2011 shall vest.

The TSR portion of the award is measured over the three years from the date of the award and so is not due to be measured until 11 November 2014. Achievement of the relative TSR condition is measured against a comparator group comprising those companies listed in the FTSE All-Share Support Services sector (excluding FTSE100 companies). To provide a degree of context on the performance delivered to date against the comparator group, had the performance period been completed at the start of September 2014 vesting would have been 100% for this portion of the award. The Company's TSR, from the start of the performance period to that date exceeded 212% which was well above the median achieved by the comparator group (which was approximately 90%). Final vesting shall be determined on completion of the performance period for the TSR portion and any value shall be recorded in the Total Single Figure table for 2014/2015.

DETERMINATION OF LONG-TERM INCENTIVES VESTING IN 2013/2014 (Audited)

Therefore, the total number of shares which vested in relation to performance which ended in the financial year under review is as follows:

Table 4

	Date of grant	Number of awards vesting	Share price on vesting (pence)*	Total value on vesting (£)	Transfer of award/earliest vesting date
Matt Armitage	5 Jan 2011	43,961	177.644	78,095	8 Jan 2014
	11 Nov 2011	196,098	211.657	415,056	11 Nov 2014
Brad Gray	11 Nov 2011	45,946	211.657	96,916	11 Nov 2014
Patrick Martell	5 Jan 2011	77,584	177.644	137,824	8 Jan 2014
	11 Nov 2011	347,215	211.657	732,415	11 Nov 2014

* Share price on date of transfer for 5 January 2011 awards and the three month average to 1 August 2014 for the 11 November 2011 awards due to vest on 11 November 2014.

AWARD OF LONG-TERM INCENTIVES DURING THE 2013/2014

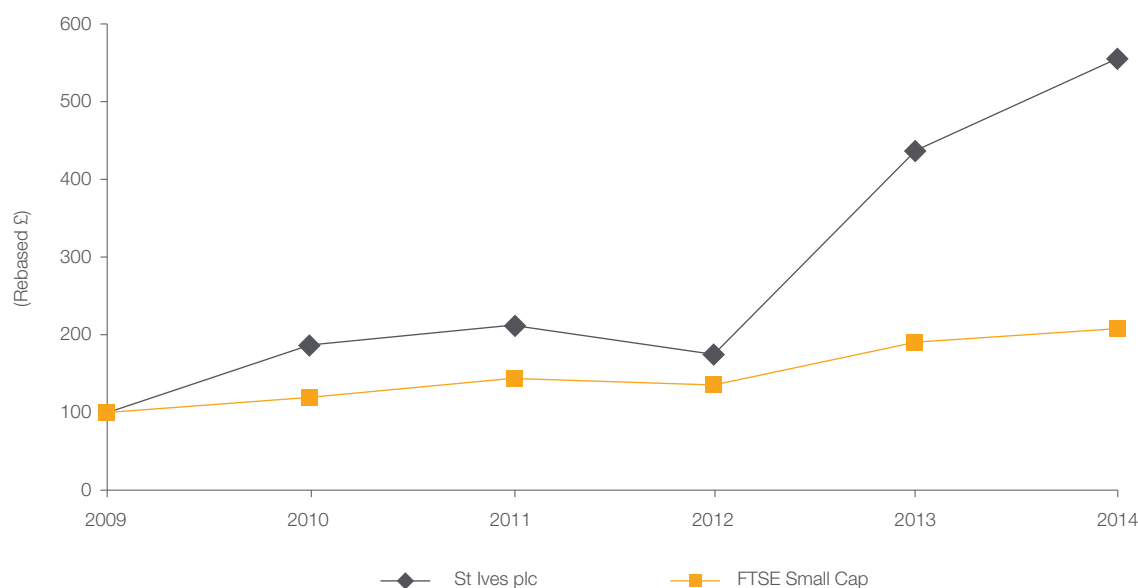
A further LTIP award was made on 12 November 2013 to Patrick Martell and Matt Armitage, further details of which are disclosed in Table 9 on page 55 and notes on page 56.

FIVE YEARS' TOTAL SHAREHOLDER RETURN AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

The chart below illustrates the Company's Total Shareholder Return for the five years ended 1 August 2014, relative to the performance of the FTSE Small Cap Index. The FTSE Small Cap has been chosen as a comparator as it represents a broad equity index of which the Company has been a constituent member for the relevant five-year period.

St Ives plc vs FTSE Small Cap – Total Shareholder Return Index

Source: Thomson Reuters



This graph shows the value, by 1 August 2014, of £100 invested in St Ives plc on 31 July 2009 compared with that of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at the intervening financial year-ends.

The changes in Patrick Martell's remuneration, who has served as Chief Executive Officer throughout each of the past five years, were as follows:

Table 5

	2014	2013	2012	2011	2010	2009
Total remuneration £'000	1,640.0	1,335.0	1,246.6	802.0	725.3	346.1
Annual bonus as a percentage of maximum	100	96	100	100	100	26
Shares vesting as a percentage of maximum	98.5*	94	100	Nil	Nil	Nil

* 50% from the EPS performance condition; 23.5% from the Marketing Services operating profit condition; and an estimated 25% from the TSR condition. (See page 52 for full details).

STATEMENT OF CHANGE IN PAY OF CHIEF EXECUTIVE OFFICER COMPARED WITH OTHER EMPLOYEES

Table 6

	Chief Executive Officer 2014 £'000	Percentage change vs 2013 (note 1)	All Employees Percentage change vs 2013 (note 2)
Salary	350.0	Nil	6.6
Benefits in kind	17.2	2.0	30.0
Annual bonus	350.0	-16.9	4.0

Notes:

1. The increase in benefits is a result of the premium paid for medical expenses insurance being age-related.

2. Reflects the change in average pay for Group Head Office employees employed in both 2013 and 2014. This subset of employees is felt to be the most appropriate comparator to the Chief Executive Officer as they have a similar remuneration structure.

RELATIVE IMPORTANCE OF SPEND ON PAY

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

Table 7

	2014 £'000	2013 £'000	Percentage change
Overall expenditure on pay	106,865	100,494	6.3
Dividends paid in the year	8,170	5,770	24.3
Capital expenditure	11,108	6,110	81.8

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

Share ownership guidelines were increased last year to the following levels:

- Chief Executive Officer: 200% of basic salary; and
- Other Executive Directors: 150% of basic salary.

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 guideline will be met by 1 August 2018 in the case of Matt Armitage and, in the case of Brad Gray, five years from the date of his appointment on 1 August 2014. Directors' share dealings must be conducted in accordance with the Company's Directors' Share Dealing Code.

Interests of Directors and their connected persons in 10 pence ordinary shares (fully paid) of the Company at 1 August 2014 were as follows:

Table 8

	Unvested share options	Unvested LTIP awards (subject to performance conditions)	Unvested deferred bonus share awards	Beneficial holding 1 August 2014	Beneficial holding 2 August 2013	Expressed as a percentage of annual basic salary (note)
Executive						
Matt Armitage	9,172	657,600	131,052	205,879	155,380	191%
Brad Gray (appointed on 1 August 2014)	9,172	62,300	—	12,212	—	12%
Patrick Martell	—	1,221,200	195,252	191,555	120,286	219%
Non-Executive						
Mike Butterworth	—	—	—	11,000	11,000	—
Ben Gordon	—	—	—	10,000	—	—
Helen Stevenson	—	—	—	7,000	3,469	—
Richard Stillwell	—	—	—	42,000	42,000	—

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 3 October 2014 (198.50 pence); and the Director's annual rate of basic salary.

DIRECTORS' LTIP AWARDS (Audited)

LTIP awards were made on 12 November 2013 to the Executive Directors on the following basis:

Table 9

	No. of awards granted	Face value of awards*	Face value as % of salary*	% of awards vesting at threshold	Performance period
Matt Armitage	150,000	£275,650	100%	25%	1 Aug 2013 to 31 July 2016
Patrick Martell	190,400	£350,000	100%	25%	1 Aug 2013 to 31 July 2016

* Face value is based on a share price of 183.75 pence.

Further details of these awards are shown in Table 10 below and their performance conditions are set out in the notes on page 56.

The awards are subject to a clawback provision which will enable the Committee to reclaim value that should not have been received in the event that, 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 testing was overpaid based on new information.

DIRECTORS' OUTSTANDING SHARE INCENTIVE AWARDS (Audited)

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

Table 10

	Date of award	Market price per share at date of award	2 August 2013*	Exercised during year	Lapsed during year	Awarded during year	1 August 2014	End of performance period	Vesting date	Expiry date
Matt Armitage	5 Jan 2011	97.75p	232,600	218,411	14,189	–	–	July 2013	5 Jan 2014	4 Jan 2021
	11 Nov 2011	95.25p	266,800	–	–	–	266,800	July 2014	11 Nov 2014	11 Nov 2021
	12 Nov 2012	104.00p	240,800	–	–	–	240,800	July 2015	12 Nov 2015	12 Nov 2022
	12 Nov 2013	184.25p	–	–	–	150,000	150,000	July 2016	12 Nov 2016	12 Nov 2023
			740,200	218,411	14,189	150,000	657,600			
Patrick Martell	5 Jan 2011	97.75p	410,500	385,459	25,041	–	–	July 2013	5 Jan 2014	5 Jan 2021
	11 Nov 2011	95.25p	470,800	–	–	–	470,800	July 2014	11 Nov 2014	11 Nov 2021
	12 Nov 2012	104.00p	339,900	–	–	–	339,900	July 2015	12 Nov 2015	12 Nov 2022
	12 Nov 2013	184.25p	–	–	–	190,400	190,400	July 2016	12 Nov 2016	12 Nov 2023
			1,221,200	385,459	25,041	190,400	1,001,100			
Brad Gray	11 Nov 2011	95.25p	62,300	–	–	–	62,300	July 2014	11 Nov 2014	11 Nov 2021

* At 1 August 2014 for Brad Gray.

DIRECTORS' OUTSTANDING SHARE INCENTIVE AWARDS CONTINUED

Notes

1. The vesting of LTIP awards made on 5 January 2011 was subject to performance conditions (a), (b) and (d) below; the vesting of LTIP awards made on 11 November 2011 is subject to performance conditions (a), (c) and (d) below; and the vesting of awards made on 12 November 2012 and 12 November 2013 are subject to performance conditions (a) and (d), set by the Committee over the relevant three-year period as follows:

(a) The EPS target

One half of the total number of shares over which an award is granted is subject to an absolute underlying basic EPS target as detailed below. For these purposes the EPS target will be calculated by reference to the underlying basic EPS as set out in the Company's Annual Report and Accounts for the relevant financial year, (subject to such further adjustments as the Committee considers fair and reasonable).

5 January 2011 Award	11 November 2011 Award	12 November 2012 Award	12 November 2013 Award	
EPS for the 2012/2013 financial year	EPS for the 2013/2014 financial year	EPS for the 2014/2015 financial year	EPS for the 2015/2016 financial year	% of this part of the award vesting
16.00 pence or more	17.80 pence or more	20.00 pence or more	23.00 pence or more	100%
From 14.00 pence to 16.00 pence	From 16.00 pence to 17.80 pence	From 17.80 pence to 20.00 pence	From 20.00 pence to 23.00 pence	Between 25% and 100% on a straight-line basis
Less than 14.00 pence	Less than 16.00 pence	Less than 17.80 pence	Less than 20.00 pence	0%

(b) Non-Print added value target (for 5 January 2011 Award)

One quarter of the total number of shares over which an award is granted is subject to achieving a target based the increase in 'added value' attributable to non-print activities for the 2012/2013 financial year and an absolute EPS underpin. For these purposes added value attributable to non-print activities for the 2012/2013 financial year will be defined as sales less the costs of materials and bought-in costs attributable to non-print activities such as database marketing, pre-retail services and retail consultancy. Vesting takes place as follows:

Added value attributable to non-print activities for the 2012/2013 financial year	% of this part of the award vesting subject to satisfaction of the EPS underpin
20% or more	100%
From 16% to 20%	Between 25% and 100% on a straight-line basis
Less than 16%	0%

(c) Marketing Services segment underlying operating profit (for 11 November 2011 Award)

One quarter of the total number of shares over which an award is granted is subject to achieving at least 25% of the Group's underlying operating profit (i.e. profit before non-underlying items) from the Marketing Services segment in the 2013/2014 financial year as follows:

% of Group operating profit attributable to the Marketing Services segment for the 2013/2014 financial year	% of this part of the award vesting subject to satisfaction of the EPS underpin
40% or more	100%
From 25% to 40%	Between 25% and 100% on a straight-line basis
Less than 25%	0%

(d) Relative TSR target

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

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

Vesting takes place as follows:

Rank of the Company's TSR against the comparator group at the end of the performance period	% of this part of the award vesting subject to satisfaction of the EPS underpin
Upper quartile or above	100%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Median	25%
Below median	0%

In addition, no part of the award subject to conditions (b) and (c) described above would have vested if EPS was less than 14.50 pence for the 2013/2014 financial year (for the 11 November 2011 award); less than 16.50 pence for the 2014/2015 financial year (for the 12 November 2012 award); and less than 19.00 pence for the 2015/2016 financial year (for the 12 November 2013 award) – unless the Committee, in its discretion, determines otherwise.

2. The Committee decided, in its discretion, that the LTIP granted to Lloyd Wigglesworth would be reduced, pro-rata, to the period that elapsed between the date of grant and 30 October 2013, rounded up to a full year, in accordance with the terms of the compromise agreement and the Rules of the LTIP. The Awards made on 11 November 2011 and 12 November 2012 are therefore reduced, respectively, to 177,866 and 80,266 shares and will be tested against the relevant performance conditions on 11 November 2014 and 12 November 2015. The balance of the original grants lapsed on 30 June 2013. The vesting of any shares to Lloyd Wigglesworth under the LTIPs will be dependent on his continued adherence to the terms of the compromise agreement.

The market price of St Ives plc ordinary shares of 10 pence each at 1 August 2014 was 208.25 pence and the range during the financial year was 158.50 pence to 224.75 pence.

SHARE OPTIONS – SHARES SAVE PLAN

Table 11

	Date of grant	Number of options				1 August 2014	Exercise price pence	Date from which exercisable	Expiry date
		2 August 2013 (note 1)	Exercised during year	Lapsed during year (note 2)	Granted during year				
Matt Armitage									
	18 Apr 2012	2,576	–	–	–	2,576	65.67	1 Jun 2015	1 Dec 2015
	23 Apr 2013	6,596	–	–	–	6,596	108.60	1 Jun 2016	1 Dec 2016
		9,172	–	–	–	9,172			
Brad Gray									
	18 Apr 2012	2,576	–	–	–	2,576	65.67	1 Jun 2015	1 Dec 2015
	23 Apr 2013	6,596	–	–	–	6,596	108.60	1 Jun 2016	1 Dec 2016
		9,172	–	–		9,172			
Patrick Martell									
	18 Apr 2012	2,576	–	2,575	–	–	65.67	1 Jun 2015	1 Dec 2015
	23 Apr 2013	6,596	–	6,596	–	–	108.60	1 Jun 2016	1 Dec 2016
		9,172	–	9,172	–	–			

Notes:

1. At date of appointment in the case of Brad Gray.

2. Sharesave options granted to Patrick Martell lapsed on 24 July 2014 on his withdrawal from the Plan.

DILUTION

Under the ESOS 2001, LTIP and the Sharesave Plan, 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 1 August 2014, excluding lapsed options and options exercised and satisfied from utilising existing issued shares, options over 5,958,707 shares (4.76%) of the Company's issued share capital) 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

7 October 2014

The Directors present their Directors' Report and the audited financial statements for the fifty two weeks ended 1 August 2014. This Directors' Report covers this period and the period up to the date of signature.

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 29. That report also includes information required in this Directors' Report about a) future developments and, on page 28, b) the new CO₂e Emissions measurement disclosure, introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Certain sections of this Annual Report and Accounts contain forward-looking statements with respect to the strategy, financial condition, results, operations and businesses of the Group or markets in which the Group operates. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that occur in the future and relate to events, not all of which are within the Group's control. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable, there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statement. Nothing in the Annual Report and Accounts 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 32 and 33.

Richard Stillwell holds a number of external Non-Executive Directorships (set out on page 33) which, in the opinion of the Board, does not prevent him from devoting sufficient time to his responsibilities as Chairman of the Board.

Brad Gray was appointed a Director on 1 August 2014 and Patrick Martell resigned as a Director with effect from 27 November 2014.

The interests of Directors in the share capital of the Company are set out in Table 8 on page 54.

RESULTS AND DIVIDENDS

The Group profit for the year before taxation amounted to £11,883,000 (2013 – (Restated) £5,456,000). The Directors propose a final dividend of 5.00 pence for each ordinary share payable on 18 December 2014 to holders on the register as at 21 November 2014. If approved, the final dividend will make total dividends for the year of 7.15 pence per ordinary share:

	£'000
Ordinary dividends	
Interim	2,600
Proposed final	6,254

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 Report on Corporate and Social Responsibility on pages 27 to 29.

By gender, the Group's employees are 70% male and 30% female; its senior management 66% male and 34% female; and the Board is made up in the ratio of 83% male to 17% female.

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 30 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 29 and note 30 to the financial statements on pages 100 to 102.

As highlighted in note 24 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft facility of £15.0 million that is part of an overall funding facility of £90.0 million which falls due for renewal on 31 October 2015.

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

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

SHARE CAPITAL

The Company's share capital consists of ordinary shares, as set out in note 31 to the financial statements on page 102. The shares carry no rights to fixed income and each share carries the right to one vote at general meetings. All shares are fully paid. There are no specific restrictions on the size of a shareholding nor on the transfer of shares, which are both covered by the provisions of the articles of association and prevailing legislation.

ACQUISITION OF THE COMPANY'S OWN SHARES

Further to the authority given at the 2013 Annual General Meeting, to purchase up to 11,997,840 ordinary shares, during the year the Company purchased 1,889,939 ordinary shares into treasury and transferred out 1,851,292 shares to satisfy the exercise of executive and Sharesave share options and to vendors of Realise and Incite in part satisfaction of consideration payable to them in respect of their recent acquisition. At the period end the Company held 78,647 ordinary shares in treasury and the remaining headroom under the existing buyback authority stood at 10,107,901 shares. A further 220,400 ordinary shares have since been purchased, and at the date of this Report, 299,047 ordinary shares are held in treasury.

MAJOR INTERESTS IN SHARES

As at 7 October 2014, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company:

	Number of voting rights	Percentage of issue share capital carrying voting rights*
Delta Lloyd NV and subsidiaries	10,900,000	8.73
Silchester International Investors Limited and its subsidiaries	10,262,142	8.48
Standard Life Investments Limited	9,882,518	7.91
RWC Asset Management	7,541,608	6.20
JO Hambro Capital Management Limited	6,515,000	5.23
Schroder plc	5,979,904	4.79

* The percentage based on ordinary shares in issued, excluding treasury shares, as at 7 October 2014.

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 27 November 2014. 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 page 35.

Each of the Directors of the Company as at 7 October 2014 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 (2013 – 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 has made qualifying third party provisions for the benefit of its Directors (as defined by Section 234 of the Companies Act 2006) which continue in force at the date of this report. The Company has entered into deeds of indemnity in favour of each of its Directors (on identical terms) who served during the period, under which the Company has granted Directors an indemnity, to the extent permitted by law, in respect of liabilities incurred by virtue of their office.

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. Directors take no part in discussions on matters in which they are interested and they may be requested to leave a meeting at which a matter in which they are interested is to be discussed.

ANNUAL GENERAL MEETING

The thirty-third Annual General Meeting of the Company will be held on Thursday, 27 November 2014. The Notice of Meeting is included in a separate document sent to shareholders.

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



Philip Harris
Company Secretary

7 October 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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



Matt Armitage
Chief Executive Officer



Brad Gray
Chief Financial Officer

7 October 2014

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 1 August 2014 and of the Group's and the parent company's affairs 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; 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 Group Statement of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 37 of the Consolidated Financial Statements and notes 1 to 16 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).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement on page 59 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below 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:

Risk	How the scope of our audit responded to the risk
<p>The assessment of the carrying value of goodwill and intangible assets and investments</p> <p>The assessment of the carrying value of goodwill and intangible assets is a particularly complex and highly judgemental area due to the challenges in forecasting in the changing market environment.</p>	<p>We challenged management's assumptions used in the impairment assessment for goodwill and intangible assets and the carrying value of investments in St Ives plc, as described in note 17 to the financial statements. Specifically, this involved challenging the detailed FY15 Board approved and FY16 management approved cash flow projections, the medium and perpetuity growth rates, the discount rate and sensitivities used. We considered short-term cash flow projections against recent performance, historical forecasting accuracy and benchmarked the forecasts to external sources of data. We compared the medium and long-term forecast growth rates against market data and benchmarked the discount rate applied against a broad comparator Group as well as using specialists to consider the key components of the discount rate calculation. We calculated a range of reasonably possible sensitivities and compared these to those sensitivities calculated by management.</p>
<p>Accounting for the business combinations</p> <p>St Ives plc has acquired two businesses in the year, Hive and Realise. The purchase price allocation contains judgements such as the identification and valuation of intangible assets and an estimation of contingent consideration as set out in note 12 to the accounts.</p>	<p>We reviewed management's calculations and purchase price allocations and challenged the inputs to these. We used internal valuations specialists to review the underlying assumptions supporting this model such as the methodology to calculate the value of the proprietary techniques and customer relationships, the value of the assembled workforce, the internal rate of return and the royalty rate used in valuing the brand. We also reviewed the accounting for the deferred contingent consideration payments being treated as remuneration.</p>

Risk (Continued)	How the scope of our audit responded to the risk
<p>The classification of non-underlying items There is a risk that costs relating to the underlying business are being disclosed as non-underlying and that items are not being split out in line with St Ives Group accounting policy which could distort the information presented to shareholders.</p>	<p>We challenged the appropriateness of the classification of non-underlying items. We have reviewed any provision releases and have assessed whether there is sufficient justification for costs to be classed as non-underlying. We have understood management's accounting policy relating to non-underlying items as described in note 2 and have assessed whether the policy has been adhered to. We also reviewed the related disclosure in note 8 of the accounts in line with IAS 1 Presentation of financial statements.</p>
<p>The valuation of marketing services revenue recognised In the marketing services businesses there are projects where revenue is recognised on a percentage completion basis there is a degree of judgement 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 a review of the underlying contracts to assess whether revenue was correctly recognised in line with the contract. Where projects spanned the year end we selected a sample of projects and we understood and challenged the judgements used by management in determining which period to recognise revenue and corroborated to supporting information.</p>
<p>Accounting for retirement benefit obligations The net pension deficit on the Consolidated Balance Sheet is £9.8 million. There is judgement involved in the valuation of the retirement benefit obligations, particularly in relation to determining the assumptions underlying the valuation of liabilities of the scheme.</p>	<p>We assessed the actuarial assumptions (including the discount rate, inflation rates and mortality assumptions) adopted by the Group for the valuation of its retirement benefit obligations. We used internal actuarial specialists to consider the reasonableness of these assumptions and benchmark them against a relevant comparator group.</p>
	<p>The Audit Committee's consideration of these risks is set out on page 35.</p> <p>Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.</p>
Our application of materiality	<p>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.</p> <p>We determined materiality for the Group to be £1.45 million, which is approximately 5% of underlying pre-tax profit and 1% of equity. We have used underlying pre-tax profit 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.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £28,000, 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.</p>
An overview of the scope of our audit	<p>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, our Group audit scope focused on all active entities of the Group and only excluded non-trading entities and start-up operations in the US. These entities represent the principal business units and account for over 99% of the Group's net assets, revenue and profit before tax. Our audit work at each location was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.</p> <p>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.</p> <p>The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits each of the locations where the Group audit scope was focused. Where no visit was made, we understood the key issues and audit findings, attended the component close meetings and reviewed formal reporting from the component auditors.</p>

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 year 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 nine 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 is fair, balanced and understandable and whether the Annual Report 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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 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

7 October 2014

OUR FIGURES
CONSOLIDATED INCOME STATEMENT

52 weeks to 1 August 2014				53 weeks to 2 August 2013 (Restated)**			
	Note	Underlying £'000	Non-underlying* (note 8) £'000	Total £'000	Underlying £'000	Non-underlying* (note 8) £'000	Total £'000
Revenue	3, 4	327,587	3,097	330,684	317,036	5,643	322,679
Cost of sales		(224,755)	(3,049)	(227,804)	(225,495)	(7,394)	(232,889)
Gross profit/(loss)		102,832	48	102,880	91,541	(1,751)	89,790
Selling costs		(21,855)	(396)	(22,251)	(20,969)	(908)	(21,877)
Administrative expenses		(49,893)	(19,332)	(69,225)	(43,674)	(17,375)	(61,049)
Share of results of joint ventures		(120)	–	(120)	–	–	–
Other operating income		23	2,185	2,208	9	271	280
Profit/(loss) from operations	4, 5	30,987	(17,495)	13,492	26,907	(19,763)	7,144
Investment income	9	13,054	–	13,054	11,395	–	11,395
Finance costs	10	(14,663)	–	(14,663)	(13,083)	–	(13,083)
Profit/(loss) before tax		29,378	(17,495)	11,883	25,219	(19,763)	5,456
Income tax (charge)/credit	11	(6,986)	5,608	(1,378)	(6,182)	5,090	(1,092)
Net profit/(loss) for the period		22,392	(11,887)	10,505	19,037	(14,673)	4,364
Attributable to:							
Shareholders of the parent company		22,389	(11,872)	10,517	19,062	(14,616)	4,446
Non-controlling interests		3	(15)	(12)	(25)	(57)	(82)
		22,392	(11,887)	10,505	19,037	(14,673)	4,364
 Basic earnings per share (p)	15	18.30	(9.70)	8.60	15.90	(12.19)	3.71
 Diluted earnings per share (p)	15	17.71	(9.39)	8.32	15.42	(11.82)	3.60

* Non-underlying items comprise: acquisition costs; restructuring costs; provision releases; operating results of non-continuing sites; net profit on disposal of property, plant and equipment; profit on disposal of subsidiary; consideration required to be treated as remuneration; amortisation or impairment of acquired intangibles; and other one-off items.

** The results for the prior period have been restated for the change in accounting policy on the adoption of IAS 19 (revised) Employment Benefits (note 6).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks to 1 August 2014 £'000	53 weeks to 2 August 2013 (Restated)** £'000
Profit for the period	10,505	4,364
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefits pension schemes	(11,677)	18,803
Tax credit/(charge) on items taken directly to equity	2,366	(4,576)
	(9,311)	14,227
Items that may be reclassified subsequently to profit or loss:		
Transfers of losses/(gains) on cash flow hedges to hedged items	50	(66)
Losses on cash flow hedges	(60)	(50)
Losses on available for sale financial asset	(1,540)	–
Tax credit on items taken directly to equity	13	2
	(1,537)	(114)
Other comprehensive (expense)/income for the period	(10,848)	14,113
Total comprehensive (expense)/income for the period	(343)	18,477
Attributable to:		
Shareholders of the parent company	(331)	18,559
Non-controlling interests	(12)	(82)
	(343)	18,477

** The results for the prior period have been restated for the change in accounting policy on the adoption of IAS 19 (revised) Employment Benefits (note 6).

OUR FIGURES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Additional paid-in capital*** £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging and translation reserve £'000	Other reserves £'000	Retained earnings (Restated)** £'000	Non- controlling interest £'000	Total £'000
Balance at 28 July 2012	11,983	51,071	(356)	–	4,351	51	55,117	64,476	361	131,937
Profit/(loss) for the period	–	–	–	–	–	–	–	4,446	(82)	4,364
Other comprehensive (expense)/income for the period	–	–	–	–	–	(114)	(114)	14,227	–	14,113
Comprehensive (expense)/income for the period	–	–	–	–	–	(114)	(114)	18,673	(82)	18,477
Dividends	–	–	–	–	–	–	–	(7,170)	–	(7,170)
Issue of share capital (including acquisitions)	188	393	1,967	–	(221)	–	2,139	(1,369)	–	958
Transfer of share-based contingent consideration deemed as remuneration	–	401	–	–	(3,344)	–	(2,943)	3,331	–	388
Exchange differences	–	–	–	–	–	(11)	(11)	–	–	(11)
Purchase of own shares	–	–	(1,811)	(62)	–	–	(1,873)	–	–	(1,873)
Recognition of share-based payments	–	–	–	–	4,919	–	4,919	–	–	4,919
Tax on share-based payments	–	–	–	–	564	–	564	–	–	564
Balance at 2 August 2013	12,171	51,865	(200)	(62)	6,269	(74)	57,798	77,941	279	148,189
Profit/(loss) for the period	–	–	–	–	–	–	–	10,517	(12)	10,505
Other comprehensive income/(expense) for the period	–	–	–	–	–	3	3	(10,851)	–	(10,848)
Comprehensive income/(expense) for the period	–	–	–	–	–	3	3	(334)	(12)	(343)
Dividends	–	–	–	–	–	–	–	(8,170)	–	(8,170)
Acquisitions	311	925	–	1,030	–	–	1,955	(1,526)	(267)	473
Transfer of share-based contingent consideration deemed as remuneration	35	444	–	396	(3,687)	–	(2,847)	3,688	–	876
Exchange differences	–	–	–	–	–	37	37	–	–	37
Purchase of own shares	–	–	(235)	(3,169)	–	–	(3,404)	–	–	(3,404)
Recognition of share-based payments	–	–	424	1,642	4,427	–	6,493	(823)	–	5,670
Tax on share-based payments	–	–	–	–	190	–	190	799	–	989
Balance at 1 August 2014	12,517	53,234	(11)	(163)	7,199	(34)	60,225	71,575	–	144,317

** The results for the prior period have been restated for the change in accounting policy on the adoption of IAS 19 (revised) Employment Benefits (note 6).

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

CONSOLIDATED BALANCE SHEET

	Note	1 August 2014 £'000	2 August 2013 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	53,360	56,232
Goodwill	17	123,254	90,148
Other intangible assets	17	43,981	33,039
Available for sale	18	2	1,517
Investment in joint venture	19	11	–
Retirement benefits surplus	29	–	84
Other non-current assets	21	671	724
		221,279	181,744
Current assets			
Inventories	20	5,732	8,106
Trade and other receivables	21	79,554	67,597
Derivative financial instruments	22	18	735
Cash and cash equivalents	21	12,336	15,581
		97,640	92,019
Total assets		318,919	273,763
Liabilities			
Current liabilities			
Obligations under finance leases	25	11	169
Trade and other payables	23	76,885	75,098
Derivative financial instruments	22	14	44
Income tax payable		1,786	2,104
Deferred consideration payable		12,587	2,051
Deferred income	26	5,927	4,320
Provisions	27	1,276	1,625
		98,486	85,411
Non-current liabilities			
Loans	24	55,000	30,000
Obligations under finance leases	25	17	576
Retirement benefits obligations	29	9,833	–
Deferred consideration payable		1,406	–
Provisions	27	1,273	1,156
Deferred tax liabilities	28	8,587	8,431
		76,116	40,163
Total liabilities		174,602	125,574
Net assets		144,317	148,189
Equity			
Capital and reserves			
Share capital	31	12,517	12,171
Other reserves		60,225	57,798
Retained earnings		71,575	77,941
Attributable to shareholders of the parent company		144,317	147,910
Non-controlling interests		–	279
Total equity		144,317	148,189

These financial statements were approved by the Board of Directors on 7 October 2014 and signed on its behalf by


Matt Armitage
 Chief Executive Officer


Brad Gray
 Chief Financial Officer

OUR FIGURES
CONSOLIDATED CASH FLOW STATEMENT

	Note	52 weeks to 1 August 2014 £'000	53 weeks to 2 August 2013 £'000
Operating activities			
Cash generated from operations	33	31,216	35,932
Interest paid		(1,598)	(1,056)
Income taxes paid		(3,711)	(3,557)
Net cash generated from operating activities		25,907	31,319
Investing activities			
Purchase of property, plant and equipment		(11,108)	(6,110)
Purchase of other intangibles		(566)	(420)
Proceeds on disposal of property, plant and equipment		1,236	326
Acquisition of subsidiaries, net of cash acquired	12	(35,214)	(22,204)
Disposal proceeds of subsidiaries, net of cash disposed	13	3,289	2,537
Investment in financial assets		(158)	(517)
Disposal of available for sale financial assets		–	596
Net cash used in investing activities		(42,521)	(25,792)
Financing activities			
Dividends paid	14	(8,170)	(7,170)
Purchase of treasury shares		(3,404)	–
(Decrease)/increase in finance lease obligations		(48)	676
Increase in bank loans		25,000	4,450
Net cash generated from/(used in) financing activities		13,378	(2,044)
Net (decrease)/increase in cash and cash equivalents		(3,236)	3,483
Cash and cash equivalents at beginning of the period		15,581	12,109
Effect of foreign exchange rate changes		(9)	(11)
Cash and cash equivalents at end of the period	33	12,336	15,581

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 on 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 19 (revised) Employee Benefits;

IAS 28 (revised) Investments in Associates and Joint Ventures;

IFRS 13 Fair Value Measurement;

IFRIC 21 Levies;

Amendments to IFRS 7 Financial instruments asset and liability offsetting; and

Annual Improvements 2011.

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;

IAS 16 (amendments)	Property, Plant and Equipment; this amendment is mandatory for accounting periods effective after 1 January 2016;
IAS 19 (amendments)	Employee Benefits; this amendment is mandatory for accounting periods after 1 July 2014;
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities; this amendment is mandatory for accounting periods effective after 1 January 2014;
IAS 36 (amendments)	Impairment of Assets; this amendment is mandatory for accounting periods effective after 1 January 2014;
IAS 27 (amendments)	Separate Financial Statements; this amendment is mandatory for accounting periods effective after 1 January 2016;
IFRS 9	Financial Instruments; this standard is mandatory for accounting periods effective after 1 January 2015;
IFRS 10 (amendments)	Consolidated Financial Statements; this amendment is mandatory for accounting periods effective after 1 January 2014;
IFRS 11 (amendments)	Joint Arrangements; this amendment is mandatory for accounting periods effective after 1 January 2016;
IFRS 12 (amendments)	Disclosure of Interest in Other Entities; this amendment is mandatory for accounting periods effective after 1 January 2014;
IFRS 15	Revenue from Contracts with Customers; this standard is mandatory for accounting periods effective after 1 January 2017; and
IFRIC 21	Levies; this interpretation is mandatory for accounting periods effective after 1 January 2014.

In addition, 'Annual Improvements 2010-2012 Cycle' includes amendments to a number of Standards and Interpretations including IAS 16, IAS 24, IAS 40, IAS 36, IFRS 2, IFRS 3, and IFRS 13. The effective date of all the amendments is for annual periods beginning on or after 1 July 2014.

The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB') 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. 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 on page 35.

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 page 59.

(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 or up to the effective date of disposal, as appropriate.

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

Income statement items are presented in the middle column under the heading 'non-underlying items' if they are significant in size and do not occur in the normal course of business, or if they comprise of restructuring costs, or if they comprise the operating results of a site arising after a formal decision on its closure has been taken where that site does not meet the definition of a discontinued operation under IFRS 5 Assets held for sale and discontinued operations (in which case the site and its activities are referred to as a 'non-continuing operation'), or if they comprise of setup costs of a subsidiary, or if they comprise of costs related to acquisitions, or if they comprise impairment or amortisation charges on acquired intangible assets, or if they comprise contingent consideration required to be treated as remuneration (note 6).

(c) Change in accounting policy

The Group has adopted the IAS 19 (revised) Employment Benefits standard as of 3 August 2013. The standard includes changes to accounting principles of defined benefits plans. The standard impacts the Group by amending disclosure requirements and replacing the expected return on net assets and interest expense for the pension liability with net interest expense calculated by multiplying the year end discount rate by the year end net pension surplus or deficit. The changes in the fair value of pension obligation will be recorded in the statement of other comprehensive income.

As required, the Group has applied IAS 19 (revised) standard retrospectively and in accordance with the transitional provisions as set out in IAS 19.173 (revised) and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Group has accordingly changed its accounting policy to conform to this guidance, and the comparatives have been restated (note 6).

(d) 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 the significant risks and rewards of ownership are transferred to the customer, normally on shipment of the product.

Revenue for services 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 or as proportion of costs incurred.

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.

(e) Intangible assets

Goodwill

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

Other intangible assets – computer software

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

Other intangible assets – customer relationships

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

(f) 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 Balance Sheet at deemed cost less any accumulated depreciation and impairment losses.

Costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the 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 $\frac{1}{3}$ %
Fixtures, fittings and equipment	10% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 25%

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**(g) 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 (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.

(h) 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 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.

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

(i) Inventories

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

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

(j) Tax

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

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

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

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

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

(k) 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.

(l) Foreign currencies

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

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

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

Such translation differences are recognised in the Consolidated Income Statement in the period in which the foreign operation is disposed of.

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

(m) Borrowing costs

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

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

(n) 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.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances are recognised in the 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 to 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 Financial Instruments. 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**(n) Financial instruments continued****Unsecured loan notes**

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity and the ineffective portion is recognised immediately in the 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 equity are included in the initial measurements of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the 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 transition occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the 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 designed 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.

(o) 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 defined benefits pension scheme full actuarial calculations are carried out every three years using the projected unit credit method and updates are performed for each financial 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.

(p) Share-based payments

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

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 as non-underlying item.

(q) 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.

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

(r) 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 issued at the average mid-market share price for the five days prior to completion, in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss 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.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other 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) Business Combinations 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 (revised) Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**(s) Joint ventures**

Joint ventures are jointly controlled entities in which the Group has an interest. The Group's share of the post-tax results of its joint ventures is included in the Consolidated Income Statement using the equity method of accounting. Where the Group transacts with a joint venture, profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Investments in joint ventures 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.

(t) Critical accounting judgements

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value in use an estimation of the future cash flows of cash-generating units and selecting appropriate discount rates is required to calculate present values, a process which involves estimation. The recoverability analysis indicates that the carrying amount of goodwill will be recovered in full. The situation will be monitored closely should future developments indicate that adjustments are appropriate. The carrying value of goodwill at the balance sheet date was £123.3 million (2013 – £90.1 million).

Impairment of acquired intangibles and plant and machinery

The Group considers the recoverability of acquired intangibles and plant and machinery which is included within the Consolidated Balance Sheet at £42.3 million and £17.8 million respectively. The key areas of judgement when assessing the recoverability of these assets are in relation to the forecast growth rates and discount rates to be applied to forecast cash flows.

Contingent consideration and consideration required to be treated as remuneration

Contingent consideration and consideration required to be treated as remuneration have been based on the fair value of the most likely outcome.

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 retirement benefits scheme is £9.8 million (2013 – net surplus of £0.1 million).

Allowances against amounts receivable

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

3. REVENUE

An analysis of the Group's revenue from continuing operations as defined by IAS 18 Revenue is as follows:

	2014 £'000	2013 £'000
Continuing operations		
Sale of goods	237,476	258,617
Rendering of services	93,208	64,062
Revenue from the sale of goods and rendering of services	330,684	322,679
Investment income (note 9)	13,054	11,395
Total revenue	343,738	334,074

4. SEGMENT REPORTING

The Group manages its business on a market segment basis. The nature of the market segments is described in the Chief Executive's Performance Review on pages 6 to 9. The Marketing Services segment comprises the Data Marketing, Digital Marketing, Consultancy Services and Field Marketing businesses. The Print Services segment comprises the Group's Exhibition and Events, Point-of-Sale, Print Management (formally known as Direct Response) and Books businesses.

During the current year the Group acquired a digital marketing business, Realise Holdings Limited, and a consultancy business, The Health Hive Group Limited. The acquired entities are recorded as Digital Marketing and Consultancy Services businesses respectively within the Marketing Services segment.

Intra-group sales are charged at arm's length prices. Corporate costs before non-underlying items are allocated to revenue-generating segments as this better reflects their profitability.

Business segments

52 weeks to 1 August 2014			
	Marketing Services £'000	Print Services £'000	Total £'000
Revenue			
External sales	93,208	234,379	327,587
Group sales	5,008	135	5,143
Eliminations	(135)	(5,008)	(5,143)
Underlying revenue	98,081	229,506	327,587
Non-underlying revenue (note 8)	–	3,097	3,097
Total revenue	98,081	232,603	330,684
Result			
Result before non-underlying items	11,646	19,341	30,987
Non-underlying items (note 8)	(16,304)	(1,191)	(17,495)
(Loss)/profit from operations	(4,658)	18,150	13,492
Investment income			13,054
Finance costs			(14,663)
Profit before tax			11,883
Income tax charge			(1,378)
Profit for the period			10,505
53 weeks to 2 August 2013 (Restated)			
	Marketing Services £'000	Print Services £'000	Total £'000
Revenue			
External sales	64,062	252,974	317,036
Group sales	2,174	352	2,526
Eliminations	(352)	(2,174)	(2,526)
Underlying revenue	65,884	251,152	317,036
Non-underlying revenue (note 8)	–	5,643	5,643
Total revenue	65,884	256,795	322,679
Result			
Result before non-underlying items	7,567	19,340	26,907
Non-underlying items (note 8)	(10,028)	(9,735)	(19,763)
(Loss)/profit from operations	(2,461)	9,605	7,144
Investment income			11,395
Finance costs			(13,083)
Profit before tax			5,456
Income tax charge			(1,092)
Profit for the period			4,364

4. SEGMENT REPORTING CONTINUED**Other information**

	52 weeks to 1 August 2014		
	Marketing Services £'000	Print Services £'000	Total £'000
Capital additions	2,862	7,677	10,539
Depreciation and amortisation	8,127	6,180	14,307
Impairments	1,234	824	2,058

	53 weeks to 2 August 2013		
	Marketing Services £'000	Print Services £'000	Total £'000
Capital additions	1,180	6,537	7,717
Depreciation and amortisation	7,369	6,262	13,631
Impairments	–	624	624

Balance sheet

	1 August 2014		
	Marketing Services £'000	Print Services £'000	Total £'000
Assets			
Segment assets	156,560	150,023	306,583
Unallocated corporate assets			12,338
Consolidated total assets			318,921

Liabilities			
Segment liabilities	40,881	58,515	99,396
Unallocated corporate liabilities			75,206
Consolidated total liabilities			174,602

	2 August 2013		
	Marketing Services £'000	Print Services £'000	Total £'000
Assets			
Segment assets	96,630	159,951	256,581
Unallocated corporate assets			17,182
Consolidated total assets			273,763

Liabilities			
Segment liabilities	21,976	63,063	85,039
Unallocated corporate liabilities			40,535
Consolidated total liabilities			125,574

Geographical segments

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

The largest customer of the Group accounted for £35.0 million (2013 – £28.6 million) of revenue in the current period.

Reconciliation of segment assets and liabilities

	1 August 2014 £'000	2 August 2013 £'000
Unallocated corporate assets comprise:		
Financial assets	2	1,517
Cash and cash equivalents	12,336	15,581
Retirement benefits surplus	–	84
Unallocated assets as per balance sheet	12,338	17,182
Unallocated corporate liabilities comprise:		
Deferred tax liabilities	8,587	8,431
Current tax payable	1,786	2,104
Loans and bank overdrafts (non-current)	55,000	30,000
Retirement benefits obligations	9,833	–
Unallocated liabilities as per balance sheet	75,206	40,535

5. PROFIT/(LOSS) FROM OPERATIONS

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

	2014 £'000	2013 £'000
Auditors' remuneration		
Audit fees:		
– Audit of the Company accounts	105	105
– Audit of the accounts of the Company's subsidiaries	235	191
Other assurance	26	45
Non-audit fees:		
Taxation services	30	–
Corporate finance services	5	–
	401	341
Staff costs (note 7)	111,292	105,413
Depreciation of property, plant and equipment (note 16)	7,428	7,482
Impairment of property, plant and equipment and intangibles (notes 16 and 17)	2,058	624
Amortisation of intangible assets (note 17)	6,879	6,149
Operating lease rentals		
– land and buildings	2,307	2,121
– plant and equipment	424	598
– other	1,297	1,898
Profit on disposal of a subsidiary	(1,345)	–
Profit on disposal of property, plant and equipment	(863)	(280)

6. CHANGE IN ACCOUNTING POLICY

The Group has adopted the IAS 19 (revised) Employee Benefits as of 3 August 2013. The standard includes changes to the accounting principles of defined benefits plans. The standard impacts the Group by amending disclosure requirements and replacing the expected return on net assets and interest expense for the pension liability with net interest expense calculated by multiplying the year end discount rate by the year end net pension surplus or deficit. The changes in fair value of pension obligation are recorded in the Consolidated Statement of Comprehensive Income.

As required, the Group has applied IAS 19 (revised) Employee Benefits retrospectively and in accordance with the transitional provisions as set out in IAS 19.173 (revised) and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The impact of the prior period adjustment on the previously reported Consolidated Income Statement is summarised as follows:

53 Weeks to 2 August 2013			
	Previously Reported £'000	Adjustments £'000	Restated £'000
Administrative expenses	(60,658)	(391)	(61,049)
Interest income	12,598	(1,203)	11,395
Finance cost	(13,073)	(10)	(13,083)
Income tax (charge)/credit	(1,467)	375	(1,092)
Attributable to:			
Shareholders of the parent company	5,675	(1,229)	4,446
Underlying basic earnings per share	16.93	(1.03)	15.90
Non-underlying items	(12.19)	–	(12.19)
Basic earnings per share	4.74	(1.03)	3.71
Underlying diluted earnings per share	16.41	(0.99)	15.42
Non-underlying items	(11.82)	–	(11.82)
Diluted earnings per share	4.59	(0.99)	3.60

The impact of the prior period restatement on the previously reported Consolidated Statement of Comprehensive Income is summarised as follows:

53 Weeks to 2 August 2013			
	Previously Reported £'000	Adjustments £'000	Restated £'000
Profit/(loss) for the period	5,593	(1,229)	4,364
Remeasurement of the retirement benefits obligations*	17,199	1,604	18,803
Tax charge on items taken directly to equity	(4,201)	(375)	(4,576)
Attributable to:			
Shareholders of the parent company	18,559	–	18,559

* Remeasurement of the retirement benefits obligations was previously referred to as actuarial gains.

The impact of the prior period adjustments on the previously reported Consolidated Statement of Changes in Equity is summarised as follows:

53 weeks to 2 August 2013			
	Previously Reported £'000	Adjustments £'000	Restated £'000
Retained earnings			
Profit/(loss) for the period	5,593	(1,229)	4,364
Other comprehensive income for the period	12,884	1,229	14,113

7. STAFF COSTS

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

	2014 Number	2013 Number
Production	1,829	1,888
Sales	625	665
Administration	489	478
	2,943	3,031

Their aggregate remuneration comprised:

	2014 £'000	2013 £'000
Wages and salaries	94,652	89,563
Social security costs	9,023	8,694
Other pension costs	3,190	2,237
	106,865	100,494
Share-based payments	4,427	4,919
	111,292	105,413

8. NON-UNDERLYING ITEMS

Non-underlying items disclosed on the face of the Consolidated Income Statement included in respect of continuing operations are as follows:

	2014 £'000	2013 £'000
Expense/(income)		
Restructuring items		
Redundancies and other charges	1,534	6,081
Impairment of property, plant and equipment	824	624
Costs associated with empty properties	738	833
Provision releases	(45)	(292)
Profit on disposal of property, plant and equipment	(840)	(271)
Net profit on disposal of a subsidiary	(883)	–
Operating losses from non-continuing sites	441	1,723
	1,769	8,698
Other		
Amortisation of acquired intangibles	6,125	5,314
Impairment of available for sale asset	–	1,581
Impairment of acquired intangibles	1,234	–
Costs associated with the acquisition of subsidiaries and other investments	947	641
Contingent consideration required to be treated as remuneration	7,569	3,489
Remaining other non-underlying (income)/expenses	(149)	40
	17,495	19,763
Income tax credit	(5,608)	(5,090)
	11,887	14,673

Restructuring items

Current period

Included within redundancies and other charges are amounts totalling of £1,088,000 relating to restructuring activities in the Head Office, Books, Point-of-Sale and Exhibition and Events businesses and are recorded within the Print Services segment. Redundancy and restructuring costs of £446,000 were recorded in the Consultancy Services and Digital Services businesses, part of the Marketing Services segment.

An impairment charge of £824,000 and £738,000 of empty property costs are recorded in respect of properties held by the Head Office. The costs in respect of these sites are recorded within the Print Services segment.

Profit on the disposal of fixed assets includes a £297,000 gain on the disposal of plant and machinery in the Point-of-Sale and Print Management businesses and a gain of £543,000 in respect of the sale of the building at the Edenbridge site. These gains are recorded in the Print Services segment.

Revenue of £3,097,000 and operating losses of £441,000 arose in respect of the Bradford site, within the Print Services segment.

8. NON-UNDERLYING ITEMS CONTINUED**Restructuring items continued****Prior period**

Included within redundancies and other charges are redundancies and other charges of £2,439,000 relating to the closure of the Leeds site. Also included are redundancies and other charges of £3,256,000 relating to restructuring activities in Head Office, Books, Point-of-Sale and Exhibition and Events businesses. The activities of the sites and businesses were recorded within the Print Services segment. Redundancy and restructuring costs of £386,000 were recorded in the Consultancy business, part of the Marketing Services segment.

An impairment charge of £624,000 was recognised in respect of a number of Direct Response's assets. A charge of £833,000 was recorded in relation to the maintenance of empty properties held by Head Office. The activities of the sites and businesses were recorded within the Print Services segment.

Profit on disposal of fixed assets included a £255,000 gain on disposal of plant and machinery within the Print Services segment and a gain of £16,000 in the Marketing Services segment.

Revenue of £5,643,000 and operating losses of £1,723,000 relate to the operating results arising after the decision to close the Leeds site, within the Print Services segment.

Other**Current period**

Amortisation of acquired intangibles relates to proprietary techniques and trademarks acquired with Realise and Hive, in the current period as well as to customer relationships, proprietary techniques and in-house developed software acquired with Data Marketing, Digital Marketing, Consultancy and Field Marketing businesses.

The impairment charge of £1,234,000 relates to customer relationship assets where there has been from a higher level of customer churn in the Data Marketing and Field Marketing businesses than anticipated at the date of acquisition. Costs associated with the acquisition of subsidiaries include £947,000 in respect of Realise and Hive. Contingent consideration payable to former owners of the acquisitions, who continue to be employed by the Group, of £7,569,000 is required to be treated as remuneration for post combination services. The above items are recorded within the Marketing Services segment.

Other non-underlying items include an additional consideration received from the disposal of the Group's USA business in December 2009. The above items are recorded within the Print Services segment.

Prior period

Amortisation of acquired intangibles relates to customer relationships and proprietary techniques acquired with previous acquisitions in prior periods. Costs associated with the acquisition of subsidiaries include £641,000 in respect of the Amaze and Branded3 acquisitions. Contingent consideration payable to former owners of the acquisitions, who continue to be employed by the Group, of £3,489,000 is required to be treated as remuneration for post combination services and is recorded in the Marketing Services segment.

Other non-underlying items include an additional consideration of £460,000 paid to the selling shareholders of Incite, £268,000 of costs in relation to the acquisition of tax losses of former Magazine Printing businesses and a credit of £735,000 in relation to the revaluation of the Group's option to purchase the remaining 10% of the equity in Tactical Solutions.

Tax

In the current period, the tax credit relates to the items discussed above and a credit of £3,189,000 in respect of the determination of the tax treatment of a prior period non-underlying item.

9. INVESTMENT INCOME

	2014 £'000	2013 (Restated) £'000
Interest on bank deposits	–	2
Expected return on defined benefit pension scheme assets (note 29)	13,054	11,115
Release of notional interest on contingent consideration payable	–	117
Notional interest on loan notes receivable	–	161
	13,054	11,395

10. FINANCE COSTS

	2014 £'000	2013 £'000
Interest on bank overdrafts and loans	1,664	1,089
Finance lease charges	2	39
	1,666	1,128
Interest costs on defined benefit pension scheme obligations (note 29)	12,997	11,955
	14,663	13,083

11. INCOME TAX CHARGE/(CREDIT)

Income tax on the profit as shown in the Consolidated Income Statement is as follows:

	2014 £'000	2013 (Restated) £'000
United Kingdom corporation tax charge/(credit) at 22.33% (2013 – 23.67%):		
Current period	6,938	4,701
Adjustments in respect of prior periods	(3,982)	(748)
Total current tax charge	2,956	3,953
Deferred tax on origination and reversal of temporary differences:		
United Kingdom deferred tax credit	(1,660)	(2,774)
Adjustments in respect of prior periods	82	(87)
Total deferred tax credit (note 28)	(1,578)	(2,861)
Total income tax charge	1,378	1,092

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

	2014 £'000	2013 £'000
Tax charge on profit before non-underlying items	6,986	6,182
Tax credit on non-underlying items	(5,608)	(5,090)
Total income tax charge	1,378	1,092

The charge can be reconciled to the profit before tax shown in the Consolidated Income Statement is as follows:

	2014 £'000	2013 (Restated) £'000
Profit before tax	11,883	5,456
Tax calculated at a rate of 22.33% (2013 – 23.67%)	2,653	1,291
Non-deductible charges on impairment of assets	147	478
Expenses not deductible for tax purposes	2,718	1,698
Non-taxable income	(422)	(174)
Effect of change in UK corporate tax rate	188	(1,366)
Adjustments in respect of prior periods	(3,899)	(835)
Utilisation of tax losses	(7)	–
Total income tax charge	1,378	1,092

Adjustments in respect of prior periods include a credit of £3,189,000 in respect of the determination of the tax treatment of a prior period non-underlying item.

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

	2014 £'000	2013 £'000
United Kingdom corporation tax credit at 22.33% (2013 – 23.67%)	(447)	(593)
Deferred tax on origination and reversal of temporary differences (note 28)	(1,932)	5,167
Total income tax (credit)/charge	(2,379)	4,574

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

	2014 £'000	2013 £'000
United Kingdom corporation tax credit at 22.33% (2013 – 23.67%)	799	–
Deferred tax on origination and reversal of temporary differences (note 28)	190	564
Total income tax credit	989	564

12. ACQUISITIONS**Realise**

On 2 March 2014, the Group acquired 100% of all the issued share capital of Realise Holdings Limited (Realise), a digital marketing business. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce.

Provisional purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Proprietary techniques	–	8,762	8,762
Trademarks	–	567	567
Property, plant and equipment	209	–	209
Trade and other receivables	3,231	–	3,231
Bank balances and cash	2,216	–	2,216
Trade and other payables	(3,161)	209	(2,952)
Provision for repairs	–	(10)	(10)
Deferred tax liabilities	(7)	(1,866)	(1,873)
Net assets acquired	2,488	7,662	10,150
Goodwill arising on acquisition			19,743
Total consideration			29,893

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

	£'000
Cash consideration payment in the current period	18,432
Fair value of 635,778 St Ives plc ordinary shares allocated from treasury shares as at 2 March 2014	1,246
Fair value of 1,032,247 St Ives plc ordinary shares issued as at 2 March 2014	2,022
Working capital payment in the current period	1,228
Working capital and future consideration payable in cash and shares	9,446
Less consideration treated as deemed remuneration	(2,481)
Total consideration	29,893

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

	£'000
Cash paid	19,660
Less cash acquired	(2,216)
Net cash outflow	17,444

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

Estimated deferred consideration is payable in two tranches which are dependent upon the level of EBITDA achieved by Realise and its subsidiaries for the year ended 30 September 2014 and the year ending 30 September 2015. The total consideration payable is capped at £40,000,000 excluding a working capital adjustment of £2,380,000.

It is not expected that any of the goodwill will be deductible for income tax purposes.

The post-acquisition impact of Realise on the Group's revenue and operating profit are as follows:

	2014 £'000
Revenue	5,674
Operating profit	1,594

Had Realise 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:

	2014 £'000
Revenue	6,738
Operating profit	2,042

Hive

On 1 May 2014, the Group acquired 100% of all the issued share capital of The Health Hive Group Limited (Hive), a consultancy business. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce.

Provisional purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Proprietary techniques	–	8,644	8,644
Trademarks	–	522	522
Property, plant and equipment	183	(21)	162
Trade and other receivables	6,577	–	6,577
Bank balances and cash	2,560	–	2,560
Trade and other payables	(4,351)	388	(3,963)
Provision for repairs	(21)	21	–
Deferred tax liabilities	–	(1,833)	(1,833)
Net assets acquired	4,948	7,721	12,669
Goodwill arising on acquisition			13,363
Total consideration			26,032

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

	£'000
Cash consideration payment in the current period	16,823
Fair value of 2,087,041 St Ives plc ordinary shares issued as at 1 May 2014	4,159
Working capital payment in the current period	1,826
Working capital and future consideration payable in cash and shares	6,384
Less consideration treated as deemed remuneration	(3,160)
Total consideration payable	26,032

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

	£'000
Cash paid	18,649
Less cash acquired	(2,560)
Net cash outflow	16,089

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

Estimated deferred consideration is payable in three tranches which are dependent upon the level of EBITDA achieved by Hive and its subsidiaries for the year ending 31 December 2014, the year ending 31 December 2015 and the year ending 31 December 2016. The total consideration payable is capped at £50,000,000 excluding a working capital adjustment of £4,216,000.

It is not expected that any of the goodwill will be deductible for income tax purposes.

The post-acquisition impact of Hive on the Group's revenue and operating profit are as follows:

	2014 £'000
Revenue	3,666
Operating profit	1,500

Had Hive 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:

	2014 £'000
Revenue	7,412
Operating profit	2,738

13. DISPOSAL

On 30 September 2013, the Group completed the disposal of St Ives Direct Bradford Limited, a Print Management business (formerly known as Direct Response business). The net assets of St Ives Direct Bradford Limited at the date of disposal were as follows:

	30 September 2013 £'000
Property, plant and equipment	4,585
Other intangible assets	5
Other non-current assets	58
Deferred tax assets	150
Inventories	1,082
Trade and other receivables	5,795
Cash and cash equivalents	265
Obligations under finance leases	(669)
Trade and other payables	(9,005)
Provisions	(57)
Net assets	2,209
Selling costs	221
Profit on disposal before tax	1,345
Total consideration received	3,775

The fair value of the consideration receivable for the disposal of St Ives Bradford Limited is comprised as follows:

	£'000
Initial consideration paid cash on 30 September 2013	3,000
Deferred consideration paid during the period	775
Total consideration received	3,775

On 1 July 2014, an administrator was appointed to manage Global MP Limited (formerly known as St Ives Direct Bradford Limited). Additional costs of £462,000 were recorded in respect of guarantees given by St Ives plc to certain suppliers of St Ives Direct Bradford Limited.

The disposal had the following impact on investing cashflows in the current period:

	£'000
Consideration received in cash and cash equivalents	3,775
Less:	
Cash and cash equivalents disposed of	(265)
Selling costs	(221)
Net cash inflow	3,289

The net profit on disposal is summarised as follows:

	£'000
Profit on disposal before tax	1,345
Additional costs in respect of guarantees	(462)
	883

Under the disposal agreement, additional consideration of £4,225,000 was due to be paid. However, given that an administrator has recently been appointed to manage Global MP Limited, the Directors do not believe that this deferred consideration will be received and, as a result, this additional payment has not been reflected in the financial statements.

14. DIVIDENDS

	Per share	2014 £'000	2013 £'000
Final dividend paid for the 52 weeks ended 27 July 2012	4.00p	–	4,792
Interim dividend paid for the 27 weeks ended 1 February 2013	2.00p	–	2,378
Final dividend paid for the 53 weeks ended 2 August 2013	4.50p	5,570	–
Interim dividend paid for the 26 weeks ended 31 January 2014	2.15p	2,600	–
Dividends paid during the period		8,170	7,170
Proposed final dividend at the period end of 5.00p per share (2013 – 4.50p per share)	5.00p	6,254	5,570

The proposed final dividend is subject to the approval by shareholders at the 2014 Annual General Meeting and has not been included as a liability in these financial statements.

15. EARNINGS PER SHARE

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

Number of shares

	2014 '000	2013 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	122,318	119,877
Effect of dilutive potential ordinary shares:		
Share options	4,088	3,745
Weighted average number of ordinary shares for the purposes of diluted earnings per share	126,406	123,622

Earnings per share

	2014		2013 (Restated)	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and basic earnings per share from continuing activities				
Underlying earnings and underlying earnings per share	22,389	18.30	19,062	15.90
Non-underlying items	(11,872)	(9.70)	(14,616)	(12.19)
Earnings and basic earnings per share	10,517	8.60	4,446	3.71
Earnings and diluted earnings per share from continuing activities				
Underlying earnings and underlying earnings per share	22,389	17.71	19,062	15.42
Non-underlying items	(11,872)	(9.39)	(14,616)	(11.82)
Earnings and diluted earnings per share	10,517	8.32	4,446	3.60

Underlying earnings is calculated by adding back non-underlying items, as adjusted for tax, to the profit for the period (see note 8).

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Freehold £'000	Land and buildings Long leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost or valuation:					
At 28 July 2012	40,052	7,835	109,654	9,949	167,490
Acquisitions	–	325	281	160	766
Additions	37	67	5,997	1,196	7,297
Disposals	–	(81)	(15,860)	(1,475)	(17,416)
Reclassification – non-current assets	458	–	(399)	–	59
At 2 August 2013	40,547	8,146	99,673	9,830	158,196
Acquisitions	–	118	117	120	355
Additions	1,559	33	7,288	1,093	9,973
Disposals	(989)	–	(27,281)	(2,744)	(31,014)
Reclassification – non-current assets	–	22	(35)	123	110
At 1 August 2014	41,117	8,319	79,762	8,422	137,620
Accumulated depreciation and impairment:					
At 28 July 2012	10,865	3,384	89,352	7,528	111,129
Charge for the period	742	532	5,480	728	7,482
Impairment losses	–	–	624	–	624
Disposals	–	(81)	(15,828)	(1,421)	(17,330)
Reclassification – non-current assets	53	–	6	–	59
At 2 August 2013	11,660	3,835	79,634	6,835	101,964
Charge for the period	779	588	5,274	787	7,428
Impairment losses	224	433	167	–	824
Disposals	(629)	–	(23,265)	(2,157)	(26,051)
Reclassification – non-current assets	–	(31)	168	(42)	95
At 1 August 2014	12,034	4,825	61,978	5,423	84,260
Net book value:					
At 1 August 2014	29,083	3,494	17,784	2,999	53,360
At 2 August 2013	28,887	4,311	20,039	2,995	56,232

Impairment losses of £750,000 are recorded against buildings located in Blackburn, Plymouth, Leeds and Birmingham. An impairment loss of £74,000 was recorded against assets held for the Print Management businesses. In the prior period, impairment losses of £624,000 were recorded against assets held within the Print Management business.

The Group has freehold land, included within property, plant and equipment, with a net book value of £4,432,000 (2013 – £4,432,000), which has not been depreciated. The amount of fully depreciated property, plant and equipment is £47,395,000 (2013 – £54,504,000).

Included within property, plant and equipment are items held under finance leases with a net book value of £27,000 (2013 – £368,000).

17. GOODWILL AND OTHER INTANGIBLE ASSETS

	£'000 (Restated)
Cost and carrying amount of goodwill	
At 28 July 2012	70,824
Acquisitions	19,324
At 2 August 2013	90,148
Acquisitions	33,106
At 1 August 2014	123,254

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
Hive	13,363
Incite	601
Pragma	218
Realise	19,743
Service Graphics	14,952
SP Group	31,322
Tactical Solutions	7,982
	123,254

SP Group and Service Graphics are reported within the Print Services segment. All other CGUs are reported within the Marketing Services segment. Data Marketing represents the Occam and Response One CGUs.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As Realise and Hive were acquired in the period, total consideration payable has been used as value-in-use.

The recoverable amount of the Realise and Hive CGUs were tested by reference to the market value at 1 August 2014. The recoverable amounts of the other CGUs are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs (and therefore profits and losses) during the forecast period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent medium-term business forecasts with a terminal value calculation. The key assumptions used in the value-in-use calculations and the sensitivities to the key revenue growth and pre-tax discount rate assumptions are detailed below.

	Amaze	Branded3	Data Marketing	Incite	Pragma	Service Graphics	SP Group	Tactical Solutions
Value-in-use assumptions:								
Pre-tax discount rate	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%
Terminal growth used in terminal value calculation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Average annual revenue growth used in five-year forecast calculation	9.6%	4.9%	2.6%	9.1%	5.3%	3.3%	2.5%	4.7%
Excess of value-in-use over carrying value (£'000)	9,267	28,221	16,032	18,924	7,403	8,379	80,955	4,295
Sensitivity of value-in-use to changes in key growth assumption:								
Decrease in annual revenue growth in five-year forecast calculation resulting in potential impairment	11.1%	24.7%	10.2%	25.1%	25.2%	2.8%	18.5%	0.7%
Increase to pre-tax discount rate resulting in potential impairment	4.6%	21.6%	5.4%	18.6%	19.6%	3.5%	15.3%	2.9%

17. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED**Other intangible assets**

	Computer software £'000	Customer relationships £'000	Proprietary techniques £'000	Trademarks £'000	Total £'000
Cost:					
At 28 July 2012	9,827	28,605	2,650	–	41,082
Acquisitions	–	4,784	2,666	–	7,450
Additions	420	–	–	–	420
Disposals	(199)	–	–	–	(199)
At 2 August 2013	10,048	33,389	5,316	–	48,753
Acquisitions	22	–	17,406	1,089	18,517
Additions	566	–	–	–	566
Reclassifications	(108)	–	–	–	(108)
Disposals	(757)	–	–	–	(757)
At 1 August 2014	9,771	33,389	22,722	1,089	66,971
Accumulated amortisation:					
At 28 July 2012	5,826	3,730	201	–	9,757
Charge for the period	1,518	4,280	351	–	6,149
Disposals	(192)	–	–	–	(192)
At 2 August 2013	7,152	8,010	552	–	15,714
Charge for the period	1,447	3,901	1,499	32	6,879
Impairment	–	1,234	–	–	1,234
Reclassifications	(93)	–	–	–	(93)
Disposals	(744)	–	–	–	(744)
At 1 August 2014	7,762	13,145	2,051	32	22,990
Net book value:					
At 1 August 2014	2,009	20,244	20,671	1,057	43,981
At 2 August 2013	2,896	25,379	4,764	–	33,039

18. AVAILABLE FOR SALE ASSETS

	2014 £'000	2013 £'000
Carried at fair value:		
Unlisted shares	2	1,517
Total non-current financial assets	2	1,517

The Group holds non-controlling interests of 15.8% in Easypress Group Ltd, 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.

19. INVESTMENT IN JOINT VENTURE

	Net assets of joint venture £'000
At 3 August 2013	
Additions	131
Share of results of joint venture	(120)
At 1 August 2014	11

The Group acquired a 50% interest in Loop LLC, incorporated in Chicago, USA. The principal activity of the Company is commerce consultancy, specialising in hybrid software integration.

20. INVENTORIES

	2014 £'000	2013 £'000
Raw materials	3,329	3,279
Work-in-progress	2,247	4,797
Finished products	156	30
	5,732	8,106

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

21. OTHER FINANCIAL ASSETS**Trade and other receivables**

	2014 £'000	2013 £'000
Amounts receivable for the sale of goods and services	66,360	53,611
Allowance for doubtful debts	(1,716)	(1,330)
Trade receivables	64,644	52,281
Other receivables	3,907	3,915
Prepayments and other assets	11,003	11,401
	79,554	67,597

In the prior period, trade and other receivables included an amount of £1,708,000 that was receivable in more than one year.

Other non-current assets

	2014 £'000	2013 £'000
Other receivables	671	724

Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and cash equivalents	12,336	15,581

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

22. FINANCIAL INSTRUMENTS**Financial assets**

	2014 £'000	2013 £'000
Contract designated as fair value through profit and loss	–	735
Forward foreign currency contracts	18	–
	18	735

Financial liabilities

	2014 £'000	2013 £'000
Forward foreign currency contracts	14	44

In the prior period, the contract designated as fair value through profit and loss related to an option to acquire the remaining 10% of equity in Tactical Solutions Limited. The option was exercised during the current year. All forward foreign currency contracts are designated and effective as hedging instruments.

23. TRADE AND OTHER PAYABLES

	2014 £'000	2013 £'000
Trade payables	39,256	38,010
Accruals for goods and services	15,639	14,443
Other taxes, social security and employee related liabilities	14,070	14,382
Other payables	7,920	8,263
	76,885	75,098

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

24. LOANS

	2014 £'000	2013 £'000
Bank loans	55,000	30,000

The borrowings are repayable as follows:

Between two and five years	55,000	30,000
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Bank loans

In March 2014, the Group negotiated an increase in its revolving multicurrency loan facility from £70 million to £90 million. Up to £15 million may be drawn as an overdraft facility. The multicurrency loan facility expires on 31 October 2015. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 2.0% and 2.5%, depending on the ratio of the Group's net debt to EBITDA excluding non-underlying items. Interest on overdraft drawdowns is charged at 2.0% over UK base rate.

As at 1 August 2014, the Group's outstanding loans, within this facility, were £55 million (2013 – £30 million). The undrawn portion of this facility at 1 August 2014 was £35 million (2013 – £40 million).

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

25. FINANCE LEASE OBLIGATIONS

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Amounts payable under finance leases:				
Within one year	12	11	239	169
Between two to five years	18	17	633	576
	30	28	872	745
Less finance charges				
Present value of lease obligations	(2)	–	(127)	–
	28	28	745	745
Current	11		169	
Non-current	17		576	
	28		745	

26. DEFERRED INCOME

	2014 £'000	2013 £'000
Advance billings and other deferred income	5,927	4,320

27. PROVISIONS

	Provision for repairs £'000	Provision for reorganisation £'000	Other £'000	Total £'000
Balance at 28 July 2012	1,283	1,255	–	2,538
Charged to the Consolidated Income Statement	506	1,066	–	1,572
Credited to the Consolidated Income Statement	–	(292)	–	(292)
Acquisition	191	–	–	191
Utilised during the period	(154)	(1,074)	–	(1,228)
Balance at 2 August 2013	1,826	955	–	2,781
Charged to the Consolidated Income Statement	183	582	100	865
Credited to the Consolidated Income Statement	(86)	(45)	–	(131)
Acquisition	10	–	–	10
Disposal	–	(57)	–	(57)
Utilised during the period	(45)	(874)	–	(919)
Balance at 1 August 2014	1,888	561	100	2,549
Current	615	561	100	1,276
Non-current	1,273	–	–	1,273
	1,888	561	100	2,549

Provision for repairs

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2014 and 2020.

Provision for reorganisation

The provision for reorganisation relates primarily to the remaining costs in respect of plant closures and relocation and comprises redundancy payments, plant relocation, onerous property and other costs, which are expected to be settled by the end of the 2015 financial period. The charge in the current period relates principally to the restructuring activities within the Direct Response business, all of which are included within the Print Services segment.

Other

The provision mainly relates to ongoing legal claims and costs in normal course of trading.

28. DEFERRED TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 20% (2013 – 20%).

The total movement in the deferred tax liability is as follows:

	2014 £'000	2013 £'000
At the beginning of the period	8,431	5,349
Acquisitions	3,706	1,340
Disposal	150	–
Credit to the Consolidated Income Statement (note 11)	(1,578)	(2,861)
Items taken to Other Comprehensive Income	(1,932)	5,167
Items taken directly to equity	(190)	(564)
At the end of the period	8,587	8,431

28. DEFERRED TAX CONTINUED

The individual movement in the deferred tax liabilities/(assets) is as follows:

	Accelerated tax depreciation £'000	Retirement benefits obligations £'000	Rolled over capital gains £'000	Short-term timing differences £'000	Derivative financial instruments £'000	Share options £'000	Acquired intangible assets £'000	Total £'000
Balance at 28 July 2012	4,100	(4,597)	92	(766)	15	–	6,505	5,349
Acquisitions	(150)	–	–	–	–	–	1,490	1,340
Reclassification	–	–	–	240	–	(240)	–	–
(Credit)/charge to the Consolidated Income Statement	(178)	(572)	(12)	(135)	–	(195)	(1,769)	(2,861)
Items taken directly to Other Comprehensive Income	–	5,169	–	–	(2)	–	–	5,167
Items taken directly to equity	–	–	–	–	–	(564)	–	(564)
Balance at 2 August 2013	3,772	–	80	(661)	13	(999)	6,226	8,431
Acquisitions	7	–	–	–	–	–	3,699	3,706
Disposal	24	–	–	126	–	–	–	150
Credit to the Consolidated Income Statement	14	(48)	–	(27)	–	(46)	(1,471)	(1,578)
Items taken directly to Other Comprehensive Income	–	(1,919)	–	–	(13)	–	–	(1,932)
Items taken directly to equity	–	–	–	–	–	(190)	–	(190)
Balance at 1 August 2014	3,817	(1,967)	80	(562)	–	(1,235)	8,454	8,587

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:

	2014 £'000	2013 £'000
Unrecognised deferred tax in respect of trading losses	421	251
Unrecognised deferred tax in respect of capital losses	768	779
	1,189	1,030

29. RETIREMENT BENEFITS**Defined contribution schemes**

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from the Group. 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 £2,460,000 (2013 – £949,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 1 August 2014, contributions of £508,000 (2013 – £183,000) due in respect of the 2014 reporting period had not been paid over to the schemes. The amounts were paid over subsequent to the balance sheet date, within the requisite time limits.

Defined benefits scheme – St Ives Group

The Group operates the St Ives defined benefits pension scheme with assets held in separate trustee administered funds. 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 benefits accrual with effect from 31 August 2008.

The defined benefits pension scheme is a registered scheme under UK legislation and is contracted out of State Second Pension. The defined benefits pension scheme has two current participating employers, St Ives plc and Clays Limited.

The defined benefits pension scheme was established from 30 September 1988 under trust and is governed by the defined benefits pension 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 in April 2013 by Jonathan Punter, Fellow of the Institute of Actuaries, of Punter Southall & Co Limited, ('the actuary') who is independent of the Group. This valuation was updated at 1 August 2014. 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:

	2014 per annum	2013 per annum
Discount rate	4.40%	4.75%
Expected rate of inflation	2.95%	3.10%
Expected rate of salary increases	Nil	Nil
Future pension increases	2.85%	2.95%

Assumed life expectancies for retirement at age of 65 are as follows:

	2014		2013	
	Male	Female	Male	Female
Members retiring immediately	21.6	23.4	21.6	23.3
Member retiring in 20 years time	23.0	24.9	23.0	24.8

The amount recognised in the Consolidated Balance Sheet in respect of the Group's defined benefits pension scheme (liabilities)/assets is as follows:

	2014 £'000	2013 £'000
Present value of funded obligations	(295,993)	(278,313)
Fair value of scheme assets	286,160	278,397
(Liabilities)/assets	(9,833)	84

Amounts recognised in the Consolidated Income Statement in respect of the defined benefits pension scheme are as follows:

	2014 £'000	2013 (Restated) £'000
Scheme administrative cost	547	591
Interest costs on defined benefits pension scheme obligations (note 10)	12,997	11,955
Expected return on defined benefits pension scheme assets (note 9)	(13,054)	(11,115)
	490	1,431

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the defined benefits pension scheme are as follows:

	2014 £'000	2013 (Restated) £'000
Net measurement – financial	12,174	1,431
Net measurement – demographic	–	(2,572)
Net measurement – experience	2,012	7,197
Return on assets, excluding interest income	(2,509)	(24,859)
	11,677	(18,803)

There have been no amendments, curtailments or significant settlements in the current or prior period.

29. RETIREMENT BENEFITS CONTINUED

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

	2014 £'000	2013 (Restated) £'000
Opening defined benefits obligation	278,313	270,909
Interest cost	12,997	11,955
Age-related rebates	–	2
Net measurement – (gains)/losses – financial	12,174	1,431
Net measurement – (gains)/losses – demographic	–	(2,572)
Net measurement – (gains)/losses – experience	2,012	7,197
Benefits paid	(9,503)	(10,609)
Closing defined benefits obligation	295,993	278,313

No additional liability is recognised in respect of the recovery plan as the Group have an unconditional right to refund of any surplus in the defined benefits pension scheme at end of the scheme duration.

Changes in the fair value of defined benefits pension assets are as follows:

	2014 £'000	2013 (Restated) £'000
Opening fair value of scheme assets	278,397	250,918
Interest income on scheme assets	13,054	11,115
Return on assets, excluding interest income	2,509	24,859
Contributions by employer	2,250	2,703
Age-related rebates	–	2
Benefits paid	(9,503)	(10,609)
Scheme administrative cost	(547)	(591)
Closing fair value of scheme assets	286,160	278,397

The fair value of the defined benefits pension assets at the balance sheet date is analysed as follows:

	Value at 1 August 2014 £'000	Value at 2 August 2013 £'000
Equity instruments	195,501	188,801
Bonds	88,681	88,466
Other	1,978	1,130
	286,160	278,397

The defined benefits pension assets include 32.7% of government bonds and 33.6% of quoted equity instruments.

The defined benefits pension 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 defined benefits pension scheme's investments include interest and inflation hedging.

The defined benefits pension scheme exposes the Group to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk. The defined benefits pension 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 if a deficit emerges. 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 in profit or loss 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 good hedge against inflation over the long-term, movements over the short-term could lead to a deficit emerging. 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 originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy.

A sensitivity analysis of the principal assumptions used to measure the defined benefits pension obligation as at 1 August 2014 is analysed as follows:

	Change in assumption	Impact on the defined benefits pension obligation
Discount rate	Increase by 0.5%	Decrease by 8%
Rate of Inflation (RPI)	Increase by 0.5%	Increase by 6%
Assumed life expectancy at age 65	Increase by 1 year	Increase by 3%

The defined benefits pension 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 defined benefits pension scheme's liability profile and the Trustees' and Group's attitude to risk.

The last scheme funding valuation of the Scheme was as at 6 April 2013 and revealed a funding deficit of £36,698,000. In the recovery plan dated 28 February 2014, the Company has agreed to pay £166,667 per month with the view to eliminating the shortfall by August 2019.

In accordance with the schedule of contributions dated 28 February 2014, the Company is expected to pay contributions of £2,400,000 over the next accounting period. This includes £2,000,000 for payments under the recovery plan dated 28 February 2014 and a £400,000 contribution towards the cost of running the Scheme.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme over the next 100 years. The average duration of the liabilities is approximately 20 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.

30. FINANCIAL RISK MANAGEMENT

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

Interest rate risk

The Group carries a cash flow risk where there are changes in the interest rate levied on the Group's borrowings as currently interest on the majority of 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 is set out below:

Financial assets subject to interest rate risk

	2014 £'000	2013 £'000
Sterling	10,517	14,592
US dollar	1,324	595
Euro	326	339
Singapore Dollar	169	54
Japanese Yen	–	1
	12,336	15,581

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

	2014 £'000	2013 £'000
Sterling bank loans	55,000	30,000

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 Consolidated Income Statement assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period.

	2014 £'000	2013 £'000
100% movement in Sterling LIBOR	308	153

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 to customers trading in continental Europe at prices denominated in Euros, to customers trading in the USA at prices denominated in US dollars, to customers trading in Japan at prices denominated in Japanese Yen and to customers trading in Singapore at prices denominated in Singapore Dollars.

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 exchange rate Sterling : foreign currency	Foreign currency '000	Contract value £'000	Fair value £'000
Sell US dollars (up to 12 months)	1.71	1,708	1,000	(14)
Sell Euros (up to 12 months)	1.24	2,359	1,871	18

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 1 August 2014, 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 £3,000. It is anticipated that the sales will be made in the 12 months following the balance sheet date.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the 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 up to a maximum aggregate claim in any one year of £8.3 million. In addition, its UK subsidiaries' sales are principally with a large number of counterparties and customers in the UK, and are denominated in Sterling.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

Included in the Group's trade receivables balance are debtors with a carrying amount of £10.9 million (2013 – £9.0 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

	2014 £'000	2013 £'000
Between 0 and 59 days	272	88
Between 60 and 89 days	33	–
Between 90 and 119 days	615	395
120 days and above	796	847
	1,716	1,330

Movement in the allowance for doubtful debts

	2014 £'000	2013 £'000
Balance at the beginning of the period	1,330	1,945
Impairment losses recognised	649	281
Amounts written-off as uncollectible	(123)	(48)
Impairment losses reversed	(140)	(848)
Balance at the end of the period	1,716	1,330

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.

30. FINANCIAL RISK MANAGEMENT CONTINUED**Ageing of past due but not impaired receivables**

	2014 £'000	2013 £'000
Between 0 and 59 days	9,201	7,390
Between 60 and 89 days	1,370	1,437
Between 90 and 119 days	309	149
	10,880	8,976

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 negotiated an increase in its three-year revolving multicurrency facility from £70.0 million to £90.0 million in the current period. The agreement includes an overdraft facility of £15.0 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 24.

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 24, 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.

31. SHARE CAPITAL

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
At 2 August 2013	121,703,429	12,171
Issued in the period	3,467,276	346
At 1 August 2014	125,170,705	12,517

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

32. ADDITIONAL PAID-IN CAPITAL

	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000
Balance at 28 July 2012	46,689	3,144	1,238	51,071
Issue of share capital	—	393	—	393
Transfer of contingent consideration deemed as remuneration	—	401	—	401
Balance at 2 August 2013	46,689	3,938	1,238	51,865
Issue of share capital	—	925	—	925
Transfer of contingent consideration deemed as remuneration	—	444	—	444
Balance at 1 August 2014	46,689	5,307	1,238	53,234

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of cash generated from operations

	2014 £'000	2013 (Restated) £'000
Profit from continuing operations	13,492	7,144
Adjustments for:		
Depreciation of property, plant and equipment	7,428	7,482
Share of losses from joint venture	120	–
Impairment losses	2,058	2,205
Amortisation of intangible assets	6,879	6,150
Profit on disposal of property, plant and equipment	(863)	(280)
Profit on disposal of a subsidiary	(1,345)	–
(Decrease)/increase in deferred income	(1,496)	2,075
Share-based payment charge	1,159	1,281
Settlement of share-based payments	344	(221)
Increase in derivatives	(4)	(616)
Decrease in defined benefits pension schemes	(1,703)	(2,112)
Increase in contingent consideration required to be treated as remuneration	4,885	1,844
(Decrease)/increase in provisions	(187)	53
Operating cash inflows before movements in working capital	30,767	25,005
Decrease/(increase) in inventories	1,292	(1,069)
(Increase)/decrease in receivables	(9,672)	21,279
Increase/(decrease) in payables	8,829	(9,283)
Cash generated from operations	31,216	35,932

Analysis of net debt

	2 August 2013 £'000	Cash flow £'000	Disposal £'000	Reclassify £'000	Foreign exchange gains and losses £'000	1 August 2014 £'000
Cash and cash equivalents	15,581	(3,236)	–	–	(9)	12,336
Finance lease obligations due less than one year	(169)	48	141	(31)	–	(11)
Finance lease obligations due more than one year	(576)	–	528	31	–	(17)
Bank loans	(30,000)	(25,000)	–	–	–	(55,000)
	(15,164)	(28,188)	669	–	(9)	(42,692)

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.

34. CAPITAL AND OTHER COMMITMENTS

	2014 £'000	2013 £'000
Capital expenditure contracted but not provided	–	250

At 1 August 2014, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2014 Land and buildings £'000	2014 Other £'000	2013 Land and buildings £'000	2013 Other £'000
Within one year	4,576	1,140	2,656	1,566
Between two and five years	8,757	1,532	8,028	1,408
After five years	2,268	–	3,727	–
	15,601	2,672	14,411	2,974

35. SHARE-BASED PAYMENTS

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

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

Executive Directors and certain members of senior management have been granted share options under the Company's discretionary share option scheme.

A reconciliation of the movement is shown below:

	Number of options		Weighted average exercise price	
	2014 '000	2013 '000	2014 £	2013 £
Outstanding at the beginning of the period	250	2,082	0.64	0.66
Exercised during the period	(150)	(1,832)	0.62	0.66
Outstanding at the end of the period	100	250	0.66	0.64
Exercisable at the end of the period	100	250	0.66	0.64

Long-term Incentive Plan 2010 (the 'LTIP')

Executive Directors and certain members of senior management have been granted nil-cost share options under the Company's LTIP. Details of the LTIP are included in the Directors' Remuneration Report.

	2014 £'000	2013 £'000
Number of options:		
Outstanding at the beginning of the period	4,852	3,245
Granted during the period	889	1,990
Lapsed during the period	(1,008)	(383)
Exercised during the period	(867)	–
Outstanding at the end of the period	3,866	4,852
Exercisable at the end of the period	59	–

The fair value of the options granted in the current period under the LTIP were measured using a Black-Scholes options pricing model.

The inputs to the model are:

	LTIP
Weighted average mid-market share price	£1.53
Weighted average exercise price	£Nil
Expected life	3 years
Expected volatility	30.00%
Risk free rate	2.00%
Dividend yield	5.00%
Weighted average fair value of the options	£1.78

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 42 of the Directors' Remuneration Report.

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

	Number of options		Weighted average exercise price	
	2014 '000	2013 '000	2014 £	2013 £
Outstanding at the beginning of the period	1,841	976	0.88	0.66
Granted during the period	–	999	–	1.09
Lapsed during the period	(283)	(128)	0.91	0.73
Exercised during the period	(83)	(6)	0.84	0.67
Outstanding at the end of the period	1,475	1,841	0.88	0.88
Exercisable at the end of the period	–	–	–	–

Share-based contingent consideration required to treated as remuneration

The Group recognised a share based charge of £4,195,000 (2013 – £3,639,000) relating to contingent consideration for the acquisition of Data Marketing, Digital Marketing and Consultancy Services businesses.

The Group recognised a total charge of £5,348,000 (2013 – £4,919,000) relating to equity-settled share-based payment transactions. The exercise price of options outstanding at 1 August 2014 ranges between £Nil and £1.53.

Deferred Bonus Scheme

On 4 November 2013, pursuant to the Directors and Senior Executives Deferred Bonus Scheme outlined on page 41 of the Directors' Remuneration Report, a portion of the net bonus payable to Matt Armitage and Patrick Martell in respect of the 2013 financial period was used to purchase 122,450 ordinary shares in the Company from the Group's Employee Benefit Trust ('EBT') on behalf of these Directors at 182.04 pence per share.

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 4 November 2013, shares in the Company were purchased from the Group's Employee Benefit Trust on behalf of Matt Armitage and Patrick Martell as outlined in note 35.

No other executive officers of the Company or their associates had material transactions with the Group during the period.

Remuneration of key management personnel

The remuneration of the Directors and other executives who are key management personnel of the Group is set out below in aggregate for each of the categories specified in International Accounting Standard 24 – Related Party Disclosures:

	2014 £'000	2013 £'000
Short-term employee benefits	1,741	1,967
Post-employment benefits	96	19
Termination benefits	30	3
Share-based payments	1,815	1,167
	3,682	3,155

37. LIST OF PRINCIPAL UNDERTAKINGS

The principal trading subsidiaries of the Company as at 1 August 2014 are shown below. All are wholly-owned subsidiaries. With the exception of any marked (†) which are owned directly, all are owned via wholly-owned intermediate holding companies.

	Nature of Business	Location	Place of incorporation
Amaze Communications Services Limited	Marketing Services	Manchester & other UK sites	England and Wales
Amaze Europe Limited	Marketing Services	Manchester & other UK sites	England and Wales
Amaze Limited (Formerly known as Amaze plc)	Marketing Services	Manchester & other UK sites	England and Wales
Branded3 Search Limited	Marketing Services	Leeds	England and Wales
Clays Limited	Print Services	Bungay	England and Wales
eBee Limited	Marketing Services	London	England and Wales
Flare Limited	Marketing Services	Flintshire	England and Wales
The Health Hive Limited	Marketing Services	London	England and Wales
Incite Marketing Planning Limited	Marketing Services	London	England and Wales
Incite Marketing Planning Singapore Pte. Ltd	Marketing Services	Singapore	Singapore
Incite New York LLC	Marketing Services	New York	United States of America
Occam DM Limited	Marketing Services	Chilcompton	England and Wales
Pollen Health Limited	Marketing Services	London	England and Wales
Pragma Consulting Limited	Marketing Services	London	England and Wales
Realise Limited	Marketing Services	Edinburgh & London	Scotland
Response One Limited	Marketing Services	Bath	England and Wales
Service Graphics Limited†	Print Services	London & other UK sites	England and Wales
SP Group Limited†	Print Services	Redditch	England and Wales
St Ives Burnley Limited	Print Services	Burnley	England and Wales
St Ives Management Services Limited	Print Services	London	England and Wales
Tactical Solutions UK Limited	Marketing Services	Flintshire	England and Wales

COMPANY BALANCE SHEET

	Note	1 August 2014 £'000	2 August 2013 £'000
Fixed assets			
Tangible assets	5	32,214	33,164
Investments	6	218,211	165,970
		250,425	199,134
Current assets			
Debtors – amounts due within one year	7	9,774	7,217
Debtors – amounts due after more than one year	7	884	240
		10,658	7,457
Creditors: amounts falling due within one year	8	(51,788)	(33,755)
Net current liabilities		(41,130)	(26,298)
Total assets less current liabilities		209,295	172,836
Creditors: amounts falling due after more than one year	8	(55,000)	(30,000)
Provision for liabilities	10	(788)	(226)
Net assets		153,507	142,610
Capital and reserves			
Share capital	11	12,517	12,171
Share premium account	11	46,689	46,689
Other reserves	12	13,584	11,154
Profit and loss account	13	80,717	72,596
Total equity		153,507	142,610

These financial statements were approved by the Board of Directors on 7 October 2014 and signed on its behalf by



Matt Armitage
Chief Executive Officer



Brad Gray
Chief Financial Officer

1. ACCOUNTING POLICIES

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

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 59.

(a) Accounting convention

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

(b) Accounting period

The financial statements are prepared for the 52 weeks ended 1 August 2014 ('the financial period'). Comparative figures are for the 53 weeks ended 2 August 2013.

(c) Tangible fixed assets

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

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

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

(d) Investments

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

(e) Tax

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

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

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

(f) Provision for repairs

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

(g) Foreign currencies

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

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

(h) Share-based payments

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

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 profit and loss account.

(i) Derivative financial instruments

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

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

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

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

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

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

(j) Pension costs

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

(k) Leases

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

(l) Cash flows

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

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 £13.6 million (2013 – £11.0 million).

3. AUDITORS' REMUNERATION

Fees paid to the auditors in respect of their audit of the Company were £105,000 (2013 – £105,000).

4. EMPLOYEE INFORMATION

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

	2014 Number	2013 Number
Sales	1	2
Administration	63	52
	64	54

Their aggregate remuneration comprised:

	2014 £'000	2013 £'000
Wages and salaries	4,765	4,317
Social security costs	460	336
Other pension costs	124	93
Share-based payments	4,427	4,919
	9,776	9,665

5. TANGIBLE FIXED ASSETS

	Land and buildings Freehold £'000	Land and buildings Long leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost or valuation:					
At 28 July 2012	39,441	6,765	3,515	2,522	52,243
Additions	37	55	53	277	422
Transfers from subsidiaries	399	–	–	–	399
At 2 August 2013	39,877	6,820	3,568	2,799	53,064
Additions	1,549	34	323	8	1,914
Disposals	(989)	–	(816)	(332)	(2,137)
Transfers from subsidiaries	–	–	40	–	40
Reclassification	–	–	20	(20)	–
At 1 August 2014	40,437	6,854	3,135	2,455	52,881
Accumulated depreciation and impairment:					
At 28 July 2012	11,059	3,360	2,769	1,127	18,315
Charge	705	206	239	435	1,585
At 2 August 2013	11,764	3,566	3,008	1,562	19,900
Charge	743	200	311	435	1,689
Impairment	225	433	167	–	825
Disposals	(630)	–	(816)	(332)	(1,778)
Transfers from subsidiaries	–	–	31	–	31
Reclassification	–	–	34	(34)	–
At 1 August 2014	12,102	4,199	2,735	1,631	20,667
Net book value:					
At 1 August 2014	28,335	2,655	400	824	32,214
At 2 August 2013	28,113	3,254	560	1,237	33,164

The Company has freehold land with a book value of £4,320,000 (2013 – £4,320,000) which has not been depreciated.

The net book value of the Company's land and buildings includes £180,000 (2013 – £186,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £68,000 (2013 – £72,000).

6. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries at cost £'000	Loans to subsidiaries £'000	Available for sale assets £'000	Total £'000
At 3 August 2013	129,250	35,204	1,516	165,970
Acquisitions	26,032	–	156	26,188
Transfer to subsidiaries	(56,297)	–	–	(56,297)
Loan advances	–	96,768	–	96,768
Loan repayments	–	(11,150)	–	(11,150)
Impairment	(360)	(1,308)	(1,541)	(3,209)
Foreign exchange revaluation	–	(59)	–	(59)
At 1 August 2014	98,625	119,455	131	218,211

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 37 of the Group financial statements. During the period, Occam DM Limited, Tactical Solutions UK Limited, Response One Holdings Limited, Pragma Holdings Limited and Incite Marketing Planning Limited were transferred to St Ives Marketing Services Limited at cost.

An impairment of £360,000 was made to St Ives Direct Limited following the disposal of its only trading subsidiary (St Ives Direct Bradford Limited). An impairment of £1,308,000 was made to the receivable from St Ives Direct Leeds Limited following a reduction in its net assets. An impairment of £1,541,000 was made in respect of investment in EasyPress Group Limited.

Available for sale assets represent the Company's investments in EasyPress Group Limited, WiForia Limited and Loop Integration LLC.

7. DEBTORS

	2014 £'000	2013 £'000
Within one year		
Amounts owed by Group undertakings	4,934	3,568
Other debtors	1,879	1,483
Corporation tax recoverable	1,656	–
Prepayments and accrued income	1,290	1,431
Derivative assets	15	735
	9,774	7,217
After more than one year		
Deferred tax	884	240
	884	240

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

	2014 £'000	2013 £'000
Capital allowances in excess of depreciation	(386)	(408)
Timing differences on share options	1,235	564
Other timing differences	35	84
	884	240

8. CREDITORS

	2014 £'000	2013 £'000
Amounts falling due within one year		
Amounts owing to Group undertakings	8,844	13,999
Bank loans and overdrafts (note 9)	27,507	10,340
Consideration payable on purchase of subsidiaries	4,683	–
Trade creditors	1,142	727
Derivative liabilities	–	29
Other creditors including tax and social security	5,150	5,502
Accruals and deferred income	4,462	3,158
	51,788	33,755
	2014 £'000	2013 £'000
Amounts falling due after more than one year		
Bank loans and overdrafts (note 9)	55,000	30,000
	55,000	30,000

9. BORROWINGS AND FINANCE OBLIGATIONS

	2014 £'000	2013 £'000
Amounts falling due within one year		
Bank overdrafts	27,507	10,340
	2014 £'000	2013 £'000
Amounts falling due after more than one year		
Bank loans	55,000	30,000

Bank overdrafts and loans

In April 2014, the Group negotiated an increase in its revolving multicurrency loan facility from £70 million to £90 million. 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 2.00% and 2.50% depending on the ratio of the Group's net debt to EBITDA excluding non-underlying items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

As at 1 August 2014, the Company's outstanding loans, within this facility, were £55 million (2013 – £30 million). The undrawn portion of this facility at 1 August 2014 was £35 million (2013 – £40 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 1 August 2014, the aggregate liability for the Company under this guarantee amounted to £93,097,000 (2013 – £53,577,000). The aggregate value of overdraft liabilities belonging to these subsidiaries which are guaranteed by the Company amounted to £10,590,000 (2013 – £13,237,000).

As at 1 August 2014, there was no loan or overdraft secured against the assets of the Company (2013 – £Nil). The Directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company has guaranteed amounts payable to certain suppliers of its trading subsidiaries. The maximum aggregate liability under these guarantees is £3,347,000 (2013 – £812,000).

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 3 August 2013	226	–	226
Charge to profit and loss account	–	582	582
Utilised	–	(20)	(20)
Balance at 1 August 2014	226	562	788

11. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 3 August 2013	121,703,429	12,171	46,689
Issue of share capital	3,467,276	346	–
At 1 August 2014	125,170,705	12,517	46,689

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

The following shares were issued as partial consideration in respect of acquisitions made during the current and prior period:

	Number of shares issued	Consideration received £'000
Branded3 Search Limited	347,988	710
Realise Holdings Limited	1,032,247	2,022
The Health Hive Group Limited	2,087,041	4,158
	3,467,276	6,890

Further details of these acquisitions are contained in note 12 to the consolidated financial statements.

12. OTHER RESERVES

	Merger reserve £'000	Capital redemption reserve £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging reserve £'000	Total £'000
Balance at 3 August 2013	3,938	1,238	(200)	(62)	6,269	(29)	11,154
Acquisitions	924	–	–	1,030	–	–	1,954
Transfer of share-based contingent consideration deemed as remuneration	444	–	–	396	(3,687)	–	(2,847)
Purchase of own shares	–	–	(235)	(3,169)	–	–	(3,404)
Recognition of share-based payments	–	–	424	1,642	4,427	–	6,493
Tax on share-based payments	–	–	–	–	190	–	190
Gains on cash flow hedges:							
Transferred to underlying hedged items	–	–	–	–	–	29	29
Arising on forward currency contracts	–	–	–	–	–	14	14
Balance at 1 August 2014	5,306	1,238	(11)	(163)	7,199	14	13,583

During the period, the Group's Employee Benefit Trust ('EBT') acquired 145,061 shares in the Company at the market value.

On 4 November 2013, pursuant to the Senior Executives and Directors Deferred Bonus Scheme outlined on page 51 of the Directors' Remuneration Report, a portion of the net bonus payable to Matt Armitage and Patrick Martell in respect of the 2013 financial period was used to purchase 122,450 ordinary shares in the Company from the EBT on behalf of these Directors at 182.04 pence per share. During the period 145,061 additional ordinary shares were purchased from the EBT to satisfy options exercised under the Group's share option schemes (note 35 of the consolidated financial statements).

As at 1 August 2014, the Company held a portfolio of treasury shares consisting of 78,647 ordinary shares.

13. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 3 August 2013	72,596
Net profit for the financial period	13,687
Dividends	(8,170)
Acquisitions	(1,059)
Transfer of share-based contingent consideration deemed as remuneration	3,688
Recognition of share-based payments	(823)
Tax on share-based payments	799
Balance at 1 August 2014	80,718

14. RETIREMENT BENEFITS

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

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

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

The defined benefits scheme was closed to new entrants with effect from 6 April 2002 and closed to future benefit accrual from 31 August 2008. There are no contributions to fund future defined benefit accrual after 31 August 2008. Regular contributions of £2,250,000 were made in the period and the Company expects to contribute £2,400,000 to the scheme in 2014.

The Group is required to account for the defined benefits scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures, included in note 29 of the notes to the Group financial statements, have been based on the results of the actuarial valuation of the defined benefits scheme as at 6 April 2013 adjusted to allow for the assumptions and actuarial methodology required by IAS 19 and updated to 1 August 2014 by the scheme's actuary. These disclosures show that the scheme's assets represented 96.7% of the scheme's liabilities (2013 – 100.0%).

15. CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Capital expenditure contracted but not provided	–	250

16. 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
The Health Hive Group Limited	07661730
Okana Systems Limited	03877530
Realise Holdings Limited	SC306420
Response One Holdings Limited	06724581
St Ives Blackburn Limited	01396772
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 year ended 2 August 2013

Record date for final dividend	29 November 2013
Annual General Meeting 2013	26 November 2013
Payment date for final dividend of 4.50 per ordinary share	20 December 2013

Financial year ended 1 August 2014

Half year end	31 January 2014
Announcement of Half year results	11 March 2014
Record date for interim dividend	11 April 2014
Payment date for interim dividend of 2.15p per ordinary share	14 May 2014
IMS for the 17 week period to 30 May 2014	18 June 2014
Financial year end	1 August 2014
Announcement of Full year results	7 October 2014
Earliest date for IMS	10 October 2014
Annual General Meeting	27 November 2014
Ex-dividend date	20 November 2014
Record date for proposed final dividend	21 November 2014
Annual General Meeting 2014	27 November 2014
Latest date for IMS	19 December 2014
Payment date for proposed final dividend of 5.00p per ordinary share	19 December 2014*

Financial year ending 31 July 2015

Half year end	30 January 2015
Announcement of Half year results	March 2015
Earliest date for IMS	10 April 2015
Latest date for IMS	19 June 2015
Financial year end	31 July 2015

* If approved by shareholders at the 2014 Annual General Meeting the proposed final dividend will be paid on 19 December 2014.

DIVIDEND REINVESTMENT PLAN (DRiP)

The Company offers a DRiP to enable shareholders to purchase additional St Ives shares with their whole cash dividend. These further shares would be bought in the market on behalf of shareholders under a special low-cost dealing arrangement. Full details of the DRiP can be found on the Company's website.

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;
- 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; and
- if calls persist, hang up.

CORPORATE INFORMATION

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

This year's Annual Report and Accounts, as well as copies of past years' Annual Reports and Accounts, Half year and Interim Management Statements and Shareholder circulars, are available to view and download from our 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

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 account.

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 10 pence per minute plus network extras). If calling from overseas, please telephone + 44 208 639 3399. Lines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday.

Alternatively, you can email your query to our registrars at ssd@capitaregistrars.com although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

OUR PRINCIPAL ADVISORS

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